

SEMLEP

South East Midlands
Local Enterprise Partnership



SEMLEP EU 2014-20 Programme

European Strategy & Investment Framework

January 2014 (31.1.14)

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Foreword

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

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

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

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

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

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

Ann G Limb OBE DL

Chair,

South East Midlands Local Enterprise Partnership (SEMLEP)

Daniel Charles Mouawad

Chief Executive, SEMLEP

Note to readers-This version of the strategy has been significantly revised since the October 2013 submission. Those revisions, in direct response to the questions asked by government are highlighted by italics. In addition a log is attached of the questions and our responses.

1 The Vision and investment priorities of the South East Midlands

1.1 Vision

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

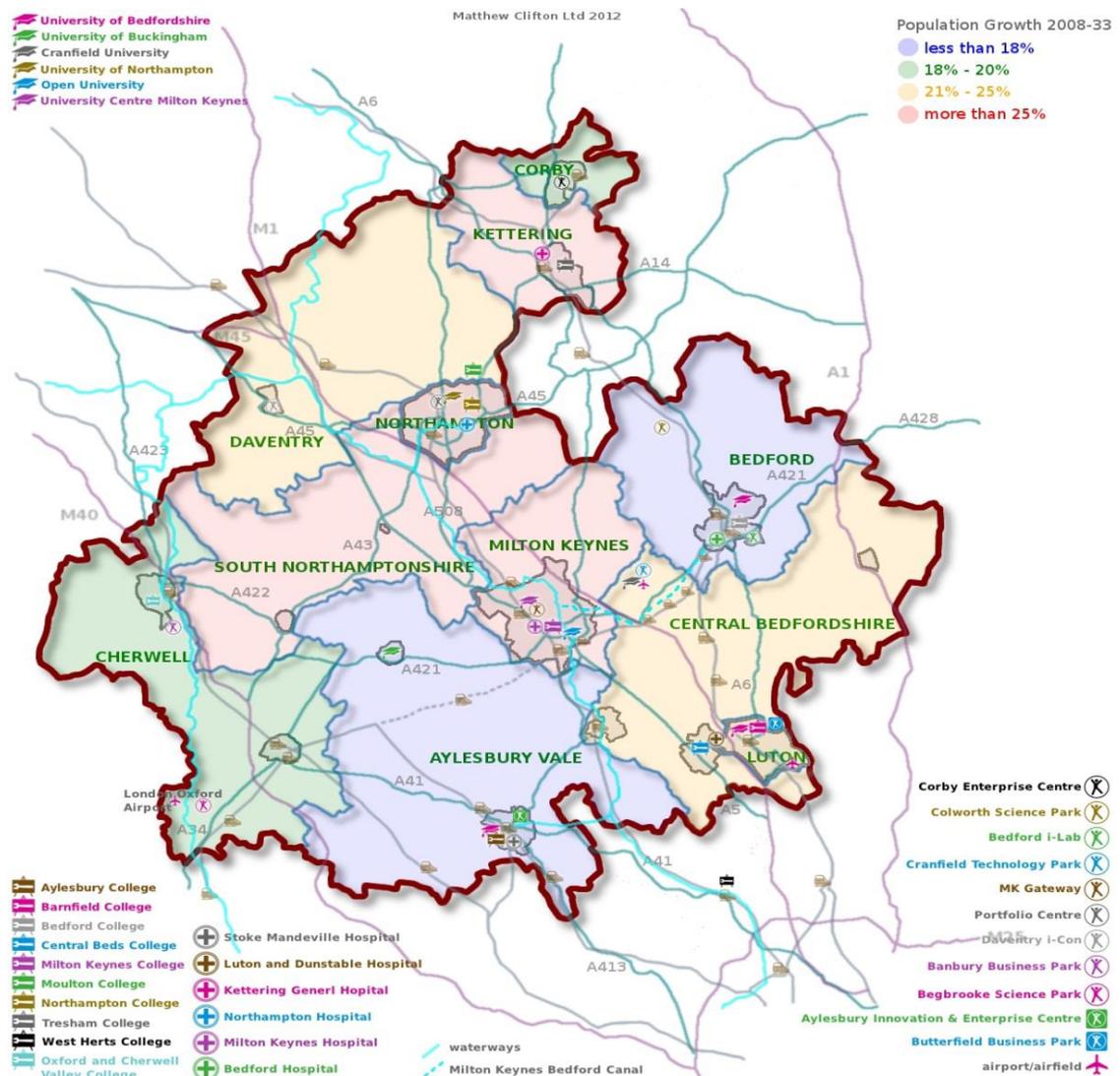
The overall vision for the SEMLEP EU 2014-20 Programme is based on that of the LEP's emerging Strategic Economic Plan 'In Pursuit of Growth' vision and strategic priorities.

Vision

The South East Midlands aspires to be amongst the most innovative, successful and high performing economies in England by 2020

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

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



The ESI Funds will contribute to achieving the emerging SEP vision by, amongst other things:

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

1.2 SEMLEP EU 2014-20 Programme Investment Priorities

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

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

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

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

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

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

1.3 Principles of our ESIF Investment Strategy

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

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

- *accelerated delivery*: for example, investment in strategic employment sites and commercial land allocations across the SEMLEP, which in turn could have implications for housing, transport investment and skills intervention;
- *greater efficiency of public funds*: e.g. by pooling our LGF, ESI Fund investment, public and private sector, third sector contributions, etc. in order to accelerate spend and deliver greater impact, including targeted investment within our assisted areas;
- *strategic integration*: spatial priorities for investment to be aligned with existing and pipeline 'growth zones' for example, employment sites, housing, investment in transport infrastructure;
- *equalities*: *ensuring that the activities and subsequent results of the programme will take into account the gender balance of the SEMLEP area together with the needs of priority groups, including black and minority ethnic communities and people with disabilities. Partners in SEMLEP, particularly from the private sector, have a wide range of experience in dealing with sustainability and equality issues in the context of EU funding. A call-list of advisers with particular expertise will be available to support project development;*
- *sustainability*: *the activities of the programme will be designed to minimise adverse environmental and resource impacts. This also links into the strategic focus on energy efficiency and developing a low carbon economy for the SEMLEP area.*

1.4 Alignment between ESIF and SEP

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

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

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

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

2 Shaping the SEMLEP ESI Fund Strategy

2.1 Overview

Over the period 2014 to 2020, the South East Midlands Local Enterprise Partnership (SEMLEP) area is set to receive support under the more developed region strand of the European Structural and Investment (ESI) Funds. **The SEMLEP area has a notional allocation of European funding of approximately £80m from the new EU 2014-20 programme.**

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

| | |
|--------------|-----------------|
| ERDF | £37.8m |
| ESF | £37.8m |
| EAFRD | £4.279m |
| TOTAL | £79.879m |

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

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

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

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

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

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

- *a SWOT workshop with members of the SEMLEP EU sub-group held on 22nd July, 2013 in Bedford;*
- *a joint SEMLEP and Buckinghamshire Thames Valley LEP EU stakeholder consultation event held in Aylesbury on 13th August, 2013;*
- *skills and business forums held in Cranfield and Luton respectively on 12th September 2013;*
- *on-going consultation with key stakeholder organisations within the SEMLEP.*

SEMLEP also hosted three events in January 2014:

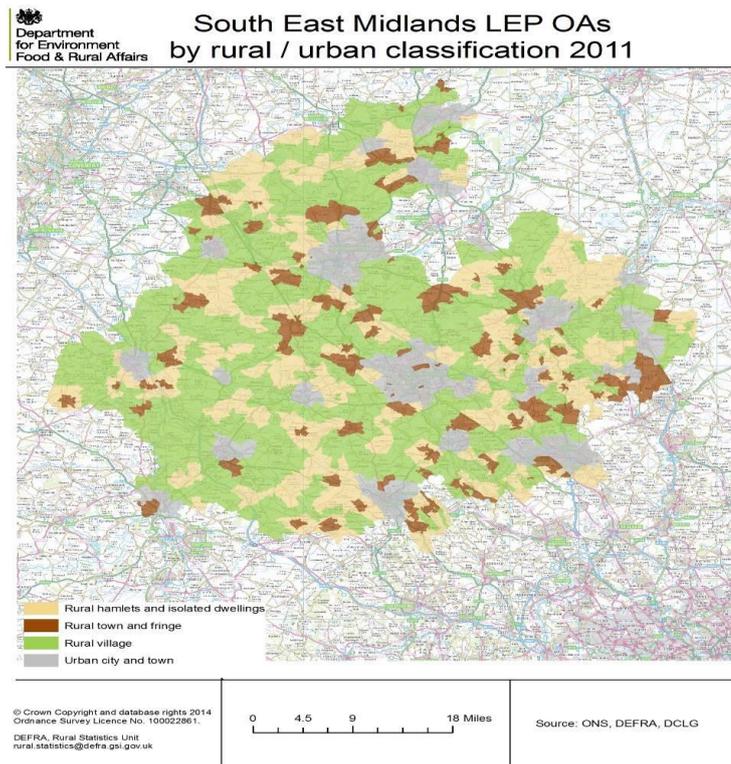
- *Kettering: on January 22nd 2014 at the Kettering Conference Centre, Thurston*
- *Aylesbury on 23rd January 2014 at The Gateway Office & Conference Centre*
- *Bedford on 27th January 2014 at the Corn Exchange, St Paul's Square*

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

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

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

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



2.3 The Strategy has been informed by robust evidence base

The SEMLEP EU 2014-2020 ESI Fund Strategy sets out a clear plan for growth and investment that aims to maximise both UK and EU funding opportunities and is underpinned by robust evidence. The Strategy has been developed through a desk research of published data (including, SEMLEP reports, LEP Network economies research¹, local authority economic assessments and national data sources, including ONS, ABI, UK Competitiveness Index).

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

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

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

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

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

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

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

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

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

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

- £2.5m for Greensand Ridge;
- £2.5m Aylesbury Vale and Rural Milton Keynes Chilterns;

¹ LEP Network (2012) Creating Successful Local Economies: A review of LEP Area Economies in 2012

- £1.5m North Northamptonshire.

*Through the development and delivery of these programmes partners across the SEMLEP have also been **successful in securing match funding** from a range of local and national funding organisations and private and third sector organisations.*

Our Strategy has been designed to build on this extensive track record whilst our investment priorities and programme activities have been informed by existing good practice and our on-going review and monitoring of existing provision across the South East Midlands.

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

The SEMLEP EU 2014-20 European Structural Investment (ESI) Fund strategy has been designed to address the policy priorities of the EU's growth strategy (Europe 2020) in that growth should be: **smart**, through more effective investments in education, research and innovation; **sustainable**, through a move towards a low-carbon economy; and **inclusive**, with a strong emphasis on job creation, poverty reduction and tackling barriers to the labour market by enabling those furthest from the labour market to access tailored support.

The Common Strategic Framework (CSF)² seeks to improve coordination and secure the more targeted use of the EU's structural funds. It is expected to improve coordination by focusing the national and regional authorities' activities on a limited set of common objectives. The CSF has a number of objectives to which Structural Investment Funds will contribute: Research & Development and Innovation (Thematic Objective 1 - TO1); ICT (TO2); SME competitiveness (TO3); Low carbon (TO4); Climate change adaptation (TO5); Environmental protection (TO6); Sustainable transport (TO7); Employment (TO8); Social inclusion (TO9); and Skills (TO10).

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

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

2.6 Embedded within national policy

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

- **'Plan for Growth'** (HM Treasury, 2011) and the **Strategy for Sustainable Growth** (BIS, 2010) which set out long-term plans for sustainable and balanced growth. This will be achieved by unlocking the growth potential of businesses through targeted business support that will make the South East Midlands a great place for enterprises to start-up and grow.
- **Skills for Sustainable Growth** (2010) which sets out the ambition to have a world-class skills base to stimulate private sector growth that will bring new jobs and provide a consistent source of competitive advantage. Our ESI Fund Strategy aims to unlock the potential of the existing and future workforce of the economy through a demand-driven approach to providing skills and labour market development support.

² See <http://www.eesc.europa.eu/?i=portal.en.events-and-activities-common-strategic-framework> for further information.

- *In developing our evidence base we have taken into account the government's **Industrial Strategy** which identifies a number of key sectors on which it will focus to encourage business competitiveness. This to a large extent mirrors the sectors that we have identified as key drivers for delivering economic growth across the South East Midlands (for example, aerospace, automotive and life sciences); knowledge-intensive traded services, particularly professional/business services, the information economy and traded aspects of higher and further education; and enabling industries such as energy and construction.*
- ***The Witty Review** of how universities can play a role in supporting growth is also significant. We recognise the critical role that South East Midlands Universities (SEMU) play in supporting growth across the local economy, in particular around encouraging innovation, research & development and commercialisation and partnerships with businesses.*
- ***Lord Young's Review of micro, small and medium sized enterprises** identifies barriers to business start-up and growth. It identifies gaps in current provision and provides guidance on new approaches to entrepreneurship including the use of technology. We have taken into account the key findings from the review in gathering evidence via our business survey of over 1,700 local businesses and in informing the design of the South East Midlands Growth Hub 'Velocity', which aims to simplify business support and provide advice on access to finance. The Growth Hub, which has secured £1,031,000 from the Government's Regional Growth Fund in December 2013, will be a single point of contact and support for the 141,000 companies based in SEMLEP's economic area when it goes live in early 2014.*
- ***Government National Priorities** have been taken into consideration as part of the DWP comments on the Strategy which takes into consideration wage incentives and experience, sector based work academies and apprenticeships.*

2.7 Designed with a clear intervention logic

As shown in Table 2.1 overleaf the South East Midlands ESI Fund Strategy and Investment Framework are built on a clear intervention logic.

Table 2.1 South East Midlands ESI Fund Strategy intervention logic

| PRIORITY | RATIONALE | MEETING NATIONAL AND EU POLICY PRIORITIES | INPUTS | ACTIVITIES | WHAT OUR ESI FUNDS WILL ACHIEVE |
|--|--|--|--|---|---|
| <p>1. Strengthening and exploiting SEMLEP's innovation and knowledge assets</p> | <p>Great assets and geographic position – but needs to do more to connect with business community and enable adoption of new energy efficient technologies</p> <p>Evidence of low levels of innovation across many sectors</p> <p>Area lags behind national levels of performance and in terms of patents</p> <p>Low number of SME and HEI linkages therefore knowledge transfer and competitive advantage of support to innovate in introducing new goods and services is limited</p> | <p>EU:</p> <ul style="list-style-type: none"> ■ Europe 2020 ■ Innovation Union ■ Entrepreneurship 2020 ■ EU International Strategy for Research & Innovation ■ Digital Agenda for Europe <p>National:</p> <ul style="list-style-type: none"> ■ Innovation & Research Strategy for Growth ■ Supporting Small Business Charter ■ Industrial Strategy & sector strategies ■ TSB Strategy ■ BDUK Strategy ■ Witty Review priorities | <p>ERDF (£9.5m) EAFRD (£642k)</p> <p>Private sector</p> <p>National public match (e.g. TSB)</p> <p>Local public match (e.g. HE sector)</p> | <p>SEMLEP Growth & Innovation Programme</p> <p>Digital Technology Exploitation & Demand Stimulation Programme</p> <p>Low Carbon Technology & Innovation Support Programme</p> | <p>ERDF will deliver the following outputs across Priorities 1 to 4:</p> <ul style="list-style-type: none"> ■ 4,979 enterprises supported ■ 918 new enterprises supported ■ 2,981 jobs created ■ 434 enterprises involved in co-operative research with research institutions ■ 386 enterprises with new products/markets ■ 190 enterprises using ICT more effectively <p>EAFRD will deliver the following outputs</p> <ul style="list-style-type: none"> ■ 158 people trained ■ 192 jobs created <p>ERDF and EAFRD investment will also deliver a range of additional benefits including:</p> |

| PRIORITY | RATIONALE | MEETING NATIONAL AND EU POLICY PRIORITIES | INPUTS | ACTIVITIES | WHAT OUR ESI FUNDS WILL ACHIEVE |
|---|---|--|--|--|--|
| <p>2. Stimulating enterprise and enhancing the competitiveness of SMEs in target sectors and markets</p> | <p>Strong growth & survival rates, but uneven across SEMLEP</p> <p>Lack of affordable finance and business equity</p> <p>Variable GVA growth/ productivity/inward investment</p> <p>SMEs failing to overcome barriers relating to leadership and management skills and entrance to new markets</p> <p>Real need for business support and training amongst rural micro businesses and farm diversification businesses. Also an opportunity to support the training of traditional land skills through local educators.</p> | <p>EU:</p> <ul style="list-style-type: none"> ■ Europe 2020 ■ Entrepreneurship 2020 ■ Digital Agenda for Europe <p>National:</p> <ul style="list-style-type: none"> ■ Industrial Strategy ■ GREAT campaign ■ Emerging Small Business Strategy ■ Business Support Integration Programme ■ Export agenda | <p>ERDF (£16.825) ESF (£1.460) EAFRD (£1.712m)</p> <p>MAS opt-in</p> <p>UKTI opt-in</p> <p>Growth Accelerator Opt-in</p> <p>Private sector match</p> <p>Local public match</p> | <p>South East Midlands Growth Hub 'VeloCITY'</p> <p>SEMLEP Entrepreneurship Programme</p> <p>SEMLEP Finance for Business Programme</p> | <ul style="list-style-type: none"> ■ Business innovating to bring new products to market ■ SME jobs created ■ Increase in business start-ups ■ Promoting a greener low-carbon rural economy ■ Maintaining the high growth potential of rural areas ■ Strengthen the rural visitor economy ■ Promote the greening of rural business by providing advice for reduced energy use |

| PRIORITY | RATIONALE | MEETING NATIONAL AND EU POLICY PRIORITIES | INPUTS | ACTIVITIES | WHAT OUR ESI FUNDS WILL ACHIEVE |
|--|--|---|--|---|---------------------------------|
| <p>3. Developing a low carbon economy</p> | <p>Growing high value renewable sector and local expertise.</p> <p>Expand business base in low carbon industry</p> <p>Lack of investment in resource efficiency harming competitiveness and economic growth.</p> <p>Increase energy efficiency in existing housing stock and SEMLEP businesses</p> <p>Increase deployment of green technologies by SEMLEP businesses (this could meet a range of EAFRD priorities, including knowledge transfer, skills)</p> | <p>EU:</p> <ul style="list-style-type: none"> ■ Europe 2020 ■ Resource Efficient Europe agenda <p>National:</p> <ul style="list-style-type: none"> ■ Industrial Strategy ■ Energy Efficiency Strategy | <p>ERDF (£6.25m) EAFRD (£32.1k)</p> <p>European Investment Bank</p> <p>Private sector</p> <p>Local public sector match</p> | <p>Low Carbon Resource & Energy Efficiency Programme</p> <p>Social Housing Retrofit Programme (to improve energy efficiency, generate jobs and incentivise energy efficiency measures).</p> | |

| PRIORITY | RATIONALE | MEETING NATIONAL AND EU POLICY PRIORITIES | INPUTS | ACTIVITIES | WHAT OUR ESI FUNDS WILL ACHIEVE |
|--|---|---|--|--|---------------------------------|
| <p>4. Infrastructure for Growth</p> | <p>Need to address both access to, take up of and service provision of broadband via investment in digital and ICT business support.</p> <p>A further and critical challenge facing the area is to provide the right sites in the right locations supported by appropriate infrastructure (critical to meeting employment growth projections).</p> <p>Opportunity to focus on collaborative promotion of the SEMLEP rural area to promote green tourism but some clarification will be needed to ensure this type of initiative is eligible</p> | <p>EU:</p> <ul style="list-style-type: none"> ■ EU 2020 Biodiversity Strategy ■ Green Infrastructure - Enhancing ■ Europe's Natural Capital ■ Digital Agenda for Europe <p>National:</p> <ul style="list-style-type: none"> ■ BDUK Strategy ■ National Infrastructure Plan ■ National Planning Policy Framework ■ Heat Strategy ■ Energy Efficiency Strategy | <p>ERDF (£5.225m) EAFRD (£1,283m)</p> <p>Private sector</p> <p>Local public sector</p> | <p>Buildings for Growth Programme</p> <p>Enhancing local infrastructure & Environments</p> | |

| PRIORITY | RATIONALE | MEETING NATIONAL AND EU POLICY PRIORITIES | INPUTS | ACTIVITIES | WHAT OUR ESI FUNDS WILL ACHIEVE |
|---|--|--|--|--|---|
| <p>5. Developing a skilled and adaptable workforce</p> | <p>Develop high-level and mid-tier technical skills to fulfil future need, as well as to raise the skill levels of those currently low-skilled</p> <p>Address wide variances in employment in knowledge intensive industries and its occupational profile.</p> <p>SEMLEP's priority sectors are also facing challenges, including shortages and gaps.</p> | <p>EU:</p> <ul style="list-style-type: none"> ■ Europe 2020 ■ Youth on the Move ■ Agenda for new skills and jobs ■ Youth Employment Initiative <p>National:</p> <ul style="list-style-type: none"> ■ Youth Contract ■ National Apprenticeships ■ Enterprise Strategy ■ Rigour & Responsiveness ■ Skills for Sustainable Growth ■ Welfare reform agenda ■ Work Programme ■ Reducing NEETs through 'Building ■ Digital Inclusion ■ Work Programme ■ National Strategy for Social Justice ■ Engagement, Building Futures' | <p>ESF (£26.34m) EAFRD (£32.1k)</p> <p>SFA opt-in</p> <p>DWP opt-in</p> <p>Private sector contributions</p> <p>Local public sector</p> | <p>High Level Skills for Key Sectors Programme</p> <p>Basic Skills and Employment Programme</p> | <p>ESF will deliver the following outputs across our investment programme:</p> <ul style="list-style-type: none"> ■ 37,076 participants ■ 12,976 unemployed ■ 5,561 inactive ■ 11,123 employed ■ 7,416 aged 15-24 <p>ESF will also deliver a range of results and wider benefits including:</p> <ul style="list-style-type: none"> ■ No. in jobs ■ No. in active job search ■ No. in education/training ■ No. gaining qualifications ■ Retaining young people in the local economy ■ Support rural training provided by colleges to meet rural skills needs ■ Expand the use of apprenticeships and study programmes |
| <p>6. Tackling social and economic exclusion</p> | <p>Significant variations in prosperity across the LEP area.</p> <p>Disparities in annual average earnings, the claimant unemployment rate, the extent of deprivation, challenges facing rural areas, GVA performance, educational attainment and skills performance.</p> <p>Deprivation also persists in certain areas across the SEMLEP and there are pockets of very high levels of youth unemployment.</p> | <p>EU:</p> <ul style="list-style-type: none"> ■ Europe 2020 ■ Youth on the Move ■ Agenda for new skills and jobs ■ Youth Employment Initiative <p>National:</p> <ul style="list-style-type: none"> ■ Youth Contract ■ National Apprenticeships ■ Enterprise Strategy ■ Rigour & Responsiveness ■ Skills for Sustainable Growth ■ Welfare reform agenda ■ Work Programme ■ Reducing NEETs through 'Building ■ Digital Inclusion ■ Work Programme ■ National Strategy for Social Justice ■ Engagement, Building Futures' | <p>ESF Fund (£10m)</p> <p>Civic Society</p> <p>Local public sector</p> <p>SFA opt-in</p> <p>DWP opt-in</p> <p>Big Lottery opt-in</p> | <p>SEMLEP Social Inclusion Programme</p> <p>Community Led Local Economic Development Programme</p> | <p>ESF will deliver the following outputs across our investment programme:</p> <ul style="list-style-type: none"> ■ 37,076 participants ■ 12,976 unemployed ■ 5,561 inactive ■ 11,123 employed ■ 7,416 aged 15-24 <p>ESF will also deliver a range of results and wider benefits including:</p> <ul style="list-style-type: none"> ■ No. in jobs ■ No. in active job search ■ No. in education/training ■ No. gaining qualifications ■ Retaining young people in the local economy ■ Support rural training provided by colleges to meet rural skills needs ■ Expand the use of apprenticeships and study programmes |

2.8 Structure of the Strategy

The remainder of this Strategy document is structured as follows:

- Section 3 sets out the highlights of the underpinning evidence base for the SEMLEP EU 2014-20 Programme Strategy, assessing the rationale and focus for intervention, including market failures, the drivers and potential barriers to growth and jobs in the area. The full evidence base is presented in Annex 2.
- Section 4 describes the strategic priorities, programme activities and cross-cutting themes of the Strategy;
- Section 5 - sets out the financial allocations, including details about match funding, the split between thematic objectives and proposed use of technical assistance. This section also presents the forecast outputs, results and value for money;
- Section 6 – sets out how the SEMLEP ESI Fund Strategy is aligned to national and European programmes, providing an update on our discussions with opt-in providers; and
Section 7 – describes governance and the delivery arrangements, along with the risk assessment and performance management arrangements.
- Additional information is provided in the annexes including:
 - Annex 1: Stakeholder and business engagement;
 - Annex 2: The Evidence Base;
 - Annex 3: Manufacturing Advisory Service and GrowthAccelerator opt-ins;
 - Annex 4: Rural case studies;

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

3.1 Introduction

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

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

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

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

3.2 A snapshot of the South East Midlands economy

| | |
|-----------------------|---|
| Geography | SEMLEP comprises the four unitary authorities of Bedford Borough, Central Bedfordshire, Luton and Milton Keynes, together with the district councils of Aylesbury Vale, Cherwell, Corby, Daventry, Kettering, Northampton, and South Northamptonshire. |
| Overlapping LEP areas | Buckinghamshire Thames Valley, Northamptonshire and Oxfordshire |
| Economy | £39bn GVA economy. |
| Population | 1,735,100 which is projected to increase by 13% between 2011 and 2021 |
| Businesses | 75,000 businesses in the area with nearly 97% employing fewer than 50 people. Around 10% of the working age population is self-employed in the South East Midlands with a higher percentage of these located in the rural areas. |
| Key sectors | Logistics Manufacturing and advanced technology Food and drink High performance engineering Automotive and aerospace Creative and cultural including tourism |
| Connectivity | Served by an international airport (Luton), major radial road routes from London (including the M40, M1, A1(M) and M11 motorways), with good connectivity across the South East Midlands via the A43,A45,A41, A507 and A421, as well as by the West Coast, Chiltern, Midland Line Great North East and East Coast railways. |

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

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

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

The area has almost 75,000 businesses and a population of around 1,735,100³ which is projected to increase by 13% between 2011 and 2021

This is significantly faster than the national projected rate of growth of 8.6%. There are almost 75,000⁴ businesses in the area with nearly 97% of these employing fewer than 50 people. Around 10% of the working age population is self-employed in the South East Midlands. In terms of skill levels, this varies across the area with around 42% of residents in Cherwell and Bedford educated to degree level compared with only 14% in Corby.

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

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

Employment is predicted to grow significantly over the next decade

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

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

A higher growth scenario has been modelled within the EEFM based upon Oxford Economics base projections. The economic potential that could be achieved if targeted investment accelerates growth sufficiently is the creation of up to:

- 111,200 new jobs by 2020 in the South East Midlands and an additional £10.8 billion of GVA.

³ ONS 2012 mid-year population estimates, (extracted Dec. 2013)

⁴ Including the self-employed and firms below the VAT registration threshold

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

The area benefits from having a number of prestigious and diverse universities and university technical colleges, including Silverstone UTC, Daventry, Central Bedfordshire UTCs, the Open University, and the Universities of Bedfordshire, Northamptonshire, Buckingham and Cranfield University, which is internationally renowned within its field of post graduate education in engineering and business studies. As set out in the Witty Review, universities offer the potential to drive forward a new wave of British invention and economic growth.

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

The rural/urban balance and the importance of agricultural and food manufacturing and production to the South East Midlands provides much of the economic context in which the partner authorities and businesses operate – for instance, 27.5% of the SEMLEP population live in areas classified as rural.

Through SEMLEP, partners collaborate to improve the rural economic environment across the South East Midlands and its capacity to support business growth and employment. Market towns serve as the service centre for its socio-economic and cultural hinterland. Much of the area is rich in species, but it has suffered from reductions in biodiversity and loss of habitats.

Green infrastructure and regeneration initiatives will address these issues. The Chilterns, Greensand Ridge, Whittlewood Forest, Marston Vale, Grand Union Canal, River Ouse and Salcey Forest provide the basis of the green infrastructure network that benefits people, the environment and the economy.

Strategic developments across the SEMLEP are helping drive the competitiveness of the area

For example, the Northampton Waterside Enterprise Zone is delivering 200,000 ft² of new commercial space and offers the potential to drive competitiveness in the sub-region. Prologis at Dunstable is speculatively developing 350,000 ft². The North Houghton Regis employment area is 32 ha and offers the potential to deliver up to 2,800 jobs, with nearly 1 million ft² development of B8 space. The Woodside Link is vital infrastructure to unlock this potential.

In total, there are over 2,500 hectares of employment sites in the South East Midlands across 112 identified strategic employment sites. These range from the largest in West Northamptonshire at DIRFT III in Daventry at 345 ha to Rockingham Motor Circuit at 281 ha, Luton airport at 236 ha, Silverstone Circuit at 125 ha, Brackmills and Moulton Park in Northampton, Stanion Lane Plantation and Royal Oak Industrial Estate all over 100 hectares as well as the release of new employment sites across the SEMLEP area for example in South Northamptonshire at Silverstone and Junction 16 of the M1.

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

The opportunity is based upon attracting investment to deliver accelerated growth across the South East Midlands. This will be achieved by building upon the areas with a credible track record of delivery and opportunity in relation to capacity and appetite for growth. In total, the combined gross value added across the South East Midlands is £38.6 billion according to the latest data⁵. The South East Midlands is a strong economy with tremendous growth prospects which can be enhanced with the correct, targeted support. It is an enterprising place supporting business growth as well as a growing population base. With its prime

⁵ 2011 data, ONS NUTS3 (Dec. 2012) data (including per capita allocations where required)

location between London, Oxford, Cambridge and the rest of the Midlands, this area has the potential to deliver accelerated growth in housing and key sectors, such as high performance engineering and its related spin offs. To reach its full potential, the area requires strategic support from government and the local authorities, working with the private sector to support investment to realise this opportunity.

Strengths and assets

- **SEMLEP is a designated national growth zone**, with a c. £39bn economy that has delivered employment & housing growth at a faster rate than the national economy over the last decade. The area's strength lies in its diversity of wealth creating activities, an excellent strategic location at the heart of England, and a proven history of substantive economic performance and growth.
- **A key communications hub for the UK** with assets such as London Luton Airport, major motorways and freight terminals such as Daventry International. Real competitive advantages are offered in relation to transport connectivity, which combined with the availability of a rapidly growing and well qualified labour force and low property costs, means that the South East Midlands is a perfect location for businesses to grow and flourish compared to London and much of the South East.
- **A dynamic and entrepreneurial area**, with self-employment levels above the national average. In 2011, there were 7,360 business births and 7,890 in 2012 in the South East Midlands. With a 7.2% increase, this is over double the national rate of 3.2%. The SEMLEP is also the highest ranking LEP for enterprises surviving one year. This suggests that one of the main opportunities is to continue to encourage and support more business start-ups to drive forward competitiveness. In terms of GVA per worker (£37,700) the SEMLEP is ranked eighth out of all 39 LEP areas.
- SEMLEP has identified the following **key sectors** as those with the most potential to grow. This is based upon a review of the evidence base which has analysed the performance of growth sectors.
 - **Logistics** (Sector analysis and evidence indicates 28,60415 jobs, £1.4 billion GVA, employment LQ 1.61);
 - **Manufacturing and advanced technology** (evidence not delineated);
 - **Food and drink** (Sector analysis and evidence indicates 12,670 jobs, £829 million GVA, employment LQ 2.34);
 - **High performance engineering** (Sector analysis and evidence for engineering indicates 28,810 jobs, £1.9 billion GVA and an employment LQ 1.64);
 - **Automotive and aerospace** (analysis indicates 33,610 jobs and £1.9 billion GVA, LQ employment of 1.5); and
 - **Creative and cultural** (sector analysis and evidence for recreation, tourism and hospitality indicates 53,770 jobs, GVA of £903 million)
- **The SEMLEP's growing social enterprise sector**⁶ offers potential to play a significant role in plans for growth and investment that will maximise both UK and EU funding opportunities.
- **Recent analysis by Experian showed that the SEMLEP has the greatest concentration in the UK of areas rated as having strong prospects for economic growth.** Milton Keynes, Aylesbury Vale, Luton and Cherwell all feature in the top ten UK areas for predicted output and employment growth over the 2013-17 period.

⁶ Research by Inspire2Enterprise (2013) for SEMLEP highlights that based on a pro rata share of UK estimates there is likely to be in the order of 2,000 businesses that view themselves as social enterprises within the SEMLEP area. Using the average turnover figure extrapolated from the above (circa £387k) this could indicate a potential GVA contribution of circa £774million.

- **The SEMLEP has many innovation assets** including:
 - *A strong heritage of innovation*, particularly within its advanced technology clusters, including automotive and the iconic Silverstone at the heart of Motorsport Valley. The Nissan Technical Centre and Millbrook Proving Ground in Central Bedfordshire and the Open University's pioneering work in information technology demonstrate this capability. Colworth Park's assets and approach to food technology and open innovation are also important.
 - South East Midlands currently benefits from a *relatively large, though dispersed range of innovation centres, business incubators and science park locations and facilities*, including Cranfield Technology Park, Silverstone Innovation Centre and leading research led universities such as Cranfield and Bedfordshire).
 - *Leading global businesses* (for example, Unilever, Lockheed Martine, Fairlin) working in diverse fields with considerable latent potential for growth within key showcase sectors' including, High Performance Technology, business services, logistics, food manufacturing, life sciences, bio-technologies and the creative industries.
 - The work of the Transport Systems Catapult and Open University are also notable across the innovation landscape in the SEMLEP area.
 - The area's high growth SMEs are a crucial engine for growth – most net employment growth will be generated by a small number of high growth firms.
- **High levels of knowledge workers and self-employment in rural areas:** Reflecting the higher skills levels and greater proportion of knowledge workers in rural areas, the average household income in rural areas is also significantly higher than in urban areas. The self-employment rate in the rural areas is nearly double the rate for the urban parts of the South East Midlands economy, with a much greater proportion of the business activity in the rural parts of the SEMLEP area focussed in micro businesses (0-4 employees) and the agricultural sector.
- **The SEMLEP also has numerous cultural assets** and a strong visitor economy: including theatres, art galleries and museums and a natural environment that forms a key strategic asset for the area (e.g. urban green networks in Milton Keynes, Greensand Ridge, Slacey Forest, Rockingham Forest and the Chilterns, etc). South East Midlands is also home to some major and well known visitor attractions including Woburn Safari Park, Whipsnade Zoo, Stowe Park in Aylesbury one of the most visited National Trust gardens outside London, Bletchley Park, Wrest Park and Silverstone. Soon to be joined by the fifth Centre Parcs Forest Village in Woburn opening in Spring 2014. These assets play a key role in underpinning the economy, attracting businesses, investment and tourism and recreation space for healthy and productive communities. For example, the visitor economy in South East Midlands supported around 59,400 jobs in 2012 accounting for about 8% of total jobs⁷.

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

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

The South East Midlands needs to build on an already reasonable strong skills base in order to meet the full range of current and future business and employment needs and address discrepancies in performance across the geographical area. For example, Bedford has 42% of the population qualified at level 4 and above, above the national

⁷ Source: Business Register Employment Survey 2012.

average of 34.2%, whereas Corby has 14.2%. It is also crucial to tackle the recruitment and retention issues raised by employers.

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

An area of significant contrast and mixed performance

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

- **Uneven GVA growth rates** – Despite a slight improvement in growth in GVA per head of 3.9% (2009-11), South East Midlands GVA growth per head is below the average for England and lower than many of the other LEPs. There are also significant differences in GVA performance across South East Midlands. For example, Central Bedfordshire's GVA per head is 29% below the national average. The percentage of **knowledge based businesses is also below the national average** (21.8%) in Corby (14.3%), Kettering (17.4%), Luton (18.9%) and Northampton (19.5%).
- **Access and take-up of superfast broadband and associated business opportunities** (with speeds greater than 24 megabits per second, mbps) is a recognised barrier to business growth, formation, job creation and self-employment and hampers competitiveness especially in the rural areas of SEMLEP. Despite the economic and social benefits of superfast broadband there are a number of market failures within the delivery of superfast broadband, namely asymmetric information and transaction costs and the potential 'merit good' nature of broadband access.
- The SEMLEP has a **polarised occupational structure** e.g. high skilled work prominent in Milton Keynes, low skilled work accounts for a relatively large proportion of employment in Corby. 50% of employment in Milton Keynes is within knowledge intensive sectors but the percentage drops to less than a third in Corby and in Daventry. This is reflected in a **polarised skills base**.
- **Disparity in start-up rates** by registrations per 10,000 inhabitants (2007) stands at 23.6 in Corby and 26 in Luton compared to a UK average of 33.7 and 55.4 in South Northamptonshire.
- **Unemployment rates in the SEMLEP vary substantially in terms of age, gender, disability and ethnicity nationally and in South East Midlands**. For example:
 - the percentage of disabled people of working age who are unemployed was more than double the South East Midlands overall unemployment rate at 17.7% in December 2012⁸. This is higher than the national average at 16.3%.
 - unemployment by ethnicity (16+) highlights that percentage of ethnic minority population who are unemployed is more than double the percentage of white population. In June 2013, 12.6% of ethnic minority population (16+) were unemployed compared to only 6.1% of white population (16+).
 - number of females of working age (16-64) unemployed has more than doubled in numbers since June 2008 and has increased at a faster rate compared to male

⁸ This is the latest data available. It should be noted that this figure has a confidence interval of 4.9 percentage points which means that the actual figure could be 4.9 percentage points higher or lower than what is reported.

unemployment rate. Since June 2008, the number of females (16-64) unemployed has increased from 16,300 to 35,000 in June 2013, an increase of 114.7%.

- **The majority of IB/SDA/ESA claimants are long-term claimants**, with 58.0% having claimed for five years and over and 73.0% having claimed for two years or more⁹. Those aged 45-54 years represent the largest proportion accounting for 17.9% of all those claiming out of work benefits whilst those aged 60-64 years old represent only 6.9%.
- Although educational attainment is generally high, there is **a need to invest in education and vocational training to meet the requirements of employers and employees and to reduce barriers to further education and workforce development**. The South East Midlands will improve the quality of labour and provide an attractive skills base for business growth as well as attracting incoming firms and business start-ups.
- Despite over half of the resident population working in higher skilled occupations, **the level of out commuting is a major issue for the South East Midlands** as significant proportions of residents in employment commute elsewhere for work.
- **Pockets of deprivation persist with** 29.3% of Corby's population, 26% of Luton's and 20.3% of Northampton's living in the most deprived areas of England compared to very low levels in South Northamptonshire (0%), Aylesbury Vale (0.9%) and Central Beds (2.2%). For young people, employment levels are amongst the highest of all LEPs but there are **pockets of very high levels of youth unemployment**.
- **Only 16.4% of SEMLEP employees are employed in export intensive sectors**. This is below comparable averages nationally (17.7%) and in neighbouring LEPs such as Northamptonshire (18.7%). Overall, SEMLEP lags behind the national indicators, ranked at 31 out of 39 LEPs for the number of employees working in export intensive sectors.
- **Levels of worklessness are continuing to rise**. Despite remaining below the notational average the level of worklessness (people who are not employed and are either looking for work or do not want a job) since June 2008 has continued to rise to 278,000 people of working age or 25.9% in June 2013

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

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

The quality of the natural environment and rural areas forms a key part of the SEMLEP 'offer' for businesses seeking to locate in the area. Delivering sustainable and green sites has the potential to facilitate climate change adaptation and mitigation and support the drive

⁹ Source: DWP Benefits Claimants, via Nomis, May 2013

towards a green and low carbon economy. With 27.5% of the SEMLEP population living in areas classified as rural it is important to briefly consider some of the characteristics and issues that are particularly pertinent to such areas.

Research¹⁰ has identified a number of issues specifically facing rural communities, including challenges associated with access to services and ‘hidden’ unemployment with the claimant rate in rural parts of the SEMLEP area significantly higher among people aged 50+ years (relative to urban areas). **There are a wide range of market failures in the rural economy** which limit private sector investment in environmental services and infrastructure. For example, some rural areas also have **limited access to superfast broadband** and mobile phone coverage (which can impede access to markets), whilst rural businesses (for example, farm and forestry sectors), **face barriers to growth specifically in relation to investment in new technology, skills, infrastructure, information and advice.**

Our Strategy therefore reflects the importance of investment in key sub-regional green infrastructure projects and the rural economy; including investment in knowledge and skills in rural communities, eco-tourism, small renewable initiatives, small and micro-rural businesses, including the continued support for diversification has a role to play in enabling farmers to restructure to meet the new challenges, such as increasing competition.

The Strategy also reflects the importance of investment to maintain the existing higher rates of employment and lower rates of unemployment found in the rural parts of the SEMLEP area, investment in strengthening the Food and Drink sector through the creation of cooperatives, promotion of local producers and providers, supporting and maintaining the high rates of self employment and rural enterprise, strengthening the current level of HPT sites and supporting the high growth potential of Silverstone.

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

3.5 **Headline market failures evident in SEMLEP**

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

Market failures can occur in many different ways but they can all be classed into a number of generic categories¹¹: **externalities** often referred to as spillovers; **market power**, such as barriers to entry created by private action or public regulation, which can prevent firms with more efficient products, services or processes from entering the market; and **imperfect information and uncertainty**, such as a lack of information which can cause an inefficient allocation of resources.

