

South East

Local Enterprise Partnership



SOUTH EAST LEP

**EUROPEAN STRUCTURAL AND
INVESTMENT FUND STRATEGY**

FINAL SUBMISSION – JANUARY 2014

CHAIRMAN'S FOREWORD

I am delighted to present the South East Local Enterprise Partnership's EU Structural & Investment Fund Strategy.

This strategy is a vital and integral part of our ambition to make the South East LEP area of East Sussex, Medway, Kent, Southend, Thurrock and Essex the most exciting and enterprising place in the country to do business.

Our emerging Growth Deal with Government aims to generate a further 200,000 private sector jobs, complete 100,000 new homes and lever in over £10billion of investment over the next 6 years to support a range of infrastructure, property and economic development projects to drive productivity and boost new business growth.

This document demonstrates how we will invest £165m of European funding as part of this wider strategy to help our businesses to compete and grow and our people to gain the skills they require to succeed in an ever-changing world of employment.

The South East LEP is the largest outside London and the most distinctive. We have the longest coastline of any LEP, with major ports including Harwich, Dover and London Gateway. We are close to the markets of London and of Europe and have unique and productive coastal and rural economies. In the Thames Gateway, we have Europe's biggest regeneration area.

The SE LEP area is large and diverse and it has economic opportunities and challenges to match.

We know we need to increase business productivity and skills levels, developing our high-value business sectors where employment is most likely to grow. We need to work with our businesses, universities and colleges to support the technologies of the future, capturing local intellectual capital and providing the very best facilities and support for new spin-out businesses. We need to create a 21st Century workforce, with opportunities for all.

We must also build on successful Government programmes within the SE LEP area, adding value to our Discovery Park and Harlow Enterprise Zones, our Assisted Areas and our innovative business finance schemes which are already making such a difference to companies wishing to grow. The provision of business finance where traditional sources of funding are unavailable remains critical to local business development.

The South East LEP is big, ambitious and business-led with some of the best in local government. The partnership behind this strategy is bigger still, encompassing both public and private sectors and civil society, those voluntary organisations which provide so many of our services and strengthen the fabric of our local communities.

Working together, we will deliver this investment strategy to make a real and tangible difference for local business and local people. We urge you to measure us by our success in doing so.



Peter Jones, CBE
Chairman, SE LEP

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1 Introduction to the strategy

- 1.1 This is a strategy to develop workforce skills and support innovation and business across the South East Local Enterprise Partnership (SE LEP) area of East Sussex, Medway, Kent, Southend, Thurrock and Essex.
- 1.2 Fitting hand-in-glove with our emerging Growth Deal and Strategic Economic Plan, our EU Structural and Investment Fund Strategy makes clear proposals for investment of the £165m allocated to the SE LEP area which will be matched by public, private and community investment. In addition, it outlines how the further £14.5m of funding announced in December through the European Agricultural Fund for Rural Development will support and develop rural business and communities.
- 1.3 SE LEP is more than just a Board - it is a wider partnership with the private and public sectors and with civil society across the SE LEP area. Through our devolved structures, engagement in our strategic planning and development is both widened and strengthened. Local arrangements enable much greater input and local knowledge to inform and tailor our operation.
- 1.4 Voluntary sector input to our EU Structural & Investment Fund Strategy has been highly important throughout the development of this strategy. Voluntary sector agencies and social enterprise will now be critical to its delivery. Through key elements of the skills and employment programmes, through the CLLD investment in local communities and by support of social enterprise through our gateways to growth and business support programmes our partnership with civil society will continue to develop and grow.
- 1.5 Our strategy makes a compelling business case. In chapters 2 and 3, it defines the strengths and opportunities for business growth and jobs across the SE LEP area, addressing the clear challenges and barriers identified by comprehensive and robust research. In doing so, it draws upon the knowledge and expertise of local businesses, local councils, higher and further education and community groups across the largest LEP area outside of London.
- 1.6 In chapters 5, 6 and 7 we show how EU funding will support the aims and objectives of our Growth Deal and Strategic Economic Plan by investing in innovation to drive prosperity.
- 1.7 We demonstrate how we will accelerate growth and increase productivity by enabling access to business finance where there is currently market failure; by supporting businesses to grow and export through judicious and targeted opt-ins with major business support programmes; and by encouraging greater innovation through smart sector specialisation.
- 1.8 We show how our SE LEP skills challenge will be addressed by placing employers at the centre of support infrastructure; through the very best independent skills and careers advice and guidance; and by increasing take-up and adding value to apprenticeship and vocational provision to upskill the SE LEP workforce, ensuring support for those wishing to gain a job but who are currently several steps removed from the employment market.

- 1.9 In our rural areas, we demonstrate the potential for growth by building skills and supporting innovative SMEs as we capitalise on one of the most varied, valuable and productive rural areas in the country.
- 1.10 In chapter 8, we draw together in summary form the Programme allocation proposals, indicating clearly the opt-in resource and the wider sources of matching for EU funding. This must be invested against clear and robust programme and project outputs and monitored locally and at LEP level for rigorous value for money and impact.
- 1.11 SE LEP covers a large geographical area, but we must not work in isolation. The impact of London is clearly evident but by building relationships across LEP boundaries and aligning with wider EU programmes as outlined in chapter 9, we add still further value for money to public, private and community investment.
- 1.12 Cross-cutting themes of sustainable development and equality and key issues of delivery and risk are addressed in chapters 10 and 11 before describing the devolved and streamlined governance arrangements which will ensure a pipeline of high quality projects, wide-ranging local involvement to ensure projects address local opportunities and local need and strong accountability to government at both devolved Board and SE LEP level.

2 SE LEP – Strengths and Opportunities

SE LEP's Strategic Economic Plan

- 2.1 The SE LEP preliminary strategic economic plan (SEP) sets out an ambition to generate 200,000 private sector jobs and 100,000 new homes by 2021 through a coordinated programme of activity to deliver growth, supported by major new public/private investment funds, and new road and rail infrastructure. The SEP outlines the SE LEP's bid for its local Growth Deal – a share of the £2bn national Single Local Growth Fund and it sets out the 'asks' of government to support the delivery of business and economic investment in new ways.
- 2.2 The Plan identifies four key pan-LEP priorities:
- Accelerating Growth: Enterprise and Innovation;
 - Creating Competitive Locations: Infrastructure and Property;
 - Building a 21st Century Workforce; and,
 - Enabling Housing Growth.

Over 4 million people, 344,000 businesses – and growing

- 2.3 The SE LEP area is large, encompassing Essex, Southend, Thurrock, Kent, Medway and East Sussex. With four million residents, the SE LEP area accounts for 7.5% of England's total population, and is the second most populous LEP area in England¹. The Office of National Statistics (ONS) forecasts that the population will grow by a further 368,000 by 2021². Our working age population will increase by 108,900, growing at a faster rate than the national average (4.4% vs. 3.8% for England)³. This overall growth in the potential workforce is an important economic asset.
- 2.4 With two million economically active people in the LEP area, and over 1.8 million residents in employment⁴, the SE LEP area is a major employment area in its own right. In 2011 there were 1.7m jobs in the SE LEP economy⁵. This represents 6.5% of the total jobs base in England.
- 2.5 Commuting is a major part of the local labour market and a high proportion of residents work outside of the LEP area. London's employers rely on 273,000 residents from the SE LEP area each day and many London businesses and sectors have trade and supply chain links to those in the SE LEP area⁶. Skilled commuters are prime assets that are of value both to London employers and to businesses supplying services in the SE LEP communities where

¹ ONS (2013) mid-year population estimates

² ONS (2012) interim 2011-based subnational population projections for England

³ ONS (2012) Interim 2011-based subnational population projections

⁴ ONS (2013) annual population survey

⁵ ONS (2012) jobs density

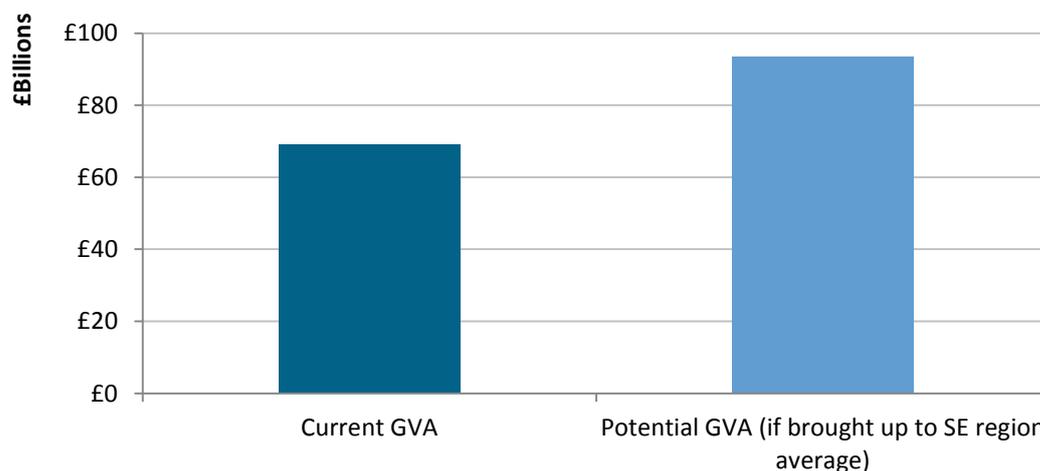
⁶ ONS (2012) annual population survey 2011

salaries are spent. In addition, there is the potential to increase employment opportunities for our residents from growth at Stansted airport.

An economic footprint that contributes significantly to the national economy...

- 2.6 Unsurprising given its size and location, the LEP is a major regional economy. In 2012, output (as measured by Gross Value Added, GVA) from the SE LEP economy totalled £68.9bn, representing 5.9% of the England total (£1,174bn)⁷.
- 2.7 Future growth to the economy is therefore of vital national interest, yet the economic contribution of the SE LEP area is smaller than it should be. GVA has not yet recovered to pre-recession levels in some areas, and the overall output of the SE LEP economy is constrained by low output per resident and low labour productivity in comparison with the wider South East. As set out in Figure 2.1, if SE LEP output per resident were comparable to that across the South East region in 2012, the SE LEP economy would have contributed an additional £24.4bn of GVA to the national economy.

Figure 2.1: The output gain opportunity



Source: ONS (2013) Regional Gross Value Added (Income Approach)/Si Analysis

Our ports, airports and transport routes connect the nation with mainland Europe...

- 2.8 The SE LEP area is the UK's most important land and sea gateway to the rest of the world. It is situated in a pivotal position between London, mainland Europe and international markets and has transport infrastructure of national importance. This includes Europe's busiest passenger port at Dover, which handled over 12.7 million passengers and over 2 million road haulage vehicles in 2011⁸, and London Gateway, which is providing deep-sea shipping access to the largest UK and international consumer markets and places the SE LEP area firmly at the centre of the UK's logistics operation with links to the rest of the world. Other locations,

⁷ ONS (2013) Regional Gross Value Added (Income Approach)

⁸ Data for 2011 – Department for Transport (2013) Port freight statistics: 2012 final figures

like Harwich, Newhaven, Ramsgate, Sheerness, Purfleet, Tilbury and Thames-port, are also major freight ports.

- 2.9 In total, around 14m passengers and 85m tonnes of freight goes via our ports every year – that is over half of England’s international sea passengers⁹ and a quarter of England’s sea freight¹⁰. With around 95% (by volume) of the UK’s international trade being transported by sea, these areas are vital for UK trade¹¹.
- 2.10 In addition to its traditional cargo and passenger handling roles, the port industry offers a range of other services, including supplying the offshore energy industry. There are also a number of airports in the area, most notably Stansted airport, with 17.5m passengers in 2012¹², London Southend and close proximity to London’s major airports, City, Heathrow and Gatwick. Cross-Channel services run via Eurotunnel from Folkestone, which carried over 7 million passengers and 15 million tonnes of freight in 2010¹³, and there are international rail services via Eurostar from Ebbsfleet and Ashford. The area also includes critical components of the national motorway and trunk road networks, carrying the bulk of international freight traffic entering the UK and including the only motorway crossing of the Thames.

Our location, and natural environment are major assets

- 2.11 The Thames Gateway is a major growth area and Europe's largest regeneration project. With jobs and housing targets set at 113,000 and 95,000 respectively in the 20 year period up to 2026, Thames Gateway South Essex and Thames Gateway Kent will make a substantial contribution to Gateway-wide ambitions to deliver an additional £12 billion of GVA to the UK economy by 2021.
- 2.12 The natural environment and location of the South East LEP, with its coastline and countryside, are also valuable assets. The quality of life derived from these, along with our close proximity and ease of access to London and mainland Europe, provide real economic benefits to the area.

Our priority sectors reflect the national industrial strategy

- 2.13 There are a number of sectors with high growth potential in the SE LEP area, which fit closely with the National Industrial Strategy¹⁴, and through which we can target LEP-wide support for innovation.

⁹ Data for 2011 – Department for Transport (2013) Sea passenger statistics: 2012

¹⁰ Data for 2011 – Department for Transport (2013) Port freight statistics: 2012 final figures

¹¹ UK Trade & Investment (2008) The UK Ports Sector

¹² CAA (2013) UK Airport Statistics: 2012 - annual

¹³ Department for Transport (2012) Channel Tunnel: traffic to and from Europe

¹⁴ Department for Business, Innovation & Skills and UK Export Finance (2012) Industrial Strategy: Cable outlines vision for future of British industry

Europe 2020

Europe 2020 is the EU's growth strategy for addressing the structural weaknesses in Europe's economy exposed by the financial crisis. The Europe 2020 ambition is to improve the conditions for research and development, with the aim of raising combined public and private investment levels in innovation in the EU to 3% of GDP. EU Structural Funds for innovation are expected to align with this policy, in particular with the EU's concept of 'smart specialisation'

BIS Innovation and Research Strategy for Growth – Dec 2011

Provides evidence for national innovation and research priorities – notes that UK universities and the wider knowledge base is a strong national asset – the UK has expertise across over 400 areas of distinctive research strength, and HEIs generate over £3bn pa external income. However, we need to increase commercialisation of emerging technologies and support supply chains. We don't spend as much as others on developing knowledge and innovation clusters, and need to do more to support higher level skills.

Industrial Strategy

Vince Cable set out the government's industrial strategy in September 2012. It comprises increasing access to finance, support for emerging technologies, creating a pipeline of skilled workers, supporting supply chains through government procurement, and focusing support on a number of sectors. These sector programmes, being developed in partnership with business, include sectors identified as having the potential for significant growth in SE LEP area - specifically life sciences, energy and offshore wind, along with some areas of advanced manufacturing. Within these sectors there are "8 great technologies" that are key to growth, and in which we can gain a competitive advantage. These include synthetic biology, regenerative medicine and energy storage, which again may be relevant to SE LEP industries.

2.14 Each of the SE LEP areas has carefully identified those sectors with the most growth potential. Further analysis indicates that there are some major opportunities across the SE LEP area to build on existing strengths and respond to identified national priorities:

- **Life sciences and medical technology** is a clear specialisation within SE LEP economy. Discovery Park, Kent Science Park and the Maidstone Medical Campus are already significant locations for companies in this sector. There are currently 7,500 jobs within this sector¹⁵ and the evidence suggests considerable potential for growth. In future, this will be supported by the development of the Harlow Enterprise Zone in the London Stansted Cambridge Corridor, Anglia Ruskin med-tech campuses and the Discovery Park Enterprise Zone.