Table 3.1 summarises the headline market failures evident in the SEMLEP.

¹⁰ Oxford Consultants for Social Inclusion (OCSI) – “The rural economy in South East Midlands LEP” (2011) and “Access to services in South East Midlands LEP” (2011).

¹¹ See HM Treasury Green Book

Table 3.1 Market failures evident in the SEMLEP

| Theme | Market failure | Evidence |
|---|---|--|
| Innovation, research and technology development | Positive externalities as a result of firms investing in, and undertaking R&D not appropriating all of the benefits from that investment, creating a disincentive to invest. The presence of externalities means that firms will under invest in R&D. | Evidence of low levels of innovation across many sectors and low level of patent activity. |
| SME competitiveness | In addition to information failures related to businesses accessing business information and advice, there are a number of documented structural market failures affecting the supply of finance to SMEs, which leads to a lower supply of finance than is optimal for businesses with growth potential. For example, the inability to access finance has been identified as one of the key barriers to growth and development. | A recent survey of SEMLEP businesses found that approaching half of the businesses seeking finance had not secured the finance sought (in most cases less than £50,000). Such barriers were considered to act as a significant barrier to growth for over a quarter of businesses surveyed, in particular for rural businesses. |
| Low carbon economy – resource efficiency' | Research repeatedly identifies the high cost savings and short payback periods to investment in resource efficiency. Despite this economic benefit, operators (businesses, public sector organisations and civil society) do not invest in resource efficiency to the levels that might be expected, harming competitiveness. | Envirowise estimate that inefficient use of resources costs UK industry £15 billion per year, equating to over £4 million per day ¹² . |
| Employment, skills, lifelong learning and labour market mobility | Employers or individuals lack reliable information on quality and content of learning opportunities available to them, and the benefits that may accrue from investment in particular types and levels of training. Training that is generally perceived to be of immediate need by employers or individuals may not take place. Potentially the sum total of training undertaken falls short of the long-term needs of the economy. | SEMLEP is facing a number of significant employment and skills challenges, including meeting employers gaps and shortages, mismatches. For example, wider variances in employment in knowledge intensive industries and its occupational profile, with certain areas having employment concentrated in low level occupations. |
| ICT and Digital | Information failures by not being able to advise, exploit and promote the use of ICT products and services by SMEs and social enterprises to support growth and enable people to access employment and support. Notably, without ERDF funding to stimulate the demand and use of technology, the large public and private investments in broadband infrastructure is unlikely to be optimised in terms of supporting growth. Digital Inclusion particularly in relation to low income families and some women returners is becoming a real issue – relevant with the Universal Credit system and the need increasingly for on line job application and claims. | SMEs and social enterprises may continue to have low expectations of how they can transform their business performance through superfast broadband, losing the competitive edge to keep pace in an increasingly global trading economy. 10% of premises not covered by superfast broadband by 2015 and realising business benefits and commercial opportunities. |

¹² Envirowise "Beat the Credit Crunch through Resource Efficiency, says Envirowise" <http://envirowise.wrap.org.uk/uk/Press-Office/Press-Releases/UK-Press-Releases/Beat-the-credit-crunch-through-resource-efficiency-says-Envirowise.html>

3.6 SWOT analysis

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

Table 3.2 Strengths and opportunities

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

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

Table 3.3 Weaknesses and threats

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

3.7 How our evidence base translates into programme activities

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

3.7.1 Innovation, research and technology

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

Programme Activities to address these opportunities and challenges

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

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

3.7.2 SME Competitiveness & Enterprise

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

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

Programme Activities to address these opportunities and challenges

Priority 2: Stimulating enterprise and enhancing competitiveness

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

3.7.3 ICT and Digital

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

Programme Activities to address these opportunities and challenges

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

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

Priority 5: Developing a Skilled and Adaptable Workforce

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

Priority 6: Tackling Social and Economic Inclusion

- 6.1: SEMLEP Social Inclusion Programme

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

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

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

Programme Activities to address these opportunities and challenges

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

- 1.3: Low Carbon and Technology Innovation Support Programme

Priority 3: Low Carbon Economy

- 3.1: Low Carbon Resource and Energy Efficiency Programme
- 3.2: Social Housing Retrofit Programme

Priority 5: Developing a Skilled and Adaptable Workforce

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

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

Programme Activities to address these opportunities and challenges

Priority 4: Infrastructure for Growth

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

3.7.5 Employment and skills

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

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

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

Programme Activities to address these opportunities and challenges

Priority 5: Developing a Skilled and Adaptable Workforce

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

Priority 6: Tackling Social and Economic Inclusion

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

3.7.6 Labour Market Inclusion

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

Programme Activities to address these opportunities and challenges

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

- 1.1: SEMLEP Growth and Innovation Programme

Priority 2: Stimulating enterprise and enhancing competitiveness

- 2.2: SEMLEP Entrepreneurship Programme

Priority 5: Developing a Skilled and Adaptable Workforce

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

Priority 6: Tackling Social and Economic Inclusion

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

4 ESI Fund investment priorities and programme activities

4.1 Introduction

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

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

SEMLEP EU 2014-20 Programme Investment Priorities

Priority 1:

Strengthening and exploiting SEMLEP's innovation and knowledge assets

Priority 2:

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

Priority 3:

Developing a low carbon economy

Priority 4:

Infrastructure for Growth

Priority 5:

Developing a skilled and adaptable workforce

Priority 6

Tackling social and economic exclusion

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

Set within this investment framework our notional EAFRD allocation will focus on the following four types of activities:

- Building the knowledge and skills in rural areas;
- Funding new and developing small and micro rural business;
- Funding small scale renewable and broadband Investments in rural areas; and
- Support for tourism activities in rural areas.

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

4.2 Priority 1: Strengthening and exploiting SEMLEP’s innovation and knowledge assets

£10.142m indicative ESI Fund financial allocation (£9.5m ERDF, £0.321m EAFRD)

4.2.1 Thematic objectives addressed:

Priority 1 covers the following EU thematic objectives:

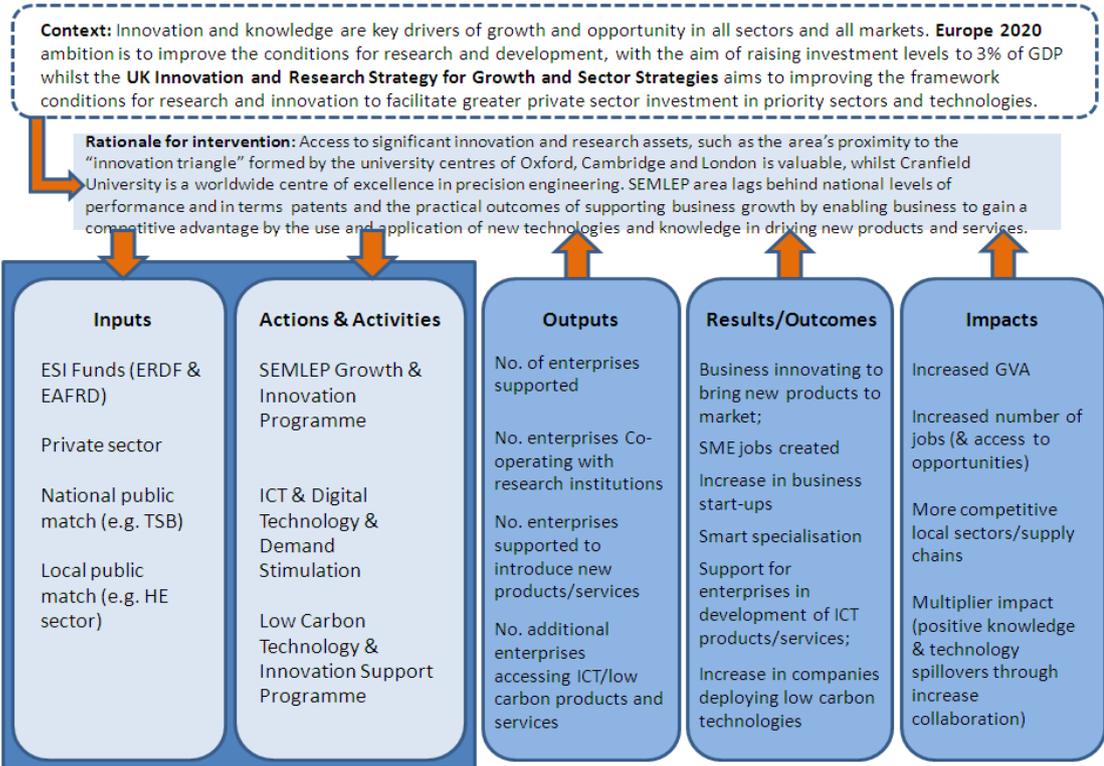
- TO1: Innovation, technology development and research
- TO2: ICT
- TO4: Low carbon
- EAFRD: Article 15: Knowledge Transfer and Article 21: Broadband

4.2.2 Context:

The South East Midlands has a number of leading centres of research, innovation and knowledge creation. There are opportunities to further capitalise upon these assets, increasing their positive influence in the economy, in particular through driving future productivity improvements for both new and existing businesses across the South East Midlands. There is also a strong linkage between these assets and new opportunities for export led growth and to compete in high-value growth sectors. The South East Midlands currently benefits from a relatively large, though dispersed range of innovation centres, business incubators and science park locations and facilities. The ESIF alongside the Strategic Economic Plan offers the potential to complement this through delivery of a number of targeted interventions with a strong focus on improving productivity. These include the South East Midlands Growth Hub business support package, and an innovation bridge working with the Technology Strategy Board.

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

Figure 4.1 Priority 1 logic model



4.2.3 Priority aim and objectives

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

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

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

Our EAFRD notional allocation will be used to support this agenda through the provision of advice, knowledge transfer for innovative practices, equipment or research. It will also provide support for new technologies (including digital) to develop new or higher quality products to open up new markets or encourage shorter supply chains.

4.2.4 Rationale for Priority 1

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

4.2.4.1 Building on significant innovation assets and strengths:

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

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

The five HEIs of the South East Midlands Universities group (SEMU) developed strong collaborative working relationships delivering significant outcomes including encouraging growth through enterprise and entrepreneurship, a joint Master's programme, a joint HEFCE Catalyst Fund bid, plus developing international links, particularly with China.

These Universities and our global businesses also have particular strengths around the Government's Eight Great Technologies, including specialisms in satellites, advanced materials and nano-technology, big data, and regenerative medicine.

Members of SEMU have received government funded research grants in relation to these technologies and SEMLEP is in a strong position to benefit from the developing industries around these technologies. **There is an opportunity for SEMLEP to pioneer how its diverse business base and academic resources may collaborate to deliver growth and**

exploit future opportunities associated with eight great technologies. This includes building on Technology Strategy Board (TSB) investment in the SEMLEP. TSB has allocated over £29m in research and innovation in SEMLEP since 2010, including approximately £9.5m to support collaborative research and development in areas such as transport (£3.5m) healthcare (£1.3m), technology (£1.7m) and sustainability (£1.5m)¹³.

4.2.4.2 Addressing barriers to growth

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

The recent SEMLEP business survey indicates that one in ten firms have links with academics and researchers. One third of firms intend to introduce new products and services. The South East Midlands, with 8.6 patents per 100,000 residents is lagging behind the national average of 13 and is ranked as the 25th LEP¹⁴ in the country.

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

The Rural Economy Growth Review undertaken by the Department for Environment Food and Rural Affairs identified a remaining gap in productivity between rural and urban areas.¹⁵ In addition, in the agricultural sector, UK productivity has been in decline relative to its major competitors for the past three decades, and there is evidence that a lack of expenditure on public research and development is one of the causes for this.¹⁶

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

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

4.2.5 Strategic alignment

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

- **Horizon 2020 Programme:** SEMLEP must focus on this plan using ERDF/ESF on commercialising the outcomes and applications of research driven through Horizon 2020. There may also be a need to support HEI and research institutes in the area to access Horizon 2020 funding to focus on our areas of scientific or technical specialisms.

¹³ <https://connect.innovateuk.org/web/where-innovation-happens/documents>

¹⁴ LEP Network Review (2013)

¹⁵ Available at:

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

¹⁶ Thirtle and Holding, 2004: *Productivity of UK agriculture: Causes and constraints*,

- **Europe 2020:** ambition is to improve the conditions for research and development, with the aim of raising investment levels to 3% of GDP.
- **UK Innovation and Research Strategy for Growth and Sector Strategies:** improving the framework conditions for research and innovation to facilitate greater private sector investment in priority sectors and technologies (e.g. Eight Great Technologies).
- **Supporting Small Business Charter:** which has been established to help incentivise business schools to help small businesses across the UK through stronger academic and business partnerships and to increase the flow of highly qualified students and graduates into small businesses.
- **Information Economy Strategy:** sets out a plan for government and industry to continue to work together to promote the success of the UK information economy sector. The ambition set out in the strategy is that all organisations, especially SMEs, can be confident and successful consumers of digital technologies – able to trade online, seize new technological opportunities, and increase their revenues in both domestic and international markets.
- **Broadband Delivery UK (BDUK):** through the provision of tailored support to ensure our businesses are able to embrace and exploit new and emerging digital technologies, our ESI Fund Strategy will complement and add value to national broadband programmes, including, the Rural Broadband Delivery Programme and Community Broadband Fund.

4.2.6 **Aligning and adding value to the national innovation support framework**

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

- **knowledge transfer partnerships**, which embed new graduates in, mostly, SMEs; knowledge transfer networks to help industry access knowledge and information;
- **collaborative R&D**, which supports the business and research communities working together on projects;
- **funding for proof of concept**, market validation studies and the development of prototypes (the "Smart" initiative); and the
- network of "**Catapult**" innovation accelerators (e.g. the £150m Transport Systems Catapult in Milton Keynes).

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

4.2.7 **Indicative programme activities**

Three programme activities are proposed under Priority 1:

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

1.1: SEMLEP GROWTH AND INNOVATION PROGRAMME

PROGRAMME DESCRIPTION

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

Activities could include:

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

CHALLENGES AND/OR MARKET FAILURE ADDRESSED

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

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

SUMMARY OF IMPACT

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

| | | |
|--|------------|----|
| <i>No. Enterprises Co-operating Research institutions</i> | 263 | |
| <i>No. Enterprises supported</i> | 1,000 | |
| <i>No. enterprises supported to introduce new products</i> | 83 | |
| <i>No. new enterprises supported</i> | 166 | |
| <i>No. jobs created</i> | 385 | 20 |
| <i>Private investment matching public support</i> | £2,000,000 | |

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

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

1.2: DIGITAL TECHNOLOGY & DEMAND STIMULATION PROGRAMME

PROGRAMME DESCRIPTION

This programme will aim to ensure that SEMLEP businesses can benefit from digital technological changes and market opportunities. A key focus of the programme will be on demand stimulation and the exploiting of new and emerging digital technologies rather than investment in the 'hard-wiring' to connect communities to broadband infrastructure.

Activities supported will include:

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

***EAFRD funding** will be used to provide support for communities who do not have access to superfast broadband to undertake demand stimulation research to demonstrate demand to encourage providers to establish services commercially. Activity proposed under this programme will align with any national EAFRD activities like the existing Rural Community Broadband fund.*

In addition to this, SEMLEP recognises the key importance of supporting and accelerating access to necessary superfast broadband infrastructure; this is particularly true for rural areas and SME business premises, which may be less commercially attractive. SEMLEP is therefore seeking to support the roll-out of superfast broadband through Local Growth Fund resources and National initiatives like the Superfast Extension Programme, but would also seek to support connectivity to communities and businesses that will not be served under these schemes or through commercial provision.

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

CHALLENGES AND/OR MARKET FAILURE ADDRESSED

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

The commercial roll-out in some areas of SEMLEP continues to provide poor access to broadband. For example, access to broadband is a major concern for the South East Midlands with significant variation across the area with Luton having the highest level of take up by business premises whereas Corby, Daventry, Kettering, Northampton, Cherwell,

Aylesbury and South Northamptonshire have the lowest level of take up in South East Midlands. Given the need to support businesses to grow and with over a quarter of the population living in rural communities, it is important that we continue to support the development and expansion of super-fast broadband to support business growth and job creation. Despite the economic and social benefits of superfast broadband, there are a number of market failures within the delivery of superfast broadband, namely asymmetric information and transaction costs and the potential 'merit good' nature of broadband access (in that the true costs and benefits of access may not be realisable in short term pricing).

Many businesses still do not trade online and fewer still trade internationally. For small firms it is estimated that a 10% productivity increase is achieved from internet usage, as SMEs with significant internet usage grow and export twice as fast as others. Part of the reason for this will be lack of awareness of the opportunities and how to exploit them, but in other cases it may just be an inability to access high speed communication networks or sufficient bandwidth to meet business need¹⁷. Notably, without ERDF funding to support businesses, the large public and private investments in digital infrastructure are unlikely to be optimised in terms of supporting growth. Indeed, SMEs and social enterprises may continue to have low expectations of how they can transform their business performance, benefits and opportunities through superfast broadband. As required, European Structural and Investment Funds may also be used to support SMEs in the 10% of premises that are not expected to be covered by superfast broadband by 2015.

SUMMARY OF IMPACT

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

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

It is estimated that the following outputs will be delivered:

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

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

- Address barriers people may face in accessing employment through improved job search skills and engagement with the Government's digital by default programme, including the Universal Credit.
- Increase skill levels through accessing on line courses.

¹⁷ HM Government: Framework of European Growth Programme Priorities: Background analysis (July 2013)

- *A range of social benefits including improved access to services, increased leisure activity, online spend and communication.*

1.3: LOW CARBON TECHNOLOGY & INNOVATION SUPPORT PROGRAMME

PROGRAMME DESCRIPTION:

The programme will support low carbon and green technology and innovation initiatives to promote greater efficiency in the use of resources and actions to develop and adopt and commercialise new low carbon and green technologies. This could include:

- Proactively support for businesses to engage in knowledge transfer with HEIs and FEIs to encourage commercialisation of Low Carbon technologies;
- R&D, demonstration and adoption of low carbon technologies and activities and to assist the market to develop, design and manufacture materials, goods and services with embedded low carbon technologies in order to:
 - Reduce individual Carbon footprints;
 - Creating low carbon, low energy use (including Social Housing technology, aligned to Priority 3); and
 - Information dissemination through its access to communities.
- Demonstration and deployment of renewable technologies in the UK renewable energy roadmap, for example biomass electricity and renewable and sustainable transport;
- Research, development, demonstration and adoption of low carbon vehicles and fuels (including market analysis to identify growth opportunity areas);
- Development of technology centres of excellence, manufacturing clusters and the development of appropriate test facilities and deployment infrastructure, for example linked to our expertise in precision engineering focused on the motorsport industry;
- Deployment of localised Carbon Capture and Utilisation, Energy Storage and Waste to Energy projects and infrastructure;
- Investment in the uptake of innovative technologies and resource efficiency measures to increase environmental protection, resilience and performance of businesses and communities (linked to Priority 3).

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

CHALLENGES AND/OR MARKET FAILURE ADDRESSED:

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

Whilst the business case for investing in low carbon technology is often compelling and sometimes overwhelming, there remain a number of major barriers which mean that organisations either delay or do not implement projects that would help to cut carbon and provide a rapid return on investment.

SMEs generally lack resources, knowledge or finance to access new environmental technologies. There is also a shortage of environmental suppliers and products which are designed for SMEs which therefore creates a systemic market failure in business demand.

These barriers tend to fall into one of three categories: lack of awareness, lack of confidence and lack of funds. A clear market failure where operators do not invest in low carbon technologies and resource efficiency which in turn can harm competitiveness.

SUMMARY OF IMPACT

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

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

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

It is estimated that the following outputs will be delivered:

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

Other potential impacts and outcomes include:

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

4.2.8 Anticipated outputs and results and value for money consideration

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

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

4.2.8.1 Value for money

The RDA Impact Evaluation of RDA Spend identified the following value for money benchmarks for investment in innovation support infrastructure:

- **£12,000 - cost per (net) job.** This figure represents the estimated number of net new jobs which could be attributable to this investment. It is drawn from RDA Evaluation impact benchmarks of 24 Sector/Cluster Initiatives across the UK¹⁸ in Department for Business, Enterprise & Regulatory Reform Impact of RDA Spending–National report – Volume 1 – Main Report.
- **£7.40:1 - GVA/£.** This figure represents the estimated number of net additional GVA which could be attributable to this investment. It is drawn from RDA Evaluation impact benchmarks of 24 Sector/Cluster Initiatives across the UK¹⁹.

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

£19.997m indicative ESI Fund financial allocation (£16.825m ERDF, £1.460m ESF, £1.712m EAFRD)

4.3.1 Thematic objectives addressed

Priority 2 covers the following EU thematic objectives:

- TO3: SME competitiveness
- TO10: Skills
- EAFRD: Article 15: Advice and Article 20 (Employment / business support)

4.3.2 Context

SMEs drive economic growth through innovation, competition and job creation²⁰. The importance of SMEs is reflected in the Government's growth agenda. A key priority of the BIS Business Plan²¹ is to boost enterprise and make this the decade of the entrepreneur. BIS state that this will be achieved by helping SMEs start and thrive through better business support, improved access to finance and stronger competition with fewer barriers to entry, creating a more entrepreneurial culture.

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

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

¹⁸ National Impact of RDA Spending–National report – Volume 1 – Main Report.

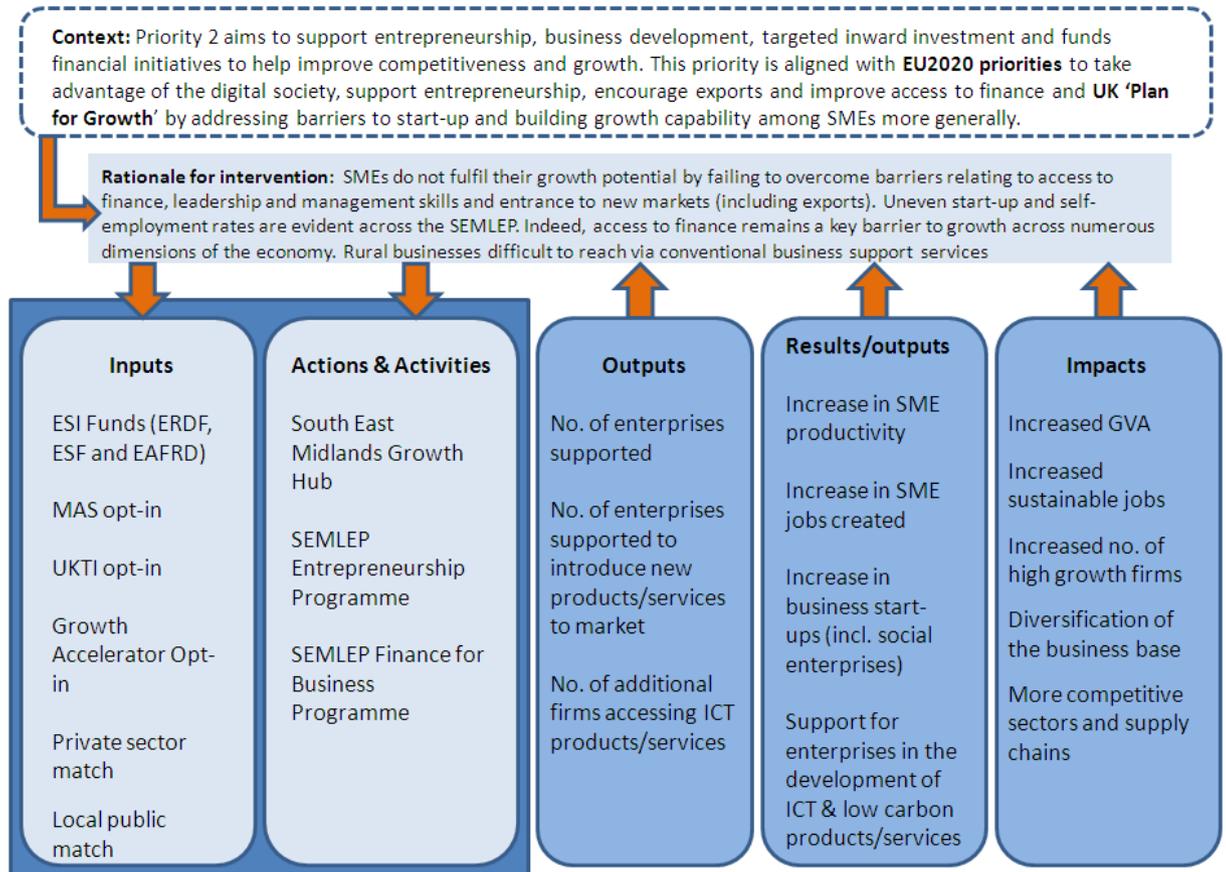
¹⁹ Ibid

²⁰ BIS (2013) The Key Enablers of Business Success and the Economic Rationale for Government Intervention

²¹ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/31960/12-p58-bis-2012-business-plan.pdf

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

Figure 4.2 Priority 2 logic model



4.3.3 Priority aims and objectives

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

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

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

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

growth, with a particular focus on the areas rural communities. This will include support for SMEs and social enterprises in their development of ICT products.

An area, which SEMLEP will investigate through the EAFRD allocation is the plight of market towns challenged by the rise of on-line shopping and limited selection of local retail outlets. The regeneration of these rural towns could become a SEMLEP priority and provide funding support for rural business generation. Market Towns are often the sales point for many rural businesses and LEADER has supported the development of farmers' markets (Winslow Farmers Market). The farmers' market has not only stimulated all retail activity in the town it has acted as a regeneration platform and given many farms the opportunity to diversify.

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

Strengthening and supporting the rural visitor economy and visitor attractions across the rural districts by joining up venues as networks, working with and supporting local food and drink producers and providers and spin-off businesses, farm shops, farmers markets and the creation of cooperatives is a SEMLEP priority.

The visitor economy plays a significant role in the SEMLEP area with increased visitor numbers, employment and investment. Strengthening the rural visitor economy by joining up venues as networks, together with food and drink providers and spin-off businesses is a key part of this.

4.3.4 Rationale for Priority 2

4.3.4.1 Significant opportunities for growth

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

Encouragingly the headline theme analysis of socio-economic data within 2012 Local Enterprise Partnership Network report²² placed the SEMLEP area 8th out of 39 for the Business theme.

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

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

²² LEP Network (2012) Creating Successful Local Economies: A review of LEP Area Economies in 2012

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

4.3.4.2 Addressing barriers to growth

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

Research²³ suggests that in order to grow, success is very much dependent on a business' internal capabilities concerning: people management; strategy formulation and execution; formalising systems; new market entry; obtaining finance; and operational improvement. SMEs demonstrating these characteristics are more likely to become high growth businesses. Further detail on the potential barriers to growth are summarised in the text box below.

UKTI research has shown that there are a large number of barriers preventing companies from considering internationalisation. SMEs are time - and resource-poor. International trade is often perceived as risky, expensive and complex - or it may not be recognised as a business opportunity at all. Some SMEs are reluctant to engage with official services and many have a low level of skills for - and experience of - international trade. Most lack knowledge of the opportunities. Beyond this, many SMEs are reluctant to invest in services such as consultancy which they regard as expensive and where they believe the value of business generated may not justify the investment²⁴.

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

BIS research²⁵ identify the main obstacles reported by SMEs are related to the external environment including:

SMEs face obstacles to **obtaining finance**, and this has become more widespread during the downturn. On the supply side, market failures mainly relating to asymmetric or imperfect information affect the supply of finance to SMEs. On the demand side, SMEs may not fully understand the potential benefits to their business of raising finance, or their likely chance of success in gaining finance.

Exporting is also a driver of economic growth. Exporting SMEs are on average more productive, more innovative and more resilient than non-exporters. However, there are a

²³ Bessant et al (2005) "A review of the literature addressing the role of external knowledge and expertise at key stages of business growth and development". Cited in HM Government Framework of European Growth Programme Priorities (July 2013)

²⁴ Source: LEP UKTI Trade Opt-in Proposal: Content for Draft Plan – East of England Region

²⁵ BIS (2013) The Key Enablers of Business Success and the Economic Rationale for Government Intervention

number of market failures relating to information failures, knowledge spillovers and agglomeration effects, resulting in a sub-optimal level of export activity. A recent study found that 25,000 to 150,000 non-exporting UK SMEs have the potential to be competitive in export markets.

Public procurement is seen as a good opportunity to provide support for SMEs and an important source of demand. SME procurement promotes competition and innovation.

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

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

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

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

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

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

4.3.5 Strategic alignment

Programme activity proposed under Priority 2 is closely aligned to:

- Priority 1 (e.g. tailored innovation and specialist advice support packages);
- Priority 3 with support to LEP's businesses across all sectors to operate in a more resource efficient manner, reduce their carbon footprint and access new sustainable markets;
- Priority 4: through the provision of fit for purpose business premises;
- Priority 5 which will provide include Intermediate, technical and higher level workforce and leadership and management skills, interventions to improve the uptake and exploitation of digital technologies; and building capacity in SMEs to provide project/ placement/ internships opportunities and enhance the contribution of higher level skills to SME growth
- Priority 6 through, for example, support to social enterprises.

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

4.3.6 Adding value to national products

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

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

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

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

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

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

4.3.7 Indicative programme activities

Three programme activities are proposed under Priority 2:

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

2.1: SOUTH EAST MIDLANDS BUSINESS GROWTH HUB 'VeloCITY'

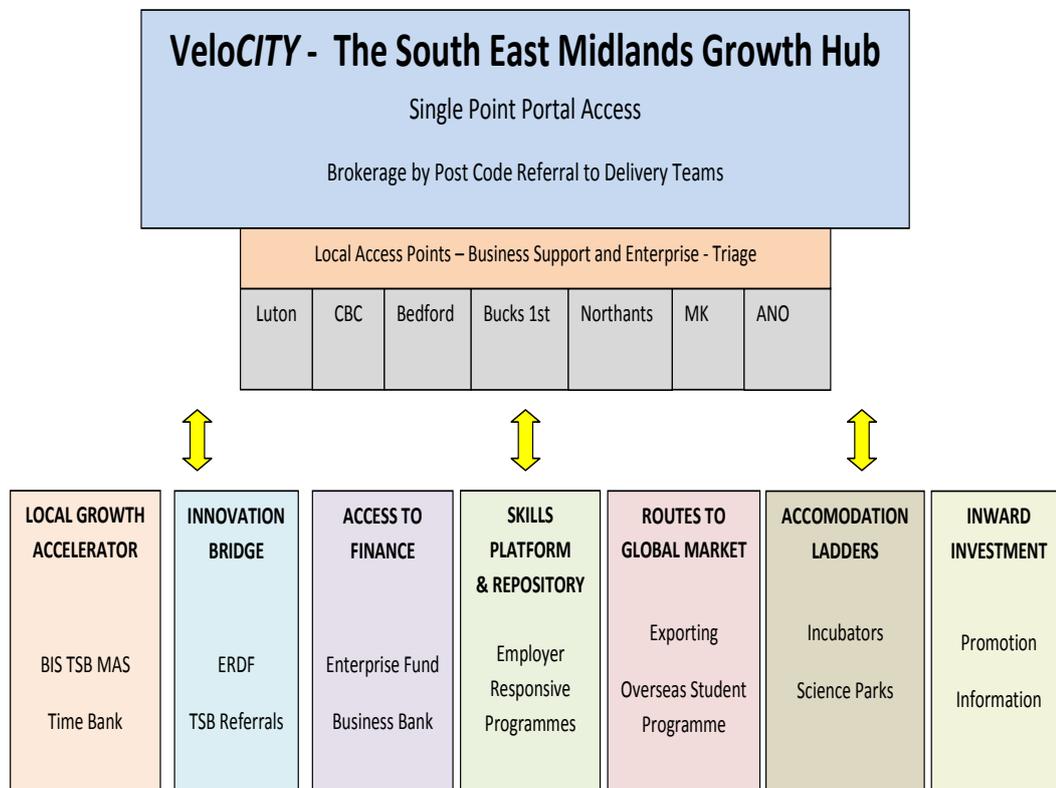
PROGRAMME DESCRIPTION:

A specialist business growth support service providing access to a tailored and co-ordinated package of diagnostic, advisory and coaching and mentoring services to accelerate the creation and growth of sustainable growth ventures.

The Growth Hub will be an online portal supported by experts based at local Chambers of Commerce, providing a personalised service to every business which seeks its support and advice. The Hub will operate as a knowledge bank for cross referral and extend the impact and reach of national support programmes and services including the Manufacturing Advisory Service, GrowthAccelerator, UKTI, TSB Knowledge Transfer Networks, UKTI, BIS sector teams and NESTA.

The Growth Hub aims to add value to national and local products by:

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



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

access to subsidised business growth programmes.

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

CHALLENGES AND/OR MARKET FAILURE ADDRESSED:

SME performance and activity is a key driver of the UK economy and an engine for growth. They are responsible for almost half of private sector outputs and almost half the net growth in jobs. Despite economic challenges, business start-ups have increased between 2008 and 2012, although there was a slight set back between 2011 and 2012.²⁶

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

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

SUMMARY OF IMPACT

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

| | | |
|--------------------------------------|---------------|--|
| <i>No. Enterprises Supported</i> | <i>2,122</i> | |
| <i>No. New Enterprises Supported</i> | <i>102</i> | |
| <i>Enterprises Private Match</i> | <i>£1.17m</i> | |

²⁶ HM Government presentation, May 2013.

| | | |
|------------------------------|-------|-----|
| No. Enterprises New Products | 238 | |
| No. jobs created | 1,395 | |
| No. of participants | | 329 |
| No. of unemployed | | 115 |
| No. of inactive | | 49 |
| No. of employed | | 99 |
| No. of aged 15-24 | | 66 |

A recent study for BIS²⁷ found that Growth Hubs can deliver a range of additional benefits, including:

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

2.2: SEMLEP ENTREPRENEURSHIP AND BUSINESS SUPPORT PROGRAMME

PROGRAMME DESCRIPTION:

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

Support is also likely to include:

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

There is a very real need for business support and training amongst rural micro businesses and farm diversification businesses. Supporting this activity would make a considerable difference to emerging businesses. **EAFRD investment could build on existing successful projects and expertise to deliver:**

- business development support, including business start up support for non-agricultural activities in rural areas; investments in creation and development of non-agricultural activities;
- funding to businesses and entrepreneurs to support the creation and development of

²⁷ BIS (2013) Research on Understanding localised policy interventions in business support and skills. See https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/263716/bis-13-1316-understanding-localised-policy-interventions-in-business-support-and-skills.pdf

Small and Micro Businesses, including the uptake of new/ improved business processes

For example, the businesses supported through the 2007-2013 LEADER programme range from market town retail to equestrian businesses, farm shops to conservation of a 19th century flour mill. **Annex 4 provides a small selection case studies to illustrate the types of activity EAFRD could support.**

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

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

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

CHALLENGES AND/OR MARKET FAILURE ADDRESSED:

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

Evidence shows that businesses that use business support and growth services during their formative years are more likely to flourish, gain competitive advantage and create high value companies than those that do not²⁸.

Across the whole business population, take up of business support however generally remains low, with smaller businesses finding it difficult to access the benefits of well-tailored advice and support. As a result, they under value the support on offer, either do not use advice services or under use them, and have a low willingness to pay the market value that good quality impartial advice might cost.

This underutilisation can have implications on the business or entrepreneur by reducing their chances of starting up or failing to exploit their growth potential.

SUMMARY OF IMPACT

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

| | | | |
|---------------------------------------|----------|-------|----|
| <i>No. Enterprises. Supported</i> | 160 | | |
| <i>No. New Enterprises. Supported</i> | 120 | | |
| <i>Enterprises Private Match</i> | £300,000 | | |
| <i>No. jobs created</i> | 62 | | 53 |
| <i>No. of participants</i> | | 1,103 | |
| <i>No. of unemployed</i> | | 386 | |
| <i>No. of inactive</i> | | 166 | |
| <i>No. of employed</i> | | 331 | |
| <i>No. of aged 15-24</i> | | 221 | |

2.3: SEMLEP FINANCE FOR BUSINESS PROGRAMME

PROGRAMME DESCRIPTION:

This access to finance programme is an innovative pan-LEP response to support the

creation, development and sustainability of SMEs by targeting a well-documented access to finance barrier to unlock growth aspirations and generate sustainable employment. The programme will be delivered in partnership with the Northamptonshire, Leicester and Leicestershire, D2N2 and Greater Lincolnshire LEPs. Support that could be offered includes:

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

CHALLENGES AND/OR MARKET ADDRESSED:

There are a number of documented structural market failures affecting the supply of finance to SMEs which leads to a lower supply of finance than is optimal for businesses with growth potential. For example, the BIS SME Business Barometer (2012) notes that 60 per cent of businesses seeking finance had some problems in obtaining finance, whilst obtaining finance was identified as a key obstacle to success by 10% of businesses surveyed.

Recent market analysis research has been conducted for the five East Midlands LEPs²⁹ by Mazars to identify the rationale/demand for a pan-LEP financial instrument. The research has identified that there is a 'lending gap' for newer, lower security and higher risk enterprises leading to a sufficient level of 'un-met' finance demand from business to make a £100m intervention fund viable. The study, which included a survey of 500 businesses and interviews with 37 local stakeholders including banks and other financial institutions, found that:

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

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

SUMMARY OF IMPACT

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

| | |
|--------------------------------------|------------|
| <i>No. enterprises supported</i> | <i>670</i> |
| <i>No. new enterprises supported</i> | <i>335</i> |
| <i>No. jobs created</i> | <i>515</i> |

²⁹ The five LEPs being D2N2, Greater Lincolnshire, Leicester & Leicestershire, Northamptonshire Enterprise Partnership and SEMLEP

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

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

| Outputs | Results |
|---|---|
| 2,477 of enterprises supported | Businesses actively innovating to bring new products to the market; |
| 657 new enterprises supported. | |
| No. enterprises supported to introduce new to the market products | Increase in SME productivity; |
| 288 enterprises supported to introduce new to the firm products | Increase in SME jobs created; |
| 1,945 new jobs created | Increase in business start-ups; |
| 1,432 participants | Increase in services available locally from local VCS and increase in total capacity of sector, services and support for the community. |

4.3.8.1 Value for money delivered through business support schemes

A recent review of Local business support and skills policy Interventions for BIS³⁰, including the Greater Manchester Business Growth Hub, included a value for money assessment based on a Green Book compliant economic appraisal of the Growth Hub submission to the Northwest ERDF Competitiveness Programme. This appraisal estimated a cost per job of approximately £6,200 and a return on investment of circa £8.30.

The national evaluation of RDAs cost per net job for enterprise support - £8,500 and; the evaluation of the Regional Business Start-Up Programme cost per net job - £8,300³¹.

4.4 Priority 3: Developing a low carbon economy

£6.571m indicative ESI Fund financial allocation (£6.25m ERDF, £0.321 EAFRD)

4.4.1 Thematic objectives addressed:

Priority 3 covers the following EU thematic objectives:

- TO4: Low carbon economy
- TO5: Climate change adaptation (resource efficiency)
- TO1: Innovation, technology development research
- TO3: SME competitiveness
- EAFRD: Article 20: basic services in rural areas: investments in the creation, improvement or expansion of all types of small scale infrastructure.

4.4.2 Context:

Decarbonising the economy plays a key part in the Government's aim to achieve sustainable and balanced growth, with a focus on maximising the opportunities and minimising the costs of the green economy transition³². This is in line with Europe 2020 strategic priorities, specifically the priority to promote a more resource efficient, greener and more competitive economy.

In the area of Low Carbon relevant EU goals by 2020 are:

³⁰ See REFERENCE TO LPI REPORT

³¹ BIS (2009) RDA Impact Evaluation, prepared by Pricewaterhouse Coopers

³² See https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/232306/13-1049ann-framework-of-european-growth-programme-priorities.pdf for further information.

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

The UK has targets in each of these three areas by 2020, relevant to the EU Programmes in the period 2014-2020 as follows

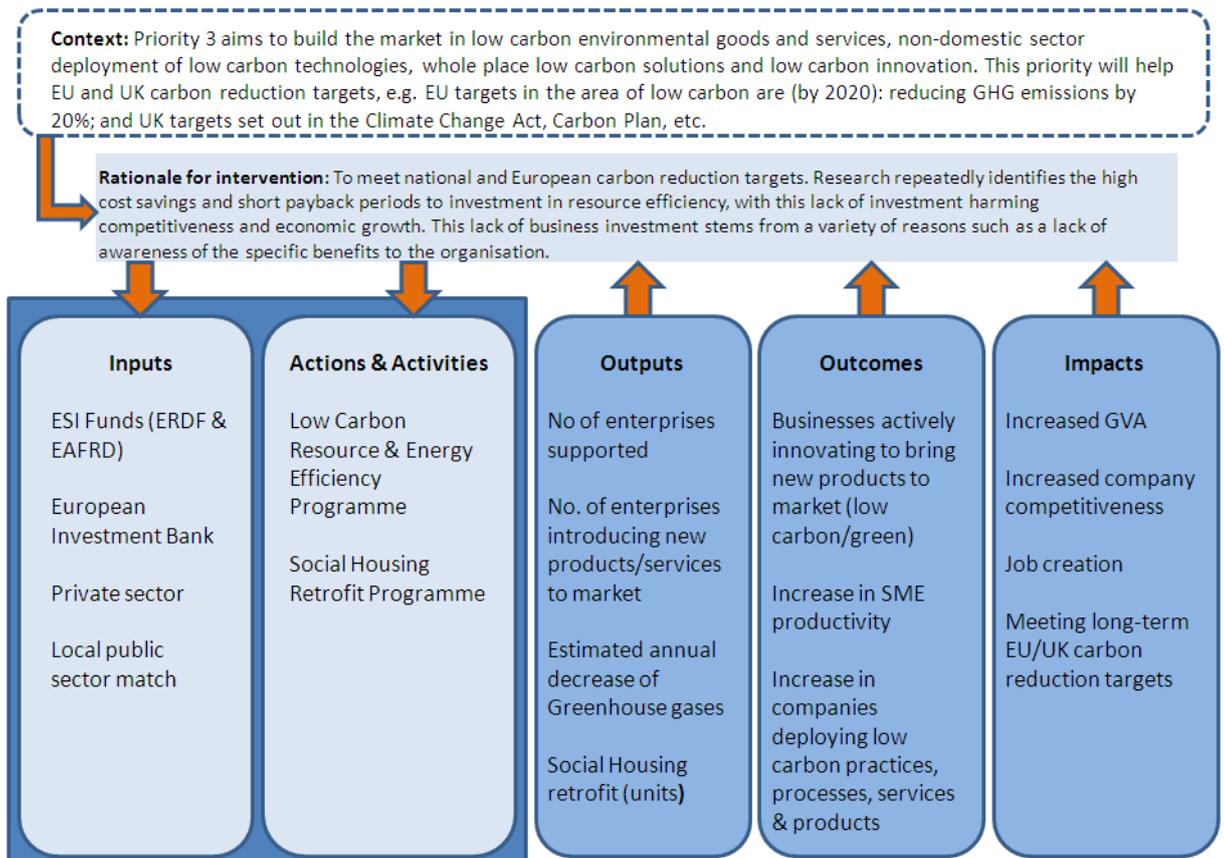
- reducing GHG emissions by 34% compared to 1990 levels;
- increasing the share of renewable energy to 15%; and
- enhancing the energy efficiency of homes, business and transport.

Optimising the use of resources through reducing, reusing and recycling more generally improves business performance in terms of resilience, profitability and/ or competitiveness. Investment in resource efficiency and ‘eco-innovation’ supports sustainable economic growth, delivering new products and services with lower impacts on the environment. The UK has a fast growing clean technology business sector, with leading eco-innovation areas being renewable energy, energy efficiency, and waste recycling.

Through alignment with Priority 1 investment in low carbon technologies the SEMLEP ESI Fund Strategy aims to build on this expertise and promote growth through supporting further development and uptake of new and existing technologies to tackle key environmental challenges.

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

Figure 4.3 Priority 3 logic model



4.4.3 Priority aims and objectives

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

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

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

4.4.4 Rationale for Priority 3

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

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

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

In line with the UK's carbon reduction targets, the Government is committed to tackling housing and building stock that is poorly insulated in order to improve the energy efficiency of local homes and businesses while addressing the cost barrier of upfront costs. Retrofit is a vital part of the development of a green economy and offers an opportunity to help drive local economic growth, unlock new private investment, support new jobs and create a workforce with new skills. To provide an idea of the scale of the opportunity, the estimated retrofit costs to achieve an 80% carbon reduction from existing UK building stock is in the range of £200 to £400 billion³³.

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

³³ See SEMLEP Green Economy Proposal (2012)

4.4.5 Strategic alignment and fit with national policy interventions

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

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

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

- **GHG emissions target:** *the Climate Change Act 2008; the UK Carbon Plan; the Carbon Price Floor, the Heat Strategy; the Forestry & Woodlands Policy Statement; and the Greenhouse Gas Action Plan for Agriculture;*
- **Renewable Energy target:** *Renewables obligation and feed-in tariff for electricity, Renewable Heat Incentive;, Renewable Transport Fuel Obligation; and the Gas Generation Strategy;*
- **Energy Efficiency target:** *key policies include: Enabling the Transition to a Green Economy and the accompanying Policy Timeline³⁴; the establishment of the UK Green Investment Bank; Green Deal; The Energy Efficiency Strategy (including Electricity Demand Reduction);*
- **Heating for buildings and industrial decarbonisation:** *including The Future of Heating: A strategic framework for low carbon heat in the UK³⁵;and The Future of Heating: Meeting the Challenge³⁶;*
- **Resource efficiency:** *Investments to support resource efficiency are key to delivering the European Roadmap on resource efficiency, which provides milestones for waste, air, land and water to achieve sustainable growth and a shift towards a resource-efficient, low-carbon economy. The UK's Resource Security Action Plan aims to develop better coordination between government and industry and to make sure businesses are armed with good information about the availability of resources to make the right choices.*

³⁴ See http://www.businesslink.gov.uk/Horizontal_Services_files/Enabling_the_transition_to_a_Green_Economy_Main_D.pdf

³⁵ See <https://www.gov.uk/government/publications/the-future-of-heating-a-strategic-framework-for-low-carbon-heat>

³⁶ See <https://www.gov.uk/government/publications/the-future-of-heating-meeting-the-challenge>

4.4.6 Indicative programme activities

Two programme activities are proposed under Priority 3:

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

3.1: LOW CARBON RESOURCE AND ENERGY EFFICIENCY PROGRAMME

PROGRAMME DESCRIPTION:

Optimising the use of resources through reducing, reusing and recycling more generally improves business performance in terms of resilience, profitability and/ or competitiveness. Investment in resource efficiency and 'eco-innovation' supports sustainable economic growth, delivering new products and services with lower impacts on the environment. The UK has a fast growing clean technology business sector, with leading eco-innovation areas being renewable energy, energy efficiency, and waste recycling.

This will include activities such as:

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

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

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

sectors;

- support for small-scale community renewable energy projects.

Role of the VCS sector

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

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

CHALLENGES AND/OR MARKET ADDRESSED:

Energy efficiency activities are needed as many SMEs face high and fluctuating energy costs which seriously affect profitability and in some cases the viability of businesses. Research repeatedly identifies the high cost savings and short payback periods to investment in resource efficiency.

Despite this economic benefit, operators (businesses, public sector organisations and civil society) do not invest in resource efficiency to the levels that might be expected, harming competitiveness. For example, research commissioned by Defra³⁷ estimates that £23bn could be saved annually through no or low cost actions to reduce waste and use energy resources more efficiently. Envirowise estimate that inefficient use of resources costs UK industry £15 billion per year, equating to over £4 million per day, whilst the Carbon Trust estimates that UK industry wastes £7 million per day on poor energy efficiency.

The area needs to develop a wider sense of what the 'low carbon economy means'-not only focussing on renewable energy, but on energy efficient installations and technology, on supply chains, in low carbon product developments and on encouraging innovative consumption patterns in SMEs.

The report 'Combating Climate Change - a role for UK forests'³⁸ sets out the forestry sector's potential contribution to climate change mitigation through carbon sequestration in growing biomass – particularly that associated with new woodland through carbon storage in harvested wood products and wood products substituting for materials with high embodied carbon and woodfuel substituting for fossil fuels directly.

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

SUMMARY OF IMPACT

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

| | | |
|--|----------|----|
| <i>No. enterprises supported</i> | 475 | |
| <i>No. new enterprises supported</i> | 95 | |
| <i>No. jobs created</i> | 183 | 20 |
| <i>No. of enterprises investing in resource efficiency</i> | 365 | |
| <i>Private sector match</i> | £750,000 | |

³⁷ See www.gov.uk/government/news/research-shows-companies-can-save-money-by-helping-the-environment

³⁸ http://www.tsoshop.co.uk/gempdf/Climate_Change_Main_Report.pdf

3.2: SOCIAL HOUSING RETROFIT PROGRAMME (EUROPEAN INVESTMENT BANK)

PROGRAMME DESCRIPTION:

This programme aims to support energy conservation and generation in existing social housing via a revolving loan fund. SEMLEP has the option to opt in to an overarching national fund, but with project delivery at LEP level.

This programme will support the adoption of domestic energy efficiency and low carbon construction techniques, including ultra-low carbon exemplar demonstrator buildings. Adaptations need to be above standard energy efficiency measures such as double glazing or loft lagging.

*Discussions regarding the opt-in for the **Social Housing Instrument** have suggested that it is possible for LEPs to either individually or collectively use their funds to reach the required minimum threshold (£10m ERDF) in order to contribute to a national programme. On this basis we have allocated an indicative £3.5m ERDF for a Social Housing Retrofit Programme.*

Discussions are currently on-going with developers, housing organisations, neighbouring LEPs and EIB to further develop this programme. We understand that NEP has decided against participation in the EIB scheme and discussions are on going with other LEPs as prospective partners. If the EIB proposals fail to be agreed then alternative mechanisms will be considered to deliver the same priority and outputs.

This programme could be strongly aligned to Priorities 1 and 4 in terms of accelerate the development, innovation, adoption and deployment of low carbon technologies and related supply chains/ infrastructure. This programme will also be closely aligned to our proposed labour market and skills Priorities 5 and 6, for example, skills/employment for retrofitting and low carbon heating

CHALLENGE ADDRESSED:

In line with the UK's carbon reduction targets, the Government is committed to tackling housing and building stock that is poorly insulated, with Green Deal the Government's national initiative designed to significantly improve the energy efficiency of local homes and businesses while addressing the cost barrier of upfront costs. To provide an idea of the scale of the opportunity, the estimated retrofit costs to achieve an 80% carbon reduction from existing UK building stock is in the range of £200 to £400 billion³⁹.

Retrofit is a vital part of the development of a green economy and offers an opportunity to help drive local economic growth, unlock new private investment, support new jobs and create a workforce with new skills. The Government has estimated that around 65,000 Green Deal Advisors and installers will need to be skilled and qualified to retrofit nearly 14 million UK homes with energy efficiency technology by 2020, which has implications for local training provision and the need to provide the coordination and linkages to ensure local Green Deal opportunities evolve successfully⁴⁰.

SUMMARY OF IMPACT

The main output category supported through this programme will be Infrastructure site development including green infrastructure (2 hectares).

4.4.7 Anticipated outputs and results

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

³⁹ See SEMLEP Green Economy Proposal (2012)

⁴⁰ See SEMLEP Green Economy Proposal (2012)

| Outputs | Results |
|--|---|
| 475 enterprises supported | Businesses actively innovating to bring new products to the market (low carbon / green technologies); Increase in SME productivity; Increase in SME jobs created; Increase in business start-ups (low carbon); Support for enterprises in development of ICT products and services including broadband; Increase in companies deploying low carbon practises, processes, services or products Improved energy efficiency from communities and individuals Increased market, market access/penetration for low carbon solutions Poverty reduction through lower household expenditure on energy. |
| 95 new enterprises supported | |
| 183 new jobs created | |
| 365 enterprises implementing resource efficiency | |
| £750,000 estimated private sector match | |
| 2ha infrastructure site development | |

4.5 Priority 4: Infrastructure for Growth

£6.508m indicative ESI Fund financial allocation (£5.225m ERDF, £1.283 EAFRD)

4.5.1 Thematic objectives addressed:

Priority 4 covers the following EU thematic objectives:

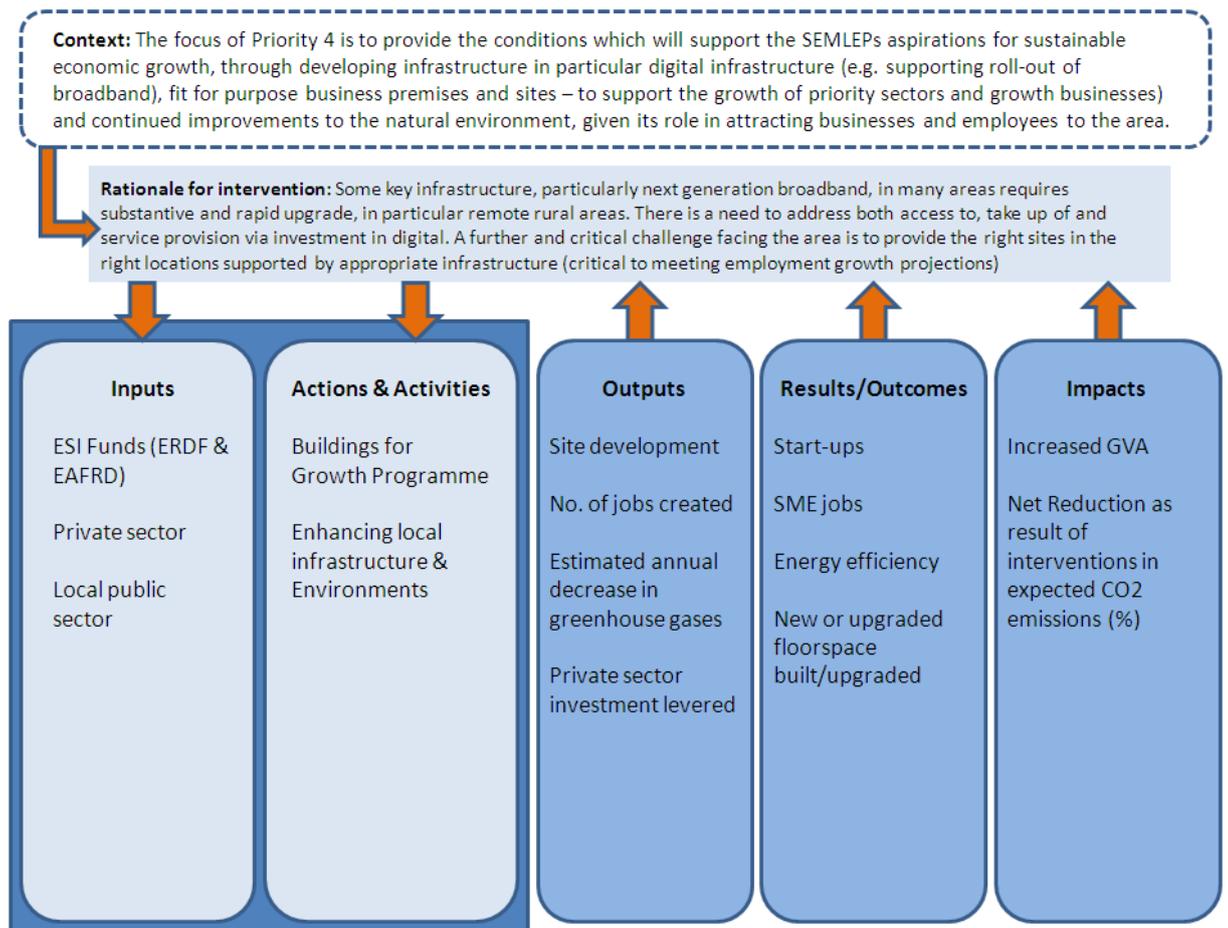
- TO1: Innovation, technology development research (business premises);
- TO4: low carbon economy;
- TO5: Climate change adaptation;
- TO6: Environmental Protection;
- EAFRD:
 - Article 20: investments for public use in recreational infrastructure, tourist information and sign-posting of touristic sites and small scale tourism infrastructure.
 - Article 35 development and/or marketing of tourism services relating to rural tourism.

4.5.2 Context:

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

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

Figure 4.4 Priority 4 logic model



4.5.3 Priority aims and objectives

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

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

Investments in green infrastructure can deliver a wide range of benefits that outweigh costs, even when considering opportunity costs. In 2000 it was estimated that UK habitats received 3.2 billion visits estimated at over £10 billion⁴¹. Our own evidence⁴² sets out the important role of the natural environment in delivering the area's economic priorities. This priority will therefore include investments in Green Infrastructure as part of integrated actions for sustainable development to support better places for people to live, work and do business. This will include encouraging new, more sustainable patterns of tourism (where this is not supported by the Rural Development programme).

Our programme of investment will not include capital investment (e.g. hard-wiring) to enhance digital connectivity for business and residential premises. However, business

⁴¹ Barnes et al (2010) *Report on technical efficiency at the farm level 1989 to 2008*

⁴² SEMLEP (2013) *It's the economy, naturally: The relationship between the environment and the economy in the South east Midlands*

support and demand stimulation activity forms a key component of activity under Priority 1 where businesses, communities and individuals can access support to enhance access and take-up of digital opportunities. The digital inclusion agenda will also be supported under Priority 6, with an important role identified for the Voluntary and Community Sector (VCS).

4.5.4 Rationale for Priority 4

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

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

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

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

4.5.5 Strategic alignment and fit with national priorities

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

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

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

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

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

Across the South East Midlands, there is a strong track record of local environmental activity and leadership, and an outward looking approach by the environmental sector. In partnership with the area’s four Local Nature Partnerships⁴³, SEMLEP has launched **‘It’s the Economy, Naturally’**, a report which explores the relationship between environment and economy across the South East Midlands and which sets out the strategic objectives for the natural environment of the South East Midlands.

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

4.5.6 Indicative programme activities

Two programme activities are proposed under Priority 4:

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

4.1: Buildings for Growth Programme

PROGRAMME DESCRIPTION:

This programme will focus on providing businesses with access to high quality business premises including enterprise/incubation centres/facilities and services, move-on accommodation.

Given the current indicative allocation for this programme, activity is likely to focus on the retrofit/refurbishment of existing business premises, including those in the SEMLEP’s town centres. Funding could be used for a variety of purposes, such as remediation work, service connection and other infrastructure and site access. Some site assembly may also be necessary as well as site preparation work to meet planning requirements and there is also a need for preparatory work (design, planning, site investigation etc.) on sites to enable them to be bought forward for development.

⁴³ There are four Local Nature Partnerships covering the South East Midlands area; the Bedfordshire Local Nature Partnership, the Buckinghamshire and Milton Keynes Local Nature Partnership, the Northamptonshire Local Nature Partnership, and the Oxfordshire Local Nature Partnership

This programme could operate as a grant or loan programme offering finance to both private and public sector organisations wanting to create new employment floor space – either through new developments (e.g. bringing forward well located sites for development, which may have stalled for a variety of different reasons and funding / finance is required to bring them to a developable standard) or bringing existing buildings and facilities into productive use.

MARKET FAILURE / BARRIER ADDRESSED:

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

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

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

SUMMARY OF IMPACT AND VALUE FOR MONEY

Outputs to be delivered under this programme activity include:

| | |
|-----------------------------|---------|
| Site Development (hectares) | 2 |
| Ents. Private Match | 500,000 |

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

4.2: Enhancing Local Infrastructure and the Environment

PROGRAMME DESCRIPTION:

Enhancing local infrastructure and environments will play a key role in creating a setting for growth and investment. It will include a programme of green infrastructure interventions targeted in areas to open up land for development, reduce flood risk, etc. Activities proposed will align with the LEP's priorities for low carbon (e.g. the use of green infrastructure to adapt to climate change impacts)

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

- **A cross SEMLEP programme of investment in green infrastructure** projects that would aim to deliver benefits especially in terms of attracting inward investment by businesses, and supporting jobs in the tourism industries. This could include:
 - New and enhanced recreational routes and infrastructure that attract business. For example restored and safeguarded rivers, habitats with improved ecological status, initiative to improve air quality;
 - The rehabilitation of land and regeneration of brownfield sites (linked to Programme Activity 4.1)
 - Environmental enhancement to support economic development;
 - Improving the capacity of regulating ecosystem services;
 - Improving resilience to extreme climatic events;
 - R&D to improve natural resource efficiency;

- Including ecosystems services on the skills agenda;
- Developing a SEMLEP carbon “offsetting” scheme

■ **Tourism infrastructure:** we have allocated 30% of the EAFRD allocation toward tourism development. This activity and the developing of rural businesses run hand in hand and as a consequence take up 70% of the fund allocation across the two activities. For the Bedfordshire LAG 60% of the RDPE programme was on tourism related initiatives. Some research that NGAGE has carried out around self-catering operators in Aylesbury Vale and north Bucks indicate that demand for self-catering accommodation outstrips supply significantly and many operators are reporting 90% plus occupancy rates with a business norm at 50%. Even seasonal tourism accommodation providers are finding high demand. There may be an opportunity to focus on collaborative promotion of the SEMLEP rural area at the landscape scale to promote green tourism but some clarification will be needed to ensure this type of initiative is eligible.

Strengthening the rural economy by:

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

ADDRESSING BARRIERS TO GROWTH

The quality of the natural and built environment is of critical importance to the local economy and forms a key part of the SEMLEP 'offer' for businesses seeking to locate in the area.

Investments in green infrastructure can deliver a wide range of benefits that outweigh costs, even when considering opportunity costs. According to a study by the Urban Land Institute, 95% of European real estate developers and consultants think green space adds value to commercial property, and, on average, developers are willing to pay 3% more — and in some cases, as much as 20% more — for land near green space.

Delivering sustainable and green sites also has the potential to facilitate climate change adaptation and mitigation, and therefore helps meet the requirements of the sustainable development agenda that protects the area from damaging development and land use activity, enhances biodiversity and protects diverse and important environmental, landscape, townscape and historic features and characteristics. The Climate Change Risk Assessment⁴⁴ identifies floods, changing rainfall patterns and increased temperature as the major threats to the rural economy and agriculture.

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

Specific market failures can also act as barriers to growth in other sectors of rural development such as tourism. A Deloitte report⁴⁵ suggests the 'free rider' problem inhibits growth in the visitor economy (e.g. businesses such as hotels in a rural town may consider

⁴⁴ <https://www.gov.uk/government/publications/uk-climate-change-risk-assessment-government-report>

⁴⁵ The Economic Case for the Visitor Economy. Deloitte, 2008

other accommodation providers as competitors for business, rather than as complementary suppliers). As a result, individual accommodation providers are unlikely to invest in marketing a destination (town, region or country) as opposed to their own business within that place. By contrast, support from destination management organisations can enable better coordination of marketing activity to advertise what an area offers as a whole and attract more visitors, bringing benefits to the wider sector.

SUMMARY OF IMPACT

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

4.5.7 Anticipated outputs and results

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

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

4.6 Priority 5: Developing a skilled and adaptable workforce

£26.661m indicative ESI Fund financial allocation (£26.34 ESF, £0.321 EAFRD)

4.6.1 Thematic objectives addressed:

Priority 5 therefore covers the following EU thematic objectives:

- TO8: Employment
- TO9: Inclusion
- TO10: Skills

4.6.2 Context:

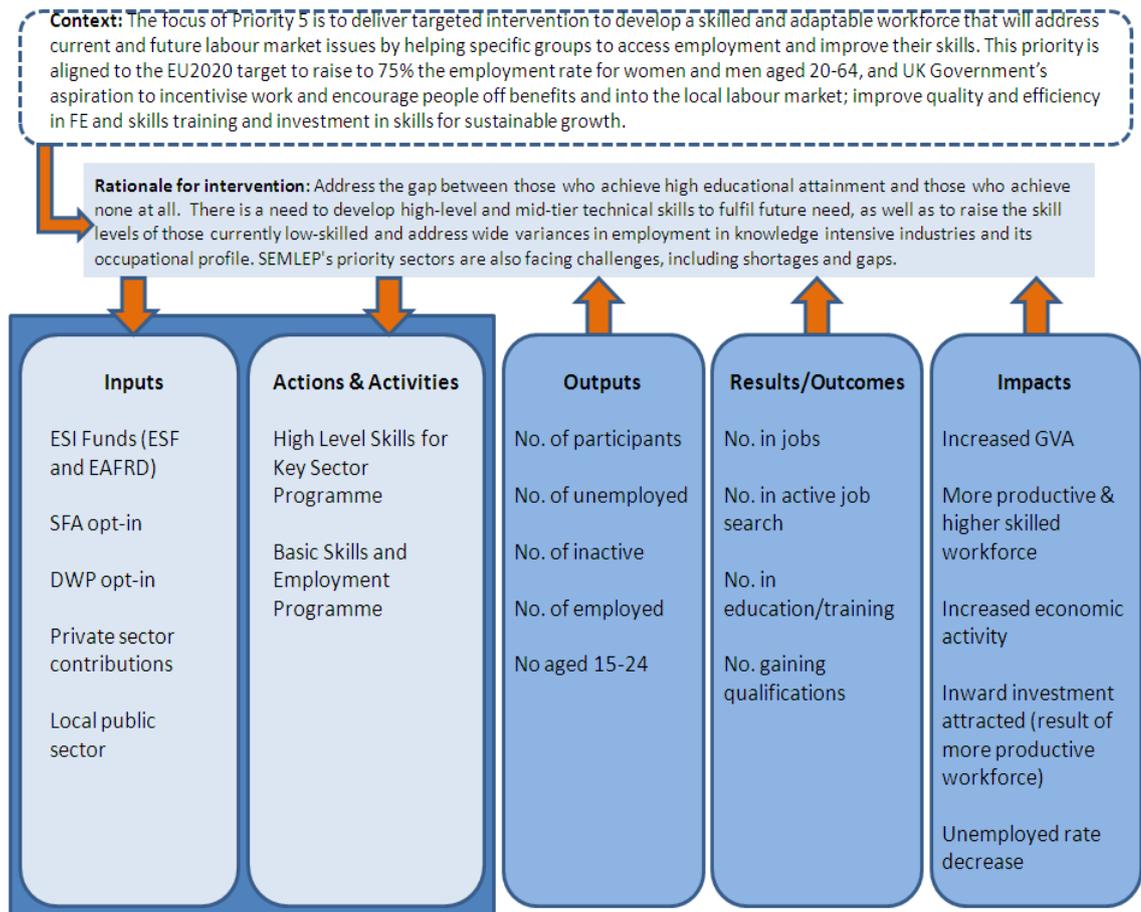
The development of skills in the workforce is vital to improve productivity, competitiveness and economic prosperity across the South East Midlands. Upgrading the skills of the current workforce and increasing access to the workplace will maximise the value contributed by the working population and provide ways to build on the relatively strong skills base. In particular, there are well documented and persistent skills gaps and difficulties in recruiting which are barriers to growth.

The strategic imperative is therefore to develop the skills of the workforce in the South East Midlands as this is critical to economic, business and community development. Businesses need a skilled workforce to improve productivity and contribute to innovation and competitiveness. The economy requires an available and skilled workforce to thrive and grow. Communities benefit from individuals who are confident and competent, gainfully employed and contributing to families and society overall.

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

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

Figure 4.5 Priority 5 logic model



4.6.3 Priority aims and objectives

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

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

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

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

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

The programme activities proposed under this priority will build on and complement initiatives such as the the University Technical Colleges, as well as the work of all of the providers across the South East Midlands to address science, technology, engineering and manufacturing capabilities and skills in the area. There are a range of advanced technology and manufacturing strategic interventions being currently funded in the South East Midlands to complete the national programmes, for example the new Silverstone University Technical College opened in September 2013.

4.6.4 Rationale for Priority 5

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

A key challenge for the area is therefore to meet these future growth forecasts which will require capitalising on strength in research and growth sectors and addressing the gap between those who achieve high educational attainment and those who achieve none at all. For the economy this will mean education and training establishments working more and more in partnership with employers to tailor employment and skills support to the current and future demands of employers.

Although over half of the working age population (both residents and workers) are employed in higher skilled occupations, some areas' employment is strongly concentrated in lower skilled occupations. This, coupled with skill shortages faced by some of the key sectors and businesses reporting difficulty recruiting to skilled trades and professional/technical professions, would suggest the need to up skill those working in lower skilled/unskilled jobs. This will be key to meeting current and future skills demands of employers as these sectors grow and in order to attract businesses to locate in the South East Midlands as more of the working age population gain the necessary skills to meet future demand. The area also faces high levels of out commuting across significant parts of the South East Midlands and will have an impact on jobs available (jobs density) for local residents.

An overriding challenge is therefore to up-skill the existing workforce, including attracting private sector investment to develop the workforce. This includes developing high-level and intermediate technical skills to fulfil future need, as well as to raise the skill levels of those currently low-skilled.

The area is however facing a number of significant employment and skills challenges.

- Over a quarter of the working age population (27.8%) in the South East Midlands who are economically active have a degree or equivalent and above. This is slightly below England at 29.8%. However the rate varies across South East Midlands with areas such as Bedford, Aylesbury Vale and Cherwell being well above the South East Midlands and England average in 2012 (at 37.8%, 32.1% and 30.9% of working age population who are economically active with degree level equivalent and above). In comparison some areas are trailing behind such as Corby with only 12.8% of its resident population who are economically active qualified to degree level or equivalent and above.
- Across the SEMLEP area there are fewer people (8.6%) without formal qualifications than the national average (9.5%). However, in Luton (16.1%) and Daventry (12.1%) there are particular issues with the lack of qualifications.
- Accordingly, there are a number of areas in which there is the opportunity to raise performance levels; primarily at higher skill levels, but also at lower levels in relation to specific geographic areas of the South East Midlands.
- A recent SEMLEP survey of businesses found that a third of businesses reported finding it difficult to obtain key skills when recruiting new staff, with larger businesses

more likely to have skills shortages, with the most commonly cited shortages being job specific skills, technical or practical skills and communication skills;

- Recent research undertaken by Ecorys (2012/13) also identified skills gaps and shortages manifesting themselves in workplaces throughout the SEMLEP study area, including: basic and transferable skills across all sectors. Skilled trades and sector specific skills were considered to be in short supply as well as leadership and management skills.
- The main reasons cited for skills shortages are a general lack of skills in the available workforce, poor quality applicants generally, low quantity of applicants, lack of work ready school leavers, and lack of work ready college/further education leavers.

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

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

4.6.5 Strategic alignment

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

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

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

4.6.6 Adding value to existing national provision

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

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

going support or evaluate progress. **The SEMLEP ESI Fund will therefore complement existing DWP provision by providing on-going contact by providers offering advocacy, mentoring and advice.**

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

- **Supporting those with mental health and long term limiting health conditions to re-enter or remain in the workplace or to be able to retrain:** DWP national provision includes a programme called 'Work Choice' which is aimed at helping the most disadvantaged into sustainable employment. DWP considers that there is a high demand for this type of support and that additional capacity would deliver results. For those remaining on benefit for significant periods as a result of complex and/or multiple barriers, DWP has a range of measures and programmes to support them, but **further investment and provision through our ESI Fund Strategy could help provide the step change in movement required after a long time on benefit.**
- **Complementing existing Youth Contract activity, including for example, Wage Incentives** (which are available for employers who recruit an 18 -24 year old who has been receiving benefits for at least six months through Jobcentre Plus; **Work Experience** (which involves young, unemployed people volunteering for placements with employers lasting between 2 and 8 weeks), **Sector Based Work Academies (which aim to help those who are ready for work and receiving benefits to secure employment through pre-employment training and work experience placement); and Apprenticeships** (at the intermediate, advanced and higher level).
- **Basic English for speakers of other languages (ESOL):** Whilst ESOL is currently delivered across the whole of the SEMLEP area and forms part of the skills conditionality element of JSA entitlement, feedback has been that current provision is, in the main, provided during term time only (mostly by FE colleges) and that it requires a basic level of knowledge (as learning is usually conversation based). **Support for those unable to achieve this level of conversation remains a gap in current provision and therefore Programme Activity 5.2 below will aim to address this gap in provision.**
- **Support for over 40s age group:** significant investment, through the government Youth Contract, has been made in support to young people and reductions in claimant numbers can be seen across the SEMLEP area for this cohort. Recent work undertaken by the National Careers Service however, indicated that those over 40 were significantly disadvantaged in the labour market. This has been fed back anecdotally from within DWP in the SEMLEP area and is backed up by labour market analysis where even a buoyant labour market such as Milton Keynes has a higher than national average number of over 50s claiming JSA (the only age bracket to be in this position in Milton Keynes).

Further analysis is required on the reasons for this, but DWP consider it likely that 'some consideration of a lack of digital awareness, motivation, understanding of transferable skills, mismatched expectations and understanding of modern recruitment methods may be an issue. This could form part of the programme of intervention proposed under Priority 5 (and also Priority 6).

4.6.7 Indicative programme activities

Two programme activities are proposed under Priority 5:

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

5.1: HIGH LEVEL SKILLS FOR KEY SECTORS PROGRAMME

PROGRAMME DESCRIPTION

This Programme aims to deliver a range of skills interventions, including:

Sector based initiatives, for example:

- **Engineering and Construction**⁴⁶: both sectors face skills shortages and an ageing workforce (for example, Central Bedfordshire College has identified significant localised shortages in engineering and construction training provision to meet demand). For both, there are significant opportunities for job growth across SEMLEP including linking with developments at Silverstone and the Enterprise Zone for example. There will be a SEMLEP wide approach, tailored to the different areas, to increase availability of apprenticeships and progression routes through to graduate and post graduate levels.
- **Logistics**: Based on the report from Skills for Logistics, a hub and spoke approach is being planned to operate in a number of locations to tackle the identified skills shortages, including higher level skills, and to attract and train the large number of staff needed to replace the ageing workforce. The hubs will be developed in partnership with logistics employer networks.
- The **care sector and hospitality** also represent some key sector needs and good entry level routes particularly for women.
- **Economy wide projects are also under consideration**. For example working together to improve the provision and dissemination of SEMLEP wide labour market data for use by individuals, employers, providers and funding bodies to inform future planning and resource allocation. This links to the Growth Hub proposals.

High level skills provision and apprenticeships:

Implementing the **SEMLEP apprenticeship plan**, in particular increasing the availability of opportunities in priority sectors is critical. Others include bespoke continuing professional development and offers to business to improve competitiveness through skills investment – working particularly with the Universities of Bedfordshire and Northampton, leadership development for graduates in employment; project-based work placements for graduates; investment in the skills and infrastructure to drive business competitiveness, for example in support of Engineering, Advanced Technology ‘Big Data’ and Business Analytics.

Other areas of activity proposed include:

- **Digital and ICT skills support**, which will incorporate a spectrum of support from basic skills (e.g. digital literacy) to high level, whilst also reflecting the need for businesses to have on-going access to this kind of support. This will be closely aligned to the business and technology support activities proposed under Priority 1 (such as digital demonstrator events) and also Priority 6. We will seek to harness the innovation of local delivery partners could be to deliver local based community solution, making best use of existing networks.
- **Low Carbon Economy and Green Housing skills initiatives** – with a focus on building skills and business base and close alignment to the opportunities that will emerge from the proposed SEMLEP eco-town/village developments (e.g. Bicester);

⁴⁶ ESIF funding to be complemented by capital investment in the colleges will support this. For example, Banbury College's project is to take forward the upgrade and new build including a green vehicle centre and emerging construction techniques. Further plans include a major development for Bicester which will align with the town's growth and, given the strength in motorsport, complement and extend the reach of the Silverstone development.

- **A variation of the Employer Ownership Fund** tailored to the SEMLEP including exploring innovative ways to encourage smaller firms to train for the first time;
- **Actions promoting career opportunities to young people** and facilitating raising aspirations and understanding of future skills needs. This could also include enhancing education and business linkages in schools and colleges.
- **Developing better links between business and educators**, Further Education providers and other education partners to equip students with the skills to start and grow businesses to meet local needs and to compete in UK and international markets.
- **Job search support for professionals and executives.** This service is not offered widely as a bespoke service for this group. There is limited provision on offer across the SEMLEP area with lack of capacity meaning there is often a long wait for membership in some areas. DWP in house analyses of outcomes shows high levels of participants find work quickly and comment positively about the mutual support and networking opportunities provided
- **Building on the current European Social Fund (ESF) funded pilots (local responsiveness fund) dedicated to SEMLEP footprint:** maths levels for engineers; mentoring for apprentices by 55+ workers; technical skills for sales staff in manufacturing; development for employers contemplating supporting traineeships.

Programme 5.1 will feature SFA and DWP opt-ins.

MARKET FAILURE / BARRIER TACKLED

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

Whilst we have in place the critical educational infrastructure to support the up-skilling of the existing and future workforce in a number of key sectors, we are still lagging behind in skills attainment at NVQ3, 4 and degree level and above compared to national averages. SEMLEP's priority sectors are also facing challenges. For example, advanced manufacturing sectors face challenges such as shortages of engineers, management and leadership, skilled technicians. (Skills research of the Cogent sectors, East Midlands Sector Skills Research by Cogent for the period 2004-14)

The Cogent research also Identified additional skill needs for High Performance Engineering amongst the highest end of engineering expertise-masters and PhD, research and development, Apprentices with good mathematics, and also in Business Management. The logistics sector is facing challenges associated with attracting new recruits based on a poor image.

Businesses are still reporting skills shortages when recruiting outside the organization and skills gaps within their existing workforce. This includes leadership, management, and technical as well as basic skills. This would suggest we need to do more to support and further develop existing educational infrastructure and work with employers to ensure providers design and tailor a curriculum that is responsive and flexible to support current and future skills demands and growth in key sectors.

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

5.2: BASIC SKILLS AND EMPLOYMENT PROGRAMME

PROGRAMME DESCRIPTION

This programme will include a range of interventions such as supporting workplace training

and the provision of redundancy support with close alignment to Priority 2. Emphasis will be placed on work based learning or learning with strong links to employers and sectors (recognising that learning with employment experience is far more successful than simply training on its own). For those in work, interventions will include employer-led training needs analysis and flexible basic skills provision delivered in a range of ways on site, online, etc. **The Programme will incorporate the DWP and SFA opt-ins**, including provision focussed on the following target groups:

- Young People including those leaving care;
- Those with mild to moderate mental health issues;
- Drug and alcohol mis-users;
- Those suffering from Autism and/or Dyslexia;
- Ex-offenders (but ensuring synergy of National Offender Management Service). The 'top slice' for NOMS has already been agreed.

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

Activities that could be delivered under this programme include:

- Improved Information, Advice and Guidance (IAG), Pre-entry provision; Traineeship models in the context of raised participation age; work experience/work taster sessions (including graduates, lone parents, 25+, ESA, Work Programme returners), digital literacy, up-skilling existing workforce - in response to employers' needs; and group session delivered in Jobcentres by interpreters for those with little or no English;
- Tackling the skills issues facing the over 40 age group, including the development of external work-clubs targeted at this group and providing digital access and support in an environment which is to the liking of the claimant group (both location and other attendees);
- Group session delivered in Jobcentres by interpreters for those with little or no English;
- Community delivery of IT skills including universal job match support, financial budgeting;
- Work experience for benefit claimants including graduates, lone parents, 25+, ESA, Work Programme returners;
- *Redundancy support, additional support to enhance mainstream provision, including up-skilling or re-skilling individuals to improve employment opportunities could be delivered through targeted careers advice, skills-based interventions.*
- *In relation to redundancy support, a model has been identified in Cornwall which could be a potential basis for actions in SEMLEP, which was funded by ESF investment. This covered two programmes offering flexible training to thousands of people in Cornwall Skills Support for the Unemployed and Skill Support for Redundancy (see dwp.gov.uk/esf/news/esf-investment-cornwall.shtml.)*
- In Work support and mentoring in the early stages of new employment;
- *Wage subsidies/employer incentives – to top up the offer through the Youth Contract. DWP have provided information on a range of support which can be offered under the Youth Contract and includes, in addition to this a wage incentive for 18-24 year olds, but also work experience for people aged 16-24. Sector based academies and apprenticeships are also available.*
- *Community Grant Initiatives, which offer grants to VCS organisations to fund projects that help people who are further from the labour market by developing soft skills, such*

as volunteering, training in basic skills and building confidence. Target groups could include the over 50's, NEETS, women, lone parents, ethnic minorities and people with disabilities. Match could potentially come from the SFA, DWP BIG and organisations such as the Princes Trust.

- *Young Enterprise is currently working with a number of the LEPs and whilst each LEP has its own specifics in terms of focus and strategy, the need for the development of relevant employability skills is common throughout. Young Enterprise indicated that they could contribute to supporting Objective 5. To work with the secondary, further, higher, voluntary and community, and private sector education and training providers across SEMLEP to ensure skills outcomes match business and social enterprise needs.*

EAFRD

It is known that the farming community is aging and there is a need to attract young people back into the industry. There is an opportunity to support the training of traditional land skills through local educators who offer agricultural courses to meet this objective. There are a number of colleges across the SEMLEP area that could work with farmers to offer the work placements or apprenticeships in this regard.

Alignment to Priority 6

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

- Developing volunteering in communities as a step back to work;
- Supported volunteering to help the less engaged to engage as a step back to work, with placement and matching of volunteers and development of volunteering opportunities;
- The development of Centre for Excellences to develop sector skills and support progression – including support for volunteer training and development with a potential to focus on those with additional or basic skills needs;
- Mentoring support for those with multiple barriers to work i.e. drug and alcohol users
- Enabling access for rural communities and excluded groups or communities;
- Local support to 'hard to reach' and those with complex needs; and
- Through Employer Supported Volunteering, staff in other sectors can gain experience through involvement in VCS businesses and on trustee boards.

Programme 5.1 will feature SFA and DWP opt-ins.

MARKET FAILURE / BARRIER ADDRESSED

Recent research undertaken by Ecorys (2012/13) identified skills gaps and shortages manifesting themselves in workplaces throughout the SEMLEP study area, including:

- *Basic and transferable skills, including team working, literacy, numeracy and communication skills;*
- *Across all sectors, skilled trades and sector specific skills were considered to be in short supply; and,*
- *Leadership, management and supervisory skills need to be increased and improved.*

The employment rate for disabled people is just 39% compared with the overall employment rate across SEMLEP of 75.1%. However, further analysis is required at local authority level to identify and gain a better understanding of labour market outcomes for disadvantaged groups and where interventions/targeted support is required.

The rationale for intervention is based upon removing obstacles to the labour market to help individuals, families, communities and the whole economy. Addressing skills issues for potential workers is also important to ensure the sharing of the opportunities afforded by

economic growth across groups.