¹⁵ ONS (2013) Business Register and Employment Survey

- **Advanced manufacturing** currently provides 43,000 jobs¹⁶ and is represented by a number of world class manufacturing firms operating in the SE LEP area, including BAE Systems and Delphi in Medway, and Ford at two main locations in Essex. However, the manufacturing base is diverse, with SMEs forming the great majority of manufacturing businesses.
- **Logistics** supports 32,400 jobs¹⁷. The SE LEP area contains the major freight gateway from the UK to the world and there are significant investments already happening at London Gateway. Transport strengths are further enhanced by airport infrastructure at Stansted and Southend and potentially at Manston and Lydd. SE LEP is also the location of the high speed rail link to Europe and HS1.
- The **low carbon economy** currently employs 46,000 people¹⁸. There is offshore wind manufacturing capacity across the SE LEP area including that serving large existing arrays such as Thanet and the London Array. The Thames Oilport (former Coryton Oil refinery) has 400 acres of surplus land which will be designated as Thames Enterprise Park, an Environmental Technologies and Energy hub with significant interest already expressed by the private sector. There are major opportunities to attract manufacturing capacity to the SE LEP area and the recent government announcement of favourable price guarantees for offshore wind power will help these to be taken forward. In addition, as pressure grows to reduce energy consumption and conserve resources, demand is rising for lower carbon and environmental technologies in a diverse range of sectors, including manufacturing and construction.
- **Tourism and leisure** is a significant sector in employment terms providing 95,900 jobs¹⁹. Its importance is concentrated in certain locations, primarily rural and coastal resort towns. On average, the value of each job to the economy is relatively low, but the sector provides large numbers of jobs, particularly for young people and in entry level occupations, often providing the first steps into/back into employment. Growth in the sector is high, with transformational opportunities such as the Paramount development in North Kent (expected to open within 6 years), and increasingly the sector is a significant employer in more highly skilled occupations.
- The **creative, cultural and media** sector employs 32,200 people²⁰, making it a significant sector. Priority sub-sectors include software and electronic publishing, publishing and advertising (which all have significant relationships with London). Productivity is very high with GVA per employee at £76,700²¹. There are a number of specific strengths and assets including the Royal Opera House and National Skills Academy at the High House Production Park in Purfleet, METAL, the Firstsite gallery in Colchester, the Turner Contemporary at Margate, the Creative Quarter in

¹⁶ ONS (2013) Business Register and Employment Survey

¹⁷ ONS (2013) Business Register and Employment Survey

¹⁸ ONS (2013) Business Register and Employment Survey

¹⁹ ONS (2013) Business Register and Employment Survey

²⁰ ONS (2013) Business Register and Employment Survey

²¹ ONS (2013) Business Register and Employment Survey and TBR (2013) Trends Central Resource

Folkestone, and the School for Creative Start Ups, the University of the Creative Arts (UCA), the Marlowe in Canterbury and arts facilities in East Sussex. There are also links with Tech City in London. SE LEP's cultural strengths support innovation in a number of sectors. Alongside the creative and cultural industries, the sport sector adds a further 24,000 jobs²².

- 2.15 We need to develop our strengths in these sectors through targeted support for the development of innovative clusters, networked to research institutions and specialist expertise, and ensure that skills needs are met and infrastructure constraints are tackled.

We have an entrepreneurial and innovative business culture...

- 2.16 With 344,300 businesses in the area, SE LEP has a strong business base and a high business density²³. There are 86 firms per 1,000 residents in the LEP area, compared with 82 for England, and our rate of self-employment is above average (11.0% compared to 9.8% for England)²⁴. The rate of business failure is also relatively low - there are 3.5 registered business failures per 1,000 people in the LEP area, compared to 3.8 for England²⁵.
- 2.17 SE LEP firms are smaller than the UK average although there are concentrations of larger firms in particular locations, including Harlow, Dartford and Canterbury. A significant proportion (15%) of business turnover is generated by products/services which are new to market, compared with just 6% across England²⁶. A higher proportion of businesses in the area have applied for a patent (3.2%) than the England average (2.8%)²⁷. This means that we have a sound base and a culture / willingness to exploit opportunities and to capitalise more from the strong culture of innovation that already exists within our local economy.
- 2.18 There is already innovation infrastructure to build on in the area, such as the emerging Med-Tech development. The Kent & Medway Innovation Corridor will link centres in the North and East Kent, including Discovery Park, the Kent Science Park, Eurolink Business Park, Innovation Centre Medway, the universities at Medway and Canterbury, the Nucleus at The Bridge and the Base in Dartford. The Harlow EZ through the ARU MedTech campus is connected to the massive innovation resources in London and Cambridge, and specialist UTCs working directly with employers in our Life science/medtech and advanced manufacturing.

...and strong innovation partnerships

- 2.19 We have strong partnerships working to develop innovation, with local authorities working increasingly closely with universities and colleges to help forge closer links to the business community. Higher education institutions and further education colleges across the area make a significant contribution to the region's economy via the graduates they produce

²² ONS (2013) Business Register and Employment Survey

²³ TBR (2013) Trends Central Resource

²⁴ ONS (2013) annual population survey

²⁵ ONS (2013) Business Demography 2012

²⁶ ONS (2011) UK Innovation Survey 2011

²⁷ ONS (2011) UK Innovation Survey 2011

(they catered for over 144,000 in 2011/12²⁸), the businesses, services and Intellectual Property they create, by the expertise and facilities they provide to businesses and the conduits to funding they facilitate.

- 2.20 There is a broad portfolio of activities to support the foundation and development of SMEs through our HEI, FE colleges and other training providers and developing these further will yield more substantial benefits to our SMEs through working collaboratively with other partners to help accelerate their growth potential.

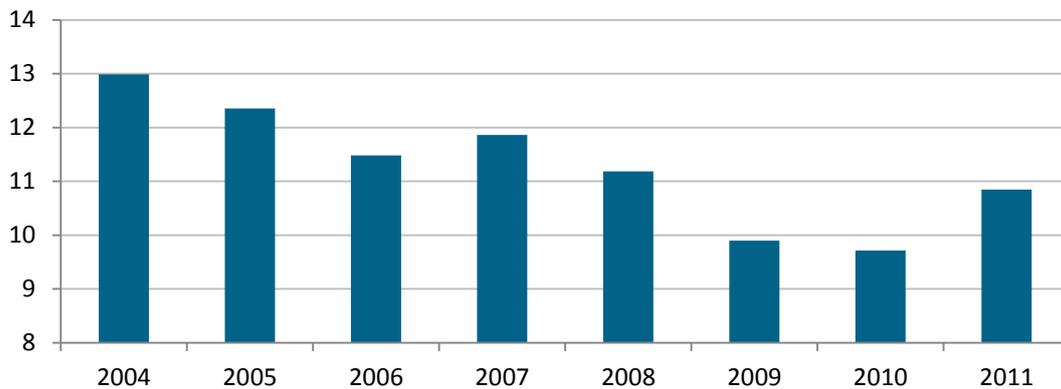
²⁸ Higher Education Statistics Agency

3 Challenges and Barriers to growth

The number of business starts is low

3.1 Despite the LEP’s strong entrepreneurial base, the area has a lower rate of business start-ups than other parts of the country. The rate of registered business births remains comparatively low – with 3.8 new enterprises per 1,000 residents in 2012 compared to 4.4 for England as a whole²⁹. There were 10.8 business births per 100 active enterprises in 2011, lower than the national rate (11.4 for England), and the SE LEP rate in 2004 (13.0 births per 100 active enterprises)³⁰.

Figure 3.1: SE LEP business birth rate (births per 100 active enterprises)



Source: ONS business demography

3.2 While the rate of self-employment is above average in the SE LEP area for both males and females, the gender gap in self-employment is relatively high. The self-employment rate for working age men in the SE LEP area is 15.9%, compared with less than half that figure for women (6.2%)³¹. The difference (9.7 percentage points) is higher than across England as a whole (7.3 percentage points).

SE LEP has significant opportunities for rebalancing employment towards higher value activities...

3.3 Productivity – in terms of GVA per job - is lower in SE LEP than in the wider South East (by £5,300 per job) and England (£4,000 per job)³². This is largely because the industrial structure of the SE LEP economy, the very small size of most companies across the area, and the lack of mobility in the labour market.

3.4 The jobs market in the SE LEP area contains fewer high level jobs than would be expected and more mid-and lower-value jobs. At present, jobs that require lower skills have higher

²⁹ ONS(2013) business demography 2012

³⁰ ONS (2013) business enterprise closure rates higher than start-up rates during recession

³¹ ONS (2013) annual population survey

³² ONS (2013) Regional Gross Value Added (Income Approach), December 2013

employment rates in the SE LEP area than across England. For example, for jobs requiring no qualifications, the SE LEP employment rate is 42.1% compared with 39.9% for England as a whole³³.

- 3.5 Parts of the SE LEP economy are over-reliant on the public sector for jobs and also sectors such as wholesale, retail and accommodation, and construction. Generally, these sectors do not provide high value employment. Public administration provides jobs with an average level of GVA per job, while wholesale, retail and accommodation are below average and construction is marginally higher than the average. Conversely, a lower proportion of the SE LEP economy is in high value sectors like manufacturing, financial and business services, and information and communications.

Table 3.1: Comparison of SE LEP vs. England employment profile (2012)

Sector	SE LEP		England	
	Employment	%	Employment	%
<i>Relatively larger sectors in the SE LEP area</i>				
Wholesale, Retail, Food & Accommodation	383,900	25.5%	5,547,300	23.0%
Public Services, Education & Health	429,800	28.6%	6,422,900	26.5%
Construction	90,600	6.0%	1,106,800	4.6%
Transport & Storage	77,900	5.2%	1,106,700	4.6%
<i>Relatively smaller sectors in the SE LEP area</i>				
Financial, Professional & Business Services	279,600	18.6%	5,311,500	21.9%
ICT	40,700	2.7%	971,000	4.0%
Primary Industries & Utilities	18,300	1.3%	606,500	2.5%
Manufacturing	115,400	7.7%	2,024,500	8.4%
Arts, Entertainment & Other Services	66,700	4.4%	1,080,300	4.5%
		100%		100%

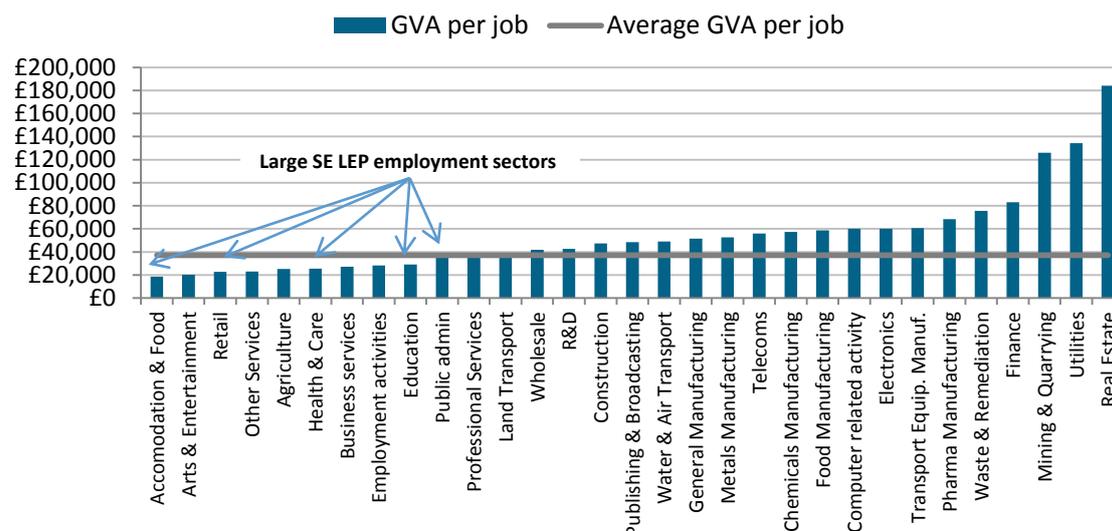
Source: Business Register and Employment Survey

- 3.6 A principal priority of the LEP must be to support growth in higher value sectors. The previous section identified potential for growth in a number of key sectors, and EU SIF funding will provide targeted support to businesses and residents to help achieve this.
- 3.7 Importantly, labour productivity within each sector is also relatively low and this too has an influence on overall output. Labour productivity in the SE LEP economy outperforms the South East region in only two of 31 sectors; agriculture and construction. It outperforms the UK average in only 10 sectors³⁴. Hence, there is also a strong rationale for investment in both general and specialist business support to raise productivity across sectors.

³³ ONS (2013) Annual Population Survey

³⁴ Cambridgeshire Insight (2013) East of England Forecasting Model

Figure 3.2: SE LEP productivity (GVA per job) by sector (2011)

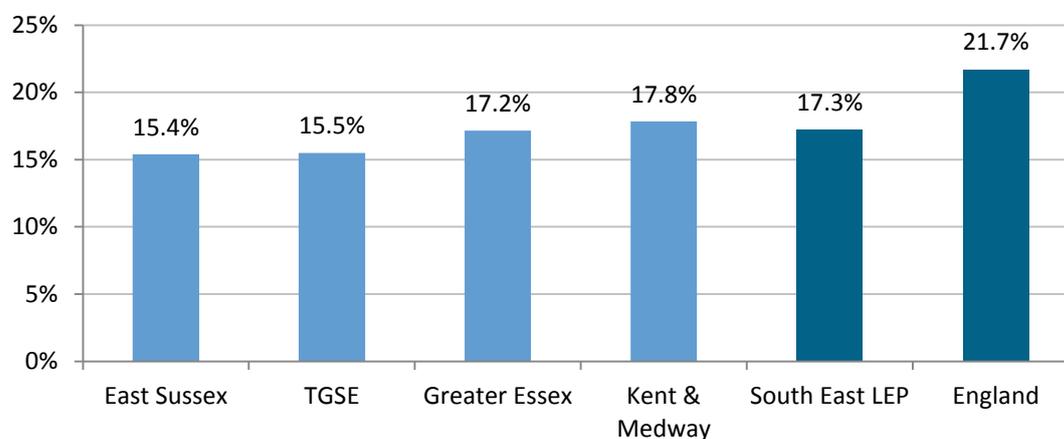


Source: East of England Forecasting Model

...and our knowledge economy should be stronger

3.8 Knowledge economy employment³⁵, in particular, is relatively low across the SE LEP area. There were over 200,000 jobs in the knowledge economy in 2012, but knowledge economy employment had only increased by 2.6 percentage points from 2009 levels and a lower proportion of SE LEP's employment base (17.3%) is found in knowledge intensive sectors than nationally (21.7%)³⁶.

Figure 3.3: Share of the workforce employed in knowledge economy sectors (2012)



Source: Business Register and Employment Survey

3.9 It is important to increase the interaction between local knowledge assets (i.e. universities, R&D centres) and businesses. There are nine universities located or represented in the area,

³⁵ Knowledge economy employment refers to employment in sectors where a high proportion of the workforce has higher level skills

³⁶ ONS (2013) Business Register and Employment Survey - 2009 & 2012

working in partnership to align their work with that of the LEP. The partnership is currently analysing research strengths across the area which will help inform our strategy in line with smart specialisation, over the coming months. However, the LEP has no universities in the top ten of university rankings³⁷ - the University of Kent is the most highly ranked, but ranges from 19th to 28th in the UK depending on the ranking system used - and there are no catapult centres in the LEP area.

- 3.10 The share of employment in export intensive industries in the SE LEP area is also relatively low: 14.0% of employment was in export intensive sectors in 2011, up from 13.6% in 2010³⁸. This was below the average for the whole of England of 17.7%. Exporting is a key driver of economic growth. Exporting SMEs are on average more productive, more innovative and more resilient than non-exporters³⁹.

Businesses need access to finance...

- 3.11 Despite a national return to economic growth, bank lending to SMEs remains below pre-crisis levels, and many businesses continue to experience difficulties in accessing finance on viable terms. This compounds the long-standing challenge faced by many innovative businesses in accessing debt and equity investment to finance their expansion.
- 3.12 Locally, partners in the South East have secured £60 million in Regional Growth Fund support to deliver a series of access to finance programmes offering interest-free or low-interest loans to businesses with the appetite for growth. These have been successful in meeting performance targets agreed with the UK government, leading to funding for over 50 projects, creating or safeguarding 1,612 jobs and leveraging some £50.4 million in direct private sector investment so far – with 1-2 years remaining for the various schemes to run. However, a recent study of access to finance commissioned by the LEP demonstrates that expressions of interest in various RGF schemes exceeds the supply of funding by around £77.4 million. The existing RGF schemes only cover part of the South East LEP area, with major centres of employment growth potential, such as Ashford, much of South Essex and Lewes and Eastbourne in East Sussex do not currently benefit from the government funded RGF schemes.

...and access to modern infrastructure to establish and grow

- 3.13 All the SE LEP sub-geographies confirm that there is a real problem, particularly in town centres, of obsolete commercial buildings and a shortage of Grade A office space. This is a real barrier to the expansion of the knowledge economy and also undermines the economic health of many town centres.

³⁷ For instance those by *The Guardian* and *The Times* newspapers

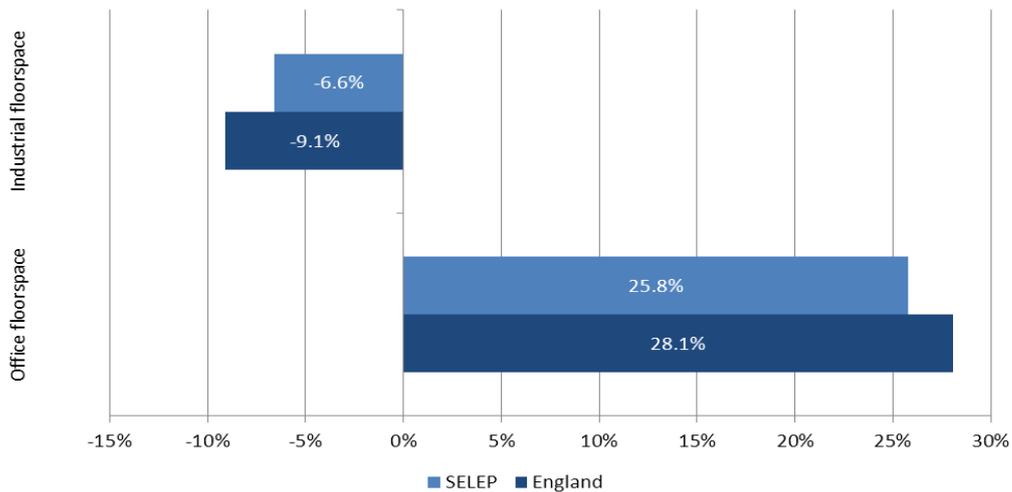
³⁸ The LEP Network (2013) Local economies and the growth challenge, review of local enterprise partnership area economies in 2013

³⁹ BIS (2011) International Trade and Investment - the Economic Rationale for Government Support

3.14 The SE LEP area has less office floorspace per resident than the national average and office and commercial premises account for a lower proportion of total industrial and commercial floorspace in the area than in England (39.1% compared to 46.2%)⁴⁰.

3.15 In recent years, the amount of industrial floorspace has declined in the SE LEP area, though not as fast as in England overall. Conversely, office floorspace has increased in the SE LEP area, but again, not as fast as nationally (see Figure 3.4).

Figure 3.4: Percentage change in office and industrial floorspace 1998–2008



Source: Department for Communities and Local Government

3.16 Some areas, particularly along the coast, suffer from poor transport links, and high speed broadband services are not yet available across the area.

Workforce skills need to be developed, and provision should better align with business needs

3.17 Findings of work both by Kent County Council and Essex partners working to develop the Community Budget proposals are that there is a shortage of skills in particular areas, and that skills provision is not sufficiently well aligned to business needs. Businesses across the LEP have identified specific shortages in engineering and manufacturing for example, where up-skilling the workforce in new and existing technologies is necessary to support businesses.

3.18 Businesses have also highlighted that generic skills in customer service and basic front-line communication, along with numerical skills would help people to present their organisation more positively.

3.19 The Harlow Enterprise Zone has identified specific skills gaps in the area. Basic English, Maths and employability skills in the resident workforce remain targets to be addressed not

⁴⁰ Department for Communities and Local Government (2008) Commercial and Industrial Floorspace and Rateable Value Statistics

only in Harlow but in other localised areas of wider West Essex. STEM and employability skills are also fundamentally important, and educational attainment in these subject areas needs to accelerate to meet business needs. In addition, the plan identifies gaps in:

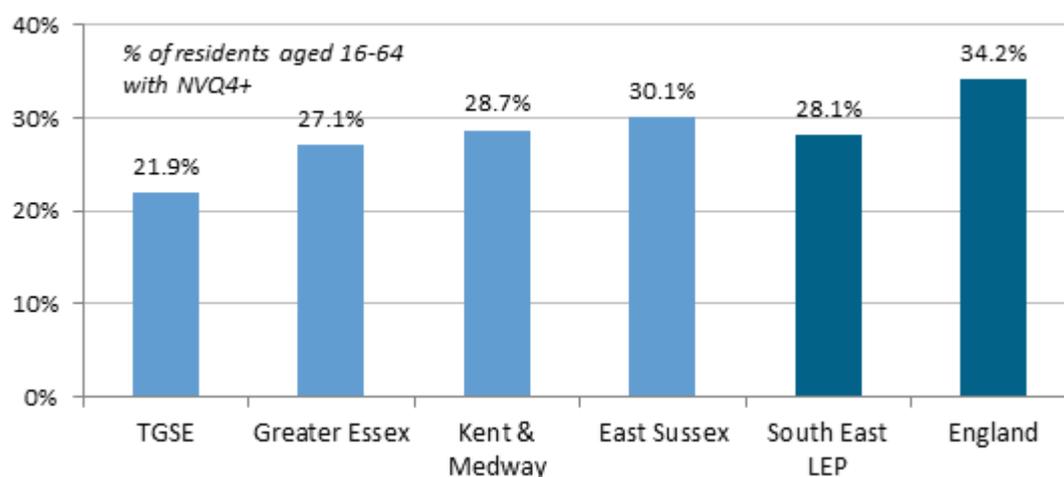
- advanced manufacturing and engineering skills;
- life science, medtech & health and allied industries - again STEM skills are required, specifically for lab technicians;
- social care, including assisted living technologies;
- food production - again based on STEM subject knowledge;
- ICT - programming and software development, which form a basis for work in London and within the Stansted/ Cambridge corridor;
- construction;
- logistics and distribution; and,
- tourism and visitor economy - customer orientated jobs with hospitality and customer service skills.

Skill levels are rising but a low proportion of SE LEP residents have high level skills

- 3.20 The proportion of residents with high level (Level 4+) qualifications is relatively low in the SE LEP area at 28.1% of people aged 16-64, compared with 34.2% for England and 36.8% for the South East region⁴¹.
- 3.21 The distribution of skills is not even across the LEP area. There are areas where a high proportion of the population are highly qualified (e.g. Tunbridge Wells (41.1%), Colchester (37.5%), and Sevenoaks (37.4%)) and other areas with very low proportions of residents qualified at this higher level (e.g. Tendring (18.7%), Dover (18.4%), and Castle Point (12.8%)). Traditionally industrial and coastal parts of the LEP tend to have lower shares of high skilled residents.

⁴¹ ONS (2013) annual population survey

Figure 3.5: SE LEP residents with NVQ4+ qualifications, % aged 16-64 (2012)



Source: ONS annual population survey

3.22 Whilst recent years have seen an improvement in the proportion of working age residents qualified to level 4 or above (up from 23.8% in 2008), the disparity between SE LEP and the England average has widened during this time⁴². The England rate rose 5.9 percentage points between 2008 and 2012, compared to 4.3 percentage points for SE LEP. A similar pattern appears across qualification levels.

3.23 Looking ahead, the vast majority of job openings in the SE LEP area are expected to come from higher skilled, white collar occupations, in particular: professional occupations (+45,000); managers, directors & senior officials (+38,000); and associate professional & technical occupations (+33,000)⁴³. Over half of the 785,000 employment opportunities expected between 2010 and 2020 are likely to require people with level 4 skills and above⁴⁴. Without sufficient investment in workforce skills, technological progress and innovation will not translate into productivity growth, and the SE LEP economy will not be competitive in an increasingly knowledge-based global economy.

Low skills levels also impede economic growth

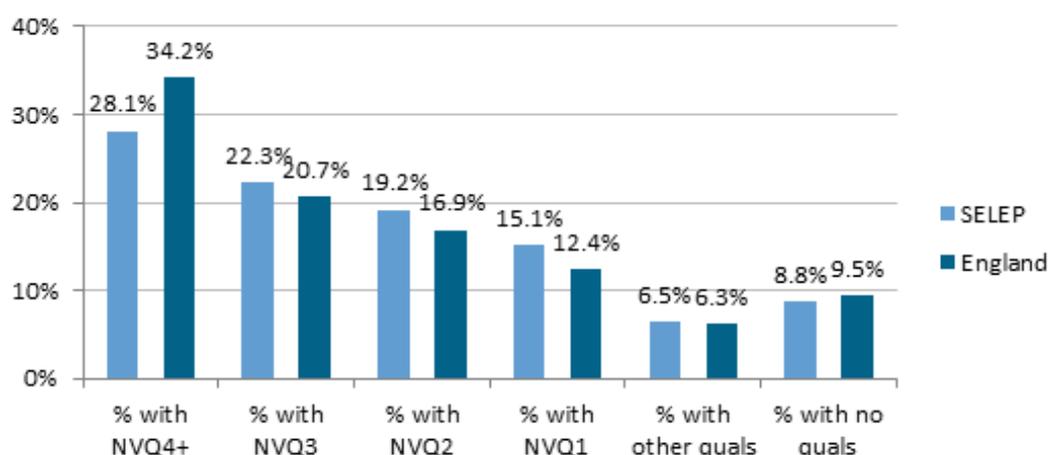
3.24 Compared with the average for England a higher proportion of SE LEP residents are qualified at NVQ levels 1-3 and a slightly lower proportion have no qualifications. However, there are still 746,700 people aged 16-64 (30.4% of the working age population) who lack Level 2 qualifications, which are considered vital to making progressions in work and further education. Failure of around two fifths of 16 year olds to reach Level 2 (i.e. 5 GCSEs A*-C including maths and English) compounds this problem and undermines their ability to attain Level 3 qualifications by the age of 19, although school attainment is improving.

⁴² ONS (2013) annual population survey

⁴³ UKCES (2011) Working Futures 2010-2020

⁴⁴ UKCES (2011) Working Futures 2010-2020

Figure 3.6: Qualifications of SE LEP residents, % aged 16-64 (2012)



Source: ONS annual population survey

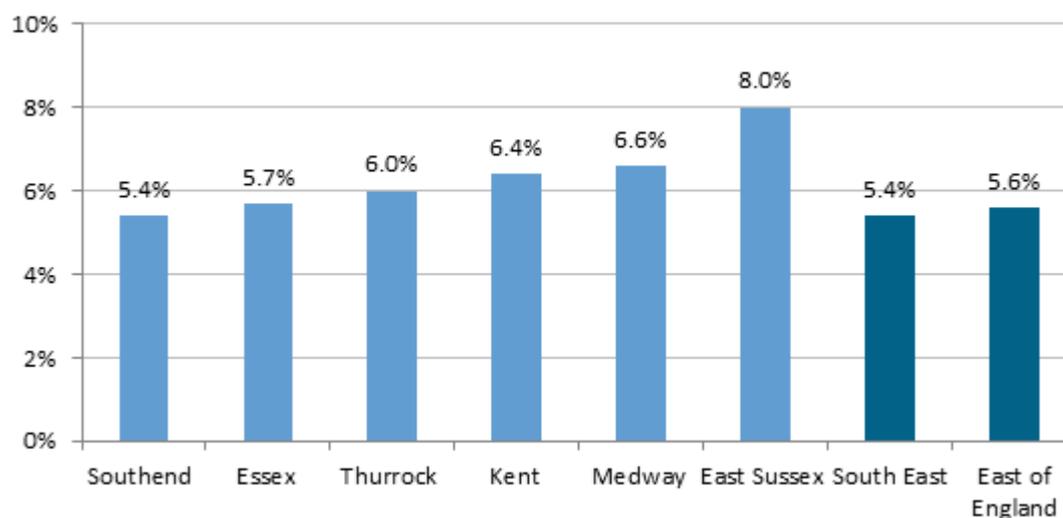
- 3.25 Analysis conducted for the Essex Community Budget has identified a significant challenge with numeracy and literacy among adults with one in four adults in Essex without Level 2 qualifications in Maths and English. These functional skills gaps consign many residents to a lifetime of work on low incomes or to long periods of unemployment and it also impacts on the educational attainment of their children.
- 3.26 The position is compounded by skills provision dominated by opportunities in low wage, low skilled and low aspirational disciplines. SE LEP wishes to focus its resources to support higher value STEM related and other key industries and, using ESF as a lever, to redirect mainstream skills funding towards meeting the practical and technical needs of these key sectors.
- 3.27 There is also evidence, reported by UKCES, of STEM graduates moving into non-STEM professions, and specifically into financial services occupations⁴⁵. So there is a challenge for businesses looking to recruit engineers etc. as to how they improve their graduate entry offer and career progression so as to counteract the sometimes aggressive recruitment approach and financial inducements of the financial services sector. The same report refers to the lack of depth some graduate engineers have in the specialised knowledge that some companies require (e.g. electricity transmission and distribution sector), so their university courses are not adequately equipping them with the knowledge necessary to gain entry into the work environment. These are national issues, but relevant to the skills programmes to be developed and promoted in the SE LEP area.
- 3.28 Moreover, local businesses, particularly in key economic growth sectors, complain that potential recruits lack the employability and vocational skills to work in their businesses. Work readiness is a particular challenge for those experiencing long periods of unemployment and those entering the labour market.

⁴⁵ <http://www.ukces.org.uk/assets/ukces/docs/publications/evidence-report-77-high-level-stem-skills.pdf>

Too many young people are not in education, employment or training

- 3.29 At the end of 2012, there were 8,480 16-18 years olds who were not in education, employment or training (NEET) in East Sussex, Kent, Medway, Essex, Southend and Thurrock – a rate of 6.3%. This is above the average for England of 5.6% and significantly higher than the rate for the South East region. The combined figure is down by 730 people from 2011 levels. Most areas across the SE LEP have seen the numbers of young people NEET fall during this time, with the exception of East Sussex.

Figure 3.7: % of 16-18 year olds NEET (2012)



Source: Department for Education

- 3.30 For most young people being NEET is a temporary outcome as they move between different education and training options, but persistent NEET young people are more likely than others to experience longer periods of adult worklessness. Early intervention and appropriate education and training pathways are essential for young people to make effective transitions into work.
- 3.31 The limited availability and quality of impartial careers education, information, advice and guidance (CEIAG) for young people undermines their ability to make informed and rational choices about training and careers.

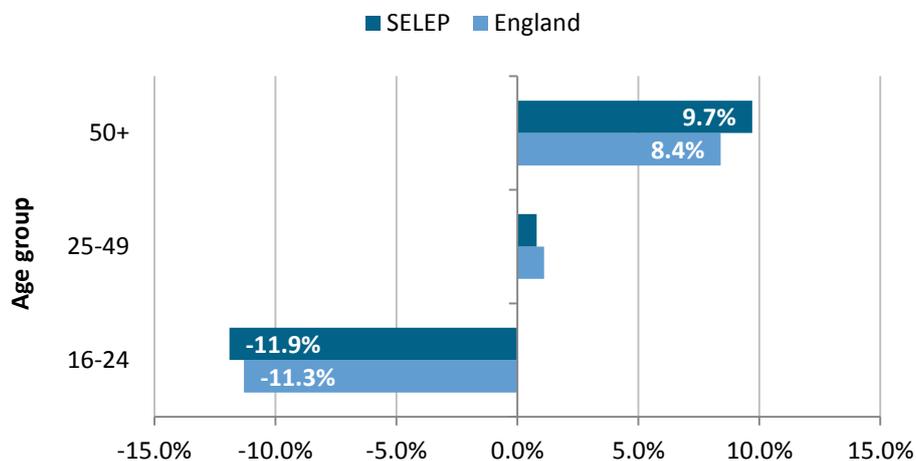
The unemployment rate for young people is also high

- 3.32 A total of 1.87m residents are in employment in the SE LEP area. At 72.3% of working age residents, this is close to the average for England (72.2%)⁴⁶. The employment rate has fallen since 2008 (down from 73.7%). In recent years, the proportion of young people in the workforce has declined in the SE LEP area whilst the proportion of older people has increased. Employment of residents aged 16-24 has declined by 11.9% in the SE LEP area

⁴⁶ ONS (2013) annual population survey

since 2008, even faster than the decline in England as a whole (11.3%)⁴⁷. At the same time, employment in the 50+ age group has grown by 9.7%, above the rate of growth in England (8.4%). Looking forward, we must overcome the barriers faced by many of our young people as they seek to enter the labour market. This is a practical challenge in some of our rural areas.

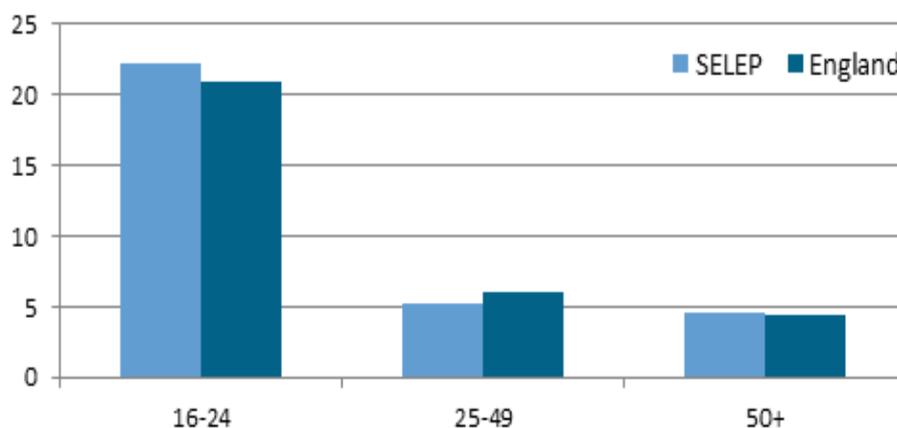
Figure 8: Employment change by age (12 months to Dec 2008 – 12 months to June 2013)



Source: ONS annual population survey

3.33 Over 145,000 people are unemployed in the SE LEP area, an increase of 43,600 since 2008⁴⁸. 7.4% of residents aged 16-64 are out of work and actively seeking employment in the LEP area, equal to the unemployment rate for England as whole (7.4%)⁴⁹. Youth unemployment is above average in the SE LEP area.