The skills providers in SEMLEP are involved in and could further develop a number of holistic projects that support individuals and families to overcome a number of barriers. The Neighbourhood Employment Programme in Milton Keynes includes family support, mental health therapies, work experience and employability. Luton Adult Community Learning has funding to work with the BME community. Enterprise as a theme across SEMLEP is being nurtured by universities and colleges. Northampton College phase two capital project would provide a suite of facilities in Daventry for a range of excluded and marginalised groups and a gateway for employers to access services and employees.

4.6.8 Anticipated outputs and results

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

| Outputs | Results |
|---|--|
| <ul style="list-style-type: none"> ■ 25,895 no. of participants ■ 9,063 no. of unemployed ■ 3,884 no. of inactive ■ 7,769 no. of employed ■ 5,178 no. aged 15-24 | <ul style="list-style-type: none"> ■ No. in jobs ■ No. in active job search ■ No. in education/training ■ No. gaining qualifications ■ increase the number of people engaged in economic activity ■ Increase in pre-work activity-volunteering ■ Supporting people moving from non-active towards regularly engaged ■ Building work readiness ■ Increase the capacity of the VCS workforce, volunteers and trustees |

The two programmes under Priority 5 will also deliver a range of other benefits, including:

- *Increase in the proportion of the working age population with level 2,3 and 4 qualifications and skills;*
- *Higher levels of private sector training;*
- *Improve employer satisfaction rates of skills provision;*
- *Increase the take up of apprenticeships;*
- *increased labour participation rate;*
- *Greater social inclusion;*
- *Higher level of skills;*
- *Higher levels of training; and*
- *Reduce the level of employers reporting business skills gaps and shortages. All of these will feed through into increased labour and business productivity.*

4.7 Priority 6: Tackling social and economic exclusion

£10m indicative ESI Fund financial allocation (£10m ESF)

4.7.1 Thematic objectives addressed:

Priority 6 has a particular focus on the following EU thematic objectives.

- TO9: Inclusion
- TO8: Employment
- TO10: Skills

4.7.2 Context:

The Europe 2020 strategy and UK Government priorities have goals for promoting social inclusion through the reduction of poverty. The Government's strategy for social justice ' **Social Justice: Transforming Lives**' sets out the Government's commitment to giving individuals and families facing multiple disadvantages the support and tools they need to turn their lives around. This strategy focuses on a number of principles:

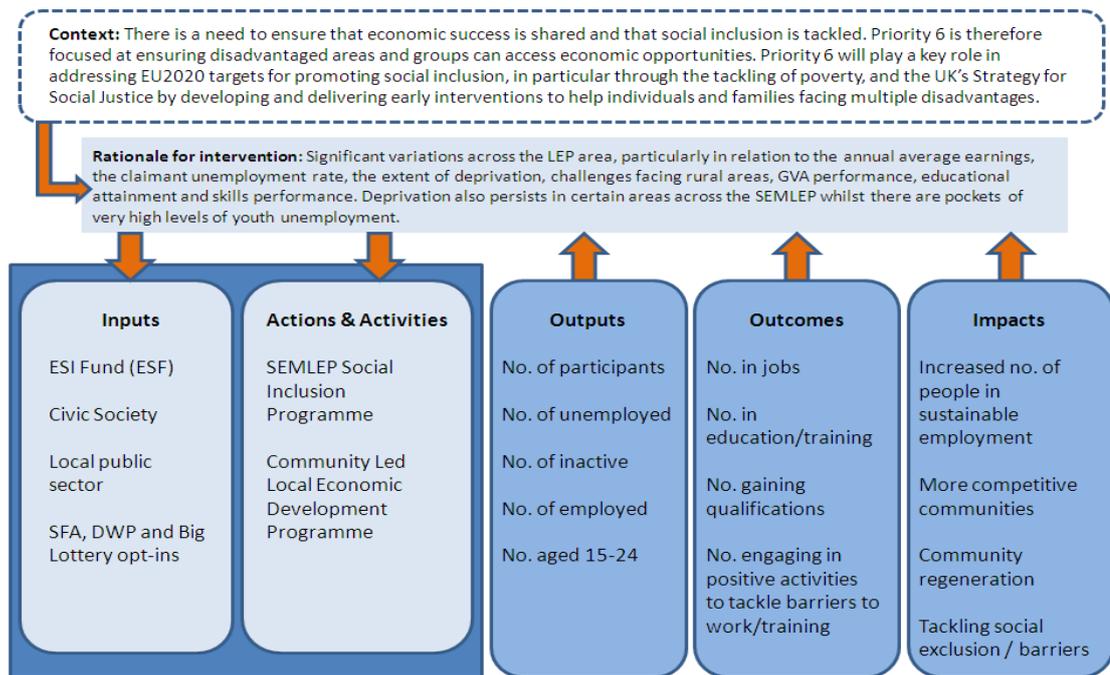
- a focus on prevention and early intervention;
- where problems arise, concentrating interventions on recovery and independence, not maintenance;
- promoting work for those who can as the most sustainable route out of poverty, while offering unconditional support to those who are severely disabled and cannot work;
- recognising that the most effective solutions will often be designed and delivered at a local level; and
- ensuring that interventions provide a fair deal for the taxpayer.

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

Priority 6 is therefore focused at ensuring disadvantaged areas and groups can access the economic opportunities that will be achieved through the other five priorities of our programme. This priority will be delivered in part through community-led local development programmes. This will include locally developed initiatives that will add value to national policies and programmes by supporting additional activities to extend employment opportunities and tackle barriers to work faced by unemployed and inactive people, with a particular focus on people at a disadvantage in the labour market (including disabled people, lone parents, older workers, people from ethnic minorities, the low skilled, offenders and ex-offenders ,including young people not in education, employment, or training).

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

Figure 4.6 Priority 6 logic model



4.7.3 Priority aims and objectives

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

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

4.7.4 Rationale for Priority 6

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

There are also some significant variations across the LEP area, particularly in relation to the annual average earnings, the claimant unemployment rate, the extent of deprivation, challenges facing rural areas, GVA performance, educational attainment and skills performance. Deprivation also persists in certain areas across the SEMLEP whilst there are pockets of very high levels of youth unemployment. Pockets of deprivation exist across the South East Midlands area with 29.3% of Corby's population, 26% of Luton's and 20.3% of Northampton's living in the most deprived areas of England compared to very low levels in South Northamptonshire (0%), Aylesbury Vale (0.9%) and Central Bedfordshire (2.2%).

Levels of worklessness have continued to increase since 2008 which is largely due to more people becoming economically inactive and looking for work or unemployed. The differences in the economic inactivity rate across South East Midlands have an impact on the overall levels of worklessness. Furthermore it is clear that particular groups including young people, women, disabled people, older people and certain ethnic minority groups have lower employment rates and may account for a significant proportion of those who are economically inactive. Some groups experience lower employment rates and face barriers to the labour market. This includes ethnic minority females, disabled people, young people and people over 50. For example, the employment rate for disabled people⁴⁷ was 39% (36.5% for males) and 44% for over 50 year olds⁴⁸.

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

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

4.7.5 Strategic alignment

Priority 6 is cross-cutting in nature and will feed into each of the other five programme priorities. Priority 6 will play a key role in addressing EU2020 targets for promoting social inclusion, in particular through the tackling of poverty, and the UK’s Strategy for Social Justice by developing and delivering early interventions to help individuals and families facing multiple disadvantages.

As mentioned previously, a wider objective of SEMLEP is to work with the secondary, further, higher, voluntary and community, and private sector education and training providers across the area to ensure skills outcomes match business and social enterprise needs. Priority 6 will play an important role in meeting this objective.

4.7.6 Adding value to national provision

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

4.7.7 Indicative programme activities

Two programme activities are proposed under Priority 6:

- Programme Activity 6.1: SEMLEP Social Inclusion Programme
- Programme Activity 6.2: SEMLEP Community Led Economic Development Programme

6.1: SEMLEP SOCIAL INCLUSION PROGRAMME

PROGRAMME DESCRIPTION

This will be in the form of a two part social inclusion programme (part BIG, part local). The focus will be on reducing disparities in inner urban and rural areas.

⁴⁷ ONS (December 2012)

⁴⁸ ONS (June 2013)

One focus of this programme will be on the design of specific interventions to support those more likely to become economically inactive to find employment and working with employers to support them to recruit and retain a diverse workforce.

This programme is likely to include a range of activities, including neighbourhood employment initiatives, voluntary mentoring and coaching young people, social access to finance, wheels to work, capacity building, rural access to services, Investment in Community Transport, Troubled families and family intervention programmes. Support for NEET (14-19). Further activities could include:

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

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

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

6.2: SEMLEP COMMUNITY LED ECONOMIC DEVELOPMENT PROGRAMME

PROGRAMME DESCRIPTION

SEMLEP partners have identified the value that community economic development activity has in supporting the development of responses to the social, environmental and economic challenges faced in its communities.

This programme will focus strongly on localities where worklessness is most concentrated, and will aim to mobilise key players in a local area (e.g. voluntary and community organisations, local authorities, other public authorities such as police, health and education, and local private sector businesses) in a collaborative partnership to increase employment and overcome disadvantage.

Our proposals have been strongly influenced by the experience of the three existing LEADER programmes which currently operate within the South East Midlands as well as a significant amount of experience and learning through other community economic development programmes such as the current ERDF and ESF programmes operating across the area. Discussions have been held with current LEADER programme managers about existing measures, identifying those that have worked particularly well in their LAG

area. This will enable the activities to be delivered under this programme to be scoped out, identifying priority communities.

The activities delivered through our CLED programme will be designed by local people who have a better knowledge of local challenges that need to be addressed and the resources and opportunities available. In addition, the knowledge of their specific geographical areas that local people have makes them best placed to identify the most appropriate solutions to deliver improvements in services, support the inclusion of disadvantaged groups, build capacity and develop localised micro-interventions which can have major impacts on a local economy

A key focus of this programme will be on providing local people with a greater sense of ownership and commitment to locally designed projects, allowing them to make the best of any local assets.

Annex 4 illustrates the types of activities that could be supported under this programme.

MARKET FAILURE / BARRIER(S) ADDRESSED BY PROGRAMME 6.1 AND 6.2

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

- There are some notable differences across the LEP area, with the rank of constituent local authority districts varying widely on many of the measures, for example:
 - **Extent of deprivation** - there exist pockets of deprivation across the South East Midlands area with 29.3% of Corby's population, 26% of Luton's and 20.3% of Northampton's living in the most deprived areas of England compared to very low levels in South Northamptonshire (0%), Aylesbury Vale (0.9%) and Central Bedfordshire (2.2%).
 - **Assisted Areas:** The following wards are currently designated as Assisted Areas that have both economic need and opportunities for growth. These are: Biscot, Challney, Crawley, Dallow, High Town, Lewsey, Round Green, Saints, South, Stopsley and Wigmore within Luton; and Houghton Hall, Dunstable Icknield, Parkside and Tithe Farm within Central Bedfordshire; the new proposals will reduce this by 3 wards, 2 in Luton and one in Central Bedfordshire Council - losing Tithe Farm). These wards (and those adjacent) still show considerable economic need and/or opportunity. They also provide a continuous area with a population of 151,000 (ONS 2011-based mid-year population estimates).
 - **Children living in poverty:** 25% of all children are living in poverty in Luton compared to a SEMLEP average of c. 15% and a national average of 18%.
 - **High and rising numbers of NEETs in some areas:** The proportion of 16 to 19 year olds who are not in education, employment or training (NEET) in certain areas of SEMLEP are high. For example, in Luton the figure is high, and rising. 6.2% of 16-19 year olds were classed as NEET in May 2013 with a further 5.5% of young people "unknown";
 - **High and rising levels of youth unemployment:** SEMLEP has a youth unemployment rate of just over 4% (January 2013), below the national average of 5.5%. However, there are areas in SEMLEP that are suffering from a long-term problems with youth unemployment, particularly for youngsters who have left school with poor qualifications (for example, youth unemployment in Corby almost tripled from 4% to 11% between 2007 and 2012⁴⁹).
 - **Claimant unemployment rate:** (Corby 5.2%, Luton 4.3%, Bedford & Northampton

⁴⁹ Ambitious Minds (2012) Plugging the Igeneration into the Labour market

4.1%, South Northants 1.3%, Cherwell 1.4%)

- *Barriers to accessing the labour market persist, for example transport, costs of childcare, attitudes and perceptions.*
- *The offender population is substantially over-represented by people who are socially and economically excluded or disadvantaged. They often face multiple, complex and interrelated problems and inequalities that, if not adequately addressed, can lead to a cycle of offending that can be difficult to break. The harm to victims and communities is often broad and deep, and effective and timely interventions are required to break the cycle of re-offending and prevent further harm being perpetrated*

4.7.8 Anticipated impact: outputs and results

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

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

4.8 Cross cutting themes

The European Commission's adopted legislative proposals for cohesion policy for 2014-2020 include a series of common principles applicable to all Funds, including the promotion of gender equality and equal opportunities (e.g. supporting the EU Strategy for Equality Between Women and Men 2011-15), non-discrimination; and sustainable development⁵⁰.

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

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

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

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

4.8.1 Equalities

Equality of opportunity is critical to the success of the SEMLEP ESI Fund Strategy - only by ensuring that everyone has equal access to opportunities will we achieve our vision.

⁵⁰ Cohesion Policy 2014 -2020; Investing in growth and jobs

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

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

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

4.8.2 Sustainability

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

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

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

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

- *Minimising the need to travel, and where necessary, taking steps to minimise the environmental impact of travel & transport (including procurement measures which*

allow locally produced/sustainably sourced goods and services to compete on equivalent terms);

- *Wherever practicable, programmes/projects should, through the consumables they buy and use, seek to minimise environmental impact(s) and maximise cost savings through the efficient use of resources;*
- *Undertake to reduce, reuse, recycle or reclaim wastes and surplus materials wherever possible;*
- *Require subcontractors, and encourage clients and collaborators, to do the same; and*
- *Consider opportunities for related social and economic benefits (e.g. involvement of local groups/volunteers).*

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

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

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

4.9 Supporting the social innovation agenda

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

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

5 Financial investment framework and output targets

5.1 Introduction

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

5.2 Financial allocations

5.2.1 Notional allocation

The SEMLEP has a notional allocation of EU funding worth approximately £79,879m million. The full Programme value including match funding is therefore approximately £155m).

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

Table 5.1 summarises the spending profile by EU funding stream.

Table 5.1 Indicative allocations by funding stream

| Funding stream | Indicative allocation |
|----------------|-----------------------|
| ERDF | £37.8m |
| ESF | £37.8m |
| EAFRD | £4.279m |
| Total | £79.879m |

5.2.2 Total funding allocations by EU thematic objective

Table 5.2 summarises the spread of funding allocations by EU thematic objective. We have exceed the minimum requirement of 20% of ESF funding focused on social inclusion (26%) because of the sharp economic and social disparities in the SEMLEP area and the need to both reduce those disparities and tap into the latent skills and abilities found in the more deprived urban and rural areas, skills and abilities that with appropriate support could help address skill shortages. Priority 3 is the focus for energy efficiency and the low carbon economy and meets the minimum threshold of 20% of ERDF funding. In addition energy efficiency is addressed in other priorities, including Priority 4.

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

| THEMATIC OBJECTIVE | ERDF (£) | ESF (£) | EAFRD (£) | TOTAL (£) |
|------------------------------|------------|------------|-----------|------------|
| 1 Innovation /Research | 9,475,000 | 0 | 321,000 | 9,796,000 |
| 2 ICT (Digital/Broadband) | 2,000,000 | 0 | 321,000 | 2,321,000 |
| 3 SME Competitiveness | 16,825,000 | 0 | 2,236,788 | 19,061,788 |
| 4 Low Carbon | 7,750,000 | 0 | 321,000 | 8,071,000 |
| 6 Protecting the environment | 1,750,000 | 0 | 759,000 | 2,509,000 |
| 8 Employment | 0 | 15,505,000 | 321,000 | 15,826,000 |

| | | | | | |
|--------------|------------------|-------------------|-------------------|------------------|-------------------|
| 9 | Social inclusion | 0 | 10,000,000 | 0 | 10,000,000 |
| 10 | Skills | 0 | 12,295,000 | 0 | 12,295,000 |
| TOTAL | | 37,800,000 | 37,800,000 | 4,279,788 | 79,879,788 |

5.2.3 Annual expenditure profile by thematic objective

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

Table 5.3 Financial Annual Profile 2014 -2020

| OBJ | 2014 (£) | 2015 (£) | 2016 (£) | 2017 (£) | 2018 (£) | 2019 (£) | 2020 (£) | TOTALS (£) |
|--------------|------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|----------------|
| T1 | 75,000 | 1,300,000 | 1,450,000 | 1,560,000 | 1,850,000 | 1,860,000 | 1,701,000 | 9,796m |
| T2 | 65,000 | 250,000 | 340,000 | 400,000 | 410,000 | 440,000 | 416,000 | 2,321m |
| T3 | 229,788 | 2,470,000 | 3,067,000 | 3,145,000 | 3,380,000 | 3,505,000 | 3,265,000 | 19,061m |
| T4 | 145,000 | 1,185,000 | 1,370,000 | 1,300,000 | 1,350,000 | 1,470,000 | 1,251,000 | 8,071m |
| T6 | 75,000 | 360,000 | 455,000 | 365,000 | 375,000 | 445,000 | 434,000 | 2,509m |
| T8 | 285,000 | 2,368,500 | 2,763,500 | 2,422,500 | 2,524,580 | 2,730,500 | 2,731,420 | 15,826m |
| T9 | 250,000 | 1,400,000 | 1,600,000 | 1,525,000 | 1,500,000 | 1,930,000 | 1,795,000 | 10,000m |
| T10 | 250,000 | 1,715,000 | 2,110,000 | 1,925,000 | 2,056,000 | 2,189,000 | 2,050,000 | 12,295m |
| TOTAL | 1,374,788 | 11,048,500 | 13,155,500 | 12,642,500 | 13,445,580 | 14,569,500 | 13,643,420 | 79,879m |

5.2.4 Programme investment framework

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

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

Table 5.4 Outline SEMLEP EU Programme 2014-20 Investment Framework

| SEMLEP EU Priority | Programme activities | Thematic objective(s) addressed | ERDF/ESF/EAFRD £79.879m (includes ESI opt-in allocation) | Match (opt-in) | Match (other) | Total match | Total (incl. match) |
|---|--|---------------------------------|--|----------------|-----------------|-----------------|---------------------|
| Priority 1: Strengthening and exploiting SEMLEP's innovation and knowledge assets | SEMLEP Growth and Innovation Programme | T01 | £6.321m | - | £6m | £6m | £12.321m |
| | Digital Technology & Demand Stimulation Programme | T02 | £2.321m | - | £2m | £2m | £4.321m |
| | Low Carbon Technology & Innovation Programme | T04 | £1.5m | - | £1.5m | £1.5m | £3m |
| Priority 1: Sub total | | | £10.142m | - | £9.5m | £9.5m | £19.642m |
| Priority 2: Stimulating enterprise and enhancing the competitiveness of SMEs | South East Midlands Growth Hub <i>(including MAS £3.6m, GA - £2.65m and UKT - £2m)</i> | T03 & TO10 | £9.585m | £8.25m | £1.335m | £9.585m | £19.17m |
| | SEMLEP Entrepreneurship Programme | T03 & TO10 | £3.712m | - | £2m | £2m | £5.721m |
| | Finance for Business Programme | T03 | £6.7m | - | £6.7m | £6.7m | £13.4m |
| Priority 2: sub-total | | | £19.997m | £8.25m | £11.747m | £18.285m | £38.291m |
| Priority 3: Developing a low carbon economy | Resource and Energy Efficiency Programme | TO4 & TO6 | £3.071m | - | £2.75m | £2.75m | £5.821m |
| | Housing Retrofit Programme <i>(including EIB opt-in)</i> | T04 | £3.5m | £3.5m | - | £3.5m | £7m |
| Priority 3: sub-total | | | £6.571m | £3.5m | £3.071m | £6.25m | £12.821m |
| Priority 4: Infrastructure for Growth | Buildings for Growth | T01 | £3.475m | £0 | £3.475m | £3.475m | £6.950m |
| | Enhancing local infrastructure and environments | TO4 & TO6 | £3.034m | £0 | £1.75m | £1.75m | £4.784m |
| Priority 4: sub-total | | | £6.509m | £0 | £6.508m | £5.225m | £11.734m |

| SEMLEP EU Priority | Programme activities | Thematic objective(s) addressed | ERDF/ESF/EAFRD £79.879m (includes ESI opt-in allocation) | Match (opt-in) | Match (other) | Total match | Total (incl. match) |
|--|---|---|--|----------------|-----------------|----------------|---------------------|
| Priority 5: Developing a skilled and adaptable workforce | High Level Skills for Key Sectors <i>(includes £6m SFA opt-in and £2m DWP opt-in)</i> | TO8 & TO10 | £14.16m | £8m | £6m | £14m | £28.16m |
| | Basic Skills and Employment <i>(includes £6m SFA opt-in and £1.9m DWP opt-in)</i> | TO8 & TO10 | £12.5m | £7.9m | £4.44m | £12.34m | £24.84m |
| Priority 5: sub-total | | | £26.661m | £15.9m | £10.44m | £26.34 | £53m |
| Priority 6: Tackling social and economic exclusion | SEMLEP Social Inclusion Programme <i>(includes £0.5m DWP op-in, £1m Big Lottery opt-in, £1.5m SFA opt-in)</i> | T09 (cross-cutting across all other objectives) | £6m | £3m | £3m | £6m | £12m |
| | Community Led Economic Development Programme <i>(includes £0.5m SFA opt-in and £1.5m Big Lottery opt-in)</i> | | £4m | £2m | £2m | £4m | £8m |
| Priority 6: sub-total | | | £10m | £5m | £5m | £10m | £20m |
| Programme total costs | | | £79.88 | £32.65m | £46.908m | £79.56m | £159.4m |

5.2.5 Match funding

The estimated match funding by source is summarised in Table 5.5. Work in on-going to confirm sources of match funding and therefore the estimates below are subject to change as projects are worked up over the coming months. Discussions have been held with organisations, including The Princes' Trust⁵¹, Heritage Lottery Fund, Groundwork, Arts Council and local partners. Groundwork have pledged to assist industrial area projects, energy efficiency and green skills. The Arts Council has been in discussion with SEMLEP over specific investments as well as a Cultural Dimensions and Creative People and Places Programme.

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

Table 5.5 Sources of match funding

| ERDF sources of match | Estimated amount of match (£) |
|------------------------------|--------------------------------------|
| Private | £4.1m |
| Public – local | £16.325m |
| Public - national | £1.25m |
| Civil society | £0.125m |
| Opt-in | £11.75m |
| To be confirmed | £4.250m |
| Sub-total | £37.8m |
| ESF sources of match | |
| Private | £4.925m |
| Public – local | £9.125m |
| Public-national | £0.5m |
| Civil society | £1.675m |
| Opt-in | £20.9m |
| To be confirmed | £0.675m |
| Sub-total | £37.8 |
| TOTAL | £75.6m |

5.3 Technical Assistance

Up to half of £211 million (€247) million set aside for Technical Assistance is available to LEPs and local partners to support delivery of their ESI Funds Strategies in 2014-2020. SEMLEP is seeking Technical Assistance to ensure the effective and efficient delivery of the SEMLEP ESIF.

5.4 State aid

The objective of State Aid control is to ensure that Government interventions do not distort competition and intra-community trade. In this respect, State Aid is defined as 'an advantage in any form whatsoever conferred on a selective basis to undertakings by national public

⁵¹ Offering match funding from their national provision for activities that support the creation of a Young Skilled workforce and Growing the Local Economy through enterprise

authorities'. By adopting a strategic approach to investment by identifying Programmes of Activity via the Investment Framework, aid (if present) can be minimised and where possible 'designed out' during the early stages of development. However, if aid remains, it is envisaged that the CLG technical appraisal process will detail how this is to be addressed (i.e. delivery under a block exemption).

5.5 Outputs, results and value for money

5.5.1 Introduction

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

5.5.2 Target outputs and results

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

Table 5.6 Target outputs for 2014-20

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

| | | | | |
|--------------------------------------|--|-------|-----|-------|
| e. number of participants aged 15-24 | | 7,416 | | 7,416 |
| Total participants trained | | | 158 | 158 |

ERDF outputs have been calculated based on unit cost / value for money benchmarks provided in the guidance note issued by DCLG in December 2013. ESF outputs are based on an average unit cost of £2,039 which is in line with average unit costs on previous programmes operating in the SEMLEP area, including those delivered by DWP, SFA and Local Authorities.

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

Table 5.7 Output totals by thematic objectives

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

| | | | |
|----|---|--|---------------|
| | | <ul style="list-style-type: none"> enterprises supported to introduce “new to the firm” products | 27 |
| | | <ul style="list-style-type: none"> enterprises supported to introduce new products to market | 18 |
| | | <ul style="list-style-type: none"> private investment matching public support to enterprises | £300,000 |
| | | <ul style="list-style-type: none"> number of companies supported with business resource efficiency | 266 |
| | | <ul style="list-style-type: none"> additional enterprises accessing ICT products and services including broadband | 43 |
| | | <ul style="list-style-type: none"> infrastructure site development including green infrastructure | 3.31 hectares |
| | | <ul style="list-style-type: none"> energy/ climate change – estimated GHG reduction | N/A |
| 6 | Protecting the Environment and Promoting Resource Efficiency | <ul style="list-style-type: none"> number of enterprises receiving support | 128 |
| | | <ul style="list-style-type: none"> new enterprises supported | 26 |
| | | <ul style="list-style-type: none"> number of jobs created | 79 |
| | | <ul style="list-style-type: none"> number of companies supported with business resource efficiency | 99 |
| | | <ul style="list-style-type: none"> private investment matching public support to enterprises | £750,000 |
| | | <ul style="list-style-type: none"> infrastructure site development including green infrastructure | 1.3 hectares |
| | | <ul style="list-style-type: none"> energy/ climate change – estimated GHG reduction | N/A |
| 8 | Promoting Employment and Supporting Labour Mobility | <ul style="list-style-type: none"> total number of participants | 15,249 |
| | | <ul style="list-style-type: none"> b. number of unemployed (including long-term unemployed) participants | 5,337 |
| | | <ul style="list-style-type: none"> c. number of inactive participants | 2,287 |
| | | <ul style="list-style-type: none"> d. number of employed (including self-employed) participants; and | 4,576 |
| | | <ul style="list-style-type: none"> e. number of participants aged 15-24. | 3,049 |
| 9 | Promoting Social Inclusion and Combating Poverty | <ul style="list-style-type: none"> total number of participants | 9,770 |
| | | <ul style="list-style-type: none"> b. number of unemployed (including long-term unemployed) participants | 3,420 |
| | | <ul style="list-style-type: none"> c. number of inactive participants | 1,465 |
| | | <ul style="list-style-type: none"> d. number of employed (including self-employed) participants; and | 2,931 |
| | | <ul style="list-style-type: none"> e. number of participants aged 15-24 | 1,954 |
| 10 | Investing in Education, Skills and Lifelong Learning | <ul style="list-style-type: none"> total number of participants | 12,078 |
| | | <ul style="list-style-type: none"> b. number of unemployed (including long-term unemployed) participants | 4,227 |
| | | <ul style="list-style-type: none"> c. number of inactive participants | 1,812 |

| | | |
|--|---|-------|
| | <ul style="list-style-type: none"> d. number of employed (including self-employed) participants; and | 3,623 |
| | <ul style="list-style-type: none"> number of participants aged 15-24 | 2,416 |

5.5.3 Results

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

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

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

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

5.5.4 Value for money and additionality

5.5.4.1 Assessment and prioritisation

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

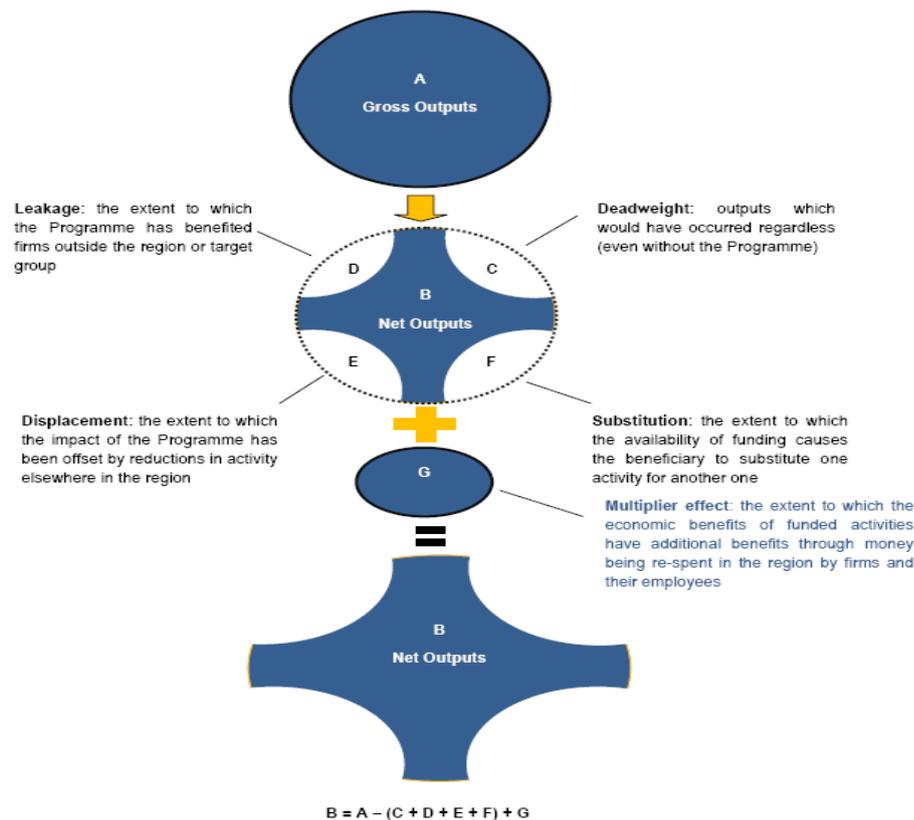
5.5.4.2 Value for money position for the SEMLEP ESIF

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

- **Attribution:** *the extent to which impacts were generated due to general economic conditions or specifically the support provided through the programme.*
- **Deadweight:** *the extent to which programme beneficiaries could have received their support from another source. Together with an estimate of attribution, deadweight can be used to construct a counterfactual scenario – i.e. if there was no Programme, what economic impacts would have been generated?*
- **Indirect effects,** *such as:*

- **Leakage:** whether impacts have ‘leaked’ outside of the target population (for a UK level intervention then leakage will be negligible).
- **Displacement:** whether impacts have been generated at a cost to non-supported individuals/businesses. At a UK level displacement is very high. Displacement is typically measured by exploring the extent to which beneficiaries ‘compete’ with other non-beneficiaries for, for instance, market share, labour etc.
- **Multippliers:** impacts generated through the supply chain expenditure of businesses supported through the programme.

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



Source: ICF GHK (2014)

5.5.4.3 **Additionality**

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

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

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

6 Alignment with national and European programmes and financial instruments

6.1 'Opt-in' models

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

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

- UK Trade and Investment;
- The Manufacturing Advisory Service;
- GrowthAccelerator;
- The Skills Funding Agency (SFA);
- European Investment Bank (for social housing retrofit);
- The Big Lottery (for Social Inclusion); and
- Department for Work and Pensions (DWP).

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

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

Table 6.1 Opt-in Position

| Opt-in prospectus | Summary of offer | Current position |
|--------------------------|--|--|
| UKTI | <p>Discussions are on-going to ensure ERDF match for UKTI service provision is focused on key issues/opportunities affecting SME manufacturers in the SEMLEP area.</p> <p>The offer forms part of the National Export Challenge to support UK companies to export and for overseas companies to invest in the UK. Support programmes include</p> <ul style="list-style-type: none"> ■ Passport to Export (for new exporters), ■ Global Growth (for more experienced exporters), ■ Market Visit Support and Tradeshow Access Programme (incentives for SMEs to visit overseas markets) | <p>SEMLEP opt-in is at a level of £2m. This is against a UKTI offer of up to £400,000 p.a. during the life of the programme.</p> <p>A draft Memorandum of Understanding has been received.</p> <p>SEMLEP have asked for some changes, including:</p> <ul style="list-style-type: none"> ■ Alignment with the Velocity Growth Hub ■ Pre Passport to Export support ■ Ensure focus on SEMLEP growth sectors |
| Manufacturing Advisory | <p>Provide specialist strategic & technical support to manufacturing companies of all sizes, including supply chain interventions.</p> | <p>SEMLEP opt-in level is £3.6m – this is slightly below the maximum £3.9m MAS match value.</p> |

| | | |
|------------------------------|---|--|
| <p>Service</p> | <p>Offer also includes grant funding (for SMEs only), of between £2K and £10K.</p> <p>The focus will be on increasing the impact of MAS interventions carried out – for example through extending the depth/number of in-depth support assignments, targeting higher growth potential beneficiaries, improving advanced manufacturing capabilities, introducing to new market opportunities etc.</p> <p>or:</p> <p>Increasing the volume of MAS interventions taken up in SEMLEP area – for example through enhanced engagement with key sectors, locations, supply chains etc and/or through enhanced attractiveness of the service proposition (although this may have to be limited due to national programme capacity).</p> | |
| <p>Growth Accelerator</p> | <p>Provide coaching for SMEs for business development, access to finance, and growth through innovation. Also provide business connection services linking businesses to facilities, specialists, networks and mentors.</p> <p>Can offer 6 to 18 months support – businesses need to contribute £600 to £3,000 towards this dependent on size.</p> <p>To meet the BIS and ERDF guidelines it is clear that any opt-in extensions will need to compliment the core GA provision to deliver additional outcomes which will need to be derived from either:</p> <p>Increasing the impact of interventions carried out – for example through extending the depth/number of coaching packages offered, targeting higher growth potential beneficiaries, introducing to new market opportunities etc</p> <p>or:</p> <p>Increasing the volume of interventions taken up in SEMLEP – for example through enhanced engagement with key sectors, locations, supply chains etc and/or through enhanced attractiveness of the service proposition (although this may have to be limited due to national programme capacity)</p> | <p>SEMLEP opt-in level is £2.65m - this is slightly below the maximum £3.038m GA match value.</p> |
| <p>Skills Funding Agency</p> | <p>Deliver skills training based on the LEP's local skills needs as identified in the LEP Skills Strategy. This could include:</p> <ul style="list-style-type: none"> ■ Adults skills training for employability and workforce development; ■ NEET provision for those aged 14-19 Not in Education, Employment or Training (NEET); ■ Community Grants – small grants to civil society organisations. | <p>SEMLEP to opt-in to a level of £14m.</p> <p>A draft MoU has been issued. SFA are willing to tailor their provision to address local skills needs and involve SEMLEP in procurement of projects.</p> |
| <p>Big Lottery</p> | <p>Support for civil society organisations to develop and deliver local initiatives. Examples include:</p> <ul style="list-style-type: none"> ■ “Talent Match” schemes for young unemployed; ■ “Improving Financial Confidence” scheme to | <p>SEMLEP to opt-in to a level of £2.5m</p> <p>Meetings have been held with Big Lottery and BLF have promised more local interventions. Consultation events with the VCS</p> |

| | | |
|--------------------------|--|---|
| | <p>provide financial management support;</p> <ul style="list-style-type: none"> ■ “Fulfilling Lives” to support people with chaotic lives & complex needs; ■ “School for Social Entrepreneurs” and “Big Venture Challenge” to provide business support for social entrepreneurs. | will be held in early 2014. |
| DwP | <p>Employability support and training for workless adults (18+).</p> <p>Also will work with employers to help them to identify and meet their labour force needs</p> | <p>SEMLEP to opt-in to a level of £4.4m</p> <p>A draft MoU has been issued – this is generic, and based on the national Job Centre Plus offer.</p> <p>SEMLEP to discuss targeting of areas of need (e.g. deprived areas being “masked” by more prosperous areas).</p> |
| European Investment Bank | <p>Providing loan funding for the energy efficiency of social housing, through retrofit work and above basic standards of efficiency</p> | <p>This will be a pan-LEP or national programme, as yet to be decided. There is interest from local partners and SEMLEP has allocated £3.5m of ESI Funds for this purpose.</p> |

6.2 Financial instruments

6.2.1 Access to Finance Programme

SEMLEP recognises the important role that financial instruments can play in increasing the efficiency of ESI Funds. SEMLEP has been working collaboratively with the other East Midlands LEP’s to assess the feasibility of creating a **pan-LEP access to finance programme**. This has included the delivery of a market intelligence study on access to finance and business needs by Mazars⁵² on behalf Derby, Derbyshire, Nottingham, Nottinghamshire (“D2N2”) LEP; Leicester and Leicestershire LEP; Greater Lincolnshire LEP; South East Midlands (SEMLEP), and Northamptonshire Enterprise Partnership.

The purpose of this work has been establish the extent to which improving businesses’ access to finance should be a policy to be pursued as part of the European Structural and Investment Funds programming period⁵³. The research also considered the use of any legacy funding from financial products commissioned by the former East Midlands Development Agency.

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

⁵² East Midlands LEPs, Business Finance Market Analysis and Product Development. Mazars (Sept 2013)

⁵³ Whilst the report provides a high level evaluation of need it does not provide the full range of information to establish a successful financial instrument. It does not fully substantiate the demand for equity, equity linked, mezzanine, seed-corn, loan guarantee or other non-debt related investments nor model the impacts of different products or types of intervention or forecast returns or economic impact nor model how the relationship with existing ‘local’ products can be managed.

6.2.1.1 Current status

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

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

The exact nature of any collaborative intervention, and whether we will seek EIB match funding, will depend on the outcome of more detailed investigations and development work to meet the requirements of the European Investment Bank’s ‘ex ante evaluation’ process for financial instruments, particularly addressing more targeted market assessment, intervention modelling, viability testing and development of effective models of governance and routes to market. Intervention modelling and viability testing will include an assessment of potentially working with one or more other regions. East Midlands LEPs will seek to complete this further development work, to a standard necessary to complete an European Investment Bank ex-ante appraisal, by September 2014.

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

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

Table 6.2 Access to Finance Summary

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

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.

Table 6.3 Access to Finance Timetable

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

6.2.2 Social Housing Financial Instrument

Discussions with the European Investment Bank regarding the opt-in for the **Social Housing Instrument** have suggested that it is possible for LEPs to either individually or collectively use their combined ESIF funds to reach the required minimum threshold (£10m ERDF). We understand that a national programme is also being considered.

On this basis we have allocated an indicative £3.5m ERDF for a Social Housing Retrofit Programme. We intend to work with neighbouring and other LEPs to continue to discuss the programme in more detail (e.g. appetite, risks, challenges, etc.) recognising the need to guarantee that the respective LEP contribution would need to be reinvested by the financial intermediary in the relevant LEP area.

6.3 Ensuring complementarity with other European programmes

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

- **Horizon 2020** – the EU Framework Programme for research and development will be considered in relation to opportunities for Research, Technology, Development and Innovation, helping bridge the gap between research and the market; employment and SME support; enhancement of R&D infrastructure and a supportive 'growth environment' for SMEs – for example through investment in key enabling technologies, greater access to finance; research into common challenges across the EU including climate change, sustainable mobility and an ageing population;

Five Public-Private Partnerships, called 'Joint Technology Initiatives' (JTIs), have been established which are open to a wide range of industries across Europe, including SMEs, and all types of research organisations up to 2020:

- **Innovative Medicines 2 (IMI2):** to develop next generation vaccines, medicines and treatments such as new antibiotics. The estimated budget of IMI2 is €3.45 billion. The EU will contribute up to €1.725 billion from Horizon 2020;
 - **Fuel Cells and Hydrogen 2 (FCH2):** to expand the use of clean and efficient technologies in transport, industry and energy. The proposed budget is €1.4 billion. The EU expected contribution will be up to €700 million from the Horizon 2020 programme budget;
 - **Clean Sky 2 (CS2):** to develop cleaner, quieter aircraft with significantly less CO₂ emissions. Estimated budget of CS2 is €4.05 billion. The EU will contribute with €1.8 billion from the Horizon 2020 programme budget;
 - **Bio-based Industries (BBI):** to use renewable natural resources and innovative technologies for greener everyday products. Estimated budget of this new initiative is €3.8 billion. The EU will contribute €1 billion from the Horizon 2020 programme budget. The industrial partners will commit €2.8 billion;
 - **Electronic Components and Systems (ECSEL):** to boost Europe's electronics manufacturing capabilities. The estimated budget of the ECSEL JTI is expected to reach €4.815 billion. The EU will contribute up to €1.215 billion and the participating Member States €1.2 billion. The industrial partners will contribute at least half of the total costs of around €2.4 billion in kind.
- **COSME** – the Competitiveness of Enterprises and SMEs Programme may provide opportunities for intervention direction through access to finance and export markets (e.g. support for existing entrepreneurs); and developing a more prominent role for self-employment (e.g. support for 'future' entrepreneurs) and business development as important sources of growth and job creation.
 - **LIFE** – particularly in terms of opportunities for integrated projects in the areas of climate change mitigation, protecting the environment and supporting the drive towards a low carbon economy, which forms a key component of the SEMLEP EU 2014-20 Programme; and,
 - **the European Territorial Co-operation Programme** – exploring approaches for cross-border collaborations.