Figure 9: Unemployment by age group (Apr 2012-Mar 2013)



Source: ONS annual population survey

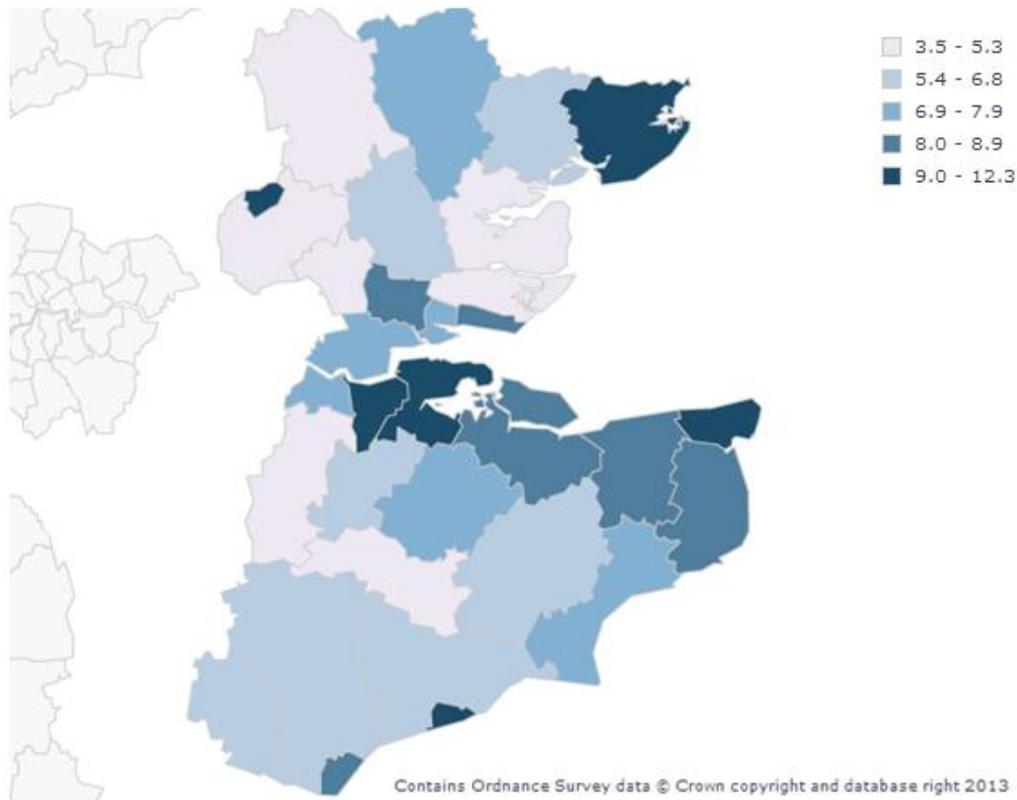
⁴⁷ ONS (2013) annual population survey

⁴⁸ ONS (2013) annual population survey

⁴⁹ ONS (2013) annual population survey

- 3.34 There were 16,470 people aged 24 and under claiming Jobseeker's Allowance in the SE LEP area in December 2013, a higher proportion (26.7%) of young people than seen nationally (24.8%)⁵⁰.
- 3.35 Unemployment rates also vary considerably across the LEP. There are areas, most notably East Kent, Haven Gateway, Hastings and Medway, where unemployment rates far exceed the national rate, while other places such as Southend-on-Sea and Maidstone, have unemployment rates far below the national level.

Figure 3.8: SE LEP unemployment rate (% economically active aged 16-64) (2013)



Source: ONS annual population survey

Economic inactivity is relatively high, but so is the proportion who want to work

- 3.36 The economic inactivity rate for SE LEP is around the national average, but there are pockets across the SE LEP area where it is much higher. For example, in East Kent over a quarter (25.4%) of the working age population are economically inactive, in the Haven Gateway Partnership area it is 24.6% and in Hastings the figure is 28.3%⁵¹.

⁵⁰ ONS (2014) claimant count

⁵¹ ONS (2013) annual population survey

3.37 The main reasons for economic inactivity across the LEP (including both those who want a job and do not want a job) are looking after family/home (28.1%), long-term sick (21.2%), and retired (18%). The latter is unsurprising given the LEP’s ageing population.

Table 3.2: Economic inactivity (Apr 2012-Mar 2013)

	SE LEP (level)	SE LEP (%)	South East (region) (%)	England (%)
Total	537,100	21.8	20.3	22.7
Student	106,900	19.9	24.1	25.4
looking after family/home	151,100	28.1	27.7	25.5
temporary sick	11,300	2.1	2.1	2
long-term sick	113,700	21.2	17.7	21.9
discouraged	5,800	1.1	0.7	0.7
retired	97,100	18.1	17	15.7
other	51,100	9.5	10.7	8.7
wants a job	157,800	29.4	27	24.7
does not want a job	379,200	70.6	73	75.3

Source: ONS annual population survey

3.38 Of the economically inactive people in the SE LEP area, around 29% of these do want a job. Bringing down the rate of economic inactivity and meeting the needs of those that want to work remains a challenge. However, with more than a fifth of the population not participating in the labour market there is scope to enhance the productivity and prosperity of the LEP area by supporting the transition out of inactivity and into work.

3.39 Those with poorer skills generally experience longer periods of worklessness throughout their working lives. This impacts not just on their income and prospects, but also contributes to poorer health outcomes and poorer educational outcomes for their children. Raising skills, is therefore a key priority. Training and retraining our residents in areas that businesses need to support growth is a key not only to raising people out of dependency and into sustainable employment, but also of achieving our growth ambitions.

Some communities face particular challenges

3.40 In general, deprivation is relatively low in the SE LEP area: 10.4% of the population lives in areas among the 20% most deprived in England⁵². However, pockets of deprivation – some of them extensive and entrenched – exist across the LEP area, especially within coastal and historically industrial towns, and some rural communities.

3.41 Some coastal towns, in particular, face a wide range of socio-economic challenges. One million people, around a quarter of the total population of the LEP area, live in coastal communities. The population of these areas is strongly skewed towards retirees, and while SE LEP’s coastal communities are home to 325,000 jobs, an above-average share of these are in public services like health and education.

⁵²CLG (2010) Index of Multiple Deprivation 2010

- 3.42 Seaside tourism is still a significant local employer – more than 23,000 jobs are estimated to be supported directly by seaside tourism. However, a range of socio-economic indicators shows that within coastal communities there are areas of significant disadvantage compared with the rest of the SE LEP area. The average employment rate along the coast is well behind the LEP average and in a number of places is markedly so. Skills levels are poor, though performance at school is in line with national averages – suggesting a loss of the better-qualified to areas where there are greater opportunities. The share of adults on benefits (including sick/disabled and lone parents as well as unemployed) is well above the SE LEP average and for England as a whole.
- 3.43 However, there is also diversity between coastal settlements and needs vary from place to place, and it is also the case that many of our coastal towns offer major opportunities for growth. In some coastal communities problems are particularly entrenched. Some larger seaside towns like Clacton, Margate, Ramsgate and Hastings share some socio-economic disadvantages on a scale that places them close to some of the industrial areas of northern England. There exists a culture of entrenched welfare dependency that requires a comprehensive programme of intensive support in training, job creation and increased access to opportunities to overcome multiple disadvantages.
- 3.44 There are a number of reasons for this. For example, travel times to London significantly vary between coastal communities. While some places, such as Southend, are unquestionably part of the London labour market; for other locations the travel times are much longer and the costs are too high for people to benefit directly from jobs in London, or indirectly from commuters and visitors. Coastal towns are often ‘at the end of the line’ and links to larger nearby labour markets can also be difficult. Connections to the dual carriageway road network are tenuous along some sections of the coast and there is a high degree of self-containment in some of the most challenged coastal labour markets.
- 3.45 In addition to the coastal towns, there are other communities which also face serious challenges and include towns with areas of deprivation that require concentrated effort to overcome barriers to growth. This is especially in the case in the Thames Gateway and in areas historically dependent on industrial employment. As well as measures to provide an improved environment for business growth, integrated programmes need to be taken forward to support residents to improve skills and access opportunities. Examples include Medway and Tilbury, where transport links are strong, but there is a need for a comprehensive programme of support for growth and inclusion.

There are serious weaknesses in our infrastructure

- 3.46 Our preliminary Strategic Economic Plan sets out the requirements for strengthening transport infrastructure in the SE LEP area, particularly in relation to unlocking key locations for growth and dealing with congestion. This includes major national infrastructure, such as a second Thames Crossing, as well as strategic infrastructure requirements, related back to our economic strategy. The final submission of our SEP will set out infrastructure requirements in greater detail.

Carbon Emissions are relatively high in some areas, and from transport

- 3.47 In 2011, the SE LEP area had total emissions of 21,358 thousand tonnes of CO₂ which accounted for 7.1% of national emissions. On a per capita basis, emissions are slightly lower in the LEP area than nationally (0.0054ktCO₂ in 2011, compared with 0.0056ktCO₂ for England as a whole)⁵³.
- 3.48 CO₂ emissions in the SE LEP area have fallen by 16.3% since 2005, slightly below the rate of decline seen nationally (16.7%), although the rate of decline varies across the LEP area. Looking to the future, the Climate Change Act requires the nation to reduce carbon emissions by 80% (on 1990 levels) by 2050.
- 3.49 As the SE LEP area expands housing development and economic output, we will face a challenge in ensuring that business and housing growth is delivered within national emissions targets – and that businesses and households benefit from the long term savings associated with greater energy efficiency.

⁵³ DECC - Sub-national greenhouse gas emissions statistics

4 Building on our unique strengths and overcoming barriers to growth

SE LEP SWOT analysis

4.1 The analysis in the preceding chapters provides the basis for the following SWOT analysis:

<p>Strengths:</p> <ul style="list-style-type: none"> • Size and scale • Interconnections with the London economy and jobs market • Connections and proximity to mainland Europe • Strengths in sectors with major opportunities for growth • Strong culture of innovation, new product commercialisation and leadership • Some high quality transport infrastructure • Strong entrepreneurial economy • Research centres and parks, and strong university representation • Environment and quality of life • Extensive existing investment in economic growth activity 	<p>Weaknesses:</p> <ul style="list-style-type: none"> • Low business starts • Low GVA/productivity • Over-reliance on low value sectors • Low proportion of residents with higher level skills • Gaps in basic and soft skills, and work readiness • Low levels of employment in high value sectors and the knowledge economy • High proportion of NEET young people and youth unemployment high • High levels of deprivation in some coastal and estuarine communities • Pockets of deprivation and access issues in some coastal, rural and other areas • Strategic and local gaps in transport infrastructure • Poor quality / availability of appropriate move on space / commercial properties
<p>Opportunities:</p> <ul style="list-style-type: none"> • Making a major and increasing contribution towards national growth • Scope to develop higher value jobs in priority growth sectors • Space to accommodate growth to the East of London • Access to employment in the London/Stansted/Cambridge corridor • High % of economically inactive people want to work • Infrastructure with untapped potential (e.g. HS1, Ebbsfleet Valley) • Proximity to growth opportunities in London economy • Economic growth – recovery from recession 	<p>Threats:</p> <ul style="list-style-type: none"> • Congestion • High level of CO2 emissions • Difficulty of balancing economic growth with a low carbon economy • Lack of access to affordable housing • Failure to train and retrain workforce will result in continuing economic under-performance • Falling share of working age people in the population • An ageing workforce, with many skilled workers approaching retirement age • High housing costs in some places • Unaffordability of infrastructure to support growth, especially in areas where values are lower • Skills mismatches

Innovation driving prosperity: SE LEP Priorities for Growth

4.2 Our preliminary Strategic Economic Plan (SEP) submitted to the government in December 2013, sets out a proposed growth deal, based on the LEP Board's vision to create the most

enterprising economy in the UK. The LEP's ambitions are set out earlier in the document, and rely on the scale of the LEP to maximise private, public and community investment to generate a further 200,000 private sector jobs, increase the annual rate of productivity/GVA growth, complete 100,000 new homes and deliver the Thames Gateway stimulus package to accelerate development in Europe's largest regeneration area.

4.3 The key elements of the Strategic Economic Plan are set out below.

The South East Fund (SEFUND)

4.4 At the heart of our Growth Deal is our proposal to **establish the South East Fund (SEFUND)**, or a family of funds, to lever in substantial new sums of private, public and EU investment. SEFUND will extend access to finance schemes to businesses across the SE LEP area as a whole and invest in property projects where market failure and demand is proven. Thus SEFUND will provide low cost loan funding for expanding businesses when traditional finance is not forthcoming. SEFUND will also invest in a very wide range of property projects including new incubation and innovation centres, key town centre regeneration projects, bringing obsolete buildings back into beneficial use and “stuck” housing schemes. It also might include a dedicated Coastal Property Renovation Fund. All of these SEFUND investments will be in partnership with the private sector.

Accelerating Growth: Innovation and Enterprise

4.5 SE LEP cannot create business growth, but it can help to ensure the right conditions for businesses to develop and thrive. There is a mixed economy of business support in the public and private sectors being delivered across the SE LEP area and this is being further developed and honed with business feedback to address local private sector need and ambition. Our growth ambitions require us to create a conducive business environment to enable:

- more small and medium-sized businesses to expand and improve their productivity;
- an increase in the rate of business start-up and survival;
- more businesses to innovate and export; and,
- more overseas trade and inward investment.

Creating Competitive Locations: Transport, Broadband and Property

4.6 Business growth and success depends on quality infrastructure. Through the preparation of our Local Plans, reflected in this Growth Deal, we have identified the principal locations for housing and economic growth across the SE LEP area including the Thames Gateway, Europe's largest regeneration area. These reflect national policies, the needs of major growth sectors and our future housing requirements recognising that existing development funding mechanisms will not cover all infrastructure needs. Our ambitions will require a steady, long-term investment programme to:

- improve and maintain our road and rail infrastructure, as Europe's gateway to the UK;

- accommodate business and population increases, including some growth from London;
- encourage, with the private sector, the development of quality business premises fit for emerging companies and sectors to develop and grow;
- accelerate planning and pre-development work to ensure sites are development ready; and,
- ensure access and take-up of superfast broadband.

Building a 21st Century Workforce

4.7 Meeting business need by improving the skills of our labour force, and those entering work is fundamental to realising our growth ambitions. We must enable high quality independent advice and guidance (IAG) on skills and careers from age 13, support apprenticeships and vocational learning while helping those out of work into employment or training. Across the SE LEP area, we must:

- increase the proportion of the workforce with higher level and technical skills to above the national average;
- increase the participation of young people (age 16-24) in work, education and training to the national average, with the take up of opportunities better reflecting the needs of our priority sectors and skills shortage areas;
- increase the pool of young people undertaking STEM related subjects and establishing clear progression routes into those sectors where skill shortages hamper the competitiveness and productivity of our businesses;
- increase literacy, numeracy and IT skills amongst both employed and unemployed adults, as identified by SE LEP businesses; and,
- address the range of barriers (e.g. financial, geographical) which prevent individuals from accessing training and employment opportunities, recognising that clients in specific groups need extended individual support -particularly in disadvantaged communities.

Enabling Housing Growth

4.8 Our aim is to substantially increase the rate of housing completions from 2015/16 onwards to complete a further 100,000 homes by 2021. We also seek to ensure that housing markets work more efficiently in every SE LEP community, particularly in our coastal communities and rural areas.

The role of EU Structural Funds

4.9 We have identified priorities for the use of the EU SIF funding by identifying those areas in which the EU funds can have the greatest impact alongside, and in addition to, local and national public funding, private and voluntary contributions.

4.10 The following chapters set out in more detail our approach to increasing innovation and supporting enterprise growth, and our skills and employment strategy.

4.11 Running through the programme will be a commitment to sustainable growth and equal access to skills, jobs and economic opportunity. These will be supported by particular activities, in relation to the low carbon, employment and social inclusion objectives, and across the programme as a whole, in the way projects are developed and selected. In addition, the programme will allow partners to support the over-arching ambition of sustainable growth and development through our ambitious and co-ordinated approach to investment that will secure growth, and realise the economic opportunities for people within our more deprived areas.

5 Innovation, Investment and Enterprise

- 5.1 The SE LEP economy offers enormous potential for growth by creating a more innovative, advanced economy. We offer strengths in several sectors which are national priorities. We have first class research and development centres based both in our nine universities and in industry.
- 5.2 However, we also know that our economy underperforms relative to the South East and should make a larger contribution to national growth. We know that this is due to the over-representation of lower value sectors in the economy, a low rate of business creation and unexceptional rates of exporting. Many of our businesses are not in our key priority, high value sectors, and SMEs across the full range of industrial sectors are the mainstay of the economy, through which we will achieve growth in jobs and in GVA.
- 5.3 This strategy is fundamentally about innovation, business starts and growth. We have therefore identified a need for a balance of interventions through ERDF that will:
- promote innovation and smart specialisation;
 - accelerate business starts and growth;
 - improve access to finance; and,
 - increase trade and attract investment.
- 5.4 The delivery of each of these priorities will differ across the SE LEP area reflecting local business requirements, but there are consistent priorities for types of interventions across the area which are discussed under the headings set out above.
- 5.5 In relation to the balance of spend across the thematic priorities for ERDF, we want to achieve a split between the priorities of innovation, SME competitiveness, and low carbon, as follows:

Table 5.1: ERDF allocation by thematic objective

ERDF Thematic Objective	Allocation
Innovation	£16,500,000 (20%)
SME Competitiveness	£49,500,000 (60%)
Low Carbon	£16,500,000 (20%)
Total	£82,500,000 (100%)

Promoting innovation and smart specialisation

- 5.6 The drive for innovation must come from businesses themselves and reflect their needs. Across the SE LEP area, partners can ensure expertise is accessible, promote business to business collaboration, and facilitate effective university and college partnerships with businesses. As set out below, SE LEP's partners have embarked on a process of smart specialisation to better focus our efforts on sectors of the economy where SE LEP has, or could have, a strong competitive advantage.

- 5.7 The Witty Review⁵⁴ made a series of recommendations for ways in which universities can enhance economic growth and work with LEPs to do that. The first recommendation was that universities should make facilitating economic growth a core strategic goal. In SE LEP, the nine higher education institutions (The Universities of Essex, Kent, Sussex, Canterbury Christ Church, Greenwich and Brighton, with the University of the Creative Arts, Anglia Ruskin, and Writtle College) have formed a collaborative partnership to support economic growth, and are working with local authorities and business partners in order to maximise their impact.
- 5.8 Universities will work with local partners within the devolved SE LEP structure to ensure access to university expertise and support services are integrated with local and national business support programmes, through the Gateways to Growth concept being developed across the area. HEIs are already working closely with local authorities and other partners on the Med Tech campus development in Essex. They have also developed a number of specific project proposals to support innovation, business starts and growth.
- 5.9 Access to university expertise, and support for university spin-outs and commercialisation will be rolled out across the area through the Gateways to Growth concept, and in addition there will be specific support developed for the priority sectors, as discussed in Chapter 2.

Table 5.2: Programme Activity Summary: Innovation and Smart Specialisation

Programme Activity Summary Innovation and Smart Specialisation	
Evidence of need	<ul style="list-style-type: none"> • The SE LEP area offers significant potential for growth in a number of national priority sectors. • There is currently an over-reliance on low value sectors in the area, which contributes to below average levels of productivity. • Two thirds of UK private sector productivity growth between 2000 and 2007 was driven by innovation⁵⁵. • A lower proportion of SE LEP employment base is found in knowledge intensive sectors than nationally.
Project/programme priorities	<ul style="list-style-type: none"> • Sector-focused business support, especially supporting the development and commercialisation of new technologies • Sustainable Ideas & Innovation Fund: Supporting pre-and post-start businesses and exploitation of IP • Networks for R&D and Innovation • Sector and sector supply-chain growth programmes • Building in innovation as a key provision in the Gateways to Growth • Utilising national and regional agencies (e.g. MAS) to the advantage of business
Rationale for selection of activities	<ul style="list-style-type: none"> • Uncertainty around innovation's outcomes, and the long timescales it takes to achieve returns, limits businesses,

⁵⁴ Encouraging a British Invention Revolution: Sir Andrew Witty's Review of Universities and growth, BIS, Oct 2013

⁵⁵ NESTA (2009) The Innovation Index: measuring the UK's investment in innovation and its investment

	<p>and particularly SMEs and investors' risk appetite for early stage research⁵⁶</p> <ul style="list-style-type: none"> • There are often challenges in securing finance to exploit untried and untested technologies. • There is an under supply of services to support R&D and innovation in the SE LEP area. Many businesses lack access to or awareness of the information they require to improve productivity, reduce operating costs, and compete in a new markets. • While there are signs of improvement (e.g. the New Anglia Med Tech Campus) the flow of information and cooperation between our HEIs and businesses remains sub-optimal.
Additionality, and fit with other programmes	<ul style="list-style-type: none"> • Kent Wind Energy and programmes in other areas.
Relationship with national programmes	<ul style="list-style-type: none"> • The programmes are in line with government industrial strategy and sector strategies. • Smart specialisation approach will be adopted. • Innovation and Research Strategy for Growth - focus on enhancing innovation for SME growth.
Value for money	Evidence suggests that some grant programmes (e.g. R&D) can be particularly effective in leveraging additional public and private investment
Commissioning/delivery and risk	<p>We will opt in to the MAS offer under this strand of the programme. SE LEP partners will work with MAS to design a tailored programme which will target key sectors (such as offshore wind supply chain companies) and spend on additional activities and events.</p> <p>We have identified a number of pipeline projects with a range of local match funding sources, and will assess these applications through open bidding rounds and commissioning. Likely delivery agencies and partnerships include higher education institutions.</p>
Impact	<p>The outputs anticipated from this strand of our programme will be:</p> <ul style="list-style-type: none"> • 7,600 enterprises supported • 3,200 jobs created • 1,100 businesses cooperating with research institutions • 1,000 business supported to introduce new products <p>The results of this in terms of local impact will be:</p> <ul style="list-style-type: none"> • an increase in SME productivity, jobs, and business starts, and an increase in GVA, as well as GVA per job; • growth of the low carbon economy; and, • increased business competitiveness through bringing new products to the market.
Match funding sources	<p>MAS opt-in HEIs Local Authorities Private Sector</p>

⁵⁶ UK Innovation Survey 2011

Accelerating business starts and supporting growth

- 5.10 The current make-up of the SE LEP business base means creating more businesses and growing existing businesses is key to growing the SE LEP economy as a whole. Various nationally commissioned providers operate alongside a wide range of publicly funded local programmes. This is confusing for entrepreneurs and acts as a barrier for those seeking support in both rural and urban areas.
- 5.11 As a priority, SE LEP partners see the need to integrate local with national programmes, and provide more co-ordinated services for business. This will be based on the principle of intelligent brokerage to give entrepreneurs access to service that most closely aligns to their needs. Where opportunities exist, existing local authority supported provision may wish to be co-located (physically or virtually) with other services through a “Gateways to Growth” approach which will be different across the SE LEP area aligned to local needs and business demand.
- 5.12 By joining up local activity, including signposting to services provided privately by local businesses, the Gateways to Growth approach will maximise the impact of national programmes by integrating them more effectively with local provision. Local delivery teams will offer a range of services to help businesses develop new products and grow.
- 5.13 We will pilot the approach to integrating services and making the links to innovation through the first Gateway to Growth which will be established under the Southend City Deal over the next few months. This will include piloting an Innovation Voucher scheme. Other areas are also now developing their Gateway offers based on evidenced business demand and local delivery infrastructures.
- 5.14 In delivering our Growth Deal and EU Strategic Investment Framework, it will be vital to add value to the welcome support already invested in the SE LEP Area through government and EU initiatives. These include our two Enterprise Zones at Discovery Park and Harlow, both recently shortlisted for additional capital grant from the government's "Building Foundations for Growth" fund, our highly successful Regional Growth Fund programmes providing access to business finance for jobs and growth when traditional sources of investment are not possible and the prospect of continuing and new Assisted Areas through the government's Assisted Area Map consultation 2014-2020.

Table 5.3: Programme Activity Summary: Business Starts and Growth

Programme Activity Summary Business Starts and Growth	
Evidence of need	<ul style="list-style-type: none"> • Need and ambition to create 200,000 additional jobs and increase the annual rate of growth of GVA to at least 3.1% by 2021 • Productivity, in terms of GVA per job, is below the national average in the SE LEP area and unemployment has increased since the economic downturn, particularly among young people. • The rate of registered business births is relatively low in the LEP area and has also been set back by the economic downturn. • SMEs have been shown to play a vital role in stimulating

	innovation ⁵⁷ , improving productivity in existing businesses ⁵⁸ and supporting job creation ⁵⁹ .
Project/programme priorities	<ul style="list-style-type: none"> • Gateways to Growth - co-ordination/facilitating access to new and existing local and national programmes and other locally evidenced business support provision • Growth Accelerator and support for pre-gazelles • Business to business mentoring • Business networking and links to sector programmes • SME leadership and development training • Start-up and growth advice, and links to finance • Incubation units • Support in identifying premises
Rationale for selection of activities	<ul style="list-style-type: none"> • The small proportion of high growth SMEs that exist are important, creating around a quarter of new jobs⁶⁰. The SE LEP area needs to grow the number of high growth job creating companies • While businesses report significant benefits from using business information and advice services, less than half of UK SME employers currently do, primarily because of information failures⁶¹. Many SMEs also face capacity constraints which may deter take-up of business support⁶². • Business support displays 'public good' characteristics and creates positive externalities, possibly resulting in under provision by the private sector⁶³ • Mentoring has been shown to deliver benefits across a range of areas, including leadership skills and business planning⁶⁴. • Information failures may prevent people knowing how to start a business or how to grow an existing business. • SMEs and potential entrepreneurs face obstacles to obtaining finance, made worse by the recession and conditions in the banking sector. Finance is a disproportionately important obstacle for high growth firms compared to other businesses⁶⁵.
Additionality, and fit with other programmes	<p>The existing business support agencies across the LEP will be networked through the Gateways to Growth and programmes co-ordinated with Growth Accelerator, UKTI and MAS. Existing programmes include:</p> <ul style="list-style-type: none"> • Innovation Centres in Medway, Sittingbourne, Canterbury and Dartford and Sussex • Regional Growth Fund programmes • Enterprise Zones at Discovery Park and Harlow • The prospect of continuing and new Assisted Areas • High Growth Kent provides business coaches to support high growth businesses and refers to Growth Accelerator • Chelmsford and Hastings Innovation Centres

⁵⁷ NESTA (2009) "Business Growth and Innovation: The wider impact of rapidly-growing firms in UK city-regions"

⁵⁸ BIS Economics Paper No. 12 (2011) "Productivity and the Economic Cycle"

⁵⁹ Anyadike-Danes, Bonner and Hart (2011) "Job Creation and Destruction in the UK: 1998 – 2010"

⁶⁰ ED AU secondary analysis of data in NESTA (2009) "Measuring business growth" Anyadike-Danes, Bonner, Hart and Mason

⁶¹ BIS (2013) SMEs: The Key Enablers of Business Success and the Economic Rationale for Government Intervention

⁶² European Commission (2002) "A Study of Business Support Services and Market Failure"

⁶³ BIS (2013) SMEs: The Key Enablers of Business Success and the Economic Rationale for Government Intervention

⁶⁴ BMG (2013), 'Demand for mentoring among SMEs'

⁶⁵ BIS (2013) SMEs: The Key Enablers of Business Success and the Economic Rationale for Government Intervention

	<ul style="list-style-type: none"> • Ignite Braintree Enterprise Centre • Creative Business Centre • Harlow Enterprise Hub • North Colchester Business Incubation Centre • Locate services in Essex, East Sussex and Kent
Relationship with national programmes	<ul style="list-style-type: none"> • Programmes in line with government industrial strategy and sector strategies • Smart specialisation approach will be adopted • Innovation and Research Strategy for Growth - focus on enhancing innovation for SME growth • SE LEP partners are particularly interested in exploring the potential for Growth Accelerator to work with companies, which are below the minimum access criteria, to prepare them for the mainstream Growth Accelerator programme. • TIGER business support programme
Commissioning/delivery and risk	We have identified a number of pipeline projects with a range of local match funding sources, and will assess these applications through open bidding rounds and commissioning.
Impact	<p>The outputs anticipated from this strand of our programme will be:</p> <ul style="list-style-type: none"> • 7,600 enterprises supported • 7,000 new enterprises supported • 4,800 jobs created • 800 firms introducing new products • 2,300 companies supported with business resource efficiency • Reduced greenhouse gas emissions <p>The results of this in terms of local impact will be:</p> <ul style="list-style-type: none"> • a clearer, less fragmented business support landscape; • tailored support through intelligent brokerage; • increasing the effectiveness of national and local programmes through better targeting; • increased business competitiveness through reduced energy costs and waste and increased efficiencies; and, • reduction of greenhouse gas emissions.
Match funding sources	<p>Growth Accelerator opt-in</p> <p>Local authorities</p> <p>Private sector</p> <p>HEIs</p> <p>Chambers of Commerce and other support providers</p>

Increasing trade and attracting investment

5.15 Recent research⁶⁶ shows that increasing investment from, and trade with, overseas partners leads to innovation and growth. SE LEP partners are each strongly committed to continuing to promote SE LEP's competitive advantages to attract inward investment from global investors and to promote trade in global markets.

5.16 Locate in Kent, Locate East Sussex, Invest Thames Gateway and INVEST Essex will continue to work closely with UKTI to attract inward investment and our various Gateways to Growth will play a stronger role in encouraging exporting. Our focus will be on working with our priority sectors and our Enterprise Zones to connect to UKTI overseas networks in a more

⁶⁶ Bringing home the benefits – How to grow through exporting, UKTI, Dec 2013

targeted way. We will also develop our inward investment ‘offer’ to attract innovative, high value added businesses and improved local case handling and investor development/aftercare services.

- 5.17 Through Kent International Business and similar initiatives in East Sussex, Essex and in the Thames Gateway, partners are helping businesses to access new markets, and we intend to develop this further, possibly through the opt-in arrangement with UKTI. In relation to export, Essex will build further on its long-standing relationship with Jiangsu in Eastern China, and the extensive network of partners in Europe and India.

Table 5.4: Programme Activity Summary: Increasing trade and international investment

Programme Activity Summary Increasing trade and international investment	
Evidence of need	<ul style="list-style-type: none"> • Need and ambition to create 200,000 additional jobs and increase the annual rate of growth of GVA to at least 3.1% by 2021. • Productivity is below the national average in the SE LEP economy and unemployment has increased since the economic downturn. • Exporting is increasingly important as a driver of economic growth, but a relatively low share of employment in the SE LEP area is found in export intensive sectors.
Project/programme priorities	<ul style="list-style-type: none"> • Lead generation activity to identify companies with export potential • Strategic market selection based on sector strengths • Local events and advice & support to prepare firms for export markets • “Export-development” micro-loan scheme • Fully funded mini-market visit programmes • Fully funded exhibition space for companies at major international trade fairs • Sector-focused trade missions
Rationale for selection of activities	<ul style="list-style-type: none"> • There are a number of positive externalities from exporting which can result from businesses acquiring export related knowledge and skills or gaining access to export related networks⁶⁷. • Many internationalised firms experience a ‘virtuous circle’ where exporting leads to new innovation, and where those innovations then lead to further exporting⁶⁸. • However, only a minority of registered firms export⁶⁹, with most firms exporting only a small share of their output⁷⁰. • Just 3% of UK SME employers not exporting plan to do so in the next 12 months⁷¹ but evidence suggests that up to 12% of non-exporting establishments with 10+ employees could potentially export successfully⁷².

⁶⁷ BIS (2011) International Trade and Investment – the Economic Rationale for Government Support

⁶⁸ UKTI (2013) New markets, new ideas: How exporting fosters innovation and growth

⁶⁹ 11.2% of registered businesses in Great Britain export either goods or services, or both in 2012 – ONS (2013) Annual Business Survey

⁷⁰ BIS (2011) International Trade and Investment – the Economic Rationale for Government Support

⁷¹ BIS (2012) Small Business Survey

⁷² Harris and Moffat (2013) Investigation into trends in export participation among UK firms

	<ul style="list-style-type: none"> • Imperfect information means that SMEs may be unaware of the benefits of exporting or may have an inaccurate perception of the associated costs. • Different barriers apply to different markets, but the most widely experienced barriers relate to the formalities and bureaucracy of doing business overseas, such as dealing with customs procedures or different legal and tax structures⁷³.
Additionality, and fit with other programmes	<ul style="list-style-type: none"> • Support is targeted on those businesses that are most likely to deliver additional economic growth and hence where interventions can have the greatest impact. • The additionality and low levels of deadweight reported in the assessment of Regional Selective Assistance (BERR 2008) was partly attributed to younger, larger and more export oriented firms⁷⁴
Relationship with national programmes	<ul style="list-style-type: none"> • The UK government wants to help double the UK's exports to £1 trillion by 2020. • Programmes in line with government industrial strategy and sector strategies • Smart specialisation approach will be adopted • Innovation and Research Strategy for Growth - focus on enhancing innovation for SME growth
Value for money	<p>Evidence from evaluation and monitoring evidence shows that trade services:</p> <ul style="list-style-type: none"> • Have substantial positive impact on the profit and medium term performance of supported firms, giving high benefit cost ratios, and supporting stronger business growth; • Have substantial positive impact on business R&D and innovation, suggesting lasting positive effects on business competitiveness in both domestic and overseas markets; • Have substantial positive impact on business skills and export know how; • Attract businesses which are innovative, actively seeking to grow, and have the management qualities to benefit from support.
Commissioning/delivery and risk	<p>SE LEP partners are interested in working closely to increase the work of UKTI in the area increasing export, sector development and the building capacity in companies to do more in terms of working with export managers to make export plans happen. The demand from SE LEP partners is to for bespoke and targeted local plans.</p> <p>We are in the process of negotiation with UKTI over the opt-in. The programme will be agreed and set out in the agreement with UKTI who will then take responsibility for delivery across the area.</p>
Impact	<p>The outputs anticipated from this strand of our programme will be:</p> <ul style="list-style-type: none"> • 2,500 enterprises supported; and, • 400 jobs created. <p>The results of this in terms of local impact will be:</p> <ul style="list-style-type: none"> • more local businesses involved in international trade; • an increase in SME jobs; and, • greater productivity in businesses.
Match funding sources	<p>UKTI opt-in Kent County Council</p>

⁷³ UKTI (2013) New markets, new ideas: How exporting fosters innovation and growth

⁷⁴ Regeneris (2013) Workstream 2: Economic efficiency and what works in local economic policy

Access to finance for business innovation and growth

- 5.17 The evidence presented in Chapter 2 clearly demonstrates that the South East LEP area must increase productivity and employment in higher value activities if it is to close the GVA gap with comparable regions and reach its full potential. In an economy dominated by smaller businesses, this will mean increasing innovation and business investment within our SME base.
- 5.18 In response to the requirements set out in the Supplementary Guidance to LEPs on completion of the EU SIF strategies to provide additional evidence of need for access to finance programmes, work has been commissioned to undertake this, and is currently ongoing. Provisional findings are discussed in the following paragraphs, which are taken from the interim report currently being prepared by independent consultants, CSES (“Access to Finance: Demand Assessment”). Further information will be set out in our final Strategic Economic Plan in March.