7 Governance, risk and monitoring arrangements

7.1 SEMLEP's Partnership Architecture

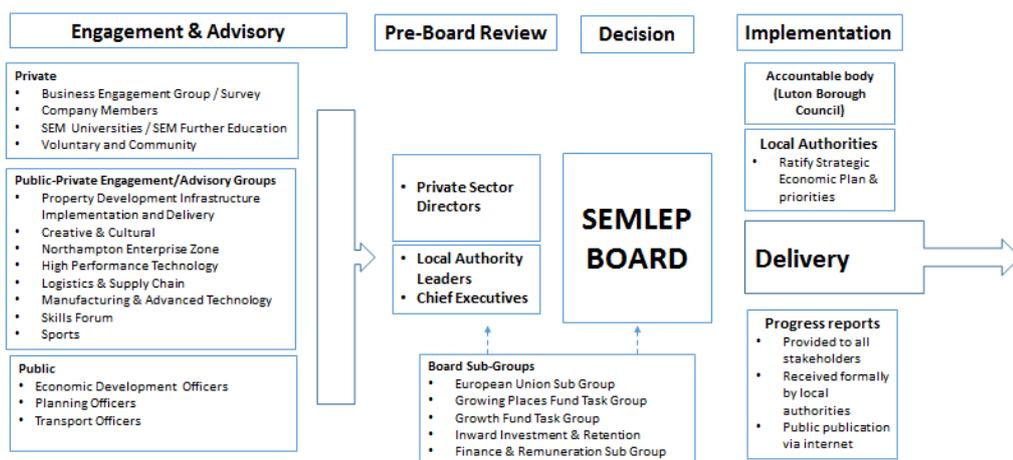
SEMLEP is a company limited by guarantee. It has a Board which has recently expanded and now includes eight private sector Board directors and seven public sector board directors, a representative of the Higher Education and Further Education sectors and an observer from the Voluntary and Community Sector.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

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

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

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

SEMLEP – Core Decision Flow



7.2 EU governance proposals

The SEMLEP Board is proposed to be the accountable body under contract to the National Growth Board – Programme Management Committee (PMC). The national PMC is being advised directly by the EU Commission with the national oversight of the 2014-2020 EU Programme. The SEMLEP Board will constitute a Local Management Committee from the breadth of stakeholders and partnerships across the area to monitor the SEMLEP EU European Investment Programme. The SEMLEP Local Management Committee will have representation from the local growth ESI teams. The future combined SEM Single Growth Deal Board is being developed by the SEMLEP Board including the close alignment with this anticipated structure and the single strategic appraisal processes.

7.3 Managing overlap with neighbouring LEPs

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

There are 5 local authorities that are both in Northamptonshire Enterprise Partnership (NEP) and SEMLEP, one that is both in Oxfordshire LEP and SEMLEP and one that is both in Bucks Thames Valley LEP and SEMLEP. All of these LEPs are committed to working together collaboratively to ensure that the residents, businesses and voluntary and community organisations in the areas of overlap experience a smooth and seamless operation with respect to the funding regimes and opportunities for delivering projects that will materialise across their respective areas.

Ensuring Delivery:

Investment Planning: As soon as the formal programme is approved, all are committed to ensuring that ESIF activity and investment is underway as soon as possible. This is reliant on a sophisticated approach to programme development that recognises the needs of local businesses and individual beneficiaries, relevant project opportunities, availability of match funding, and the ability of the area to absorb investment within the quantum proposed for each Thematic Objective. A joint planning exercise has therefore been completed by SEMLEP, NEP, BTVLEP and OXLEP to assess each of these factors, the results of which are summarised below:

| Investment Planning Issue | Outcome of Assessment |
|--|--|
| <i>Addressing the needs of businesses and individual beneficiaries</i> | <i>All LEPs have developed a comprehensive evidence data base and analysed this to ensure the appropriateness of the proposed investment under each Thematic Objective. Therefore there is a strong fit between the proposed activity and the needs of the beneficiaries.</i> |
| <i>Relevant Project Opportunities</i> | <i>The eligible activities identified under each Thematic Objective have been selected on the basis of an understanding of investment opportunities in the local area, including those being delivered by the opt-ins. This has included discussions with key providers of public match, outside the opt-ins, to understand future project proposals and investment plans.</i> |
| <i>Availability of match funding</i> | <i>All LEPs have looked at the issue of match funding to ensure that there is sufficient public match available for both the ERDF and ESF programmes at the level of individual Thematic Objectives. Opt-Ins or pre-matched projects are being effectively utilised to provide significant match finance.</i> |
| <i>Absorption</i> | <i>The proposed total expenditure across all of our areas of overlap for each Thematic Objective has been reviewed to ensure that there is likely to be sufficient eligible activity and beneficiary interest to deliver both programmes. No major absorption risks were identified.</i> |

Commissioning Activity: An agreed approach to commissioning activity has been developed which will operate for all ESIF activity. Activity to be delivered within the opt-ins will be individually commissioned by each of the LEPs, but with a side-by-side review to

ensure complementarity of investment across the area. Commissioning frameworks for activity outside the opt-ins will be developed collaboratively to ensure the additionality and added value of the proposed activity and investment. Joint commissioning frameworks will be developed and procured when, and if, appropriate.

Managing Performance: Performance management arrangements are being put in place by all LEPs to ensure that providers' delivery is effectively monitored and managed in terms of the opt-ins and pre-matched projects. All LEPs will ensure that they have the appropriate skills and resources to carry out their roles (once these are clarified by the respective Managing Authorities). This may involve the appointment of lead senior officers who will act as Commissioning and Performance Managers for each opt-in organisation. Their role will be to shape commissioning frameworks, oversee procurement activity, make sure that programme activity is mobilised at pace, develop financial and outcome reporting arrangements, monitor programme performance, identify delivery risks and ensure that appropriate mitigation plans are in place to address these. For activity outside the opt-ins, the Commissioning and Performance Officers will adopt a similar role, albeit working closely with the Managing Authority to ensure that there is clarity of roles and responsibilities and added value with each.

Ensuring Compliance: The role of the Managing Authority for ERDF and the use of the opt-ins for both ERDF and ESF reduces significantly the risk of non-compliance. LEP activity will be compliance checked by national Government or its appointed opt-in organisations. In agreeing the Memorandum of Understanding (MoU) with each opt-in organisation, the LEPs will make sure that arrangements are put in place to ensure visibility across each funding stream so that there is no potential for double funding or State Aid breach across opt-ins. In negotiating MoUs, the LEPs will also ensure that each opt-in has systems in place to avoid double funding of beneficiaries, to ensure wider compliance and effectively account for investment, activity and outcomes for each of the LEPs.

The Managing Authorities role on directly appraising all ERDF projects and the role of the opt-ins in ensuring compliance means that risks are minimised and limited to directly commissioned ESF and EAFRD activity. Each LEP has access to officers with experience and knowledge of European Programmes who will be responsible for competing compliance checks on each project applicant prior to any funding award. The compliance checks will be based upon those adopted by the Managing Authority to ensure robust arrangements are in place across the whole programme.

Governance and Management Arrangements: Each LEP has put in place governance arrangements which provide for the effective management of the 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 should also provide the Managing Authority with overall programme oversight.

In addition to the new governance arrangements, LEPs are proposing to establish a series of joint Delivery and Compliance Review Groups consisting of senior officers from the LEPs and representatives from the relevant Managing Authority. This Group will complete a detailed review of all ESIF related activity (commissioning frameworks, beneficiary lists, financial, output and outcomes reports etc.) to ensure that there is no duplication of funding, breach of State Aids or wider compliance issues or risks. It is envisaged that there will be a Compliance and Delivery group for each area of overlap. These Groups will provide regular reassurance reports to each of the LEP's respective European Governance Bodies so that partners are fully appraised of delivery and compliance issues.

7.4 Cross-LEP collaboration

SEM LEP is committed to working collaboratively with neighbouring LEPs, including NEP, OXLEP, BTVLEP and East of England LEPs – and have undertaken outreach consultation in conjunction wherever possible. There is an understanding that going forward, when commissioning activity across areas of mutual interest, we will avoid duplication of resources.

To that effect, since the 7th October submission we have held a number of meetings, to tease out synergies, dissonances and opportunities for collaborative added value. Areas of collaboration are shown for illustration purposes only at this stage and need to be explored in much more detail before detailed information can be provided.

7.4.1 Evidence of collaboration

The SEMLEP area shares a partially overlapping geography with the Northamptonshire Enterprise Partnership, who are also progressing activities to focus and stimulate their own key sectors, which the NEP currently identify as:

- High Performance Technologies (see text box below)
- Logistics
- Food and Drink
- Creative and Cultural Industries

The two LEPs have established a formal agreement to co-operate and share knowledge where appropriate and it is evident that promotional and development work on key sectors is an area where mutual interests should be as coordinated as possible, both to minimise confusion locally and to maximise best use of limited resources.

The East of England LEP network is supported through EU Connects and SEMLEP is represented on the East of England European and International Affairs Panel as well as the legacy of the contribution from established funding mechanisms such as the Low Carbon Innovation Fund that seek to invest venture capital into low carbon as well as cultural enterprises.

Evidence 1 High Performance Technologies

SEMLEP will be involved in an event at Silverstone circuit in the run up to Grand Prix week in July. The event, organised by 6 LEPs, will provide a forum for businesses within HPT to network and hear about technological change within the industry, as well as being a platform to launch the sector wide proposition for inward investment. The event will be focused around three themes:

- Innovation and development within materials & composites;
- Powertrain reliability & integrated vehicle health management; and
- Energy recovery, efficiency & storage.

There will be a keynote speaker (the Prime Minister is being approached) and exhibition space which will showcase new technologies within the market. Additionally, in conjunction with 5 other LEPs, SEMLEP is developing a motorsports prospectus which will be distributed overseas via UKTI. The LEPs involved are: SEMLEP, Leicester & Leicestershire, Northamptonshire Enterprise Partnership, Coventry & Warwickshire, Bucks Thames Valley and Coventry & Warwickshire.

7.5 Risk assessment

In developing the ESI Funds Strategy, SEMLEP has been considering the issue of risk. A risk register is being developed in discussion partners and following clarification on the role of LEPs in the delivery process. The risks will be grouped under the following types: strategic; operational; financial; and implementation. An assessment of the severity associated with each risk will be carried out based upon a judgment about impact and probability. Preliminary discussions with partners, in particular those with a previous track-record of delivering ERDF, ESF and LEADER programmes, have identified a number of risk areas, including:

- Establishing and enabling new processes – establishment of new arrangements, processes and procedures will be essential, learning from good practice from previous administrative arrangements by DCLG, DEFRA and others;

- Programme and project appraisal – ensuring that programme/project applications can be speedily considered, perhaps in regular ‘calls’ for projects to introduce an element of competitive selection to assist value for money;
- Effective programme/project monitoring – including the development suitable mechanisms to reduce problems with non-delivery;
- Partner engagement - ensuring that there is continued ‘buy in’ from partner organisations (e.g. private and civil society sectors) will be an important factor in ensuring the successful delivery of the Programme; and
- Ensuring momentum– it will be important that the Programme be launched and gains momentum at the earliest opportunity.

A draft risk management and mitigation register is attached in Annex 5. This document is in outline only and will be further developed and refined as the roles and responsibilities of LEPs are defined over the coming months.

7.6 Monitoring and evaluation

SEMLEP is working with South East Midlands EU sub-group to develop and implement a robust performance management system. Members of the EU sub-group have a strong track record in delivering and managing European funded programmes and collecting and monitoring local economic and project level data.

7.6.1 Monitoring

The majority of monitoring activity will be based on financial data and those indicators referenced in the National Operational Programme. Quantitative data against the following categories will be monitored and used to identify the physical progress of the SEMLEP ESI Fund Programme:

- Achievement of outputs and results;
- Financial information including commitment levels, forecast information and achievement of spend against N+2 targets;
- Number of projects, project location and sector breakdown;
- Breakdown of the use of funds by thematic objective and programme activity; and
- Cross-Cutting Themes using demographic data and Strategic Environmental Assessment (SEA) indicators.

The primary means of collating quantitative data will be through the submission of quarterly claims from projects that will be delivered under each programme activity. A Management Information System is being designed to capture all required quantitative data to facilitate monitoring the SEMLEP ESI Fund Strategy overall performance.

Business processes are yet to be confirmed, however we envisage that the main method of reporting the SEMLEP ESI Fund Strategy’s performance will be through the completion of an Annual Implementation Report (AIR), which must be considered and endorsed by the Managing Authority prior to submission to the European Commission. The AIR will provide a clear overview of the implementation of the Programme for each year of delivery and will include quantitative data and narrative assessments derived from Programme monitoring activities.

7.6.2 Evaluation

The overall aim of evaluation is to understand the effectiveness and impact of SEMLEP ESI Fund Strategy in delivering the overarching vision for the LEP area, **“to be amongst the most innovative, successful and high performing economies in England by 2020”**.

Business processes, and in particular the monitoring and evaluation responsibilities of LEPs are still to be confirmed, in addition to the timing requirements of such activity. We would

envisage that that LEPs and their partners would be required to feed into the following evaluation activities during the 2014-20 programme period.

- Interim Programme Assessment
- Mid-term Programme Performance and Impact Evaluation
- Final Programme Performance and Impact Evaluation

The results of each evaluation exercise would be reported to the PMC for consideration and endorsement, and thereafter to the European Commission.

Annex 1 Stakeholder and business engagement

Stakeholder and partner consultation is on-going, however, the following list identifies some of the public, private and VCS organisations consulted to date

a1 Security Home Counties (UK) Ltd
Aimhigher Northamptonshire Ltd
AMCSuk Ltd
Aylsebury College
Arts Gateway MK Ltd
ActionCOACH Business Coaching
Action Luton
Alcohol Services for the Community
Aylesbury Vale District Council
ARM Foundation CIC
BTVLEP
Basepoint Innovation Centre
Bedford Borough Council
Bedford College
Bedfordshire and Luton Learning Partnership
Bedfordshire Housing Link
Bidright UK
BRCC
Bucks and MK CSP
Buckinghamshire & Milton Keynes Natural Environment Partnership
Buckingham Business First
Buckinghamshire Canal Society
Buckinghamshire Community Foundation
Bucks 2012
Bucks New University
Buckinghamshire Business First
Bucks Sports
Bedfordshire Rural Communities Charity
Borough Council of Wellingborough
Canal & River Trust
Community Impact Bucks
Central Bedfordshire Council
Central Bedfordshire College
Centre for Youth & Community Development
Community and Voluntary Service
Conning Towers
Corby Borough Council
Cranfield University
Creative Film Workshops
Department for Business Innovation & Skills (Nottingham)
Department for Work and Pensions
Dunstable Town Council
Enterprise Europe Network - East of England
East of England European Partnership
Develop
Electric Corby CIC
EMB
Enterprise Solutions Northamptonshire
Exemplas
Federation of Small Businesses
French Translation Company
General Motors
Geneyus
Goldington Family Centre

Groundwork Northamptonshire
Groundwork Luton & Bedfordshire
GrowthAcclerator
Hair Systems Europe Ltd
Hayward Tyler Ltd
Horizon HR
Home Group
Innovation Agent Ltd
Intraining
Inspiring Partnerships
Keens Shay Keens Limited
Kettering Borough Council
Langley House Trust
Liebherr GB Ltd
Local Council Support Associates Ltd
Lunchbox Films
Luton Borough Council
Luton Council
Luton Culture
Manufacturing Advisory Service
Marsh Farm Futures
MK Arts & Heritage
Milton Keynes Equality Council
Milton Keynes College
NNDC
Northampton Borough Council
Northampton Volunteering Centre
One East Midlands
National Energy Foundation
Ngage Solutions
NFU
Pera Consulting
Printer Medic
Skills for Logistics
SMMT
Skills Funding Agency
T&T
Tasc
The Gifford Partnership
The Learning Partnership - Bedfordshire and Luton Ltd
The Multi-Heritage Organisation Ltd
UKTD
University of Bedfordshire
Young Enterprise East of England
Cherwell District & South Northants Council
Cherwell District Council
Childrens Links
Communities and Local Government
Community Action MK
Corby Borough Council
Coventry & Warwickshire LEP
Creative Northants
Department for Business Innovation & Skills (Nottingham)

Department for Environment, Food and Rural Affairs
Department for Work and Pensions
East of England Brussels Office
Grants4Growth
Greater Cambridge Greater Peterborough Enterprise Partnership

Hertfordshire LEP
Hidden Britain
Intraining Group Ltd
Leicester and Leicestershire Enterprise Partnership
Luton Borough Council
Make a Difference
Milton Keynes Community Enterprise
Milton Keynes Community Mediation Service Ltd
Milton Keynes Council
National Council for Voluntary Organisations
Ngagesolutions
Mind BLMK
Northampton Borough Council
Northampton Volunteering Centre
Northamptonshire ACRE
Northamptonshire Enterprise Partnership
Northamptonshire Probation Trust
Northamptonshire Rights and Equality Council
South Northamptonshire Council
NFU
Ormiton Children and Families Trust
Office for Civil Society
Oxfordshire LEP
Oxfordshire Rural Community Council
Oxfordshire Woodfuel Programme
Papworth Trust
Prince's Trust
Relate Bedford and Luton
SEMLEP
Skills for Logistics
Skills Funding Agency
South Northamptonshire Council
Signpost
Step by Step Training Ltd
Sustrans
The Mallows Company
The University of Northampton
Think Funding
The Forest of Marston Vale
The Open University
Taylor Walton LLP
TCHC
Team BEDS & LUTON
The Disability Resource Centre
The Greensand Trust
The Mix-Luton Music Service

University of Bedfordshire
University of Bedfordshire
University of Bedfordshire Enterprise4Corby
UK Centre for Carnival Arts
UKTI East
YMCA Bedfordshire
Wellingborough Chamber of Commerce
Wenta
Young Enterprise.

Annex 2 Evidence base

A2.1 Introduction

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

The analysis presented in Annex 2 and summarised in Section 3 presents the highlights of the evidence base and is framed against the key priorities for investment set out in the Supplementary Guidance to Local Enterprise Partnerships on Structural and Investment Fund Strategies issued early this summer.

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

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

A2.2 Innovation, research and technology development

Context: Smart specialisation, innovation and competitiveness are amongst the leading priorities in many of the position papers currently being developed on the future shape of EU Cohesion Policy.

The opportunity: SEMLEP has the potential to be a leader in innovation, based on the strength of the wider knowledge base, but business investment in RTDI remains low.

The challenge: We have a number of leading universities in research and development and strong links with businesses around innovation however we are not doing enough to maximize these assets to support more businesses to innovate and launch new products as measured by low level of South East Midlands share of high technology firms, patents registered and business survey results which shows only about 1 in 10 businesses have links with universities/colleges and one third have introduced or intend to introduce a new product, service or process. In addition it also showed that larger businesses are more likely to have links with colleges/universities or innovate.

Headline barrier to growth for the SEMLEP ESIF to address: Low levels of innovation evident across many sectors of the SEMLEP economy which is restricting growth in terms of productivity and employment. In addition, a review of South East Midlands' innovation assets highlighted that whilst we have an impressive portfolio of innovation centres and other facilities across the area, some of these are located in more generic office space or as part of an industrial park and maybe missing out on opportunities or the necessary support and access to specialist advice.

A2.2.1 EU and UK policy drivers

The Europe 2020 ambition is to improve the conditions for research and development, with the aim of raising investment levels to 3% of GDP.

The UK Government ambition is to improve the framework conditions for research and innovation to facilitate greater private sector investment over the period. Proposals for use of the European

Structural and Investment Funds will be based on the **Innovation and Research Strategy for Growth** and proposals set out in the Government's Industrial Strategy and the proposals in Innovation in Health & Wellbeing.

Detailed sector strategies are being developed by the UK for each of the following key sectors: Advanced manufacturing; knowledge-intensive traded services; and enabling industries which will also inform the framework for investment in priority sectors. Our ESI Fund Strategy also aims to support the outcomes of the Witty Review and Government's aspirations to drive forward innovations across the eight great technologies.

The Government's **Supporting Small Business Charter** has been established to help incentivise business schools to help small businesses across the UK through stronger academic and business partnerships and the increase the flow of highly qualified students and graduates into small businesses. The Charter also highlights the increasing importance that micro businesses – those which have less than 10 employees – have on the success of the economy - making up 95% of all businesses. Business schools could also become a key part of the referral process and provision of national support products including Start-Up Loans⁵⁴ and Growth Vouchers⁵⁵. Section 6 sets out in more detail how the SEMLEP ESI Fund Strategy is aligned and complements national innovation and business support products.

Decarbonising the economy will also play a key part in the wider objective to achieve sustainable and balanced economic growth, with a focus on maximising the opportunities and minimising the costs of the green economy transition. There are likely to be significant opportunities associated with the exploitation of new and emerging technologies across a range of sectors to deliver EU and UK Government carbon reduction targets.

A2.2.2 SEMLEP has strong growth prospects supporting by a range of innovation and sector assets

Recent analysis by Experian showed that the South East Midlands has the greatest concentration in the UK of areas rated as having strong prospects for economic growth. Milton Keynes, Aylesbury Vale and Luton all feature in the top ten UK areas for predicted output and employment growth over 2013-17⁵⁶. These growth prospects are supported by a range of key innovation and sector assets outlined below.

The South East Midlands has a strong heritage of innovation, particularly within its advanced technology clusters, including automotive and the iconic Silverstone.

This includes **Nissan Technical Centre** and **Millbrook Proving Ground** in Central Bedfordshire and the Open University's pioneering work in information technology demonstrate this capability. **Colworth Park's** office space, laboratories and approach to food technology and open innovation are also important. The **MK Future City collaboration** and investment in big data analytics have the potential to drive innovation and create new cutting edge knowledge assets in the South East Midlands. Milton Keynes Council has developed a portfolio of innovative smart city and low carbon projects with a collaboration group of academic, industry and public sector partners. These projects aim to secure inward investment and jobs along with achieving carbon reduction targets and ensuring that services and infrastructure are resilient and 'future proof' as the city grows.

Evidence: Transport Systems Catapult, Milton Keynes

Milton Keynes has been chosen as the location for the UK's new £150 million Catapult centre for integrated transport systems – one of the first of its kind in the world. The Transport Systems Catapult will provide a national hub for transport modelling and monitoring – testing latest theories on how transport systems interact and function against real-world demonstrators. This will help UK businesses to develop effective and

⁵⁴ The Start-Up loan scheme helps get business ideas off the ground with a loan of typically around £4,500 and mentoring support.

⁵⁵ A £30m Growth Voucher programme to encourage more small firms to get specialist help on: expanding their workforce; marketing a business; financial management and growing online.

⁵⁶ SEMLEP Board Showcase Sector Review (May 2013)

sustainable solutions to our transport needs – for both freight and people. The Catapult will be funded by up to £50 million over five years through the UK's innovation agency, the Technology Strategy Board. With private sector business and collaborative R&D projects the total funding for the centre over 5 years is expected to be around £150 million.

The area has many advanced technology parks and innovation assets

- *Cranfield Innovation Centre and Technology Park*, comprising more than 50 science, technology and knowledge-based businesses, employing over 500 staff;
- *iCon Environmental Innovation Centre in Daventry* which focuses on environmental technologies and sustainable construction;
- *Bletchley Science Park and Innovation Centre*, Milton Keynes
- *Butterfield Innovation Park / Enterprise Hub in Luton*
- *Colworth Science Park, as a high tech enterprise park and home of Unilever*
- *Corby Enterprise Centre* which focuses on supporting small and growing early stage technology companies;
- *Portfolio and Avenue Innovation Centres in Northampton* which prioritises design and new product development, including nVision (3D modelling); and
- *Caswell Science and Technology Park and Silverstone Innovation Centre in South Northamptonshire.*

This is further complemented by professional development and training infrastructure across the SEMLEP, including the **Cranfield Centre for Logistics and Supply Chain Management** (advanced teaching and research in logistics, supply chain management and transportation management); **Chartered Institute of Logistics and Transport at Corby**, also linking to specific courses offered by the Open University, and three **University Technology Colleges (UTCs)**, Central Bedfordshire UTC (Specialism: Design, Engineering and Manufacturing), Daventry UTC (Specialism: Sustainable and Related New Technologies), and Silverstone UTC (Specialism: High Performance Engineering) as well as the new Kimberley Science, Technology, Engineering and Mathematics (STEM) college in Bedford Borough.

A recent review of SEMLEP innovation assets identified a broad geographical spread with at least one centre in each local authority area and in some instances, distinct concentrations of provision, with 7 in Luton. Key findings from the review highlighted that:

- Innovation Centres vary in the scale of the provision with a number being small in scale and whilst important in their own locality, may lack strategic impact in their own right.
- The area enjoys some world class Science Park assets, particularly Cranfield Technology Park, Begely Science Park and Colworth Park. These are underpinned by involvement of leading research Universities and a major global corporate, both generating different forms of knowledge.
- There exists strong involvement of Universities in promoting and running Innovation centre facilities, as well as offering services to assist emerging businesses with programmes to access or collaborate in research.
- Business support varies across the range of innovation assets with some providing more generic managed workspace whilst others have a strong focus on innovation.
- Some Innovation Centres are located within larger industrial spaces that are being redeveloped for mixed use purposes.
- Some of the Innovation Centres have a strong focus on one or more of the following sectors: food, health, life science and wellness; aerospace, engineering, materials, defence and technology; sustainable construction; motor sports engineering and testing; social enterprise and Shoe and Allied Trades. Some of these relate to the key growth sectors that support delivery of South East Midlands vision whilst others are not.

Universities as drivers of growth

The role of the Universities in assisting the UK drive to a more knowledge based economy is also well recognised. Indeed, the recently published Witty Review sets out the importance of universities in supporting economic growth⁵⁷. The report considers how universities' research strengths can support economic growth and how agencies can work together to help facilitate this. The Review set out 10 recommendations which included actions for Government, LEPs, Universities, TSB and UKTI. These all focused around encouraging economic growth and utilising existing strengths and research conducted in universities, including directing a large share of ESI Funds towards innovation, in particular universities and research centres.

SEMLEP is home to a number of specialist, research-led universities and institutes

The area's place on the "innovation triangle" formed by the university centres of Oxford, Cambridge and London is valuable. An identifiable knowledge intensive corridor, containing important educational institutions, which along with further education colleges, offer businesses a local pool of talented, skilled graduates to tap, and the quality of expertise with which to develop the benefits of research.

The five HEIs of the South East Midlands Universities group (SEMU) – comprises the University of Bedfordshire, University of Buckingham, Cranfield University, University of Northampton and the Open University. SEMU members have developed strong collaborative working relationships delivering significant outcomes including encouraging growth through enterprise and entrepreneurship, a joint Master's programme, a joint HEFCE Catalyst Fund bid, plus developing international links, particularly with China.

The SEMLEP is home to a critical mass of HEI, FE and research assets

- **Cranfield University** worldwide centre of excellence in precision engineering. The University is involved in an extensive array of advanced technology research, for example, molecular modelling and bioinformatics, renewable energies, electric vehicles and ultra-precision optical engineering, and precision engineering. Cranfield has a number of thematic areas of focus, including automotive, aerospace and manufacturing. The Manufacturing Research Centre is a key asset for the area, as are the active collaboration networks such as the Engineering & Physical Sciences Research Council projects into industrial sustainability and advanced composites and strong links with partners such as Jaguar, Lotus, Boeing and Nissan.
- **The University of Bedfordshire** is enhancing its established reputation and developing new programmes in science, computing and medically-related science. It is expanding the range of courses it delivers in collaboration with industry. Its investment plans include the continued expansion of its campus in Bedford, the development of further facilities in Luton, and the enhancement of its laboratory facilities both for academic and commercial purposes. The University combines strong SME engagement with excellent levels of graduate employability and a strong record of delivery innovation, including the establishment of the new University Campus Milton Keynes (UCMK) and a new £40m Post-Graduate and CPD Centre, one of just ten nationally;
- **The Open University (Milton Keynes)** providing distance learning courses to students across the UK and further afield at undergraduate and postgraduate level as well as continuing professional development courses and research degrees. Expertise includes, Centre for Research in Computing.
- **The University of Northampton** provides higher level skills across a wide range of subjects including health, creative arts, logistics, business studies, leather technologies and sustainable communities. It also includes Northampton was ranked by HESA in 2012 as England's No 1 University for Employability is the only UK university accredited by

⁵⁷ Encouraging a British Invention Revolution: Sir Andrew Witty's Review of Universities and Growth, BIS, October 2013

Ashoka with 'Changemaker Campus' status – Social Enterprise is a priority 'sector' and a unique selling point.

- **University of Buckingham** the UK's longest standing fully private HEI has particular pride in their high international student profile and Oxbridge style tutorial groups
- The **Universities of Northampton and Bedfordshire share a manifest commitment to business-focused provision, enterprise development and to workforce skills** with important niche research specialisms; and are well positioned for delivery across the SEMLEP geography.

The majority of further education colleges offer higher education degrees across the SEMLEP:

- Barnfield College offers higher education opportunities in construction and building technology.
- The Royal Society has recently refurbished Chicheley Hall, on the outskirts of Newport Pagnell, to act as its main international conference centre, bringing some of the most prestigious science research events to the South East Midlands.

The Witty Review also highlights academic research expertise in fields linked to the Industrial Strategy sectors. The review also highlighted a number of strengths regarding universities and their links with businesses and impact on the wider economy.

Witty Review – SEMLEP findings

- 2,595 interactions with small and medium sized enterprises (SMEs) by University of Northampton on consultancy and contract research for 2008 to 2012.
- University of Northampton was ranked first in the top 20 universities as a result of its interaction with SMEs in continuous professional development activities with the estimated value in turnover at £10.4m. University of Cranfield was ranked 5th with an estimated value in turnover at £4.8m.
- University of Bedfordshire was ranked 11th in the top 20 universities with highest current turnover out of all active graduate start-up firms since 2008. This equated to £22.3m.
- University of Bedfordshire was ranked in the top 10 universities with the highest number of qualifiers in Computer Science first and post graduate degrees.
- In terms of LQs which compares LQs in 2008 to 2012 for each sector in BIS Industrial Strategy, South East Midlands economy's sector strengths are aerospace , information economy, professional and business services and automotive. Only information economy and automotive remained sector strengths for both 2012 and 2008 whereas professional and business services and aerospace became sector strengths in 2012.

SEMLEP and the Eight Great Technologies

Based on its existing research strengths and industrial capability, the Government has set out the following “eight great technologies” that have real potential for economic and societal benefits, in which the UK can gain a competitive advantage:

- The Data Revolution and energy-efficient computing; - for example, the University of Bedfordshire's Centre for Wireless Research;
- Regenerative Medicine; for example, the Stoke Mandeville University Hospital;
- Agri-Science; with global companies such as Unilever who are located at Colworth Science Park;
- Advanced Materials and Nano-technology; for example, the Manufacturing and Materials Department at Cranfield University, that links fundamental materials research with

manufacturing to develop novel technologies and improve the science base of the manufacturing research;

- Robotics and Autonomous Systems; SEMLEP has niche employers in this area, e.g. defence technologies and engineering
- Satellites and commercial applications of Space technology. SEMLEP again niche SME's active in this area, including Lockheed Martin.

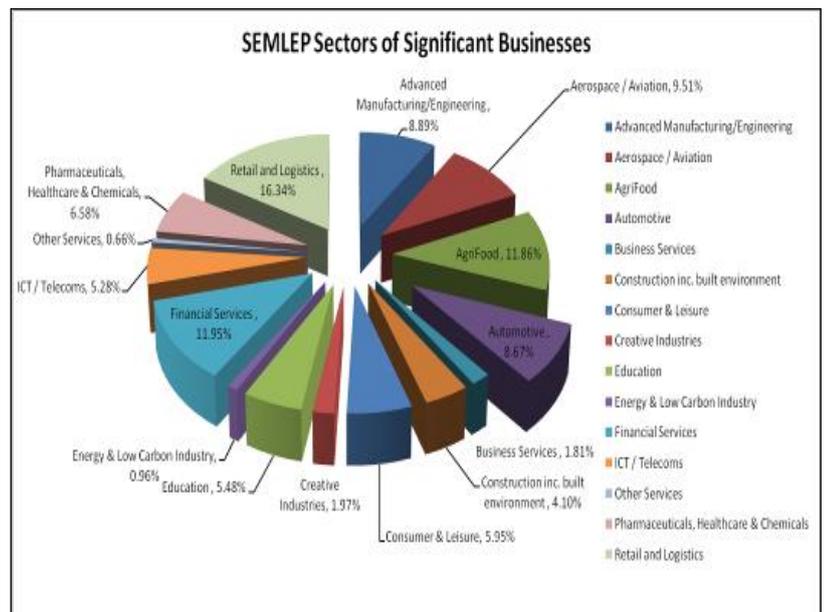
It is envisaged that support to accelerate the commercialisation of these technologies will lead to significant growth opportunities for the UK economy.

Universities across the LEP have received government funded research grants in relation to these technologies and SEMLEP is in a strong position to benefit from the developing industries around these technologies. **There is an opportunity for SEMLEP to pioneer how its diverse business base and academic resources may collaborate to deliver growth and exploit future opportunities associated with eight great technologies** – for example, through collaborative research and development, technology and knowledge transfer, and to showcase how key sectors are using advanced and renewable technologies. This includes building on Technology Strategy Board (TSB) investment in the SEMLEP. TSB has allocated over £29m in research and innovation in SEMLEP since 2010, including approximately £9.5m to support collaborative research and development in areas such as transport (£3.5m) healthcare (£1.3m), technology (£1.7m) and sustainability (£1.5m)⁵⁸.

A2.2.3 Targeting priority sectors

Why target sectors?

The approach to encouraging business growth and competitiveness has undergone a number of iterations over recent decades, including a mix of cluster development programmes, supporting key sectors and account management arrangements with major employers. The sector-based approach has risen in prominence in response to the Government's Industrial Strategy which aims to create an environment to improve business competitiveness in key sectors, including those where the SEMLEP has particular expertise and specialisms, such as advanced manufacturing and life sciences.



The sector based approach adopted by government explores areas where the public sector intervention can have a real and early impact, including developing strategic partnerships with industry, supporting emerging technologies (e.g. the Eight Great Technologies), improving access to finance for businesses, and working with business to help develop skills that businesses will need. The approach aims to implement policy responses specific to individual sector needs and opportunities, recognising that the drivers of growth and competitiveness vary between sectors.

⁵⁸ <https://connect.innovateuk.org/web/where-innovation-happens/documents>

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

A key strength of the SEMLEP economy is its considerable economic diversity

There have been a number of recent reviews of sectors across South East Midlands which has highlighted where the growth potential exists. A key sector review undertaken by SEMLEP in June 2013 considered evidence drawn from a variety of sources including the Milton Keynes & South Midlands (MKSM) Growth Area Evidence Base report and the MKSM Economic Development Implementation Plan as well as the SEMLEP proposition document and the recent views of partners on their identified local key sectors and Foreign Direct Investment (FDI) priorities. The review concluded that to achieve what it termed '*growth plus*' of the local economy and employment base, the SEMLEP should focus on population independent sectors⁵⁹, and exploit those where the area already had proven expertise.

Headline growth sectors in the South East Midlands

- **Logistics** (Sector analysis and evidence indicates 28,604 jobs, £1.4 billion GVA, employment LQ 1.61);
- **Manufacturing and advanced technology** (evidence not delineated);
- **Food and drink** (Sector analysis and evidence indicates 12,670 jobs, £829 million GVA, employment LQ 2.34);
- **High performance engineering** (Sector analysis and evidence for engineering indicates 28,810 jobs, £1.9 billion GVA and an employment LQ 1.64);
- **Automotive and aerospace** (analysis indicates 33,610 jobs and £1.9 billion GVA, LQ employment of 1.5); and
- **Creative and cultural** (sector analysis and evidence for recreation, tourism and hospitality indicates 53,770 jobs, GVA of £903 million)

This fits with the national economic sector studies where the priorities include advanced manufacturing (including automotive and aerospace, logistics, food and drink). In relation to business turnover, the sectors which saw the largest turnover in 2013 were Wholesale and retail; repair of motor vehicles, Finance and Insurance, Production and Manufacturing. Finance and Insurance saw an increase of 23.7% from 2012 to 2013. Construction saw the biggest percentage decrease in turnover during this period by 4.7%.

In terms of LQs which compares LQs in 2008 to 2012 for each sector in BIS Industrial Strategy, South East Midlands economy's sector strengths are aerospace, information economy, professional and business services and automotive. Only information economy and automotive remained sector strengths for both 2012 and 2008 whereas professional and business services and aerospace became sector strengths in 2012.

Table A2.1 profiles a number of the SEMLEP's key local population growth independent sectors and those sectors with proven expertise, identifying their key strengths, opportunities and major challenges and evident weaknesses that could pose a threat to future growth.

⁵⁹ The main sectors of economic and employment activities may be usefully classified into two broad groups: **Local Population growth dependant** (retail, local transport, Night-time economy, Health & Social care, Primary & Secondary Education, Local construction and Energy supply), and **Local Population growth independent** (including advanced manufacturing, engineering and technology sectors, such as aerospace, low carbon technologies, life sciences and logistics and creative industries)

Table A2.1 SEMLEP sectors - strengths, opportunities and challenges

| Sector | Overview | Key assets | Strengths & Opportunities | Headline challenges |
|--|--|---|--|---|
| Advanced Manufacturing/Engineering Technology (including automotive, environmental and low carbon technology, high performance engineering, motorsport and aerospace, etc.) | <p>Taking Advanced Technology and Precision Engineering as an example, in 2007 there were 25,000 employees in the sector accounting for 3.3% of all jobs in 1,530 businesses across the sub-region.</p> <p>Three locations dominate employment in the sector: Luton (24%), Milton Keynes (15%) and Daventry (12%)⁶⁰.</p> | <p>BAE Systems Advanced Technology Centre Nissan Technical Centre Silverstone Cosworth General Motors Millbrook Proving Ground Red Bull, Railcare, Prodrive</p> | <p>High profile technical and academic support, in particular Cranfield University with business-oriented programmes and partners, such as Jaguar, Lotus, Boeing and Nissan.</p> <p>Cosworth: F1 engine suppliers and Mahle Powertrain located in Northampton. Also strong brand values, international reputation and environmental technologies</p> <p>The opportunities for re-growth of high value manufacturing has potential e.g. additive manufacturing will also enable SMEs to locally create high value components.</p> | <p>Sharp fall in employment in some sub-sectors (e.g. precision engineering)</p> <p>Ageing workforce, lack of appropriate skills and undersupply of qualified workforce with low mobility (e.g. skilled engineers).</p> <p>Further skills issues relate to low carbon agenda.</p> |
| Financial and Business services | <p>The sector accounted for employment of 50,700 in 2011 (6.6% of total employment).</p> | <p>Barclaycard Santander Nationwide IPSL Lloyds TSB Capita Children's Service</p> | <p>Growing business base and management development specialisms at Cranfield, Northampton and Open Universities. Opportunities include business relocations and a growing shared services industry</p> | <p>Potential skills shortages restricting growth potential.</p> <p>Strong international competition and poor generic skills among new entrants</p> |
| Logistics | <p>Employed 65,300 people in 2011 – 8.5% of total SEMLEP employment (compared to 6% of English employment). In 2011 it remains a significant sector for employment (LQ of 1.4).</p> | <p>Tesco & John Lewis distribution centres London Luton airport (freight capacity) Daventry Rail Freight Terminal Amazon</p> | <p>Supported by the Cranfield Centre for Logistics & Supply Chain Management, 'Skills for Logistics' Foundation Degree at Milton Keynes, Chartered Institute of Logistics and Transport at Corby, Northampton University and Northampton College.</p> | <p>Few KTPs and poor perceptions of the industry.</p> <p>Increased congestion and new logistics hubs in other parts of the UK</p> |
| Creative industries, culture and leisure (including design) | <p>The creative industries are well-represented in the SEMLEP area (5,000 businesses, 28,000 employees' £1.1bn turnover). Software, advertising and design were particularly strong. Despite concentration of creative businesses is in Milton Keynes, the industry is dispersed with 44% based in rural or semi-rural areas⁶¹.</p> | <p>Elsevier Science TUI Travel Avon Cosmetics Cinram UK Centre for Carnival Arts Woburn, Whipsnade, Centre Parcs</p> | <p>Strong base of small creative firms with a supportive infrastructure</p> <p>The demographic changes, particularly due to aging, means that leisure activities, healthcare and bespoke housing will all be required in significantly growing quantities. The employment and economic potential of this must not be overlooked.</p> | <p>Difficulties in accessing business finance</p> <p>Competition from other areas.</p> <p>Skill Shortages in Hospitality and Leisure</p> |

⁶⁰ ONS ABI & SQW cited in SEMLEP Outline Business Case (2012)

⁶¹ SEMLEP Proposition and Outline Business Case (2012). Annex A-E

Across South East Midlands there are specific business clusters and key sectors that are particularly important for each local economy. As part of the earlier review of growth plus sectors, interviews with each South East Midlands local authority in 2013 highlighted the following sectors/clusters as key to their own economy.