Existing funds in the SE LEP area

- 5.19 In addition to national financing schemes such as the EFG scheme, there are about 20 local schemes offering finance to businesses in the area covered by the SE LEP. Most of these local schemes are small with a fund size of only a few hundred thousand pounds. The larger local schemes (i.e. over £1m per annum in 2013/14) are as follows and include three RGF schemes in Kent:

Table 5.5: Existing funds in the SE LEP area

Scheme name	Type	Geographical coverage	Fund size (£m)	Effective start date
Escalate	Loan	West Kent/East Sussex	5.5	Late 2013
Expansion East Kent	Loan	East Kent	35	2012
Tiger	Loan etc.	North Kent/South Essex	20	Early 2013
SUCCESS	Grant	Hastings, Thanet, Tendring	2	Late 2013
East Sussex Invest 3 (ESI 3)	Grant/loan	East Sussex	4	July 2013
South East Seed Fund	Equity	South East	Initially 7 but revolving	2009

- 5.20 The local provision of finance therefore varies across the area, with good coverage in Kent and East Sussex (but noting the difference in funds totals), but no similar coverage in most of Essex.

Demand for finance from local schemes

- 5.21 The existing schemes report strong demand. Particularly high demand is reported by the pilot Local Enterprise and Apprenticeship Platform which is seeking to expand its resources. Of the large local RGF funds, Escalate and Tiger (both new funds) and ESI 3 report strong initial demand. Expansion East Kent has now committed £20 million of its £35 million funding and is receiving enquiries at 5 per week and the fund is likely to be exhausted in 2014.

- 5.22 The existing RGF schemes only cover part of the South East LEP area, with major centres of employment growth potential, such as Ashford and much of South Essex, not yet benefiting from direct access to finance support. In addition all the existing RGF schemes will end March 2015 and from there forward will be reliant on recycled funds which is: helpful but unlikely to meet continuing demand; and, subject to diminishing loan capital (due to non-payment etc.). It is therefore paramount that additional funds are made available.
- 5.23 Expansion East Kent reports that it has created or saved 1,538 jobs at 54 companies. This equates to a loan per job of approximately £13,000. Because the loans are repayable and the fund is a revolving fund, the cost per job will be materially less. It will only be possible to assess the cost per job when it is known whether loans are being repaid as scheduled.
- 5.24 All the funds have criteria to ensure that companies have sought alternative sources of funds so it is clear that the existing funds are helping meet a funding gap.

National and local data on the demand for finance

- 5.25 There are a number of sources of information that provide data on the demand for funds by SMEs in the SE LEP area, or in the wider regions that the SE LEP is in (the South East and the East). Amongst the sources are an annual business survey by East Sussex County Council, regional data from the SME finance monitor and data from the Enterprise Finance Guarantee scheme.
- 5.26 National and local survey sources (e.g. East Sussex, EFG, SME finance monitor) suggest that the demand for SME funding (and the unmet demand) in the South East or East is similar to the rest of England. The only exception is that sometimes entrepreneurs in the area are able to offer better personal security because house prices are higher. However, because banks are now required to assess more carefully the borrower's ability to repay loans, the importance of security should not be overestimated.
- 5.27 The East Sussex survey of 1,000 SMEs found that 61% of bank credit requests were successful in full, and 8% were successful in part. Nationally, the SME finance monitor shows that 73% of overdraft applications are successful, and 57% of loan applications are successful. It would appear that entrepreneurs in East Sussex may face more problems in obtaining finance than the national position although further analysis is needed. Interestingly, 10% of those that were declined in East Sussex were said that banks were reducing lending or not lending, providing some evidence of market failure.

Barriers to obtaining funding

- 5.28 As with the rest of the UK, a key issue in obtaining funding is understanding and improving credit score data (for small loans) and preparing business plans and applications for larger loans.
- 5.29 For loans below £25,000, banks do not generally differentiate between business and personal customers and much of the lending process is automated, relying heavily on the credit scores of the individual entrepreneur. An analysis of the reasons why credit was declined at this level was carried out by Professor Griggs, the independent bank reviewer. He found that the main reasons for rejection were the entrepreneur's credit score (58%) and the affordability of the loan (19%). At this level of loan, better outcomes can be achieved by

an entrepreneur checking his credit score data and ensuring that it is kept as good as possible.

- 5.30 For loans above £25,000 banks are more likely to assess applications individually and the preparation of a good business plan is more important. At this level, the main reasons for loans being turned down are affordability (48%) and the bank's appetite to lend (20%). Affordability can be demonstrated in a good business plan. The banks appetite to lend is a supply side issue which can be met by the availability of alternative non-bank funding schemes, such as the EFG schemes described above. There is an important role for LEPs in ensuring that SMEs are mentored in the loan process, whatever the size of the loan.
- 5.31 However, there is substantial evidence that SMEs with growth potential experience difficulties in accessing the finance that they need for expansion. Overall, bank lending to SMEs remains considerably below pre-recession levels, with UK net lending after repayments falling by £10 billion in the two years to September 2013⁷⁵. However, this shortfall is compounded for innovative enterprises: innovation is inherently risky, and at a time when banks are risk averse, the firms with the greatest potential often face the greatest barriers in securing finance on viable terms⁷⁶.
- 5.32 Action has been taken at both national and local level to address barriers to finance. Through the Funding for Lending scheme, the government has increased the size of the overall loan pool. However, there is evidence that with centralised bank decision-making, high growth businesses are often not distinguished from poor credit risks in lending decisions. Locally, partners in the South East have secured £66 million in Regional Growth Fund support to deliver a series of access to finance programmes offering interest-free or low-interest loans to businesses with the appetite for growth. These have been successful, although we know that pipeline demand substantially exceeds the supply of funding. The existing RGF schemes only cover part of the South East LEP area, with major centres of employment growth potential, such as Ashford and much of South Essex, not yet benefiting from direct access to finance support.

The South East LEP's strategy for the future

- 5.33 Based on our analysis of current demand, the South East LEP will seek to support **programmes offering direct access to finance for business**, where these will:
- a) Support businesses with demonstrable potential and appetite for growth;
 - b) Lead to additional job creation;
 - c) Unlock additional private sector investment (debt or equity);
 - d) Support specific business investment projects (i.e. not working capital);
 - e) Demonstrate specific programme focus in the context of local demand and market failure; and
 - f) Be clearly additional to existing programmes – either through the expansion of existing schemes or the creation of new ones;

⁷⁵ Bank of England (2013), Trends in Lending.

⁷⁶ NESTA (2011), Vital Growth: the importance of high growth businesses to the recovery

- g) Demonstrate links and coordination with the rest of the Structural and Investment Funds Strategy (e.g. the non-financial business support delivered via the ERDF Gateways to Growth theme and the access to employment and skills programmes delivered via the ESF strategy);
- h) Be fully compliant with state aid rules. It is anticipated that some programmes will be delivered through the General Block Exemption Regulation where they are offering interest-free or low-interest loans, other will use de minimus.

5.34 In addition, we will especially welcome programmes seeking ERDF support which meet one or more of the following objectives:

- i) Support for innovation (such as the development or commercialisation of new products, introduction of new technologies, equipment and production methods, goods and services or expansion into new markets);
- j) Support for increased business resilience (for example to the impacts of climate change and long term rising energy costs);
- k) Delivery of new business premises and infrastructure, where this will lead to increased capacity for innovative activity (such as innovation centres);
- l) Support for social enterprises, especially where these help to increase labour market access.

5.35 We anticipate that most access to finance investment will be in the form of loans for business investment, offered either interest-free or at interest rates lower than those commercially available but which may be linked into the EU Reference rate and strongly linked with the objectives outlined in the paragraphs above. This focus on loan finance reflects demonstrated business demand, successful delivery to date and the absence of any equivalent product offered at national level. It also responds to the continued limitations on the availability of bank finance to SMEs, with ERDF investment helping to provide confidence to private investors in contributing the minimum balance of project finance required to make the activity viable. Loan funding will also ensure that we are able to make more effective use of our ERDF investment over the longer term.

5.36 Match funding will primarily be sought from businesses accessing finance through the programmes (i.e. no programme will provide finance to more than 50% of project value). However, additional match may be made available through the Local Growth Fund should local programmes be established through a combination of ERDF and LGF funding.

5.37 In order to ensure a balance between local accountability, responsiveness to local market conditions and synergy with other local programmes on the one hand; and scale on the other, we will focus support on a small number of programmes across the LEP area in the first three years of the 2014-20 programme.

5.38 In total, we seek investment of £26 million of ERDF in access to finance programmes over the 2014-20 period. On conservative assumptions of scheme performance, we anticipate that this initial £26 million ERDF investment would result in around £49 million worth of

loans to business over a 10 year period, matched with at least that amount from the private sector⁷⁷.

5.39 During 2014, the South East LEP will publish an Access to Finance Prospectus, which will detail the programmes seeking ERDF support. We will set out within the Prospectus more detailed criteria for funding, based on the objectives above and local variations. Meanwhile we are actively developing a strong project pipeline with partners.

5.40 In preparing the Access to Finance Prospectus, the South East LEP will also consider the potential for other forms of investment, where they could complement ERDF funding. These could include investigation of European Investment Bank finance for infrastructure, for example through a JESSICA facility. Further detail will be set out in the final submission of our Strategic Economic Plan in March 2014.

Table 5.6: Programme Activity Summary: Access to finance for innovation and growth

Programme Activity Summary Access to finance for innovation and growth	
Evidence of need	<ul style="list-style-type: none"> • Need to increase investment in the SME base to support greater productivity and innovation • Difficulty experienced by innovative businesses in securing finance on viable terms • Continued contraction in bank lending relative to pre-recession levels • Strong levels of demand for existing access to finance schemes, exceeding current supply, and strong output performance
Project/programme priorities	<ul style="list-style-type: none"> • Direct loan finance to businesses with the appetite and potential for growth • Development and expansion of existing schemes where demand has exceeded supply and schemes are compatible with ERDF regulations • New access to finance programmes where there is a lack of existing coverage • Particular support for businesses with capacity for innovation and those seeking to take advantage of new technology to support resilience to energy and resource constraints
Rationale for selection of activities	<ul style="list-style-type: none"> • Access to finance on viable terms remains constrained, especially for SMEs developing in innovative products and services. • Public sector support can help to reduce the risks for private sector investors • However, the provision of loan finance (rather than traditional grant schemes) ensures a strong emphasis on the long term viability of the business and its ability to repay – and businesses benefiting from RGF-backed support have indicated that loans have been more helpful than grant support in demonstrating

⁷⁷ This assumes that: a) Loans are all offered at 0% on grant conditions; b) The default rate averages at 10%; c) Average payback takes place over five years.

	<p>credibility to private sector investors⁷⁸</p> <ul style="list-style-type: none"> • Where successful schemes already exist, there is an opportunity to build on effective delivery, avoiding duplication and expensive start-up costs, while extending coverage where appropriate.
Additionality, and fit with other programmes	<ul style="list-style-type: none"> • Support will be especially targeted on businesses with high growth potential, in particular within the key growth sectors identified in this strategy • Additionality will be measured at the individual project level through appraisal, on the basis that ERDF-financed support will not be made available where commercial finance is available on viable terms • Businesses supported with ERDF access to finance schemes will be encouraged to take on apprentices and participate in programmes to support access to the labour market as they start to create employment as a result of financial support.
Relationship with national programmes	<ul style="list-style-type: none"> • Compatible with government access to SME finance schemes – no duplication of existing national products • Extends successful government-funded schemes supported through the Regional Growth Fund • Strong links with business support programmes – for example, it is anticipated that SE LEP’s access to finance schemes will be linked with business coaching and support provided through Growth Accelerator, Manufacturing Advisory Service and other mechanisms
Value for money	<ul style="list-style-type: none"> • All programmes will be expected to require at least 50% private sector match funding at individual project level. Taking repayments into account, this will reduce the ERDF intervention substantially. We will however look to achieve a higher public/private leverage rate of at least 1:3. • A target loan value per job of £13,000 will be applied, consistent with actual scheme performance in the South East. Lower rates will be actively encouraged however.
Commissioning/delivery and risk	<ul style="list-style-type: none"> • SE LEP will publish an Access to Finance prospectus to invite proposals for access to finance programmes. To maintain a balance between responsiveness to local need and scale of delivery, we anticipate a small number of schemes over the programme period. • All individual projects coming forward within access to finance programmes will be subject to separate appraisal. SE LEP will maintain oversight of programme performance and will ensure comparable appraisal and monitoring requirements
Impact	<p>The minimum outputs anticipated from this strand of our programme will be:</p> <ul style="list-style-type: none"> • £49 million private sector leverage; • 3,800 jobs created; and, • 700 businesses supported. <p>The results of this in terms of local impact will be:</p> <ul style="list-style-type: none"> • greater business productivity and efficiency; and, • increased indirect/ supply chain employment.
Match funding sources	<p>Private sector (own resources, bank lending and equity investment) Potentially Local Growth Fund</p>

⁷⁸ Feedback to Expansion East Kent

Supporting the shift towards a low carbon economy

- 5.41 Allocation of 10% of the EU funds to low carbon activity is an EU requirement. This is strongly supported by the South East LEP, and we want to see this as a strong feature of both our innovation interventions through supporting the development of the low carbon economy, and our support for SME competitiveness, through supporting the wider business community to increase efficiency and reduce operational costs. In addition, it will support our ambitions of increasing innovation and raising attainment of higher level skills, and also of supporting the wider national objective of reducing greenhouse gas (GHG) emissions.
- 5.42 The low carbon economy has been identified as one of our key priority sectors. We want to play a central role in delivering the government's Offshore Wind Industrial Strategy⁷⁹. The government is committed to supporting the development of the supply chain for the industry to deliver economic growth and sustained employment, as well as reducing the costs to consumers. We will support the development of the Kent & Medway Centre for Offshore Renewable Energy (CORE), work with the ORE Catapult, and through the MAS Offshore wind Supply chain Growth Programme (GROW: Offshore Wind), to provide tailored support to develop the supply chain, and increased investment in specialised skills will help to secure and sustain long-term business growth. Exploitation of low carbon technologies across a range of sectors will also be a key element of our approach to innovation and growth.
- 5.43 We want to continue with the work that has already taken place across the area on supporting industry to reduce waste and emissions – for example, the existing low carbon business programme funded by the current ERDF Competitiveness programme in Thurrock and Essex has provided grants, matched with business contributions to reduce industry emissions, while the ERDF Competitiveness-funded Low Carbon Plus scheme in Kent and Medway offers direct financial support to SMEs investing in low carbon technologies, goods and services. An Interreg project is currently supporting the movement of freight onto rail, and an environmental technology centre is being built at East Kent College. We would wish to see this type of work continuing under the coming programme.
- 5.44 To maximise the extent to which low carbon objectives feature within our programmes but also to increase flexibility within the overall programme, we are proposing to integrate the low carbon requirement into the other priorities. We will encourage all projects to contribute to the target of reducing green-house gas emissions through providing support to businesses, as well as supporting the development of specific carbon reduction support projects. Careful monitoring of projects going forward will ensure that the 10% low carbon requirement will be met.

⁷⁹ Department for Business, Innovation & Skills and Department of Energy & Climate Change (2013) Offshore Wind Industrial Strategy – Business and Government Action

6 Growth in the SE LEP rural economy

- 6.1 Some of the most varied, valuable and productive rural areas in the country can be found within the South East LEP. Its land-based industries are of national importance, while new businesses and enterprises based in rural areas create further employment opportunities and help local communities to thrive. A substantial proportion of the SE LEP business base is located in rural areas. The South East LEP Rural Group identifies a range of industries as components of both the rural and the SE LEP-wide economy. These include rural tourism, which sustains 50,000 jobs, and renewable energy, alongside food and drink and a wide range of other industries, including home-based businesses.
- 6.2 The actual similarity between the rural and urban business (sector) mix is noted in the Taylor Review ‘Living Working Countryside’ (DCLG July 2008) where it *underlines the need to recognise that apart from retail mass in urban areas and land based industries in rural areas the sector distribution is, on the whole, very similar in urban, mixed and rural communities*. This has policy implications in respect of not treating sectors (other than Agri – food) as being in a pre-defined urban or rural locality; this *includes recognition of the importance of for example, manufacturing, engineering and construction sectors as both businesses and employers in urban and rural communities, such that policy and support for these sectors should not be directed solely at urban areas*. However, better digital connectivity is opening up new opportunities in the rural economy, with greater potential for micro and home-based businesses to take advantage of the rural quality of life, while continuing to trade globally. According to the Kent Rural Evidence Base, more than a third (36%) of Kent businesses, over 18,000 businesses, are based in rural areas – significantly greater than the rural share of the population.
- 6.3 Traditionally, Kent has been known as the ‘Garden of England’ so called because of the variety of crops that were grown. Today, it is home to 40% of the UK’s top fruit (apples, pears and plums) and this sector continues to grow. East Sussex lends itself well to livestock production, from the heavy clay soil in the Weald to the flat Pevensey Marshes, while Essex, with its good quality agricultural land has the largest percentage of arable farms in the area. The area’s three leading land based colleges - Writtle in Essex, Hadlow in Kent and Plumpton in East Sussex - provide the training and skills required for innovation in the industry.
- 6.4 Our traditional and burgeoning new agricultural economy (as in viticulture) remains of vital importance, while new growth and business opportunities are diverse and growing. These range from forestry and energy through to heritage and tourism and importantly the types of sectors more associated with urban areas, including manufacturing, engineering and business services.
- 6.5 The key to growing the economy across SE LEP is to support businesses widely to increase output and employment, and to drive the growth of key sectors, wherever the firms are located. Our growth plans and programmes apply to rural areas as much as they do to urban areas, and we will make sure that individuals and businesses are able to access the programmes that will help them learn new skills and grow their businesses wherever they are based. In addition, we will use the rural development funding available through the

EAFRD to develop additional support programmes specifically for rural areas, and work with the LEADER Local Action Groups to help better align their funding to support growth. We will help this varied rural economy to thrive and grow.

Potential for growth

- 6.6 There are enormous opportunities for economic growth in rural areas. In some SE LEP areas the location enables easy access to markets in London and mainland Europe. With the full range of industrial sectors represented within rural areas, there is enormous potential to increase innovation, support businesses to develop and grow, to increase investment and skills across the LEP area. Support for extending research and innovation across the economy is essential to achieving the potential of our industries. As businesses seek locations outside London and other main urban areas, and new business seeks to start up rural SE LEP can provide a desirable location, with improving access, the roll out of superfast broadband, and a high quality local natural and cultural environment.

Agri-tech and SE LEP

- 6.7 On 22 July 2013, BIS, Defra and DfID Ministers launched a new strategy on agricultural technologies, the latest in a series of publications forming part of the government's Industrial Strategy focusing on areas where government intervention can stimulate business investment and growth. Major challenges identified by the Agri-Tech Strategy are the UK's declining productivity growth and competitiveness, and the gap between research and commercialisation. Within the South East, there are three leading agricultural colleges in Kent, Essex and East Sussex, vital in bringing new entrants to the market and developing their skills. In addition, the East Malling Research Centre is a centre of excellence in crop research and development and is part of wider efforts to promote business innovation in food production. Linked with the innovation and commercialisation framework set out in the previous chapter, our current research and skills infrastructure provides a strong basis for maximising the potential of our agricultural economy.

European Agriculture Fund for Rural Development (EAFRD)

- 6.8 Through the European Fund for Rural Development (EAFRD), the South East LEP has been allocated £14.5m to support economic growth in rural areas.
- 6.9 Projects in rural areas can of course also be supported by ESF and ERDF programmes. The level of (private sector) match funding for EAFRD projects will vary according to the type of project, with DEFRA "intervention levels" ranging from 40% to 100% for skills programmes. EAFRD funding must contribute to DEFRA's growth priorities and can be used on the following interventions:
- building knowledge and skills in rural areas;
 - funding new, and developing non-agricultural, micro, small and medium sized rural business;
 - funding small scale renewable and broadband investments in rural areas; and,
 - supporting tourism in rural areas.

- 6.10 In addition to EAFRD, we know that direct support from the Department for Environment, Food and Rural Affairs' national £3.5b Rural Development Programme will go to agri-environment schemes and to farming and productivity schemes to be delivered by DEFRA itself. A small amount of this, as yet not identified, will go to local successful LEADER Local Action Groups (LAGs).
- 6.11 As such, we recognise the previous success of our SE LEP LAGs and wish that they continue and that any 'white' areas are also under a LAG in the future. We note that this will be coupled with grant and subsidy support available to agri-micros and SMEs within the Rural Development Programme DEFRA farming and productivity schemes.
- 6.12 Due to the late EAFRD allocation SE LEP is not yet in a position to definitively propose where EAFRD would be targeted as this has to be subject to rural area consultation. We have not, therefore currently allocated it across the priorities, or identified outputs that will result from its use. SE LEP will confirm an allocation that aligns with our growth priorities and with the use of ESF and ERDF, and complements the use of funding through the LEADER Local Action Groups. SE LEP will work closely with the new and emerging Leader groups to ensure the most comprehensive coverage and strategy. This could involve, for example, a focus on small grants and support for tourism in rural areas through LEADER to complement the EAFRD.
- 6.13 Resources to support innovation projects, commercial property development and access to finance funds will be available through ERDF, and a wide range of skills and employment support will be available through ESF, on top of the EAFRD funding. In further co-ordinating EAFRD investment with Leader LAG support for micro business and SMEs, SE LEP will:
- support government proposals for successful Leader LAGs to grow above their current 150,000 population limit and for new Leader groups to cover "white space";
 - as appropriate given their bottom up nature, help strengthen Leader Local Development Strategies; and,
 - ensure EAFRD and Leader investment will be complementary and provide added value to each other to maximise local impact.

Exploiting rural potential

- 6.14 Proposals for addressing these rural specific issues include facilitating affordable housing and small scale local business to support and retain rural communities; tapping into enterprise support initiatives including supporting business to take on employees; local renewable energy production and; investigating planning ease in respect of the commercial retention of redundant farm business and cross subsidising with housing. For young people seeking to enter the employment market or access training, as well as unemployed people in rural areas, we will explore the potential to extend subsidised transport and pooled scooter/car hire schemes on the "wheels to work" model.
- 6.15 As information about EAFRD has only recently been made available, a detailed analysis of projects and programmes, and confirmation of an allocation between priorities will follow as soon as consultation has been carried out with our three County Rural Partnerships and Rural Community Councils and other rural interest groups.

7 Building a 21st Century Workforce

7.1 Our workforce is our most important economic asset. This includes those already working, those seeking to work, and young people who will enter the labour market. Our ambition is to create significantly more higher value employment in the SE LEP area. To do this, and to support London, **our workforce must have the skills that employers, including those in growth sectors, need.**

Our Skills Challenge

7.2 The evidence set out earlier in the document demonstrates the need to:

- increase the proportion of the workforce with higher level and technical skills to above the national average;
- increase the participation of young people (age 16-24) in work, education and training to the national average, with the take up of opportunities better reflecting the needs of our priority sectors and skills shortage areas;
- increase the pool of young people undertaking STEM related subjects and establishing clear progression routes into those sectors where skill shortages hamper the competitiveness and productivity of our businesses;
- increase literacy, numeracy and IT skills amongst both employed and unemployed adults, as identified by SE LEP businesses; and,
- address the range of barriers (e.g. financial, geographical) which prevent individuals from accessing training and employment opportunities, recognising that clients in specific groups need extended individual support - particularly in disadvantaged communities.

7.3 In response to these problems, we have identified our skills and employment priorities and these are discussed below under the following headings:

- Employer-led infrastructure and enhanced Information, Advice and Guidance;
- Apprenticeships and other vocational provision;
- Up-skilling the workforce and supporting SME growth; and,
- Active inclusion, transition to work, and reducing youth unemployment.

7.4 Our approach to implementation will differ across the area in response to local need, but our main aims across SE LEP are to develop employer-led provision, and to target local priority sectors that increase employment, offer higher wages, and stimulate further growth.

7.5 In relation to the balance of spend across the thematic priorities for ESF, we want to achieve a split between the priorities, as follows:

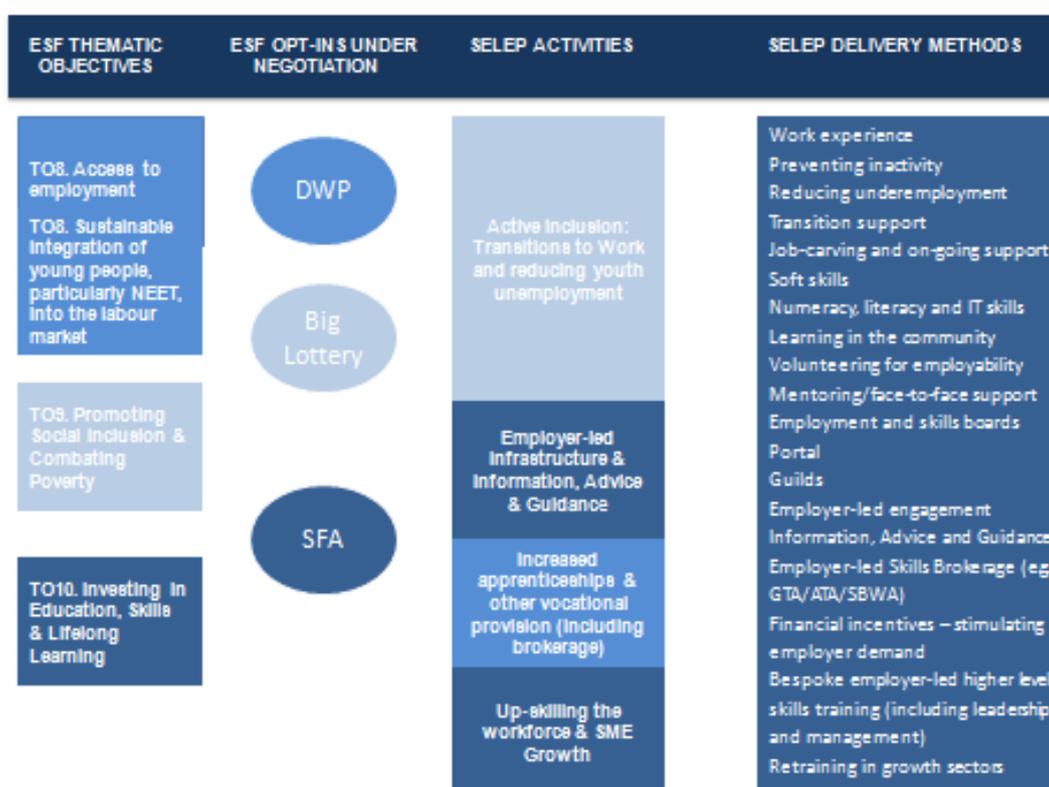
Table 7.1: ESF allocation by thematic objective

ESF Thematic Objective	ESF allocation
Employment/labour mobility: access to employment and sustainable integration of young people	£21,600,000 (26%)
Education, skills and lifelong learning	£44,400,000 (54%)
Social inclusion: active inclusion	£16,500,000 (20%)
Total ESF allocation	£82,500,000 (100%)

7.6 Raising skills and ensuring that the skills system works more effectively to respond to changing employer needs has been identified as one of the highest priorities across the LEP area, and for this reason, the highest proportion of ESF funding is allocated to skills activities.

7.7 The relationship between the EU thematic objectives, the opt-in offers under discussion, and the SE LEP priorities and proposed interventions are set out in the diagram below, and the four priority areas for intervention are discussed in the following paragraphs.

Figure 7.1: ESF thematic objectives, opt-ins, activities and delivery



Employer-led infrastructure, and Information, Advice and Guidance

7.8 We will substantially strengthen our employer-led infrastructure to enable the skills market to work more efficiently by gathering information directly from employers on their skills and recruitment needs, based on the Essex initiative, but implemented in each area in relation to existing needs and infrastructure. The mechanisms for this will include an employer portal,

which will match employers with local training provision and supporting funds and as a tool to drive new provision that meets employer need. Guilds for priority sectors following the Kent and Medway model for the hospitality sector will be developed, and these employer/provider guilds will lead directly to practical skills interventions, ensure curricula meet local needs, and create training pathways from education and training to work.

7.9 Each area will also offer enhanced **Information, Advice and Guidance (IAG)** complementing existing provision, and focused on increasing employer engagement. This will help ensure that young people and adults make informed training, qualification and career choices. This will be provided through local industry-led engagement programmes, events and multi-media packages. The events would promote access to jobs, apprenticeships and training in growth sectors.

Table 7.2: Programme Activity Summary: Employer-led infrastructure, and IAG

Programme Activity Summary Employer-led infrastructure, and IAG	
Evidence of need	<ul style="list-style-type: none"> • Local employers are looking for a consistent offer of skills & employability training • Local employers are looking for a single contact point for employment & skills. • Local employers want to take greater ownership in steering the local skills system • Local employers find it hard to recruit skilled and work-ready young people and adults, particularly to local growth sectors • Young people are unaware of the breadth of career opportunities in a number of growth sectors. • Low levels of employment in high value sectors and knowledge economy • Job opportunities exist but businesses, especially SMEs are unable to secure skilled staff from local area • Low skills levels & high levels of youth unemployment/NEET impede economic growth
Project/programme priorities	<ul style="list-style-type: none"> • an Employer Portal to match employers with local training provision and supporting funds and as a tool to drive new provision that meets employer need; • Guilds will be established for priority sectors following the Kent and Medway model for the hospitality sector. These employer/provider guilds will develop practical skills interventions, ensure curricula meet local needs, and create training pathways from education and training to work. • Enhanced IAG - complementing existing Information, Advice and Guidance (IAG) provision, and focused on increasing employer engagement. It would help young people and adults make informed training, qualification and career choices through local industry-led engagement programmes
Rationale for selection of activities	<ul style="list-style-type: none"> • The above programme of activity would create a skills infrastructure that facilitates greater employer leadership of local skills provision through a responsive provider landscape and ensure that young people and adults can make informed choices about their training and careers. This would develop an

	<p>employer-led skills pipeline to aid local recruitment and support the creation of clear vocational pathways that offer local businesses the practical and technical skills they need and offers lifelong learning opportunities to train and retrain local people.</p> <ul style="list-style-type: none"> Essex's STEM Industry-Schools project has supported 1,000 young people to engage with STEM sector employers, 73 with industry mentors – <i>In hair & beauty, 5 people chase every job, whereas 40,000 trained in engineering with 72,000 jobs available (almost 2 jobs each)</i> http://goo.gl/cXfgSZ
Additionality, and fit with other programmes	<ul style="list-style-type: none"> This would build on the work already undertaken by SE LEP's Local Authorities to facilitate providers' delivery of impartial CEIAG, through resources such as online area prospectus, master-classes, careers fairs and provider IAG networks and current focused recruitment activity such as Jobcentre Plus' Sector Based Work Academies. SE LEP's ESF activity tops up the mainstream National Careers Service from 2015-2020 with £6m which delivers 5,000 extra face to face interviews per year to the mainstream offer of 10,000 per year. Further additionality would be gained through creating mechanisms by which employers take a leading role in promoting their sectors and work with providers and partners to design appropriate learning and training pathways that meet employer needs and are accessible to learners both entering and already within the workforce.
Relationship with national programmes	The opt-In arrangement with SFA will support infrastructure and IAG activity through the National Careers Service, and a DWP opt-In will support activity leading to employment outcomes.
Commissioning/delivery and risk	<p>Potential delivery agencies and partnerships include Local Authorities, schools, colleges, training providers, universities, provider network/bodies (e.g. associations of FE Colleges or training providers), employers, business networks (e.g. chambers of commerce, Federation of Small Businesses) Jobcentre Plus, Sector Skills Councils, education business partnerships, Skills Funding Agency.</p> <p>The opt-ins will reduce risk and ensure a quick start to programme delivery.</p> <p>Further outcomes will be delivered through open competitive bidding rounds, and we are confident that there are existing providers, and available match funding to support delivery under these programmes.</p>
Impact	<p>Outcomes:</p> <ul style="list-style-type: none"> 30,000 young people and adults offered face to face IAG support each year (National Careers Service Top-Up from 2015-2020 = £6m) 7,875 young people engaged in SE LEP-wide Industry – Schools project, leading to greater take up of STEM subjects post 16. <p>SE LEP Infrastructure:</p> <ul style="list-style-type: none"> SE LEP-wide Portal established and maintained Guilds established in key sectors - Employers will gain new partnerships with education and training providers, through which they will be able to articulate their skills requirements to the provider landscape and seek guidance on workforce planning. Up to date industry intelligence developed by sector and maintained at SE LEP and local geographies