Table A2.2 Key SEMLEP sectors by local authority area

| Local authority | Sectors / Clusters from Econ Development Strategies | Identified Key sectors |
|-----------------------------|---|--|
| Aylesbury Vale | Food ICT High performance engineering Telehealth | Food and Drink ICT Advanced Engineering/Motorsport Visitor economy |
| Bedford Borough | Advanced manufacturing & engineering Food production & research Life sciences, biotechnology, health Low carbon | Advanced Manufacturing and Engineering Food Production and Research Life sciences, Biotechnology, Health Low Carbon Finance and Business Services (inc. ICT) Creative (inc. Film, Digital, Media, Design) |
| Central Bedfordshire | | Pharma/Healthcare Advanced Engineering/Aerospace/ Automotive Logistics |
| Cherwell | Low carbon, green technologies Bio-medical Nanotechnology Materials engineering Motor-sport Other high- technology | Advanced and automotive manufacturing Other manufacturing including: Food processing Logistics Publishing Retail Biotech |
| Corby | Low carbon/ clean technology | Distribution and logistics Food and drink manufacturing Motorsport and precision engineering Print and packaging Pharmaceuticals Office, retail and service sector |
| Daventry | Retail | Green technology Automotive Logistics |
| Kettering | Retail Construction Wholesale & Transport Real estate, Renting & producer services Manufacturing | Printing Logistics |
| Luton | Airport related Engineering (incl. automotive) Aerospace ICT, creative Arts & Media Retail Construction Green technology Medical/Health/ Sport related | Aerospace and Airport Engineering ICT and Electronics Creative industries |

| Local authority | Sectors / Clusters from Econ Development Strategies | Identified Key sectors |
|------------------------|---|---|
| Milton Keynes | | Technology Logistics Advanced manufacturing Financial & Business |
| Northampton Borough | Consultancy Recycling High value engineering Construction Health/ healthcare Food & Drink Overseas industry looking for a UK base | High Performance Technology/Motorsport Financial and business services |
| South Northamptonshire | High performance technologies & motorsport Rural economy Tourism | High Performance engineering |

A2.2.4 SEMLEP does however perform poorly against a number of innovation indicators

The SEMLEP area has a below average performance in terms of patent applications, although for this indicator the national average is heavily skewed by the performance of the South East of England, London and the East of England. Notably, the performance of Cherwell and Aylesbury Vale has been based on Oxfordshire and Buckinghamshire and thus may be slightly misleading as it may reflect higher education and research institutes outside the LEP boundaries. For example, at c. 31 patents per 100,000 working age population (2005-10), the SEMLEP ranks 21 from 39 LEPs and is significantly below the national average (47.8). The SEMLEPs share of total employment in knowledge based industries (46.2%) is slightly below the national average (48.3%).

A2.2.5 What could be done – the implications for ESI funding?

Supporting innovation through technology and knowledge transfer

The objective here could be to identify the technologies and processes driving the area's businesses within these key growth sectors and wider economic development and assess their future growth prospects (e.g. better understand the existing and potential future drivers of the SEMLEP economy, identify those sectors which are likely to provide the greatest opportunity to drive a step change in the overall level of value added achievable by the SEMLEP area).

European funding could be used to deliver services tailored for the individual business, and stretching from stimulating initial interest in innovation, promoting the critical nature of developing Intellectual Property Rights (IPR) assets to local businesses, to high-end advice and venture capital or financial support for new products and ideas. There is also an opportunity to encourage greater collaboration between the business base and academic assets on research and development, knowledge transfer partnerships, etc. to increase productivity and stimulate job creation.

Case study 1: Automotive and new propulsion technologies at Millbrook

Millbrook is a key knowledge research asset at the heart of the SEMLEP showcase sector of high performance engineering and advanced manufacturing

Millbrook is a 700-acre proving ground and technology centre established by General Motors and strategically located at the heart of the UK automotive and fuels industries. Millbrook is recognised as one of Europe's leading independent technology centres for the design, test and development of automotive and propulsion systems and a pioneer in low

carbon technologies.

Millbrook plans to diversify its business into more experimental research and development, particularly in the areas of advanced propulsion, low emissions and energy storage in collaboration with original equipment manufacturers (OEMs), SMEs, academic institutions and government organisations, to increase its academic and research output and to expand its highly skilled workforce.

Utilising ESIF funding to overcome challenges and barriers to growth

Support is required from government to facilitate collaborative industrial and academic partner networks across the UK's high performance and motorsports sectors in order to continue delivering maximum outcomes in the global market for the UK. The growth of the facility will enhance the pool of science, technology, engineering and maths (STEM) skills and expertise across the South East Midlands

Case study 2: Aerospace and avionics engineering and London Luton Airport

A major transport gateway and aerospace and avionics engineering business hub that contributes nearly £1bn to the local economy and is Luton's largest employer with 8,200 direct employees and 1,500 in aerospace manufacturing/engineering related jobs. 660 local businesses are dependent on the airport with related business activities ranging from aerospace/avionics, precision engineering and ICT to food, drink and hospitality services. A masterplan projects a workforce increase of 1,700 direct and 4,500 indirect jobs with the annual GVA increase rising from £966m to £1.23bn.

Utilising ESIF funding to overcome challenges and barriers to growth

A major issue is the current and projected gaps in local mechanical and engineering skills facing the SEMLEP area. Support is therefore required to establish a local mechanical and engineering Skills Centre and to coordinate between lead local manufacturers and training providers.

A2.3 SME competitiveness and small businesses

Where we are now: The SEMLEP area has a number of significant strengths; it is a dynamic and entrepreneurial area. The area's high growth SMEs are a crucial engine for growth – most net employment growth will be generated by a small number of high growth firms. Rates of self-employment have increased significantly over recent years: increasing by 8% between 2008/2009 and 2011/2012 across the SEMLEP area, higher than the national average. The area has above average enterprise survival rates over a 5 year period survival rates - which are above the UK average. However, whilst an overwhelming majority of businesses reported an improved/stable performance over the past 12 months, this is not reflected in Gross Value Added (GVA), a common measure of productivity as the South East Midlands GVA per head was below many other LEPs despite being above average across other indicators of economic performance.

The area also underperforms in terms of employment in export intensive sectors with most significant businesses relevant for attracting additional FDI employ represent just 10% of the entire workforce. Given the importance the government has placed on the role of exports to new and existing markets, there is a strong need to dramatically improve the export ability of the SEMLEP area businesses is clear.

The challenge: to develop a high quality business support ecosystem that will harness national business support products and ensure the various segments of the business base have the opportunities to realise their growth ambitions.

Headline barriers for the SEMLEP ESIF to address: Despite these strengths, SMEs do not fulfil their growth potential by failing to overcome barriers relating to access to finance,

leadership and management skills and entrance to new markets (including exports).

A2.3.1 EU and UK policy drivers

EU2020 priorities include a push to: update worker skills, take advantage of the digital society, support entrepreneurship, encourage exports and get access to finance to return to normal lending to the economy. The 'Plan for Growth'⁶² 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, focusing on the market failures that can hold SMEs back.

The Rural Statement set out the Government's ambition that rural business should make a sustainable contribution to national growth. In addition the European Council has recommended that the UK improves the availability of bank and non-bank financing to SMEs and explore with the market ways to improve access to nonbank financing such as venture and risk capital. The SEMLEP aspires to raise the area to become on one of the most innovative, successful and high performing Local Enterprise Partnerships in England with a diverse and competitive knowledge economy with first class infrastructure and high growth, built on local private sector strengths, exports and job creation⁶³.

A2.3.2 SEMLEP has a number of competitive strengths

With a £39 billion economy, 74,500 businesses and 1.8 million population, SEMLEP is already designated as a national growth region

The LEP is growing faster than the rest of the British economy⁶⁴, creating a critical mass that brings together a full portfolio of assets to generate private sector jobs. The proportion of foreign-owned enterprises is, marginally above the national average⁶⁵, with foreign owned businesses account for a particularly high share of enterprises in Milton Keynes and Corby.

SEMLEP is already well represented by numerous global businesses with proven expertise and many within the key sectors identified within the BIS 2012 national review of industrial strategy.

The area has a particularly strong foundation in Advanced Manufacturing, High Performance Technology (HTP), precision engineering, value added Food and Drink, life sciences (including pharmaceutical and Healthcare products) and creative industries, with examples of key businesses including Nissan Technical, Lockheed Martin, Fairline Yachts, Jungheinrick, Selex Galeio, Kraft, Unilever, St Andrews, AstraZeneca, Movianto, Jordans/Ryvita, Carlsberg and Cinram.

A diverse and strong business base with growing levels of entrepreneurialism

There are 74,465 VAT and PAYE registered businesses in the South East Midlands (SEM) area the majority of which are small (96.6%) employing fewer than 50 people (Source: ONS Business Activity, Size and Location, 2012). The number of businesses increased by 2.5% from 2011 to 2012, which was slightly, lower than nationally by 2.6%. However, there were variations in business growth rate across the South East Midlands area. Milton Keynes saw the greatest percentage increase in number of businesses by 4.0% whereas Aylesbury Vale saw the lowest percentage increase by 0.8%. In 2012, the majority of employees in SEM area worked in micro businesses employing fewer than 10 people (83.6%). This was higher than England (83.1%).

Table A2.3 Businesses by size in 2012

| Area | Small | Medium | Large |
|----------------|-------|--------|-------|
| Aylesbury Vale | 97.8 | 2.0 | 0.2 |

⁶² See for more information: <https://www.gov.uk/government/organisations/hm-treasury/series/hmt-plan-for-growth-implementation-updates>

⁶³ SEMLEP Proposition and Outline Business Case (2012)

⁶⁴ SQW, mksm Research Project 2009

⁶⁵ For the majority of the enterprises in the IDBR database the country of ownership is unknown and thus the volume (and rate) of foreign owned enterprises should be considered as the minimum estimates rather than absolute figures.

| Area | Small | Medium | Large |
|------------------------|-------|--------|-------|
| Bedford | 96.4 | 3.1 | 0.5 |
| Central Bedfordshire | 97.6 | 2.1 | 0.3 |
| Cherwell | 97.0 | 2.7 | 0.3 |
| Corby | 93.7 | 5.7 | 0.5 |
| Daventry | 97.6 | 1.9 | 0.5 |
| Kettering | 96.8 | 2.8 | 0.4 |
| Luton | 94.9 | 4.2 | 1.0 |
| Milton Keynes | 95.4 | 3.9 | 0.6 |
| Northampton | 95.1 | 4.2 | 0.7 |
| South Northamptonshire | 98.3 | 1.5 | 0.2 |
| South East Midlands | 96.6 | 3.0 | 0.5 |

Source: ONS Business Activity, Size and Location, 2012)

- **Higher than national average increase in business births:** In 2012, there were 7,890 business births in South East Midlands, an increase of 7.2% from the previous year. This is higher than England (3.2%). This equates to 57.6 business start-ups per 10,000 residents over the age of 16 in South East Midlands. This is higher than the England rate (56.4). Disparity in start-up rates by registrations per 10,000 inhabitants varies across the South East Midlands area- 40.1 in Corby, 51.1 in Kettering compared to 68.9 in Milton Keynes.
- **SEMLEP has above average enterprise survival rates** over three and five year periods survival rates are above the UK average. The SEMLEP is the highest ranking LEP for enterprises that survived at least one year⁶⁶.

Table A2.4 Business survival rate, 2007-2011 (%)

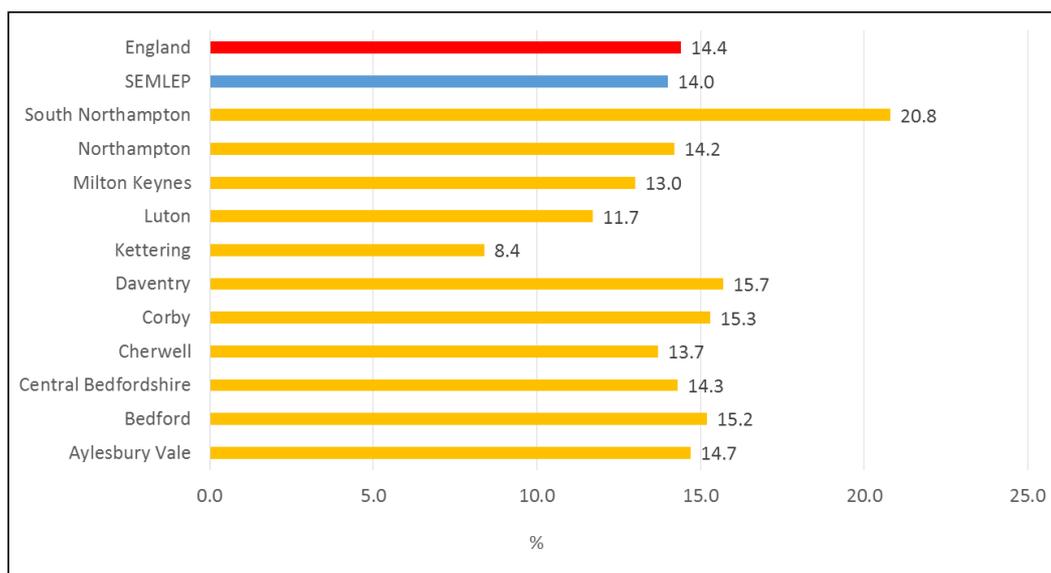
| Area | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|---------|--------|--------|--------|--------|--------|
| SEMLEP | 97.0 | 83.7 | 65.3 | 54.2 | 46.9 |
| England | 95.4 | 81.3 | 62.9 | 51.9 | 44.9 |

Source: Office for National Statistics, Business Demography 2012

- The rate of self-employment increased by 13.6% between June 2008 and June 2013 across the South East Midlands area. There are 121,600 people self-employed in the South East Midlands accounting for 14.0% of the population aged 16 years and over in June 2013. This compares to the national average rate of self-employment of 14.4% and is slightly above South East Midlands.
- There is however significant variance in the extent of entrepreneurialism within the LEP area – ranging from c.21% in South Northamptonshire to 8.4% in Kettering.

Table A2.5 Percentage of people who are self-employed (16+), June 2013

⁶⁶ LEP Network (2012) Creating Successful Local Economies: A review of LEP Area Economies in 2012



Source: Office for National Statistics, Annual Population Survey, June 2013

A2.3.3 Challenges and weaknesses exist that are potential barriers to future growth

Despite these strengths, SMEs fail to fulfil their growth potential by not overcoming barriers relating to access to finance, leadership and management skills and entrance to new markets. For example, rural and small businesses account for 90% of enterprises, yet they struggle more to access affordable finance or equity to support growth⁶⁷.

Overview of market failures

There are a number of documented structural market failures affecting the supply of finance to SMEs, which leads to a lower supply of finance than is optimal for businesses with growth potential. For example, the inability to access finance has been identified as one of the key barriers to growth and development; for example, most recently the BIS SME Business Barometer (2012) notes that 60 per cent of businesses seeking finance had some problems in obtaining finance, whilst obtaining finance was identified as a key obstacle to success by 10% of businesses surveyed.

According to SEMLEP Business Survey 2013, whilst the majority of businesses have seen their performance improve or remain stable over the past 12 months and are optimistic about future growth, many still face a number of barriers to growth including access to finance, connectivity and amenities, leadership and management skills, skills shortages and job specific skills and lack of knowledge of where to access business support and the kinds of support and funding available. 31% of businesses cited the general economic climate as the main constraint on growth followed by access to finance (11%), attracting or retaining customers (10%) and premises or locations (8%).

The Bedfordshire and Luton Business survey undertaken in 2010 businesses found that approaching half of the businesses seeking finance had not secured the finance sought (in most cases less than £50,000)⁶⁸. Such barriers were considered to act as a significant barrier to growth for over a quarter of businesses surveyed, in particular for rural businesses.

Access to finance

⁶⁷ Bedfordshire and Luton Business Survey, 2010

⁶⁸ East Midlands Survey 2013. Whilst the survey covered the East Midlands, it can be expected that similar issues are faced by the parts of the SEMLEP area that fall outside the East Midlands region.

Recent market analysis research conducted for the five East Midlands LEPs⁶⁹ by Mazars to identify the rationale/demand for a pan-LEP financial instrument. The report was based on a combination of;

- Research into national trends of SME access to finance and the East Midlands business profile;
- 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; and
- Analysis and implications of a potential revolving fund by in-house Mazars experts on funds, EU funds and access to finance for SMEs.

The research has identified 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 also 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'

The study also found that there is qualified support for a East Midlands 'fund of funds' from financial stakeholders and that an evidence minor variation in terms of sector and business composition, suggests that a regional revolving investment fund is feasible

A summary of the emerging findings of the demand analysis is presented in the blue box below.

East Midlands LEPs 'Access to finance' market analysis

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.
- 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.
- Funding was largely sought from banks (80%) in the form of a loan, followed by public sector sources in the form of grants.
- 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.
- The principal barriers to investment include wider demand in the economy, the banks (tightened) lending conditions and expertise/ knowledge to apply for funding
- Broadly similar proportions of firms regard access to finance as a barrier to growth between LEP areas and sizes of firm
- 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.

Key findings from stakeholder interviews include;

⁶⁹ The five LEPs being D2N2, Greater Lincolnshire, Leicester & Leicestershire, Northamptonshire Enterprise Partnership and SEMLEP

- Demand for lending is improving
- Due to restricted lending criteria, banks' focus is on 'better prospects'
- The 'market gap' is at the 'bottom end' of market (smaller, riskier businesses)
- There is support for a revolving Investment Fund at a East Midlands scale, if; It is big enough to be viable and make a difference and it does not displace bank lending.
- There is a possible 'advice and knowledge gap' but there is a particular issue around 'investment readiness' of some SME's seeking growth finance

Source: Mazars (2013) – research for the East Midlands LEPs

The area is also facing a number of competitiveness challenges, summarised below:

SEMLEP area is at best continuing to deliver a lack lustre average performance in most measures

- Whilst the SEMLEP area exhibits an above average employment rate, the output and productivity performance is slightly below the national average. This is reflected in a below average productivity rate (and share of value added activities) within the areas. For example, GVA per head was £20,100 which is lower than neighbouring LEPs like Oxfordshire at £21,900 per head and Thames Valley Bucks at £22,100 per head and also ranked below these LEP neighbours in terms of economic output per head⁸. When considering GVA per employee this is estimated to be at £37,700 which places South East Midlands 8th out of all 39 Local Enterprise Partnership areas. Despite major population growth over the last two decades economic output for the SEMLEP area has not significantly improved compared to other LEPs⁷⁰
- Despite a slight improvement in growth in GVA per head of 3.9% (2009-11), South East Midlands GVA growth per head is below the average for England and lower than many of the other LEPs. There also significant variances of GVA performance within SEMLEP's LAs (for example, Central Bedfordshire's GVA per head is 29% below the national average).
- The OECD Rural Policy Review, England 2011 suggests that many smaller rural firms struggle to access funding and the various types of management and technical support needed to increase innovation and productivity.
- The area suffers from low levels of female entrepreneurship. In June 2013, there were 83,600 males (16+) in employment who were self-employed (18.0%) compared to 37,900 females (9.5%). The percentage of females in employment who are self-employed remains well below the percentage of males in employment who are self-employed despite having increased at a faster rate since June 2008 by 9,500 or 33.5% compared to 6.4% or 5,000 males during the same period. When considering the reasons for the significant gap between male and female self-employment rate, women still face a number of barriers to becoming self-employed and setting up a business. This includes the cost of child care, lack of female role models and access to finance⁷¹.
- Encouragingly, the trajectory of SEMLEP's economy has been relatively strong in terms of GVA, employment and working age population growth in recent years.

The LEP Network ranks the SEMLEP 31 out of 39 LEPs in terms of the level of internationalisation of the local economy

The LEP Network report highlights the importance of exploiting the future overseas economic opportunities, including in China, India, Nigeria, Indonesia and Brazil and identifies that the level of internationalisation of the local economy is a critical issue for LEP areas. The South East Midlands is however below the national average in terms of employment in export intensive sector with only

⁷⁰ LEP Network (2012) Creating Successful Local Economies: A review of LEP Area Economies in 2012

⁷¹ According to the Women's Business Council, only 29% of women led SMEs think they have the skills to set up a business compared to male led SMEs (45%). The report also highlights that women are less likely than men to access finance to support the start up of their business and the lack of female role models. (Source: Women's Business Council, Maximising women's contribution to future economic growth, 2013).

16.4% of South East Midlands employees are employed in export intensive sectors (2011) which are below the national average (17.7%), and neighbouring LEPs, including Northamptonshire (18.7%). The most significant businesses relevant for attracting additional FDI employ represent just 10% of the entire workforce.

There is therefore a strong need to dramatically improve the export ability of the SEMLEP area businesses is clear.

A2.3.4 The importance of employment land for driving growth across the SEMLEP

Investment in major infrastructure is being co-ordinated at the SEMLEP level through the **SEMLEP Infrastructure Investment Plan** which sets out for all 11 SEMLEP local authorities, the case for investment strategic infrastructure requirements that are necessary to unlock the potential to grow homes and jobs in this area. A key aspect of the Investment Plan is the need to balance homes and jobs to decrease the potential for out commuting, whilst also recognising the importance of investing in green infrastructure projects, given their strategic importance in attracting business, employees and tourism investment.

The generation of business and employment opportunities in key sectors will be centred on several key strategic sites throughout the SEMLEP area. There are over 100 strategic employment sites which are being developed across the South East Midlands. These provide a clear spatial focus for growth around Northampton, Daventry, Kettering, Corby, Bicester, Banbury, Aylesbury, Bedford and Milton Keynes. This includes the **Northampton Waterside Enterprise Zone** which forms a key component of infrastructure investment plans to catalyse growth opportunities for both the SEMLEP and Northamptonshire Enterprise Partnership areas. The Enterprise Zone has ambitions to create a significant level of jobs and businesses that will lever private sector investment.

In total it is estimated that up to 3,000 hectares of business floor space is proposed in major business allocations in the SEMLEP area in the next 20 or so years.⁷² Employment opportunities are also centred on several key strategic sites throughout the SEMLEP area; some of these sites are focused on specific industries, e.g. the motorsport sector and associated industry. The highways and internet connections for these strategic sites will be essential in attracting business to the area, as well as retaining existing businesses and enabling indigenous growth. Encouragingly though, take up of superfast broadband is estimated to be relatively high in business premises the LEP area when compared to the GB average.

Employment growth projections⁷³

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

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

A higher growth scenario has been modelled within the EEFM based upon Oxford Economics base projections. The economic potential that could be achieved if targeted investment accelerates growth sufficiently is the creation of up to:

- 111,200 new jobs by 2020 in the South East Midlands and an additional £10.8 billion of GVA.

A2.3.5 Business support issues and the implications for European funding

⁷² SEMLEP Infrastructure Investment Plan

⁷³ The East of England Forecasting Model (EEFM) was developed by Oxford Economics to project economic, demographic and housing trends.

Lower business rates is the most cited area of support to assist business growth according to our Business Survey. Reducing the cost of business in the form of lower business rates was cited most commonly by businesses to assist business growth (cited by 20% of businesses). This is followed by better communication with businesses (12%), more business support/advice (9%) and regenerating the area/more investment in the area (9%). In addition, 29% of businesses said they did not know or that there was no support that could be provided by local public agencies to help their business grow.

Supporting the small business economy is therefore a critical challenge and the SEMLEP must ensure that resource and facilities including incubation centres, new generation broadband are provided so that future competitiveness is not hampered. Funds could therefore potentially focus on more tailored packages for small businesses and start-ups 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 sectoral targeting and through the provision of a coherent, easy to access, package of business support measures focussed on stimulating and nurturing the growth of our prime high trajectory micro and small businesses – including coaching and mentoring support.

The present challenge is to provide the right sites in the right locations supported by appropriate infrastructure. There is some inefficiency in terms of major developments, with just over half the planning decisions being made within 13 weeks (a target for most planning authorities). Furthermore, the below average change in the total rateable value for commercial and industrial property may be a sign of indicative limited growth in the commercial and industrial property market.

As highlighted above, access to finance continues to be a major issue for many local SMEs. Finance is generally sought from commercial banks and is intended for buying equipment or vehicles, cash flow/working capital, company expansion and buying land or buildings. There appears to be an appetite for LEPs (on their own or more likely in collaboration with other LEPs) to enter this market and set up a loan funds. Importantly though, it is not all about finance, other complementary business support services would also be required to maximise the impact of such funds.

A2.4 ICT and Digital Infrastructure

Context / where we are now: Fast digital connections, high-quality applications and usage of ICT are therefore a key enabling tool to help the economy grow. This will enable businesses and individuals to take advantage of an open modern economy and to access services from a wide range of providers.

The opportunity: achieve super-connected places, 100% broadband coverage, unlock business opportunities and associated growth in GVA and jobs

The challenge: Whilst the UK has achieved nearly full coverage of broadband, remote rural areas have been left behind in the roll-out of next-generation broadband; and there is still a lack of skills in using digital media.

Headline market failure to be addressed by the SEMLEP ESIF: The commercial roll-out in some areas of the SEMLEP continue to have poor access to broadband (in particular rural areas), which represents a major constraint to the growth potential of many local firms and the SEMLEP economy. There is therefore a need to address both access to, take up of and service provision via investment in digital. This will also support SME Competitiveness and R&D&I through access to new markets and partnerships.

A2.4.1 EU and UK Policy drivers

EU targets have been set as part of the Digital Agenda for Europe, which aims to create a single market based on fast / ultrafast internet and interoperable applications. The UK Government is committed to delivering the best superfast broadband network in Europe by 2015 (i.e. measured using metrics such as speed, coverage and take-up, choice and price).

A2.4.2 The provision of Next Generation Access (NGA) Broadband Infrastructure is identified as a key priority to the SEMLEP

The lack of superfast broadband (with speeds greater than 24 megabits per second, mbps) services is a recognised barrier to business growth, formation, job creation and self-employment and hampers competitiveness. Evidence from the Department for Culture, Media and Sport (November 2013) highlights that enhancing the availability and take-up of faster broadband speeds can add up to £17 billion to the UK's annual GVA by 2024.

This is particularly acute in the SEMLEP's rural areas. Having NGB across the South East Midlands is therefore likely to help companies find new markets and attract new businesses into the area.

SEMLEP partners have therefore identified the desire to provide 100% NGA coverage, recognising the potential for job creation, increased business start-up and retention rates, and GVA and increasing access to services (and employment opportunities) for SEMLEP residents, including access to new forms of training and development opportunities⁷⁴. Increasing broadband access also forms part of the strategy to support rural enterprise and diversification.

A2.4.3 Significant steps are being taken to improve broadband coverage across the SEMLEP

Under the existing rounds of government activity, local authorities within the South East Midlands are already covered by a number of BDUK projects. In addition to this, many of the partnerships are undertaking demand registration and demand stimulation programmes. Local authorities have also supported a number of communities applying for the Rural Community Broadband Fund.

Partners across the SEMLEP are developing the evidence base on the demand and supply of NGB and the opportunities for private sector investment. For example:

Central Bedfordshire, Milton Keynes and Bedford Borough Councils have formed a partnership to deliver NGA broadband services to the area, setting a target of 90% coverage for residents and business premises. £1.2m has been allocated to achieve this ambition, in addition to securing approximately £1m from Broadband Delivery UK (BDUK). The Council and its partners have recently been through the BDUK procurement process and have awarded a contract to rollout superfast broadband services. An extra 600k to support roll out in the rural areas to reach 95% has recently been added to this contract.

Across **Northamptonshire** superfast broadband was approved by BDUK in December 2011 – only the fifth area in the UK to use the framework. A contract has been signed with BT to deploy fibre access infrastructure to areas of the county that would otherwise not be provided commercially. The programme aims to provide fibre broadband speeds to 53,000 Northamptonshire businesses by September 2015.

A2.4.4 Despite BDUK investment and commercial roll-out some areas of the SEMLEP continue to have poor access to broadband (in particular rural areas), which represents a major constraint to the growth potential of many local firms and the SEMLEP economy

Despite the economic and social benefits of superfast broadband there are a number of market failures within the delivery of superfast broadband, namely asymmetric information and transaction costs and the potential 'merit good' nature of broadband access (in that the true costs and benefits of access may not be realisable in short term pricing). In particular, the high costs of infrastructure delivery relative to the short term market revenues generated in less densely populated rural areas and business parks mean private sector investment from existing providers in these areas is unlikely.

This is in line with Government policy - the Information Economy Strategy sets out the critical role for the software, IT services and telecommunications services sectors to play in bringing growth opportunities to fruition.

⁷⁴ SEMLEP Infrastructure Investment Plan

The table below shows the relative performance of the SEMLEP area with regard to broadband performance. Data⁷⁵ shows that despite being marginally above UK levels for speed, take up and superfast coverage, there is significant variability within SEMLEP, and when considering superfast take up in particular there is considerable scope to improve.

Table A2.6 Comparative Broadband Connectivity speed

| Local authority | Average speed (Mbps) | Not receiving (2Mbps) | Take up (%) | Superfast availability* (%) | Superfast take-up (%) |
|------------------|----------------------|-----------------------|-------------|-----------------------------|-----------------------|
| Bedford | 19.5 | 12 | 78.3 | 77.1 | 27.4 |
| Buckinghamshire | 16.5 | 9.2 | 80.8 | 72.9 | 19.1 |
| Central Beds | 19.4 | 8.6 | 81.7 | 76.8 | 23.4 |
| Luton | 24.3 | 8.4 | 77 | 98.6 | 37.7 |
| Milton Keynes | 15.5 | 15 | 82 | 82.1 | 18.1 |
| Northamptonshire | 17.5 | 9.8 | 77.7 | 73.8 | 21.2 |
| Oxfordshire | 17.4 | 9.2 | 80.5 | 69.1 | 20.2 |
| SEMLEP | 18.6 | 8.6 | 79.7 | 78.6 | 23.9 |
| UK | 16.3 | 10.9 | 71.8 | 69.4 | 18.9 |

Source Ofcom: UK Fixed Broadband Data 2013

A2.4.5 The Commission for Rural England’s report on Rural Businesses (January 2013) indicated that one of the highest priorities for rural businesses is to have access to good broadband (speed and reliability)

The report identifies that rural businesses will be at a competitive disadvantage compared to urban businesses if they have a slow, or unreliable broadband connection. The Rural Community Broadband fund had to be led by local communities and provided grant funding to address the funding availability gap in securing superfast broadband. This programme has now closed. In addition to the provision of broadband infrastructure, there is also the need to tackle the ‘digital divide’, the growing disparity between those who have access to and critically are able to use and benefit from the internet and broadband services.

A2.4.6 Opportunities and implications for European funding

Next generation broadband should help contribute to objectives to deliver a more inclusive society, for example by allowing more people to work from home, increasing the life/work options in rural communities and enabling local government and the wider public sector to deliver more services online. There could be three areas of activity to which the Structural Investment funds can contribute to gain best value from digital and ICT networks: development of rural infrastructure (e.g. addressing market failure); provision of business support and take-up to aid SME innovation and competitiveness; promoting digital skills and capacity and capability to aid competitiveness and digital literacy.

Enhancing superfast broadband provision and take up will be transformational to the SEMLEP economy. Activities to achieve this can have the benefits of⁷⁶:

- Stimulating business start-ups through both enhancing opportunity for home working and reducing initial start-up costs to new businesses capitalise on emerging technologies;
- Helping existing businesses grow, through innovative new marketing and communications techniques (such as social media and website optimisation) and opening up new markets and increasing exports;

⁷⁵ Data is not available below upper tier authority level, and so the SEMLEP average has to include the totals for Oxfordshire, Buckinghamshire and Northamptonshire, even though not all authorities in these counties are in the SEMLEP area.

⁷⁶ Source: South East Midlands Strategic Economic Plan – In pursuit of Growth

- Improve the attractiveness of SEMLEP for inward investment and foreign direct investment, as choice and availability of high speed broadband services are increasing becoming a prerequisite for destinations in business location decisions; and
- Improving productivity, by utilising smart systems and efficiencies provided by high speed broadband.

In addition to the benefits to businesses, providing access to and ensuring residents have skills to benefit from superfast broadband will help to:

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

A2.5 Low carbon economy

The opportunity: *The low carbon economy is likely to be a key driver for job creation and sustainable business growth*

The challenge: *Rapid urbanisation worldwide has pushed up the global demand for environmentally friendly goods and services (such as energy efficient appliances and building technologies, smart grid, sustainable land use planning and infrastructure, and organic foods).*

A2.5.1 EU and UK policy drivers

EU targets in the area of low carbon are (by 2020): reducing GHG emissions by 20% (1990 baseline); increasing the share of renewable in final energy consumption to 20%; moving towards a 20% increase in energy efficiency. The UK Government has set out a comprehensive suite of policies to achieve the above targets (e.g. Climate Change Act, Carbon Plan, etc) and has committed to an 80% reduction in carbon dioxide by 2050.

A2.5.2 A resource-efficient, low-carbon economy is essential for long term sustainable growth

Resource efficiency is critical to the long-term competitiveness of the area's economy, especially at the time of high and rising energy costs. Research repeatedly identifies the high cost savings and short payback periods to investment in resource efficiency. For example, it is estimated 2% of UK business profits per year may be lost through inefficient use of resources, with Defra⁷⁷ estimating that UK businesses could save around £23bn per year by making simple changes to use resources more efficiently, whilst research by E-ON (2011), suggests that UK small businesses are losing £7.7bn a year by failing to install simple energy efficiency measures.

Costs to the economy and businesses resulting from a failure to invest in resource efficiency⁷⁸

- **The Stern Review:** *states that "Climate Change is the greatest market failure the world has ever seen, and interacts with other markets". Inaction related to climate*

⁷⁷ [Oakdene Hollins research publication]

⁷⁸ Investment in this case is defined as both the capital and revenue costs of improved resource efficiency

change will ultimately lead to a 'dampening' of the global economic output by between 5 and 20 per cent for each year this century⁷⁹ and consequently is seen as one of the largest market failures in human history

- **Envirowise** estimate that inefficient use of resources costs UK industry £15 billion per year, equating to over £4 million per day⁸⁰.
- **EEF**: research estimates that over 90% of raw materials from manufacturing processes still do not find their way into the final product, with up to 5% of turnover spent on waste, reflecting lost opportunities for higher returns⁸¹. Inefficient use of resources has an economic impact both in additional costs and the failure to develop new environmental technologies or processes.⁸² It is estimated that inefficient use of resources costs UK industry £15 billion per year, equating to over £4 million per day⁸³.
- **Carbon Trust** estimates that UK industry wastes £7 million per day on poor energy efficiency⁸⁴. Moreover, the £7 million wasted each day on energy inefficiency could be tackled through simple actions which produce quick returns, saving between 10 and 20% of energy costs.

A2.5.3 Realising growth opportunities associated with the low carbon economy

The need for business support to take advantage of new opportunities

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

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

Green Deal and housing retrofit

In line with the UK's carbon reduction targets, the Government is committed to tackling housing and building stock that is poorly insulated, with Green Deal the Government's national initiative designed to significantly improve the energy efficiency of local homes and businesses while addressing the cost barrier of upfront costs. To provide an idea of the scale of the opportunity, the estimated retrofit costs to achieve an 80% carbon reduction from existing UK building stock is in the range of £200 to £400 billion⁸⁵.

⁷⁹ Stern Review on the Economics of Climate Change (2006)

http://webarchive.nationalarchives.gov.uk/20100407010852/http://www.hm-treasury.gov.uk/stern_review_report.htm

⁸⁰ Envirowise "Beat the Credit Crunch through Resource Efficiency, says Envirowise" <http://envirowise.wrap.org.uk/Press-Office/Press-Releases/UK-Press-Releases/Beat-the-credit-crunch-through-resource-efficiency-says-Envirowise.html>

⁸¹ EEF. 2009 *Resource efficiency – op cit.* p8.

⁸² Juned, S. (2008) Building Resource Efficiency into a Regional Spatial Strategy. Prepared by International Synergies Ltd for the BREW centre for Local Authorities

⁸³ Envirowise "Beat the Credit Crunch through Resource Efficiency, says Envirowise" <http://envirowise.wrap.org.uk/Press-Office/Press-Releases/UK-Press-Releases/Beat-the-credit-crunch-through-resource-efficiency-says-Envirowise.html>

⁸⁴ The Carbon Trust (2008) "Credit crunch fails to derail green agenda - UK business puts energy efficiency at top of cost-cutting priorities" http://www.carbontrust.co.uk/news/news/archive/2008/Pages/220708_UK-energy-efficiency-waste.aspx

⁸⁵ See SEMLEP Green Economy Proposal (2012)

Retrofit is a vital part of the development of a green economy and offers an opportunity to help drive local economic growth, unlock new private investment, support new jobs and create a workforce with new skills. The Government has estimated that around 65,000 Green Deal Advisors and installers will need to be skilled and qualified to retrofit nearly 14 million UK homes with energy efficiency technology by 2020, which has implications for local training provision and the need to provide the coordination and linkages to ensure local Green Deal opportunities evolve successfully⁸⁶.

A2.6 Visitor economy

The Visitor Economy in England is worth £97 billion and it is England's third largest employer supporting 2.2 million jobs (Source: Visit England 2013). Domestic and inbound visitors spend was over £84bn in England in 2012, a 10% increase on 2011 (Source: Visitor Economy Growth: The Emerging Role of Local Enterprise Partnerships (LEPs) 2013). South East Midlands is home to some major and well known visitor attractions including Woburn Safari Park, Blenheim Palace, Bletchley Park, Wrest Park and Silverstone.

The visitor economy in South East Midlands supported around 59,400 jobs in 2012 accounting for about 8% of total jobs. (Source: Business Register Employment Survey 2012). Between 2010 and 2012, there were on average just under 2.5 million domestic trips taken each year to the South East Midlands. This equated to 5.8 million nights per year and the annual value of these trips was £312 million. (Source: Great Britain Tourism Survey 2010-2012, Visit England). The attractive surroundings of the South East Midlands was one of the top five aspects rated by businesses surveyed on behalf of SEMLEP about what is good about doing business in the area. Visit England recognises the important role that Local Enterprise Partnerships play to maximise the impact of the visitor economy on economic growth. It identifies examples of how LEPs can ensure their projects for growth impact upon the full potential the visitor economy has to offer. This includes for example using LEPs inward investment strategies to target the business tourism offer and particular sectors to encourage future growth. (Source: Visitor Economy Growth: The Emerging Role of Local Enterprise Partnerships (LEPs), Visit England, 2013).

A2.7 Employment and labour market

Context / where we are now: In June 2013, the number of people in employment in South East Midlands increased by 20,700 from June 2008 to 63.2% when looking at all people in work over the age of 16. This is higher than nationally (England) which is 58.6%. There have been improvements in skills levels in recent years but compared to other areas SEMLEP is 'treading water' and there is some evidence to suggest a lack of responsiveness in the skills system to the needs of the economy and a mismatch between supply and demand.

The opportunity: Demographic changes across the SEMLEP, particularly due to aging, means that leisure activities, healthcare and bespoke housing will all be required in significantly growing quantities. The employment and economic potential of this must not be overlooked.

The challenge: Whilst employment rate remains relatively strong and above national average since June 2008 it is still below pre-recession levels. At the same time the rate varies significantly across the SEMLEP with some places like Luton well below both SEMLEP and national average whilst others perform well above this like South Northamptonshire. It is important to address the underlying causes of differences in employment levels in some areas and for particular disadvantaged groups if we are to deliver sustainable economic growth for the whole of South East Midlands. Furthermore certain groups have lower employment compared to SEM and national averages including young people, older people, ethnic minority women and disabled people.

Headline market failure / barrier to growth for the SEMLEP ESIF to address: Despite the excellent progress of local universities and colleges, skills levels across the South East

⁸⁶ See SEMLEP Green Economy Proposal (2012)

Midlands are lower than is needed to support an aspirant and growing knowledge economy⁸⁷. Levels of worklessness continues to rise as more people become unemployed/economically inactive and looking for work.

At the same time unemployment rate is above South East Midlands and national averages in some areas of the South East Midlands, which remains a key concern for our economy. In particular both youth and female unemployment remain volatile and above precession levels as these groups face a number of barriers to accessing the labour market. This includes lack of affordable child care for women returners, flexible working practices, attitudes/lack of understanding of employment/business support advisors and lack of accessible and affordable public transport in significant parts of the area.

A2.7.1 EU and UK policy drivers

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. EU2020 also has a target to improve education levels by aiming to reduce school drop-out rates to less than 10% and by increasing involvement in tertiary or equivalent education (to 40%).

The UK Government's welfare reform programme is changing the way the welfare systems incentivise work and encourage people off benefits and into the local labour market, the national skills strategy (Rigour and Responsiveness), which aims to put employers and learners more directly in the driving seat, and to create incentives for all training providers, whilst one of the four overarching ambitions in the UK Plan for Growth is to create a more educated workforce.

A2.7.2 SEMLEP is a key economic driver for the UK economy

The SEMLEP has delivered employment at a faster rate than the wider national economy over the last decade⁸⁸, with over 62,000 jobs created since 2001. Provisional data from the 2011 Census suggests that the SEMLEP has a population of just over 1.7m people (2011). Alongside the Northamptonshire LEP the area has experienced the highest rate of population growth over the 20 years from 1990 to 2010, adding c 288,000 to its population over this timescale.

Employment and population growth will lead to the growth in the service and business and finance sectors, built environment (including green economy) and in health and education. Particularly in the urban concentrations there is growing demand for care services and programmes to support the more vulnerable.

Based on East of England Forecasting Model 2013, the South East Midlands economy is forecasted to grow by a further 123,000 jobs by 2031. The sectors forecasted to have the biggest numbers of jobs by 2031 are:

- Health and Care (105,800)
- Professional Services (95,500)
- Retail (95,000)
- Wholesale (85,700)
- Business Services (75,200)

The top 5 sectors that will see the greatest percentage increase on jobs growth are Water and air transport (46%), Professional Services (39%), Research and Development (36%) and Business Services (36%). However it should be noted that Water and air transport have a relatively small workforce.

The housing growth and supporting infrastructure developments also bring opportunities across the SEMLEP area (e.g. retrofit of existing buildings and the roll out of Green Deal and related 'green

⁸⁷ SEMLEP Proposition and Outline Business Case

⁸⁸ SQW, mksm Research Project 2009

economy' initiatives), of which skills and training will be a key component to help deliver on the SEMLEP goal of new jobs growth and new business growth. For example, this could include stimulating demand for new built environment skills within local workforce, both new and existing jobholders – up-skilling, specialist skills and new skills.

SEMLEP continues to be one of only 11 of the 39 LEPS with a greater proportion of employment within the private and others services sector

However, at 55.0% (2011) it is only slightly above the average for England of 53.3% and has also shown a minor decline against the national trend. **This emphasises the need for the SEMLEP area to grow new private sector employment opportunities.**

Since June 2008 the number of people of working age who are economically active has remained above the national average

The economic activity rate in South East Midlands (SEM) in June 2013 was 80.8% of working age population or 900,400 people. Since June 2008, the number of people of working age who are economically active has increased by 39,100 (+4.5%) and has remained above the national rate for England, which in June 2013 was 77.5%.

However, the level of worklessness (people who are not employed and are either looking for work or do not want a job) since June 2008 has continued to rise to 278,000 people of working age or 25.9% in June 2013. It does remains below the national rate for England at 28.7%. At the same time the number of people who are economically inactive and do not want a job has fallen steadily by 4,300 people to 166,700 or 77.7% whereas the number of people economically inactive and want a job has increased by 1,700 to 22.3%. The main reason for being economically inactive and not looking for work is due to looking after family/home. This accounted for 29.2% in June 2013.

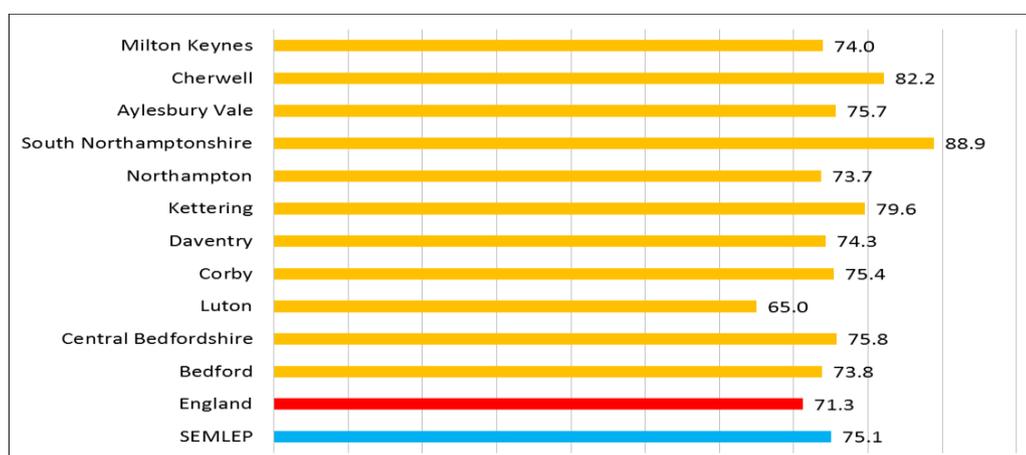
Significant variations in economic activity across the SEMLEP economy

Economic inactivity rate varies across South East Midlands area-Luton has the highest rate of economic inactivity at 28.2% whereas other areas like Cherwell at 13.0% and South Northamptonshire at 9.5% are much lower.

The SEMLEP area has a higher employment rate (75.1%) when compared to the England (71.3% average)

The rate of employment (16-64) has remained relatively stable since December 2009 following a period of volatility for South East Midlands area at the beginning of the recession however remains below pre-recession levels. Employment rate was 75.1% in June 2013 and continues to remain above the England average (71.3%). However the rate varies significantly across South East Midlands with some areas well below the national average such as Luton at 65.0% whereas other areas like South Northamptonshire have much higher employment levels at 88.9% as highlighted in Figure A2.1.

Figure A2.1 Employment rate as a percentage of working age population (16-64)



Source: Office for National Statistics, Annual Population Survey, June 2013

However, the rate has not increased as quickly as the population growth rate since June 2008 which has seen the number of people of working age in employment in South East Midlands increase by 1.6%. However there are wide variances in percentage increase in number of people of working age in employment across South East Midlands.

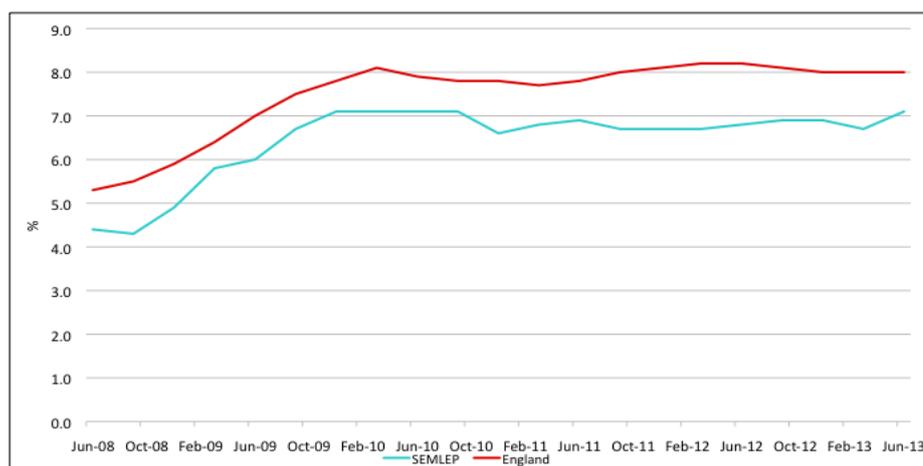
A2.7.3 16-19 year olds have the lowest employment rate amongst all age groups

In regards to employment rate by age group, 16-19 year olds have the lowest employment rate amongst all age groups at 39.5% whereas 35-49 year olds have the highest employment rate at 84.0% in June 2013. However the age group that has seen the greatest increase in number of people in employment since June 2008 has been those aged 50-64 years old, which saw an increase of 20,400 people followed by those, aged 25-34 years old, an increase of 20,000.

A2.7.4 Unemployment rate varies substantially in terms of age, gender, disability and ethnicity nationally and in South East Midlands

The ILO unemployment rate for South East Midlands (SEM) has remained lower than the national level since the recession and in June 2013 was below some of its neighbouring LEP areas such as South East (7.6%) and Oxfordshire (7.2%) at 7.1% or 63,500 people of working age (16-64).

Figure A2.2 Unemployment rate of working age population over time



Source: Office for National Statistics, Annual Population Survey, June 2013

Unemployment rate varies substantially in terms of age, gender, disability and ethnicity nationally and in South East Midlands. For example, the percentage of disabled people of working age who are unemployed was more than double the South East Midlands overall unemployment rate at 17.7% in December 2012⁸⁹. This is higher than the national average at 16.3%. Unemployment rate by ethnicity (16+) highlights that percentage of ethnic minority population who are unemployed is more than double the percentage of white population. In June 2013, 12.6% of ethnic minority population (16+) were unemployed compared to only 6.1% of white population (16+).

A2.7.5 For young people, employment levels are amongst the highest of all LEPs but there are pockets of very high levels of youth unemployment

An alternative measure of youth unemployment rate (16-24) shows that the rate has remained volatile and is well above pre-recession levels at 19.3% or 26,200 young people in South East Midlands in June 2013. It remains slightly below England (20.8%). However the number of young people unemployed since June 2008 increased significantly by 10,100 or a percentage increase of 62.7%. This is also similar at a national level however the percentage increase was less pronounced at 40.7%.

⁸⁹ This is the latest data available. It should be noted that this figure has a confidence interval of 4.9 percentage points which means that the actual figure could be 4.9 percentage points higher or lower than what is reported.

A2.7.6 The number of females of working age (16-64) unemployed has more than doubled in numbers since June 2008 and has increased at a faster rate compared to male unemployment rate.

Since June 2008, the number of females (16-64) unemployed has increased from 16,300 to 35,000 in June 2013, an increase of 114.7%. The female unemployment rate (16-64) has also doubled since June 2008 from 4.1% to 8.2%⁹⁰ in June 2013. It has continued to increase most quarters since 2008. The rate for female unemployment varies significantly across South East Midlands with for example Luton at 11.8% to 6.9% in Central Bedfordshire in June 2013.

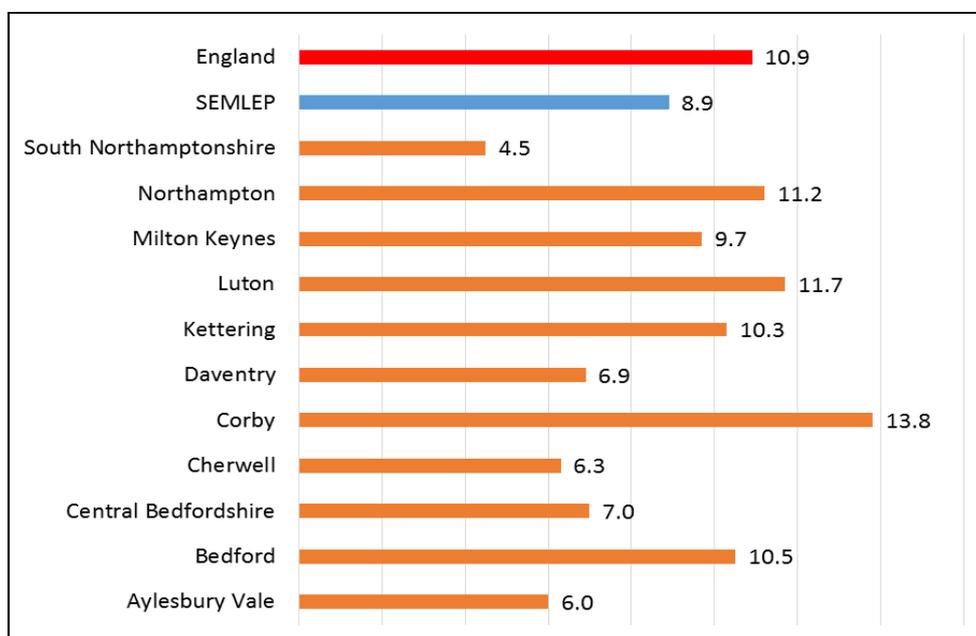
In comparison the number of males (16-64) unemployed has increased at a slower rate from 21,600 in June 2008 to 28,500 in June 2013 or percentage increase of 31.9%. In June 2013 male unemployment rate (16-64) in South East Midlands was 6.0%. This has increased from 4.6% in June 2008.

A2.7.7 Despite being above the national average the amount of people claiming out of work benefits has continued to rise

In May 2013, there were 125,820 or 11.3% of people of working age (16-64) claiming any type of benefit in the South East Midlands. This is lower than the England rate which stands at 13.5% in May 2013 however it has continued to increase since August 2008. In regards to out of work benefits, 8.9% of people of working age were claiming out of work of benefits in May 2013 in South East Midlands. This compares to the England rate which was slightly higher at 10.9%. The number of people claiming out of work benefits has continued to fall since August 2009 by 12,290 people. Those claiming Employment Support Allowance/Incapacity Benefit continues to account for the largest proportion of those claiming any type of benefit at 40.6% in May 2013. However this has fallen since August 2008 from 44.6%.

As shown in the diagram below the rate is higher than nationally in some areas like Corby (13.8%), Luton (11.7%) and Northampton (11.2%) whereas others are relatively low such as South Northamptonshire (4.5%).

Figure A2.3 Proportion of SEMLEP resident population (16-64) claiming out of work benefits, May 2013



Source: Department for Work and Pensions, Benefits via Nomisweb, May 2013

In regards to Job Seekers Allowance, the percentage of South East Midlands working age population claiming Job Seekers Allowance remains below the England average. In September

⁹⁰ The confidence interval associated with these figures should be noted as it means the actual figure could fall anywhere with 1.3 points either side of each figure reported. However some data is missing due to small sample sizes being unreliable across a number of local authority areas.

2013, 2.6% of working age population in South East Midlands were claiming Job Seekers Allowance compared to an England average of 3.1%.

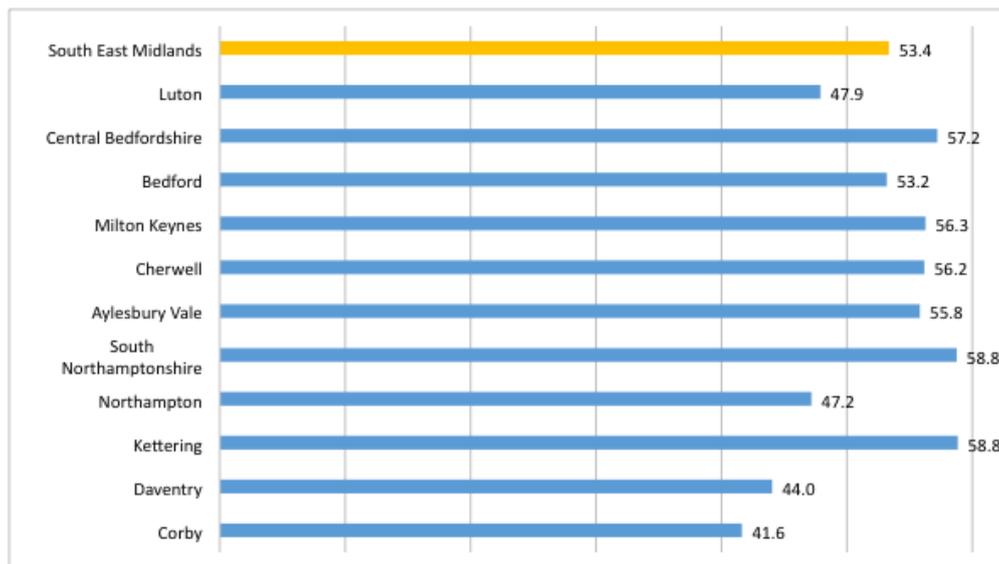
The majority of IB/SDA/ESA claimants are long-term claimants, with 58.0% having claimed for five years and over and 73.0% having claimed for two years or more. (Source: DWP Benefits Claimants, via Nomis, May 2013)

In regards to age, those aged 45-54 years represent the largest proportion accounting for 17.9% of all those claiming out of work benefits whilst those aged 60-64 years old represent only 6.9%. All age groups have seen a decrease in numbers of people claiming out of work benefits between May 2012 and May 2013 with those aged under 25 years old witnessing the biggest decrease in number of people claiming out of work benefits (-2,200) or percentage decrease of 12.2%.

A2.7.8 The area has a highly skilled workforce

The South East Midlands has a highly skilled workforce with the majority of residents employed (53.4%) in managerial, professional, technical and skilled occupations. Analysis of those who work in the area but who may live elsewhere shows that this is slightly higher at 53.7% the majority of whom are employed in managerial, professional and technical occupations. This highlights the strength of both the resident population and those who commute to work there.

Figure A2.4 % of people employed (residents) in highly skilled occupations, June 2013



Source: Office for National Statistics, Annual Population Survey, June 2013

Whilst over half of the resident population work in highly skilled occupations, it masks differences by gender. Men in South East Midlands are almost twice more likely to work in higher skilled occupations than women. In June 2013 65.5% of males employed worked in higher skilled occupations compared to 39.3% of females. In fact women are less likely to work as managers, directors and senior official occupations within South East Midlands compared to men. In June 2013, only 6.3% of females were employed in these occupations compared to 12.6% of men. In comparison, almost a quarter (21.0%) of females of working age in South East Midlands worked in administrative and secretarial occupations in June 2013 compared to 4.8% of males. Further analysis across the area also shows a polarised occupational structure e.g. high skilled work prominent in Milton Keynes (56.1%), low skilled work accounts for relatively large proportion of employment in Corby (58.6%).

A2.7.9 Concentrations of knowledge economy employment found in certain LA areas

Employment in knowledge-intensive services⁹¹ differs widely across the LEP area. **Certain LA areas of the SEMLEP are typified by significantly above average employment in knowledge**

⁹¹ Sectors such as High-Tech Manufacturing; Knowledge-Based Services; and Customer Services form the Knowledge Economy

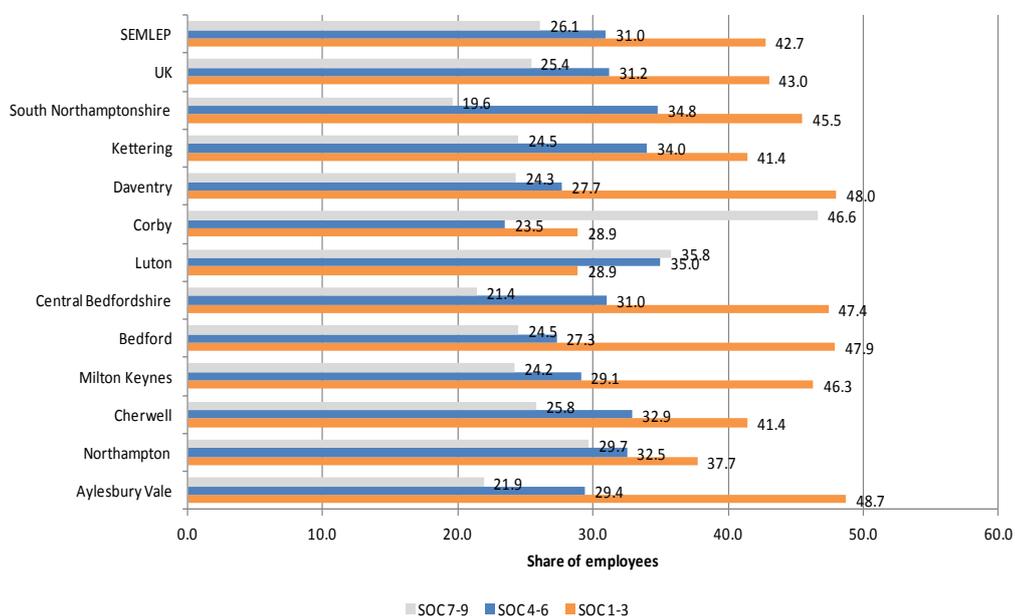
economy sectors – particularly Milton Keynes where the 48.5% are employed in such sectors⁹² - less than a third of employment in Corby and Daventry relate to such services⁹³.

A2.7.10 Wide variance exists in the SEMLEP's occupation profile at the local authority level

When the SEMLEP area's occupation profile is considered at the LA level there is wide variance. For instance, when occupations at the higher managerial level are combined (SOC 2010 1-3) almost half of Aylesbury Vale's population are in such occupations (48.7%) compared to just 28.9% in Luton, against a UK average of 43%.

There is also an above average share of higher level occupations in Milton Keynes, Bedford, Central Bedfordshire, Daventry and South Northamptonshire. Conversely, Corby's employment is more likely to be in lower level professions (SOC level 1-3) with almost half of employment in such occupations (46.6%) compared to just a quarter of the professions in the SEMLEP area more broadly (26.1%).

Figure A2.5 Comparison in Employment at broad SOC level by LA area (April 2011 – March 2012)



Source: Annual Population Survey Year. SEMLEP calculations based on ICF GHK Analysis

A2.7.11 Gender differences are evident in the area's occupational structure

Whilst over half of the resident population work in highly skilled occupations, it masks differences by gender. Men in South East Midlands are almost twice more likely to work in higher skilled occupations than women. In June 2013 65.5% of males employed worked in higher skilled occupations compared to 39.3% of females. In fact women are less likely to work as managers, directors and senior official occupations within South East Midlands compared to men. In June 2013, only 6.3% of females were employed in these occupations compared to 12.6% of men. In comparison, almost a quarter (21.0%) of females of working age in South East Midlands worked in administrative and secretarial occupations in June 2013 compared to 4.8% of males.

A2.7.12 Out-commuting is a major issue for the South East Midlands

Despite over half of the resident population working in higher skilled occupations, the level of out commuting is a major issue for the South East Midlands as significant proportions of residents in employment commute elsewhere for work. According to Census 2001, 33,576 residents (16-74) commute to work in London. Significant levels of out commuting to London are an issue in

⁹² Northamptonshire County Council (2010) Northamptonshire Local Economic Assessment, DRAFT (2010/11)

⁹³ Northamptonshire County Council (2010) Northamptonshire Local Economic Assessment, DRAFT (2010/11)

particular for Central Bedfordshire, Milton Keynes and Aylesbury Vale. Approximately 15% of those commuting from South East Midlands to London to work in higher professional occupations and 39.4% in lower managerial and professional occupations.

A2.8 Skills

Key issues facing the area

Whilst we have in place the critical educational infrastructure to support the up skilling of the existing and future workforce in a number of key sectors, we are still lagging behind in skills attainment at NVQ3, 4 and degree level and above compared to nationally.

At the same time businesses are still reporting skills shortages when recruiting outside the organization and skills gaps within their existing workforce. This includes leadership and management, technical as well as basic skills. This would suggest we need to do more to support and further develop existing educational infrastructure and work with employers to ensure providers design and tailor curriculum that is responsive and flexible to support current and future skills demands and growth in key sectors.

For the economy this will mean Further Education and Higher Education Institutions working more and more in partnership with employers in those sectors as well as other sectors that support the growth sectors to tailor employment and skills support to the current and future demands of employers.

Whilst the level of out commuting will remain an issue as we compete with other employment centres, it is important to support local employers to identify how they can offer incentives to encourage highly skilled residents to access local employment opportunities as well as school leavers and young people to access local employment opportunities. There is also the potential that a significant proportion of small businesses in South East Midlands do not provide training who make up 96.6% of businesses.

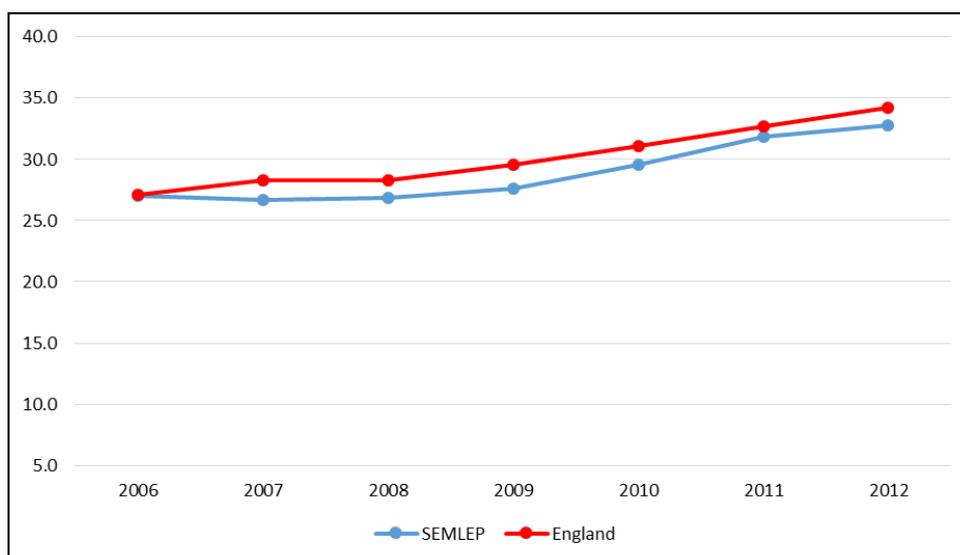
A2.8.1 The SEMLEP broadly has a skills profile in line with national levels when NVQ qualification attainment is compared to the UK profile.

Overall, the SEMLEP area performs reasonably well in terms of the skills levels of the resident age population, although this masks some significant variations across the LEP area. Indeed, more than a quarter of the resident working age population in Luton, Daventry, Corby and Northampton have a NVQ1 or no qualification. This is in contrast with Aylesbury Vale, Bedford and Cherwell where approaching two fifths of the resident working age population are educated to degree level or above (NVQ4+).

In 2011, 31.9% of the SEMLEP working age population had an NVQ level 4 or above, slightly below the UK (32.7%) average. Conversely, while 10.9% of the working age population in the SEMLEP area had no qualifications, this was true for the East Midlands region (11.6%) and UK (11%). For those in employment, there is a lower share of those in employment with trade apprenticeships, with just 3.8% holding a trade apprenticeship compared with a UK average of 4.1%

Over the past six years, the proportion of working age population with NVQ Level 4 and above has grown at a faster rate nationally at 33.4% increase compared to South East Midlands at 29.9%.

Figure A2.6 Percentage of working age population with NVQ 4 and above



Source: Office for National Statistics Annual Population Survey December 2012

The South East Midlands is also slightly below national average (54.9%) in regards to percentage of working age population in South East Midlands with NVQ Level 3 and above (53.6%). Conversely, while 8.6% of the working age population in the South East Midlands area had no qualifications, this was true for England at 9.5%. Some areas such as Luton are well above the national and SEM average for percentage of working age population with no qualifications at 16.1%. Indeed, more than a quarter of the resident working age population in Luton, Daventry, Corby and Northampton have a NVQ1 or no qualification. This is in contrast with Aylesbury Vale, Bedford and Cherwell where approaching two fifths of the resident working age population are educated to degree level or above (NVQ4+).

Table A2.7 Qualification attainment in 2012

| | SEMLEP | England |
|-------------------------------------|--------|---------|
| Degree or equivalent and above | 27.8 | 29.8 |
| Higher education below degree level | 8.5 | 8.4 |
| GCE A level or equivalent | 23.6 | 23.1 |
| GCSE grades A-C or equivalent | 24.9 | 22.8 |

Some areas are trailing behind such as Corby with only 12.8% of its resident population who are economically active with degree level or equivalent and above. At the same time some areas have witnessed faster growth in attainment levels in terms of numbers of people who are economically active with degree or equivalent and above since 2006. Both Bedford and Central Bedfordshire have seen the biggest increase in number of people who are economically active with degree or equivalent and above by 15,300 (+89.5%) and 14,700 (+75.0%) respectively from 2006 to 2012.

This is also the case at NVQ 1-4 and above where Corby trails behind all other local authorities within South East Midlands as highlighted in the table overleaf.

Table A2.8 Percentage of working age population with NVQ 1-4 and no qualifications, December 2012

| | NVQ4+ | NVQ3+ | NVQ2+ | NVQ1+ | No qualifications |
|----------------------|-------------|-------------|-------------|-------------|-------------------|
| England | 34.2 | 54.9 | 71.8 | 84.2 | 9.5 |
| SEMLEP | 32.8 | 53.6 | 71.8 | 84.8 | 8.6 |
| Aylesbury Vale | 35.9 | 58.7 | 77.9 | 91.7 | 4.5 |
| Bedford | 41.7 | 64.4 | 79.5 | 89.0 | 6.3 |
| Central Bedfordshire | 32.8 | 54.7 | 72.7 | 86.0 | 9.6 |
| Cherwell | 42.0 | 60.9 | 78.1 | 90.0 | 6.0 |
| Corby | 14.2 | 36.8 | 53.7 | 70.5 | 8.8 |
| Daventry | 26.5 | 50.1 | 68.9 | 85.1 | 12.1 |
| Kettering | 30.5 | 53.5 | 71.8 | 84.2 | 9.5 |
| Luton | 30.6 | 46.1 | 64.1 | 75.2 | 16.1 |
| Milton Keynes | 33.3 | 54.8 | 71.7 | 86.2 | 7.1 |
| Northampton | 27.6 | 46.7 | 67.2 | 80.5 | 8.7 |
| South Northants | 31.6 | 54.5 | 77.9 | 91.3 | 3.8 |

Source: Office for National Statistics, Annual Population Survey, December 2012

A2.8.2 NEETS

The proportion of 16 to 19 year olds who are not in education, employment or training (NEET) in certain areas of the SEMLEP are high. For example, in Luton the figure is high, and rising. 6.3% of 16-19 year olds were classed as NEET in March 2013 with a further 5.5% of young people “unknown”. This compares to Central Bedfordshire’s NEET level at 4.5%, Bedford (7.7%) and Milton Keynes (4.8%) in March 2013.

A2.8.3 Apprenticeships

In 2012/13, there were in total around 15,000 Apprenticeship starts in South East Midlands. In the Business Survey over two fifths of businesses either have an apprentice or would consider having an apprentice, with medium and larger businesses more likely to have or consider having an apprentice

9% of businesses currently have an apprentice and 34% would consider having an apprentice. Medium and larger businesses are more likely to have or consider having an apprentice, with 47% of businesses with 50+ employees and 39% of businesses with 10-49 employees not having or considering having an apprentice compared with 61% of businesses with 1-9 employees. The main reasons for having or considering having an apprentice are to train the individual to the specific needs of the business and to give the individual a chance. 52% of businesses have or would consider having an apprentice to train the individual to the specific needs of the business and 46% to give the individual a chance.

The survey found that of the 40% of businesses that do not have or would not consider having an apprentice the main reason cited was no current business need. A further 22% would not have an

apprentice because their business is too small, 18% would not have an apprentice because the business is unsuitable and 13% would not have an apprentice because they believe apprentices do not have the necessary skills, experience or qualifications to do the job.

A2.8.4 Significant skills challenges persist

Especially in relation to: pockets of high and long term unemployment; basic skills, digital literacy, an increase in youth unemployment; a growth in part time working and pressure on income levels; a higher rate of unemployment for disabled, BAME groups. Across the South East Midlands there are large numbers of people in relatively low-skilled low-paid work, for example, in the hospitality, catering, retail and logistics sectors⁹⁴. **Skills levels in SEMLEP’s rural areas are generally low compared to the regional and national averages**, whilst a number of areas underperform in terms of higher quality employment. Lack of employment opportunities in knowledge-based industries are also resulting in the out migration of young people. There is a need both to reduce commuting levels and the outflow of young people seeking better opportunities elsewhere.

In the SEMLEP Business Survey (2013) highlighted that a third of businesses reported finding it difficult to obtain key skills when recruiting new staff, with larger businesses more likely to have skills shortages. 35% of businesses reported finding it difficult to obtain key skills when recruiting new staff (skills shortages are defined as where skills are difficult to obtain from outside the organisation/from new recruits). Larger businesses are more likely to have skills shortages with 30% of businesses with 1-9 employees with skills shortages compared with 54% of businesses with 50+ employees. Recent research undertaken by Ecorys (2012/13) to facilitate the preparation of the Northampton Waterside Enterprise Zone Skills Strategy and Action Plan identified skills gaps and shortages manifesting themselves in workplaces throughout the SEMLEP study area, including:

- **Basic and transferable skills**, including team working, literacy, numeracy and communication skills;
- Across all sectors, **skilled trades and sector specific skills** were considered to be in short supply; and,
- **Leadership and management and supervisory skills** need to be increased and improved.

These skills gaps and shortages relate closely to those identified at the various occupational levels. Table A2.8 lists examples of skills gaps and shortages by occupational level.

Table A2.9 Skills Gaps and Shortages by Occupation

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

⁹⁴ SEMLEP Proposition and Outline Business Plan (2012)

| Occupational Level (SOC codes) | Skills Gaps and Shortages |
|--------------------------------|-----------------------------|
| | Keeping, personal budgeting |

Source: Ecorys Business Survey (2012)

A2.8.5 Reasons cited for skills shortages

The main reasons cited for skills shortages in the SEMLEP Business Survey were a general lack of skills in the available workforce (cited by 40% of businesses with skills shortages), poor quality applicants generally (30%), low quantity of applicants (19%), lack of work ready school leavers (12%) and lack of work ready college/further education leavers (11%).

In terms of a national comparison, the UK Employer Skills Survey (December 2011) reported that 16% of all vacancies were hard to fill due to skills shortages. This is a different style of question to that asked in this survey and therefore caution should be applied when comparing the two.

A2.8.6 Workforce development

According to the Business Survey about half of businesses provided their staff with on the job or off the job training in the past 12 months, with larger businesses more likely to provide training.

Key findings of the Survey include:

- **59% of businesses provided on-the-job training in the last 12 months** (On-the-job training is defined as activities that would be recognised as training by staff, and not the sort of learning by experience which could take place all the time). 42% of businesses provided off-the-job training and development in the last 12 months (Off-the-job training is defined as training away from the individual's immediate work position, whether on the premises or elsewhere).
- **Larger businesses are more likely than smaller businesses to provide training.** For example, 95% of businesses with 50+ employees provided on-the-job training and 84% off-the-job training compared with 51% of businesses with 1-9 employees providing on-the-job training and 34% providing off-the-job training.
- Of those businesses that did not provide training, the main reason was a lack of identified need - 85% said they did not provide on-the-job training and 83% did not provide off-the-job training because there was no business need. **In terms of a national comparison, the UK Employer Skills Survey (December 2011) reported that 59% of businesses had provided their staff with some training in the past 12 months (13% off-the-job, 17% on-the-job and 29% featuring both).**
- **Larger businesses are more likely to have a workforce development plan than smaller businesses.** Overall, 31% of businesses have a workforce development plan. Larger businesses are more likely to have a workforce development plan. For example, 79% of businesses with 50+ employees have a workforce development plan compared with 24% of businesses with 1-9 employees.

A2.8.7 Sector skills issues and challenges

The Ecorys research asked businesses to comment on current and future skills gaps and shortages apparent in their businesses and the wider economy. In terms of future skills requirements, the research identified five main areas⁹⁵:

- **Technical and Sector Specific Skills:** which remain and will become increasingly important, in particular in Production, Construction, Professional, Scientific and Technical companies and ICT. Examples of such skills included engineers, electricians, hardware and software designers, chefs and electronics.

⁹⁵ Ecorys (2012) Northampton Waterside Enterprise Zone Skills Research. A report for Northampton Borough Council and South East Midlands Local Enterprise Partnership (SEMLEP). Appendix 3a - Phase One Employer Survey Analysis

- **Information Technology:** This was arguably the most commonly cited requirement of companies, with a need for more ICT proficient staff in all sectors and across all occupational levels, but particularly with Management and Supervisory roles.
- **Management and Leadership Training:** relating strongly to the higher occupational levels and to the smaller companies that often have managers that lack business acumen and leadership, financial and team management skills.
- **Customer Service:** These skills are generally needed at the lower end of the occupational and skills profile and are particularly prevalent among retail food and accommodation and the finance and insurance sectors.
- **Industry Experience:** Lastly, and arguably most importantly from the standpoint of the identified 'growth sectors' companies have stated the need for individuals with higher levels of industry experience. This can be obtained via vocational training and work experience, particularly Apprenticeships, which now hold a more prominent place within the training environment.

The table overleaf highlights the key skills supply and demand issues and skills gaps, mismatches and their implications for a number of SEMLEP sectors. The following text box highlights some of the key skills challenges facing companies within the advanced manufacturing and engineering sectors.

Evidence: challenges facing advanced manufacturing and engineering sectors

Skills research of the Cogent sectors⁹⁶ for the period 2004-14 identified skills issues in Management and leadership – particularly in change management, business management, and business improvement. The sector also faces a significant shortage of engineers in the workplace, due to the number of skilled engineers retiring and the lower number of graduates, with further skills needs including⁹⁷ Senior Managers and Directors, metal working and maintenance fitters and engineers, skilled technicians in science and engineering, Numeracy/maths skills, craft occupations, IT skills. Additional skills needs for High Performance Engineering include:

- The highest end of engineering expertise – masters and PhD
- Research and Development
- Apprentices with good mathematics
- Business management

A SEMLEP Sector Skills Group has been established to help identify solutions to specific gaps within key sectors sector, this group will be made up of industry representatives and key sector partners such as STEM, Sector Skills Council for the Advanced Manufacturing and Engineering (SEMTA), Northamptonshire Engineering Training Partnership (NETP).

⁹⁶ East Midlands Sector Skills Research (Cogent): Northamptonshire LSC Report:

⁹⁷ SEMLEP Skills Strategy (2013)

Table A2.10 Skills supply and demand issues facing some of the SEMLEP priority sectors⁹⁸

| Sector | Demand issues | Supply issues | Gaps and mismatches |
|---|---|--|--|
| Advanced Technology, Manufacturing and Precision Engineering | <ul style="list-style-type: none"> ■ Skills are a particular concern for high performing engineering businesses. ■ Ageing workforce, lack of appropriate skills and undersupply of qualified workforce with low mobility. ■ Inspiring and maintaining interest in young people. ■ Loss of skilled engineers during the recession⁹⁹ ■ Further skills issues relate to low carbon agenda especially legislation compliance. | <ul style="list-style-type: none"> ■ Helping young people acquire experience in the sector and understand the range of careers available. ■ Ensuring FE and HE curricula meet the skill needs of employers. ■ General lack of 'sector-targeted' business support available for highly technical and innovative businesses operating in HPE. ■ Limited career paths with unclear progression routes ■ Understanding the range of potential career opportunities is also perceived to be low. ■ Large and mature FE and HE sector with active SSC. Three UTCs in the SEMLEP. | <ul style="list-style-type: none"> ■ Skills research of the Cogent sectors¹⁰⁰ for the period 2004-14 identified skills issues in Management and leadership – particularly in change management, business management, and business improvement. ■ Technical skills and core behaviours such as communications and customer service lacking. ■ Significant shortage of engineers in the workplace, due to the number of skilled engineers retiring and the lower number of graduates. ■ Skills needs include¹⁰¹: Senior Managers and directors Production, works and maintenance managers Metal working and maintenance fitters and engineers, skilled technicians in science and engineering, Numeracy/maths skills, craft occupations, IT skills. ■ Additional skills needs for High Performance Engineering include: <ul style="list-style-type: none"> – The highest end of engineering expertise – masters and PhD – Research and Development – Apprentices with good mathematics – Business management |
| Financial and Business Services | <ul style="list-style-type: none"> ■ There has been significant growth in this sector. The sector generates significant value in local economies, employing people with above average skills and earnings. ■ Excluding the self-employed, in 2007 | <ul style="list-style-type: none"> ■ Supported by a substantial national training infrastructure, including highly regarded professional institutes ■ Recession has dampened the demand for staff with professional qualifications. | <ul style="list-style-type: none"> ■ Employers also continue to identify a persistent issue in relation to poor generic skills and attitudes of new entrants to the labour market. ■ Generally there are few skills gaps, and where gaps do exist employers tend to train their staff. |

⁹⁸ Adapted from ICF GHK research for Northampton Waterside Enterprise Zone Skills Study (2012/13)

⁹⁹ SQW (2009) MKSM Research Project: Economic Development Evidence Base – Final Report

¹⁰⁰ East Midlands Sector Skills Research (Cogent): Northamptonshire LSC Report:

¹⁰¹ SEMLEP Skills Strategy (2013)

| Sector | Demand issues | Supply issues | Gaps and mismatches |
|---|--|---|---|
| | <p>there were more than 77,000 employees in 12,400 businesses in the South East Midlands – almost 18% of all businesses (an increase of 14% over four years).</p> <ul style="list-style-type: none"> ■ 26% of business service jobs are located in Milton Keynes ■ Nationally, employment in the sector is projected to increase by around 1.2 million by 2020 (a rate of growth of 1.3% per annum). | | <ul style="list-style-type: none"> ■ The sector has a higher share of skill shortage vacancies but fewer skills gaps and there is a good level of alignment between qualifications and skills needs. ■ Potential skills shortages (e.g. degree level or higher) could restrict the growth of the sector |
| Cultural and creative (visitor economy, design & software) | <ul style="list-style-type: none"> ■ Strong base of small creative firms. ■ Growing population with increased disposable income and a demand for leisure opportunities. | <ul style="list-style-type: none"> ■ Supportive infrastructure. ■ Slight decline in employment since 2008 of 400 jobs (-1%). ■ Competition from other areas. ■ Nationally the quantity of graduates may not be sufficient to meet the growing demand for professional and technical skills | <ul style="list-style-type: none"> ■ The sector has above average proportions of hard-to-fill vacancies and demand exceeds supply in the digital sub-sector. ■ Skills needs: <ul style="list-style-type: none"> – Management and business skills – Cross- functional creative ability – High level digital skills |
| Sustainable Construction | <ul style="list-style-type: none"> ■ Economic downturn has made forecasting future of sector difficult. ■ Employment in the sector is forecast to rise by 10% in 2011-21, although it is expected to contract in Milton Keynes and Northampton ■ High dependence on public sector investment and an ageing workforce. ■ Expected replacement demand as older workers retire. | <ul style="list-style-type: none"> ■ Provider capacity in Northamptonshire will need to meet increases in demand for employment in Construction due to population growth and likely increase in house building as the economy recovers. This includes significant planned housing development in the Milton Keynes South Midlands Growth Area. ■ Large and mature FE sector with active SSC. Proposed UTC. ■ University of Bedfordshire has a Centre for Sustainable Construction, while Cranfield | <ul style="list-style-type: none"> ■ Concerns that the sub-region will not have sufficient 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 . |

| Sector | Demand issues | Supply issues | Gaps and mismatches |
|-----------|--|--|---|
| | | University develops environmental technologies and modelling. | |
| Logistics | <ul style="list-style-type: none"> ■ Increased congestion and new logistics hubs in other parts of the UK. ■ The logistics sector has a smaller proportion of its workforce with high educational qualifications than the overall UK workforce and a higher than average proportion of employees with only basic qualifications. As such the UK's logistics is considered at being at risk of moving to a 'low skills equilibrium'. ■ Poor perception of the industry is one of the major reasons for the shortage of labour; the sector has an ageing workforce, with a low number of young people coming through. | <ul style="list-style-type: none"> ■ Few knowledge transfer partnerships and poor perceptions of the industry. ■ If employers cannot train people to achieve required qualifications, they will buy them in by using agency staff or 'poach' staff from other firms. ■ Supported by 'Skills for Logistics' Foundation Degree at Milton Keynes, Chartered Institute of Logistics and Transport at Corby, Northampton University and Northampton College. | <ul style="list-style-type: none"> ■ A need for a wider and more intensive range of management training, with a particular focus on SMEs. ■ Deficiencies in basic skills, notably literacy and numeracy, among the lower levels of the workforce, customer handling skills. ■ The composition is overwhelmingly male and white, less than 25% of employees in the sector are women. ■ Many firms are driven by short-term considerations and are ambivalent about training and skills development. ■ Leadership and management as warehouses become more automated, drivers, communication ■ 9 per cent of logistics establishments in South East Midlands report having at least one member of staff that is not fully proficient (skills gaps). This means that individuals do not have the full set of skills to perform their jobs, which can impact their efficiency and productivity and in turn that of the company (Source: Skills for Logistics) |

A2.8.8 Implications for EU funding

Intervention to support the skills challenges these sectors face could offer a focal point for how the Structural Investment Funds can combine. For example, funds could enhance skills development through support for new tertiary courses and individual modules to meet higher skills demand. Support may be required in the education sector to develop, pilot and deliver new vocational courses to meet demands.

A locally delivered skills pipeline linked closely to a local growth pipeline could potentially be developed - ensuring that employability support and training is linked into employment opportunities. Target groups could be those furthest away from the labour market who require basic skills support to bring them further towards being 'job ready'. **Skills and training could also be a cross-cutting theme to link the Green Economy with the other showcase sectors and SEMLEP groups (Skills, Transport)**. A focus on skills will be an integral part of each sector's success, and will help deliver on the SEMLEP goal of new jobs growth and new business growth within the regional economy.

A2.9 Social inclusion

A2.9.1 Overview

The opportunity: *Untapped entrepreneurialism exists within communities, particularly amongst traditionally excluded groups (i.e. young people, BME groups, women, etc.); but many of these nascent entrepreneurs face issues that other start-up businesses may not, many live in deprived areas, are not close to the labour market, may have low levels of skills and confidence and do not always recognise themselves as potential business start-ups.*

The challenge: *The area demonstrates economic need by rates of unemployment above the national average (as measured by claimant count data), high absolute numbers of claimants, significant parts of the area within the 20% most deprived areas according to the Index of Deprivation 2010 (and with some areas in the top 10%); low skill levels – 16% of working population in Luton with no qualifications and 9.6% in Central Bedfordshire. Luton in particular also has a lower proportion with NVQ Level 2 and Level 4 qualifications, greater proportion of the population employed in manufacturing (Luton 10.5%, Central Bedfordshire 11.1%) when compared to the national average of 8.7% and low land values providing a major constraint on development of any kind particularly employment uses.*

Headline market failure / barrier to growth for the SEMLEP ESIF to address: *While the proportion of individuals living in relative poverty has reduced over the last decade there are still pockets of need across the area, ranging from urban areas with multiple and complex deprivation to rural areas which are vulnerable to economic and demographic change and disproportionately affected by rises in fuel prices and changes which affect access to services.*

A2.9.2 EU and UK policy drivers

EU2020 has a target for promoting social inclusion, in particular through the reduction of poverty, aiming to lift at least 20 million people across the EU out of the risk of poverty and social exclusion. The strategy for Social Justice sets out the UK Government's commitment to giving individuals and families facing multiple disadvantages the support and tools they need, through a focus on early intervention, promoting work, etc. One of the target objectives of the SEMLEP is to work with the secondary, further, higher, voluntary and community, and private sector education and training providers across SEMLEP to ensure skills outcomes match business and social enterprise needs.

A2.9.3 Supporting the community and voluntary sectors

The third sector generates GVA (Gross Value Added) of between £6.25 and £8.33, for every £1 spent, and the sector representing 1.5% of the UK economic expenditure on business. The added value of the sector creates the GVA above, and in the SEMLEP supports an estimated £400,000,000 of economic worth from volunteering alone. The Third Sector in the SEMLEP therefore has an important influence on socio-economic development in terms of tackling social and economic cohesion challenges and utilising social capital, which is a key resource in the development of communities and social enterprise.

The sector supported by a range of organisations, including the Voluntary Works Consortium and ACRE. ACRE is a national NGO with track record of delivering, via the Rural Community Action Network (RCAN), programmes to improve the well-being of rural communities and identify and reach disadvantaged individuals.

ACRE works with all sectors to deliver projects which encourage collaboration between partners and enable people to learn new skills through volunteering and moving into further training and/or employment. The RCAN network comprises of ACRE and 38 county-based organisations so have national coverage and acts as a conduit for delivery of government and private sector initiatives to the rural areas as well as being a key contact point for communities and groups wanting support and advice. The network has evolved over the last 50 years with each organisation developing local specific services around common themes. This experience will provide an important capacity to enable the Rural Community Councils across the LEP area to support and endorse your various applications for government and EU funding.

The sector should be seen as a provider of a broad range of services such as advocacy, advice, and support on areas of expertise such as debt, benefits and employment law. It supports and delivers services such as day centres, carers, home help, meals on wheels and practical support such as transport, home adaptations and repairs. In addition it supports volunteering, community focused work and provides steps for people to get back into work. The sector supports the disadvantaged, and provides an access to communities that are more excluded, deprived and hard to reach with a higher number of community groups working in and with these communities.

While Social Enterprise is often the model most easily recognised trading model for the Sector, Community and Voluntary sector organisations can trade without being a social enterprise and have for many years delivered services and held contracts, being enterprising in their approach to developing solutions and services.

Evidence: innovation in the voluntary and community sector

The Voluntary and Community Sector should also be seen as innovative. It is constantly adapting and developing new ways of working, new processes and good practice. What it perhaps does not do is record, and celebrate these, as it is focused on delivery and the communities served. An example of knowledge development in 2011- 12 was a piece of work developed on engagement by the Northampton Volunteering Centre and the University of Northampton was presented at national conferences and internationally.

A2.9.4 Quality of life and standard of living

The most successful communities are those which offer residents a high standard of living and quality of life. Ultimately, it is a high standard of living that local leaders strive to provide both their existing and potential residents, local community groups work towards and businesses seek to offer for their employees. In an era when there is intense competition for the most knowledgeable and the most skilled it is vital that efforts to bring about economic development and growth ensure a high quality of life and standard of living at the same time.

We have measured the quality of living and standard of life in the SEMLEP area using key indicators relating to average annual earnings, life satisfaction, local CO2 emissions, extent of deprivation and child poverty and the claimant unemployment rate. Individual values on

these indicators have been combined to create a composite index score¹⁰² for *quality of life and standard of living* (Table A2.10).

In summary:

- The quality of life and standard of living is generally relatively high in the SEMLEP area, which partly reflects a relatively low child poverty rate and above average annual earnings.
- There are, however, some notable differences across the LEP area, with the rank of constituent local authority districts varying widely on many of the measures.
- It is also clear that there are wide variations of deprivation across the LEP area. Indeed, whilst the extent of deprivation in many of the constituent district are below the national average, more than a fifth of the population in Corby, Luton and Northampton live in the most deprived areas of England.

Table A2.11 Quality of life in the South East Midlands

| Area | Average annual earnings (£), 2012 | | | Life satisfaction (average rating), 2011/12 | | | Local CO2 emissions (kilotonnes) per 1,000 population, 2010 | | | Share of population living in most deprived areas, 2008 | | | Child poverty: share of all children (%), August 2010 | | | Claimant unemployment rate (%), May 2013 | | | Quality of life & standard of living | |
|--------------------------------|-----------------------------------|--------------|-----------|---|--------------|-----------|---|--------------|-----------|---|------------|------------|---|--------------|-----------|--|--------------|-----------|--------------------------------------|-----------|
| | Value | Score | Rank | Value | Score | Rank | Value | Score | Rank | Value | Score | Rank | Value | Score | Rank | Value | Score | Rank | Score | Rank |
| Bedford | £26,970 | 101.6 | 154 | 7.27 | 98.2 | 305 | 6.1 | 122.6 | 121 | 11.3% | 98.6 | 177 | 16.6% | 101.4 | 221 | 4.1% | 99.5 | 278 | 103.6 | 121 |
| Central Bedfordshire | £28,763 | 108.3 | 99 | 7.54 | 101.8 | 91 | 6.9 | 108.4 | 177 | 2.2% | 107.6 | 103 | 11.3% | 106.7 | 124 | 2.3% | 101.3 | 120 | 105.7 | 86 |
| Luton | £24,503 | 92.3 | 242 | 7.13 | 96.3 | 367 | 4.7 | 158.4 | 25 | 26.0% | 83.8 | 253 | 24.8% | 93.2 | 341 | 4.3% | 99.3 | 290 | 103.9 | 114 |
| Aylesbury Vale | £29,988 | 112.9 | 74 | 7.49 | 101.1 | 165 | 6.1 | 122.3 | 124 | 0.9% | 108.9 | 70 | 8.6% | 109.4 | 50 | 1.8% | 101.8 | 68 | 109.4 | 42 |
| Cherwell | £27,910 | 105.1 | 123 | 7.49 | 101.1 | 177 | 10.2 | 72.7 | 329 | 5.6% | 104.2 | 143 | 10.6% | 107.4 | 100 | 1.4% | 102.2 | 31 | 98.8 | 223 |
| Milton Keynes | £28,150 | 106.0 | 117 | 7.32 | 98.9 | 290 | 7.2 | 103.6 | 203 | 10.8% | 99.0 | 175 | 18.3% | 99.7 | 254 | 3.4% | 100.2 | 232 | 101.2 | 171 |
| Corby | £23,440 | 88.3 | 305 | 7.51 | 101.4 | 119 | 10.5 | 71.1 | 334 | 29.3% | 80.5 | 269 | 19.1% | 98.9 | 273 | 5.2% | 98.4 | 336 | 89.8 | 315 |
| Daventry | £30,078 | 113.3 | 72 | 7.51 | 101.4 | 119 | 12.5 | 59.3 | 354 | 3.1% | 106.7 | 114 | 10.4% | 107.6 | 92 | 2.3% | 101.3 | 120 | 98.3 | 233 |
| Kettering | £25,787 | 97.1 | 190 | 7.51 | 101.4 | 119 | 8.1 | 92.0 | 258 | 12.0% | 97.8 | 182 | 14.0% | 104.0 | 176 | 3.8% | 99.8 | 260 | 98.7 | 229 |
| Northampton | £25,087 | 94.5 | 217 | 7.51 | 101.4 | 119 | 5.8 | 127.8 | 102 | 20.3% | 89.5 | 225 | 18.9% | 99.1 | 269 | 4.1% | 99.5 | 278 | 102.0 | 155 |
| South Northamptonshire | £28,245 | 106.4 | 114 | 7.51 | 101.4 | 119 | 10.8 | 68.6 | 338 | 0.0% | 109.8 | 1 | 5.6% | 112.4 | 4 | 1.3% | 102.3 | 16 | 100.2 | 196 |
| South East Midlands LEP | £27,175 | 102.3 | 11 | 7.43 | 100.4 | 26 | 7.3 | 101.9 | 18 | N/A | N/A | N/A | 18.2% | 102.8 | 20 | 3.1% | 100.8 | 23 | 101.6 | 13 |
| East Midlands | £25,000 | 94.2 | 6 | 7.45 | 100.5 | 5 | 8.0 | 93.4 | 8 | N/A | N/A | N/A | 16.3% | 101.7 | 5 | 3.5% | 100.1 | 4 | 98.0 | 7 |
| East of England | £27,924 | 105.2 | 3 | 7.45 | 100.6 | 4 | 7.2 | 103.9 | 4 | N/A | N/A | N/A | 14.4% | 103.6 | 3 | 2.9% | 100.7 | 3 | 102.8 | 3 |
| South East | £29,491 | 111.1 | 2 | 7.50 | 101.3 | 2 | 7.0 | 106.5 | 2 | N/A | N/A | N/A | 12.8% | 105.2 | 1 | 2.3% | 101.3 | 1 | 105.1 | 2 |
| Great Britain | £26,551 | 100.0 | N/A | 7.41 | 100.0 | N/A | 7.4 | 100.0 | N/A | 9.8% | 100.0 | N/A | 18.0% | 100.0 | N/A | 3.6% | 100.0 | N/A | 100.0 | N/A |

A2.9.5 Challenges

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

- There are some notable differences across the LEP area, with the rank of constituent local authority districts varying widely on many of the measures, for example:
 - **Extent of deprivation** - there exist pockets of deprivation across the South East Midlands area with 29.3% of Corby's population, 26% of Luton's and 20.3% of Northampton's living in the most deprived areas of England compared to very low levels in South Northamptonshire (0%), Aylesbury Vale (0.9%) and Central Bedfordshire (2.2%).

¹⁰² Composite scores for each thematic area represent unweighted averages of underlying indicator scores. In all cases, indicator scores are indexed against the national average (GB=100).

- **Assisted Areas:** *The following wards are currently designated as Assisted Areas that have both economic need and opportunities for growth. These are: Biscot, Challney, Crawley, Dallow, High Town, Lewsey, Round Green, Saints, South, Stopsley and Wigmore within Luton and Houghton Hall, Icknield, Parkside and Tithe Farm within Central Bedfordshire. These wards (and those adjacent) still show considerable economic need and/or opportunity. They also provide a continuous area with a population of 151,000 (ONS 2011-based mid-year population estimates).*
- **There are significant differences in the gross average weekly earnings** between those who live in the South East Midlands area but may work elsewhere (residents) and those who work in the South East Midlands area but may live elsewhere (workers). In 2012, the gross average weekly earnings for a South East Midlands resident was £515.50. This is slightly above the England average at £512.70.
- **There is wide variation across the South East Midlands area in regards to differences in gross weekly earnings between residents and workers.** For some areas this is significant with for example, Daventry and Central Bedfordshire where the difference is £103 and £102 respectively. This highlights the fact that out commuting remains an issue for most of the South East Midlands area. However for other areas like Milton Keynes the difference is less significant at £1.10 whereas residents who live in Northampton but work elsewhere earn less than those who work there but may live elsewhere
- **Children living in poverty:** 25% of all children living in poverty in Luton compared to a SEMLEP average of c. 15% and a national average of 18%)
- **High and rising numbers of NEETs in some areas:** The proportion of 16 to 19 year olds who are not in education, employment or training (NEET) in certain areas of the SEMLEP are high. For example, in Luton the figure is high, and rising. 6.2% of 16-19 year olds were classed as NEET in May 2013 with a further 5.5% of young people “unknown”;
- **High and rising levels of youth unemployment:** SEMLEP has a youth unemployment rate of just over 4% (January 2013), below the national average of 5.5%. However, there are areas in the SEMLEP that are suffering from a long-term problem with youth unemployment, particularly for youngsters who have left school with poor qualifications (for example, youth unemployment in Corby almost tripled from 4% to 11% between 2007 and 2012¹⁰³)
- **Claimant unemployment rate** (Corby 5.2%, Luton 4.3%, Bedford & Northampton 4.1%, South Northants 1.3%, Cherwell 1.4%)
- Barriers to accessing the labour market persist, for example transport, costs of childcare, attitudes and perceptions (see following sub-section for further information).
- The offender population is substantially over-represented by people who are socially and economically excluded or disadvantaged. They often face multiple, complex and interrelated problems and inequalities that, if not adequately addressed, can lead to a cycle of offending that can be difficult to break. The harm to victims and communities is often broad and deep, and effective and timely interventions are required to break the cycle of re-offending and prevent further harm being perpetrated.

Evidence

Bedford and Kempston suffer significant economic problems and this is exacerbated by higher levels of public sector employment. These areas are Brickhill, Castle, Cauldwell, De Parys, Goldington, Harpur, Kingsbrook, Newnham, Putnoe, Queens Park, Kempston Central and East, Kempston North, Kempston South, Kempston West, Clapham,

¹⁰³ Ambitious Minds (2012) Plugging the Igeneration into the Labour market

Eastcotts, Elstow, Kempston Rural, Wilshamstead and Wootton.

Key factors for Bedford are:

- *Unemployment rates significantly more than 115% of the GB average, with higher than average youth unemployment*
- *Concentrations of deprivation with several areas in the most deprived 10% of areas in the country, as measured by the Index of Deprivation*
- *Low land values providing a major constraint on development of any kind particularly employment uses*

A2.9.6 The rural economy and access to services

With 27.5% of the SEMLEP population living in areas classified as rural it is important to briefly consider some of the characteristics and issues that are particularly pertinent to such areas. Perhaps the most comprehensive research undertaken recently in relation to the rural economy and issues specifically relating to rural areas are the reports presented by Oxford Consultants for Social Inclusion (OCSI) – “The rural economy in South East Midlands LEP” (2011) and “Access to services in South East Midlands LEP” (2011).

These two papers identify a number of characteristics and issues for rural areas in the South East Midlands LEP area:

- **Self-employment rates tend to be higher in rural areas.** This is particularly evident in the SEMLEP area, where the self-employment rate in the rural areas is nearly double the rate for the urban parts. To a considerable extent, this is also reflected in the levels of VAT registered businesses, which is significantly higher in rural areas, but less so in the SEMLEP area compared with regional and national estimates. Importantly though, a much greater proportion of the business activity in the rural parts of the SEMLEP area is focussed in micro businesses (0-4 employees) and the agricultural sector.
- **Higher than average occupational levels:** similar to the national and regional picture, and reflecting the attraction of the rural lifestyle and environment to higher level occupations, the employment rate in rural parts of the SEMLEP area is higher than in the urban parts.
- **Working from home.** The proportion of people working from home is significantly higher in rural areas than in urban areas. This, of course, means that it is crucial that superfast broadband coverage and take up is extended to the rural areas as far as possible.
- **Higher proportions of knowledge workers.** Reflecting the higher skills levels and greater proportion of knowledge workers in rural areas, the average household income in rural areas is also significantly higher than in urban areas. Notably, with an average household income 20% higher than in urban areas, the rural/urban differences in the SEMLEP area, on this particular measure, are much more pronounced than regionally and nationally.
- **Housing affordability** appears to be less of an issue in the rural parts of the SEMLEP area than nationally.
- **Jobseeker’s Allowance (JSA) claimant rates for rural areas** in SEMLEP has 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. Notably, the claimant rate in rural parts of the SEMLEP area is significantly higher among people aged 50+ years (relative to urban

areas).

- **Access to services** continues to be an issue for many rural communities, for example within one area issues have been highlighted in Riseley, Washington, Woburn, Clipson, Blakesley and Brill. Consequently, there is a high reliance on cars in the rural parts of the SEMLEP area. Indeed, more than half of the households have two or more cars.
- **Farming and diversification.** Continued support for diversification has a role to play in enabling farmers to restructure to meet the new challenges, such as increasing competition. It provides a number of benefits and forms an important mechanism in integrating farmers into the wider rural economy.

Whilst the evidence under Rural Economy is just a snapshot of key characteristics and challenges facing both residents and businesses, it is clear that having consulted with local authorities, Local Transport Boards and private sector that there are specific issues unique to those working in rural areas that the ESI Fund Strategy will need to address. Further analysis will be required of the issues facing rural businesses from SEMLEP's Business Survey. However anecdotal evidence from some local authorities with just under 50% of businesses located in rural areas shows that they face a number of barriers which indicates the need for a rural business support programme across South East Midlands.

A2.9.7 Tackling economic and social exclusion through social enterprise

To maximise the job and skills opportunities within the wider SEMLEP 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 (e.g. Northampton Enterprise Zone) and larger urban economies (e.g. Oxford/Cambridge arc).

One mechanism is through the support for 'social enterprises', which if successful, are more likely to recruit people from their local area, serve their local area, and spend their resources in the local area. 39% of social enterprises are based in the most deprived communities compared to 13% of SMEs¹⁰⁴.

There are approximately 68,000 social enterprises in the UK contributing at least £24bn to the economy (1.5% of GDP) and employ 800,000 people. As highlighted below, social enterprises deliver significant social and economic impact in communities¹⁰⁵. For example:

- 39% of all social enterprises work in the 20% of most deprived communities in the UK compared to 13% of standard businesses;
- Social enterprises are run by a diverse range of people - 86% of social enterprise leadership teams have at least one female director, 27% of leadership teams have directors from Black and Minority Ethnic communities and 7% have directors under the age of 24; and,
- 82% of social enterprises reinvest profits back into the communities where they are earned to further their social or environmental goals.

Based on a pro rata share of UK estimates¹⁰⁶ there is likely to be in the order of 2,000 businesses that view themselves as social enterprises within the SEMLEP area and using the average turnover figure extrapolated from the above (circa £387k) this could indicate a potential GVA contribution of circa £774million¹⁰⁷. SEMLEP has numerous assets, including the University of Northampton, to support the continued growth of its social enterprise sector.

¹⁰⁴ <http://www.universitiesuk.ac.uk/Publications/Documents/UniversitiesEnablingSocialEnterprise.pdf>

¹⁰⁵ Social Enterprise Coalition (2011), Fight back Britain A report on the State of Social Enterprise Survey

¹⁰⁶ Annual Survey of Small Businesses UK 2010

¹⁰⁷ Social Enterprise – What's it worth? A Paper Produced For SEMLEP by Inspire2Enterprise (2013)

University of Northampton plays an increasingly important role in terms of social enterprise development.

Notably, the University of Northampton has received international recognition for its commitment to social innovation and entrepreneurship by being designated a 'Changemaker Campus' by Ashoka U, making it the first UK university to be awarded this honour, and one of the only 22 in the world to receive the designation.

The University has also been awarded with the UnLtd/Hefce award for 'Outstanding Higher Education Institution supporting Social Entrepreneurship' in 2011, and has been named the Midlands most 'Enterprising University of the Year' for both 2011 and 2012, in recognition of the work in social enterprise.

It is also promoting a £7.5m Innovation Centre in the Northampton Waterside Enterprise Zone providing office accommodation and support services for up to 55 small businesses in the Social Enterprise sector. Moreover, it now provides a national support service "Inspire2Enterprise", having been initially supported by Northamptonshire County Council and then trialling across nine Counties for six months¹⁰⁸.

A2.10 Summary

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

| Indicator | Where are we now | Barrier(s) to growth |
|-------------------------------------|---|---|
| Research & Development & Innovation | A diverse economy with particular strengths in a number of sectors backed by globally recognised brands; including high performance precision engineering centred on Silverstone. The area's proximity to the "innovation triangle" whilst Cranfield University is a worldwide centre of excellence in precision engineering, whilst the Northampton Waterside Enterprise Zone has aspirations to become a centre for excellence in advanced engineering. | Evidence of low levels of innovation across many sectors plus greater emphasis is needed on business-to-academia linkages, commercialisation and encouraging business investment in Research and Development. |
| SME Competitiveness | Local Enterprise Partnership Network report ¹⁰⁹ placed the SEMLEP area 8th out of 39 for the Business theme. Rates of self-employment have increased significantly over recent years - higher than the national average. The area has above average survival rates over a 5 year period. | SMEs however are fulfilling their growth potential by failing to overcome barriers relating to access to finance and entrance to new markets (including exports). Uneven start-up and self-employment rates are evident, whilst rural businesses are difficult to reach via conventional business support services |
| Low Carbon Economy | A growing renewables sector and recognised for its high value nature and bio-diversity, as well as for its cultural heritage. | Area needs to develop a wider sense of what the 'low carbon economy' means – not only focusing on renewable generation, but on energy efficient installations and technology, on supply chains, on low carbon product developments and on encouraging innovative consumption patterns in SMEs. |

¹⁰⁸ SEMLEP Social Enterprise Briefing, 2013

¹⁰⁹ LEP Network (2012) Creating Successful Local Economies: A review of LEP Area Economies in 2012

| Indicator | Where are we now | Barrier(s) to growth |
|---|---|---|
| Employment, skills and lifelong learning | <p>In June 2013, the number of people in employment in South East Midlands increased by 20,700 from June 2008 to 63.2% when looking at all people in work over the age of 16. This is higher than nationally (England) which is 58.6%. There have been improvements in skills levels in recent years but compared to other areas SEMLEP is 'treading water' and there is some evidence to suggest a lack of responsiveness in the skills system to the needs of the economy and a mismatch between supply and demand.</p> | <p>The evidence base on the incidence of market failure is extremely patchy. However, SEMLEP is facing a number of significant employment and skills challenges, including gaps and shortages, mismatches. For example, wider variances in employment in knowledge intensive industries and its occupational profile, with certain areas having employment concentrated in low level occupations.</p> <p>Unemployment rate is above South East Midlands and national averages in some areas of the South East Midlands, which remains a key concern for our economy. In particular both youth and female unemployment remain volatile and above precession levels as these groups face a number of barriers to accessing the labour market.</p> |
| Social inclusion and labour market mobility | <p>Pockets of severe and prolonged deprivation, the employment rate is circa 3% less than in 2008 and the area has an increasing number of long-term unemployed and young people unemployed.</p> | <p>There is a need to focus on helping those furthest from the labour market or with lower levels of skills – interventions should be aimed at supporting growth sectors by providing the human capital. With 27.5% of the SEMLEP population living in areas classified as rural, it is also important to recognise the specific needs of rural communities, with access to services continuing to be an issue for rural areas.</p> |
| ICT and Digital | <p>Whilst the UK has achieved nearly full coverage of broadband, remote rural areas have been left behind in the roll-out of next-generation broadband; and there is still a lack of skills in using digital media.</p> <p>There is an opportunity to achieve super-connected places, 100% broadband coverage, unlock business opportunities and associated growth in GVA and jobs</p> | <p>Some key infrastructure, particularly next generation broadband, in many areas requires substantive and rapid upgrade. Whilst the UK has achieved nearly full coverage of broadband, remote rural areas have been left behind in the roll-out of next-generation broadband; and there is still a lack of skills in using digital media. There is a need to address both access to, take up of and service provision via investment in digital.</p> |

Annex 3 Manufacturing Advisory Service and GrowthAccelerator opt-ins

Manufacturing Advisory Service

Further to our recent discussions, we confirm we are keen to work with the LEP team to co-design ERDF matched projects to focus MAS service provision on key issues/opportunities affecting SME manufacturers in your economy.

Over the coming weeks we will work with you to define the detail of possible projects, however in the meantime - to assist you in assessing the potential value add that is likely to result from opt-in matching - we have updated and analysed the MAS service delivery to businesses in the LEP area to date and used this to establish a notional baseline for forward comparison.

Whatever the detail of these projects, to meet the BIS and ERDF guidelines it is clear that any opt-in extensions will need to compliment the MAS provision to deliver additional outcomes which will need to be derived from either:

- Increasing the impact of MAS interventions carried out – for example through extending the depth/number of in-depth support assignments, targeting higher growth potential beneficiaries, improving advanced manufacturing capabilities, introducing to new market opportunities etc

or:

- Increasing the volume of MAS interventions taken up in your LEP area – for example through enhanced engagement with key sectors, locations, supply chains etc and/or through enhanced attractiveness of the service proposition (although this may have to be limited due to national programme capacity)

Using what we believe are realistic opt-in delivery assumptions, we have developed a generic projection for the additional outcomes that might be expected.

The table below outlines projections for the most relevant additional outcomes based on the following assumptions/rationale:

Indicative match value of MAS interventions:

For every Level 4 (in-depth) intervention completed, the core BIS programme match value is likely to be worth an average of c.£5,000 (SME contributions to MAS projects average c.£1,500 but we have not included these as they can be problematic under ERDF rules). On this basis, it should be realistic to provide matching from the core MAS activity to meet an allocation of up to £3.9M over the programme period, should you wish to use it.

NB. We are obliged to point out that whilst we would hope/expect the service to continue at a similar level across the ERDF programme period - neither us as the current delivery consortium partner nor BIS can give any assurances of continuation of the service in its current form beyond the current contracted period ending Mar 2015.

Additional outcome projections:

We have assumed that ERDF enhancements to the MAS service will have the effect of improving the volume of engagement which will result in increased take up and the depth/quality of engagement resulting in increased impact per beneficiary SME. For this draft projection we have limited volume growth to 20% over baseline (ramped up over the programme period) and projected an increase in GVA and jobs created per intervention ramping up to 35% over the programme period. We have also factored in a realism factor for ensuring that the projected jobs can be substantiated to ERDF audit standards.

Assuming an effective opt-in project start date of early 2015, this translates to the following table of ERDF outputs for the overall programme from 2014-2020.

| Outputs (over period 2014 to 2020) | Core MAS Baseline | Additional (from ERDF Opt-in) | Total CORE MAS plus ERDF opt-in |
|---|-------------------|-------------------------------|---------------------------------|
| | | | |
| Number of enterprises receiving support | 1,944 | 389 | 2,333 |
| Number of new enterprises supported | - | - | |
| Employment increase in supported enterprises(FTE) | 798 | 396 | 1,194 |
| Number of enterprises supported to introduce new to the market products | 165 | 68 | 233 |
| Number of enterprises supported to introduce new to the firm products | | | |
| Private Investment matching public support to enterprises | £1,221,000 | £247,900 | £1,468,900 |
| | | | |
| Results | | | |
| | | | |
| Increase in SME productivity | £73,767,211 | £32,030,617 | £105,797,828 |
| Increase in SME jobs created | 798 | 396 | 1,194 |
| Increase in business start-ups | - | - | - |

Growth Accelerator

Further to our recent discussions, we confirm we are keen to work with the LEP team to co-design ERDF matched projects to focus GA service provision on key issues/opportunities affecting growth oriented SMEs in your economy.

Over the coming weeks we will work with you to define the detail of possible projects, however in the meantime - to assist you in assessing the potential value add that is likely to result from opt-in matching - we have updated and analysed the GA service delivery to businesses in the LEP area to date and used this to establish a notional baseline for forward comparison.

Whatever the detail of these projects, to meet the BIS and ERDF guidelines it is clear that any opt-in extensions will need to complement the core GA provision to deliver additional outcomes which will need to be derived from either:

- Increasing the impact of interventions carried out – for example through extending the depth/number of coaching packages offered, targeting higher growth potential beneficiaries, introducing to new market opportunities etc

or:

- Increasing the volume of interventions taken up in your LEP area – for example through enhanced engagement with key sectors, locations, supply chains etc and/or through enhanced attractiveness of the service proposition (although this may have to be limited due to national programme capacity)

Using what we believe are realistic opt-in delivery assumptions, we have developed a generic projection for the additional outcomes that might be expected. The table below outlines projections for the most relevant additional outcomes based on the following assumptions/rationale:

Indicative match value of Growth Accelerator interventions:

Indicative calculations suggest that for every GA sign-up, the ERDF claimable BIS programme match value is likely to be worth c.£3,500 (we have excluded any contributions from the SMEs at this stage as these have been problematic in past programmes) and we have based the projections below on this figure as an average maximum programme match value per sign-up. (NB.as discussed, we are obliged to point out that whilst we would hope/expect the service to continue at a similar level across the ERDF programme period - neither us as the current delivery consortium partner nor BIS can give any assurances of continuation of the service in its current form beyond the current contracted period ending Mar 2015)

Additionality:

We have made the simple assumption that the current intervention run rate is used as the baseline assumption – i.e. we assume that with no ERDF opt-in the current level of delivery would remain constant. Only outcomes over and above this level have been projected as additional outcomes resulting from ERDF matching.

Additional outcome projections:

We have assumed that ERDF enhancements to the GA service will have the effect of improving the quality and volume of engagement which will result in increased take up and increased impact per beneficiary SME. For this draft projection we have limited volume growth to 20% over baseline (ramped up over the programme period) and projected an increase in GVA and jobs created per intervention ramping up to 35% over the programme period. We have also factored in a realism factor for ensuring that the projected jobs can be substantiated to ERDF audit standards.

Assuming an effective opt-in project start date of early 2015, this translates to the following table of ERDF outputs for the overall programme from 2014-2020. This is based on a maximum GA match value of £3.038m.

| Outputs (over period 2014 to 2020) | Core GA Baseline | Additional (from ERDF Opt-in) | Total CORE GA plus ERDF opt-in |
|---|------------------|-------------------------------|--------------------------------|
| Number of enterprises receiving support | 1,818 | 912 | 2,730 |
| Number of new enterprises supported | - | - | |
| Employment increase in supported enterprises(FTE) | 1,830 | 915 | 2,745 |
| Number of enterprises supported to introduce new to the market products | 244 | 65 | 308 |
| Number of enterprises supported to introduce new to the firm products | | | |
| Private Investment matching public support to enterprises | £4,872,000 | £856,000 | £5,728,000 |
| Results | | | |
| Increase in SME productivity | £88,186,288 | £35,291,892 | £123,478,180 |
| Increase in SME jobs created | 1,830 | 915 | 2,745 |
| Increase in business start-ups | - | - | - |

Annex 4 Rural case studies

The case studies that have been provided in Annex 3 illustrate the diversity of projects that have, or are currently being delivered across the SEMLEP, broadly following the four EAFRD investment priorities:

- Building the knowledge and skills in rural areas
- Funding new and developing small and micro rural businesses
- Funding small scale renewable and broadband investments
- Support for tourism activities in rural areas

There may be an opportunity to focus on collaborative promotion of the SEMLEP rural area at the landscape scale to promote green tourism.

CASE STUDY 1: OXFORD RENEWABLES

PROJECT NAME: Oxford Renewables

Location: Henley on Thames

LEADER area: Chilterns

Grant £40,000 2010

Leader supported Oxford renewables with:

A mobile boiler to train new plumbers and showcase to customers.

A mobile display unit to take to events as a promotion

Marketing to promote the business.

Oxford renewables state:

Our mission is to build up the small-scale renewable energy capacity across the south of England with a range of wood boiler / biomass heating solution services & products.

Renewable energy is becoming increasingly common as more and more people look for alternatives to fossil fuels. Traditional fuels such as oil, gas and LPG are costly, damaging to the environment and rapidly running out. Nor do they suit modern household and industrial demands for clean, efficient and locally abundant sources of energy. However, we all have access to wood and solar energy, which are environmentally sustainable energy sources as we are capable of controlling and managing the resource and renewing the available stock. As such, Oxford Renewables is proud to supply a range of wood boilers, solar and biomass heating solutions that are suitable for domestic, rural and commercial properties.

Wood boilers and Biomass heating solutions are fuel efficient, reliable, and safe. The solar and biomass heating systems we offer are eligible for incentives and bursaries from the government – so you can get paid to heat your space and save energy, also reduce your carbon footprint. What's more, the savings achieved by renewable and biomass energy means that the equipment pays for itself over time. Investing in renewable energy is investing in your future.

At the time of supporting the LAG were concerned about the occupancy levels as the site is so remote. In 2013 the owner recorded bookings amounting to 90% occupancy. The business case was developed on a 65% occupancy.



The demand for commercial wood fuel systems is rising often supported by RHI income. Many rural businesses are using RHI and FIT as a diversification income.

The business now employs 7 staff and up to 30 trained plumbers.

CASE STUDY 2 BELLINDON BRICKWORKS, CHILTERN LAG

Bellindon brickworks looks back 100 years to fire its own hand made bricks by wood fuel from the farm.

Local Chilterns farmer and brick maker Jim Matthews will be doing his bit for the environment and his bottom line. Jim, who runs Bellindon Brickworks, the South East's only hand made brick company, started drying and firing his hand made bricks with wood fuel a year or so ago. This process gives the bricks their unique traditional orange and black colouring that makes them so distinct. The cost of wood has doubled in the last few years.

Thanks to a grant from LEADER, HG Matthews will be purchasing a new JCB to extract timber from their own woodlands. They are employing two foresters to run the project and will even be offering woodland management services to surrounding owners.

"This grant will be a great help to getting this project under way. The bricks would have been fired by our local woods hundreds of years ago. People seem to like the colour just as they looked two hundred years ago." said Jim.

The business is a family farm business of 850 acres of arable and 90 acres of woodland. The business has other important business interests from a traditional brickworks and boiler showroom. The business employs 39 staff on the farm and associated businesses.

"It is great to support this project as it is clearly a good use of their own woods and a traditional business is becoming more profitable, the woods will be better managed and the forestry business will lead to more employment in the Chilterns. LEADER is helping fund the forestry JCB to enable Matthews to extract the timber.

The brick works has a long established and respected history

H.G. Matthews History



Handmaking Bricks in 1924

There is a long history of brickmaking in Buckinghamshire and the Matthews family has played a major role in it.

The business was founded by Henry George Matthews in 1923 at nearby Lye Green. The present Bellingdon site was acquired the following year. It is here that all the Matthews bricks are still made.

After the death of Henry George Matthews in 1957, the business continued under the direction of his two sons and daughters and today is still run by direct descendants of the original founder.

Clay is still dug from the original clay deposits around Bellingdon and from nearby Chalfont St. Giles.

Over 2.5 million bricks are made each year and fired in up-draught Scotch Kilns. H.G. Matthews hand-made bricks are considered by many to be the finest available.



Handmaking Bricks Today

The company is justly proud of its reputation for supplying first class facing bricks, backed up with an efficient and friendly service.

The development of wood fired bricks has been an innovative move for the company and makes the product unique and gives the company almost a monopoly on this specific product.

The stove sales business has been established since 1996 and has been at the forefront of the boom in domestic stoves. The company has a showroom, fitters and maintenance team. The company has also recently been appointed the sole supplier of the E-classic wood fuel boiler. Their highly versatile and efficient use of wood fuel has made these boilers of interest to businesses looking to benefit from the new FIT's.

The strategy in woodland and wood fuel business is to train the staff on their own woodlands for the first three years then offer a management and extraction service to neighbours and include the extracted timber as payment for the work.

All parts of the business seem to work well together and have a very natural link. The business structure seems to be under a clear management of Jim Matthews yet many of the accounts are in the name of Mrs Matthews.

CASE STUDY 3: WINSLOW FARMERS MARKET

PROJECT NAME: Winslow Farmers Market

Location: Winslow LEADER area: AVMK

Grant £36,000

Winslow Farmers Market is now widely acknowledged to be one of the most successful farmers markets in the area. It is now in its 4th year and only seems to get stronger. It has between 25 and 30 regular stall holders. Many farmers too the opportunity of the Winslow Farmers Market as their first step to farm diversification and adding value to their produce.

The local retail traders were of mixed opinion before the farmers market opened but most now see this as a great asset that has put the village firmly on the map. The market has been the catalyst to a revitalisation of Winslow. Many new jobs have been formed on the back of the successful farm diversification projects that have grown since the market opened an opportunity.

The LEADER programme for Aylesbury Vale and Milton Keynes were able to fund 80% of the new market stall and marketing. Nick Phillips Programme Manager for LEADER in Bucks staid. "This is an excellent example of innovation and collaboration amongst farmers, Town Council and local businesses. LEADER are delighted to be able to fund this project and may well be able to assist some of the farmers in their diversification projects in the future. The farmers that I have heard from will be bringing some very good quality local produce to the market."

This project has been a great asset to many farms that started their own direct sales following the market success. Some of those businesses have gone on to expand and LEADER has helped many get established.

John Knight, Project Manager at the Town Council, Winslow said. "This project has been driven by the demand from farmers looking to sell their local produce direct to customers and the demand for a wider variety of local goods. LEADER grant will make a huge difference to the success up of this project."

John Knight explained what makes the market so special.

'I think it can be summed up with three 'P's' – the Place, the People and the Produce. In terms of the Place, Winslow Market Square comes into its own when the market is on, it's a great destination to potter, listen to the live music or have a chat.

We have real small scale producers and farmers, ranging from locally milled flour for the artisan breads, heritage varieties of apple juice and rare breed meats. Most months will see around 25 stalls.'

Many of those started diversification on the back of the opportunity

The town has been transformed and the market is supported by most retailers.

Top restaurateur Raymond Blanc:

"It is wonderful to hear of small communities such as Winslow bringing together local producers and customers in a Farmers' Market."



More and more farmers are finding ways to sell their produce direct to the public without going through the supermarkets. It seems local businesses are also pleased to see the market open as they will see more visitors to the town on a Sunday.

The market now has over 30 regular attendees and turns over thousands of pounds every week. Many of the adjoining businesses such as cafes and antique shops now open on a Sunday due to the increased footfall in the high street.

CASE STUDY 4: HARVEST MOON BARN

PROJECT NAME: Harvest Moon Barn

Location: Claydon

LEADER area: AVMK

Grant £50,000 2012

In the fields around Claydon in North Bucks is an opportunity to escape from it all. Situated at the end of a rough track about half a mile long will be a newly converted barn offering self catering accommodation for those seeking peace and tranquillity in the historic land of Claydon House built by the Verney family in 1791.

The LEADER Rural Grants Programme have supported the development of a disused barn to provide much needed tourist accommodation in the rolling landscape of North Bucks.

“With so many tourist attractions within minutes and such breath taking landscapes it seems amazing that there are so few opportunities for overnight tourist accommodation. This seems an excellent opportunity to support a new business venture.” Nick Philips LEADER Programme Manager.

“We have been considering the plan for some time and now with the support of LEADER we have been able to get under way offering a six person self catering property in a really splendid location.” Said Christine Hodgins, owner of Winters Tale

Many people consider Buckinghamshire as the perfect destination for all those looking for a break

from London and the Midlands. Within an hour, visitors can be from central London to the most beautiful and breath taking parts of the Countryside. TSE have recorded the huge rise in interest of the “staycation” particularly the activity short break. This includes cycling, walking and horse riding as well as visiting historic buildings and gardens.

In 2008 21% of all holidays taken in the UK were cycling or walking holidays where most people chose self catering above hotels. Last year LEADER supported the Chiltern Cycle route, three self catering operations, a campsite and a B&B.

At the time of supporting the LAG were concerned about the occupancy levels as the site is so remote. In 2013 the owner recorded bookings amounting to 90% occupancy. The business case was developed on a 65% occupancy.

“The barn has been so popular that I am now building a second to cope with the demand. I would not be where I am without LEADER support.”



The demand for self catering accommodation far exceeds supply in rural AVMK and Christine has just completed her second conversion of a barn and also now runs a business supporting and marketing other tourism business.

It is estimated that at 70% occupancy both cottages now deliver over 1000 bed nights to the area and Tourism South East recognise £78 extra to the local economy per person per bed night. That could mean an extra £78,000 into the local economy every year.

SEMLEP

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