	<ul style="list-style-type: none"> • IAG packages by sector developed based on up to date industry intelligence for delivery through all CEIAG channels • SE LEP-wide Labour Market Information to be developed and maintained • Local support enables young people and adults to make informed choices about training, re-training and employment routes available in the local economy. • Support the establishment of a clear vocational pathway leading from schools to Higher Education and to sustained employment.
Match funding sources	<ul style="list-style-type: none"> • SFA and DWP through opt-In arrangements • Additional match funding subject to contract from Local Authorities, colleges, training providers, private sector, business networks, Jobcentre Plus (e.g. Flexible Support Fund)

Apprenticeships and other vocational provision

7.10 Kent County Council is working with the University of Kent on the local government Higher Apprenticeships as part of the national Trailblazer scheme. We will continue to work closely with the National Apprenticeship Service, training providers and employers to ensure our programmes support new apprenticeship funding arrangements, and the design of other new frameworks through the new Trailblazer programme. We will increase take up of apprenticeships by employers through:

- **skills brokers** to provide one-to-one and online support for SMEs, utilising the Employer Portal, with a view to simplifying recruitment, increase work placements, apprenticeships, and graduate level internships
- **financial incentives** to increase the number of apprenticeships at all levels, but at Level 4+ in particular. These will cover the additional expense associated with apprenticeships in growth sectors and will stimulate employer demand. Building on the Essex model, these will create clear job and skills pathways into higher level occupations. Incentives will also be used to overcome other barriers to the acquisition of skills for growth for employers and to promote social inclusion (see below); and,
- pump-prime **employer-led skills** brokerage **models** in the form of group training associations and apprenticeship training agencies to help employers provide continuity across apprenticeship placements. These would help SMEs to employ people through apprenticeships and other structured programmes.

Table 7.3: Programme Activity Summary: Increasing Apprenticeships & other vocational provision

Programme Activity Summary Increasing Apprenticeships & other vocational provision	
Evidence of need	<ul style="list-style-type: none"> • Local employers in our priority sectors see apprenticeships as a key entry level recruitment method – delivering practical & technical as well as employability skills. • The take up of apprenticeships is greater in low waged, low skilled & low aspirational disciplines • Key growth sectors are un(der)-represented in apprenticeship

	provision & take up is falling – these sectors offer a greater chance of sustainable jobs & securing higher earnings
Project/programme priorities	<ul style="list-style-type: none"> • Brokerage of vocational training opportunities to provide a clear pathway into key sectors • Expansion of the numbers of apprenticeships in key growth sectors, particularly at higher levels
Rationale for selection of activities	<ul style="list-style-type: none"> • SMEs struggle to engage Apprentices – take up of AGE grants & other national employer incentives is poor • Locally driven apprenticeship schemes have been more successful, e.g. since 2009, Essex Apprenticeships has offered a £2,500 employer incentive - delivering 2,649 apprenticeships to 1,421 SMEs in 103 frameworks • Almost half of the apprenticeships (1,295) started through the Essex Apprenticeship scheme have been in STEM related subjects. • There is a key focus on STEM sector skills. Targeted sectors will include engineering, logistics, construction, off-shore wind, IT, creative, med-tech and care economy
Additionality, and fit with other programmes	<ul style="list-style-type: none"> • National Apprenticeship Service’s brokerage only supports large employers (>250 staff) Essex apprenticeship programme has supported 1,295 apprenticeships over and above the NAS national programme, and all outputs under this programme would also be additional. • This targeted activity will deliver new and additional jobs through apprenticeships to SMEs in key growth sectors that are currently un(der)-represented in mainstream provision.
Relationship with national programmes	<ul style="list-style-type: none"> • Builds on the National Apprenticeship Service offer • In line with government industrial strategy and sector strategies • Supports smart specialisation by supporting practical & technical skills • Creating a vocational pathway to higher education
Value for money	Using a BIS methodology estimating the value of level 2 apprenticeships, the Essex Apprenticeships model has generated £15.17 for each £1 of public money invested. 70% of participants sustain employment beyond 12 months.
Commissioning/delivery and risk	<p>The programme will include support under the SFA opt-in arrangement, particularly in relation to building on the NAS offer through skills training.</p> <p>Delivery mechanisms</p> <ul style="list-style-type: none"> • Simplify brokerage for apprenticeships & other vocational opportunities in key growth sectors • Links with Employer-led Infrastructure & IAG • Develop a series of sector-based skills pipelines <p>Likely delivery agencies and partnerships include: Colleges, training providers, local authorities, local employer organisations.</p>
Impact	<p>Outputs:</p> <ul style="list-style-type: none"> • 8,000 jobs through apprenticeships through financial incentives. • A further 2,000 jobs through apprenticeships through the establishment of 20 Employer led Brokers established (e.g. GTA/ATA/SBWA). <p>Results:</p> <ul style="list-style-type: none"> • 85% gain apprenticeship qualifications • 70% sustain employment beyond the 12 months

	apprenticeship <ul style="list-style-type: none"> • Reduced youth unemployment & NEET • Increased skills and labour supply for SMEs
Match funding sources	SFA, local match funding from training providers, local authorities and potentially from employers (if eligible)

Up-skilling the workforce and supporting SME growth

7.11 We will up-skill the workforce to support innovation and productivity growth and career progression, and support SME growth by supporting leadership and management development. The projects will be promoted through the gateways to growth as well as training providers.

Table 7.4: Programme Activity Summary: up-skilling the workforce and supporting SME growth

Programme Activity Summary Up-skilling the workforce and supporting SME growth	
Evidence of need	<ul style="list-style-type: none"> • SE LEP has low GVA per job £4,400 lower than national average • Low skills of existing staff impedes the ability for some SMEs to compete, diversify, grow & innovate • Many businesses have identified skills gaps in their workforce – these include practical and technical skills at all levels as well as leadership and management skills. • The absence of a training plan and training budget in many small businesses, especially at a time of austerity, is a barrier to increasing workforce skills • Businesses sometimes find it difficult to source training in a timely manner. The availability of training provision is mismatched to growth opportunities. The QCF is not sufficiently flexible to respond to business needs. • Workers are limited by being unable to acquire and improve their skills and qualifications within work • Job opportunities exist, but SMEs are unable to secure skilled staff from the local area • Many workers have to make career changes, notably from public sector roles, whilst transferable skills can be identified with lighter touch support. There is a need for retraining in our employment growth sectors. • Whilst business start-ups are high in the SE LEP area, many fail within 3 years. Improving their resilience is pivotal to employment growth.
Project/programme priorities	<p>Through this programme of activity ESF will fund the following initiatives targeted at growth sectors:</p> <ul style="list-style-type: none"> • Financial incentives – Bespoke employer-led higher level skills training for SMEs to retrain and up-skill the workforce at level 3 and above (QCF units/non-QCF) – this includes leadership and management skills training. This aims to improve employer competitiveness and productivity, enables individuals to progress in work, thereby potentially increasing new employment opportunities.

	<ul style="list-style-type: none"> • Retraining in key growth sectors - for adults wishing to acquire skills for key growth sectors – responding to redundancy, building on transferable skills, skills transfer/bridging courses linked to employment opportunities.
Rationale for selection of activities	<p>Raising the GVA of SMEs is a key priority across SE LEP. In local geographies, economic performance has historically lagged behind the regional and national average, largely due to a strong presence of low-value added sectors.</p> <p>SE LEP is targeting growth in a number of priority sectors. To achieve and sustain this growth these sectors require access to a workforce with the right skills and in sufficient numbers. Equally if the workforce is to have access to better quality jobs with opportunities for career progression it is important that they have the opportunity to secure the skills that they will require.</p> <p>Businesses across these sectors, and beyond have expressed the need for more people with leadership and management skills.</p> <p>The selection of measures allows for a flexible response from the local skills system, which serves the changing needs of local businesses, as well as providing opportunities for local workers to retrain for more sustainable employment in key growth sectors and to progress in work. Progression of those in work can be the key to unfreezing the potential of many more established businesses to innovate, diversify and recruit more staff. Investment in higher level skills and improved vocational links through to Higher Education are important to achieving economic growth.</p> <p>These measures will support the creation of clear vocational pathways that offer local businesses the practical and technical skills they need and offers lifelong learning opportunities to train and retrain local people.</p>
Additionality, and fit with other programmes	<ul style="list-style-type: none"> • Current provision is demand led, but learners drive demand for skills more than businesses. • Skills providers often deliver a similar offer to the previous year. This is not responsive enough to employer demand. • In fairness to current contractors of workforce skills, additional funding has been targeted towards supporting Level 2 (intermediate level) skills. Contracts often operate within a fixed partnership which unfortunately limits the scope of provision available. • New provision through ESF will improve flexibility by allowing employers and skills providers to co-produce bespoke training as well as ensuring that provision responds to the changing needs of local businesses. • The use of ESF funding will enable already successful local programmes to be extended to the SE LEP area, with beneficiaries and businesses engaged.
Relationship with national programmes	<p>The government has introduced extra help for learners aged 24 and over. This includes:</p> <ul style="list-style-type: none"> • more advice and guidance to support people considering learning;

	<ul style="list-style-type: none"> • more money (£50m) to help learners with costs such as childcare; and, • 24+ advanced learning loans.
Value for money	ECC's Skills for Economic Growth project has supported 432 priority sector businesses to up-skill staff with total co-investment in training by ECC of £660k, with an expected financial impact of over £22.8m; a Return on Investment of £35:£1 of public money.
Commissioning/delivery and risk	<p>Opt-in negotiations have started with the SFA around a potential opt-in.</p> <p>We have identified a number of pipeline projects with a range of local match funding sources, and will assess projects through open bidding rounds and/or commissioning.</p> <p>Likely delivery agencies and partnerships include:</p> <ul style="list-style-type: none"> Local authorities Colleges Training providers Universities Local employer organisations Sector Skills Councils Jobcentre Plus
Impact	<p>Outputs:</p> <ul style="list-style-type: none"> • 9,725 participants, the majority of those in employment
Match funding sources	<p>Opt-ins – SFA & DWP</p> <p>Local match</p>

Active inclusion, transition to work, and reducing youth unemployment

- 7.12 To reduce youth unemployment, we will provide enhanced interventions to address the barriers faced by young people, and the additional support needs they may have in bridging the transition to work.
- 7.13 In relation to active inclusion, we will continue to work very closely with the voluntary sector to implement targeted interventions to ensure that people are able to make successful transitions to work and to stay in work. The voluntary sector have clear plans for managing a process of funding community level grants to help achieve the LEP's priorities, and are well placed to ensure that very local needs are met both within CLLD areas and across the programme as a whole.
- 7.14 We will specifically cover gaps in the welfare and national employment support systems, in relation to the introduction of universal credit, the repeated moves in and out of work for those at the margins of the labour market, and the requirement for additional, targeted employment support for those with multiple barriers to employment, focused in areas of deprivation such as coastal communities.

Table 7.5: Programme Activity Summary Active inclusion - transitions to work and reducing youth unemployment

Programme Activity Summary Active inclusion - transitions to work and reducing youth unemployment	
Evidence of need	<ul style="list-style-type: none"> • There is great growth potential within the SE LEP area, but many people do not have the skills and work readiness to take advantage of these opportunities. • There is a need to break down the barriers, provide additional support, and to create new skills and employability pathways to improve access to these opportunities for our more disadvantaged and vulnerable citizens. • Too many young people are not in employment, education or training (NEET); and the unemployment rate for young people is also higher than for other age groups • Some NEET young people no longer wish to spend time in a classroom post 16. They want paid work. • Employers have indicated that many young people lack “employability skills.” They are unable to communicate or dress appropriately, work in teams, or attend work regularly. • Economic inactivity across the whole working age population has grown since 2008, but there is a clear desire to work, even for those with complex needs. • Employment is considered the best route out of poverty and people with higher skills are less likely to be on low incomes. Many working families still struggle to make ends meet. This impacts on child poverty – e.g. in Essex, 57% of children living in poverty are in families with at least one worker. Low skills of parents often consign the next generation to have lower aspirations, skills, and even poorer health. • Disadvantaged and vulnerable young people and adults - for example, lone parents, care leavers and those with learning difficulties and disabilities - have poorer skills levels and employment rates than the average. Transitions to work and progressions in learning are more challenging for these individuals. In some cases, full time jobs and some workplaces are not an option. More flexibility is required from employers to open up opportunities to these individuals. • Nevertheless, there is an absence of on-going support to ensure that these opportunities can be sustainable. • Specialist support and paid work experience for the most vulnerable young people
Project/programme priorities	<ul style="list-style-type: none"> • Under our Active Inclusion activity, there are a number of targeted <i>Transitions to Work & Beyond</i> interventions that aim to ensure that people are able to make sustainable transitions to work and beyond: <ul style="list-style-type: none"> • work experience programmes - including paid work placements, pre-work placement training, even internships - and supporting employers to help young people move into sustainable jobs; • preventing inactivity among 15-19 year olds to reduce early entrants to the benefits system and youth

	<p>unemployment/NEETs;</p> <ul style="list-style-type: none"> • reducing underemployment by providing small grants to employers to offer additional hours in work and training for part-time employees linked to Universal Credit; • transition support - targeted support to individuals and businesses in advance of and in the initial phases of employment and training; • job-carving and support packages for employers and job entrants to enable individuals with specific barriers to gaining and sustaining employment; • specific targeted additional support for those facing multiple barriers potentially provided through grant programmes to communities with high levels of worklessness. <p>These <i>Basic/Soft Skills</i> interventions will promote participation, access and retention for skills opportunities through active inclusion:</p> <ul style="list-style-type: none"> • training in soft skills essential to work (communication, team work, and confidence); • increasing numeracy, literacy and ICT skills by developing sector specific and life situation courses; • programmes to support learning in the community to increase participation in informal and formal learning and targeting employers, neighbourhoods and families; and, • volunteering as a route to employability where people actively participate in clubs, societies and volunteering, including brokerage and support for disadvantaged and vulnerable people; and work on local community/environmental projects.
Rationale for selection of activities	<p>Targeted interventions will ensure that people are able to make sustainable transitions to work and beyond.</p> <ul style="list-style-type: none"> • Some young people do not have any work experience. Many wish to earn money, rather than study, post 16. • Paid work experience placements (including training) will offer a viable pathway into real employment within the private sector and will complement the provision of unpaid traineeships. This is part of a targeted local package of measures that will prevent inactivity among 15-19 year olds. • Helping workers to improve their working hours and skills is vital to improving incomes, reducing dependency and poverty. • Mainstream transition to work and on-going support is limited and often people returning to work soon fall back into unemployment due to difficulties in (re-)integrating back into work. • There are a significant number of unfilled vacancies in the SE LEP area. Many disadvantaged and vulnerable people wish to work, but are unable to work full time. There needs to be additional support for employers to accommodate these willing workers. In some cases, this may need to be a longer term support package. <p>Targeted interventions will promote participation, access and retention for skills opportunities through active inclusion:</p> <ul style="list-style-type: none"> • Employers decry the poor soft skills of young recruits

	<ul style="list-style-type: none"> • Basic skills are fundamental to people making skills progressions beyond Level 2 – 44% and 77% of SE LEP residents do not have a Level 2 qualification in English & Maths. • Increasingly IT literacy is an essential to function in the workplace and to have full access to public and private sector services. • Many SE LEP residents are poorly skilled; some have no qualifications at all. Many adults fear going back to learning. • ESF provision will reach out into local communities to engage more people into informal and formal learning. • ESF will support volunteering opportunities as well as encouraging participation among the most socially excluded people within clubs and societies.
<p>Additionality, and fit with other programmes</p>	<p>SE LEP’s ESF programme will build on mainstream activity through Jobcentre Plus and DWP welfare to work programmes. Mainstream provision - e.g. Work Programme; Families with Multiple Problems; and The Youth Contract - has tended to offer light touch support for inactive young people and adults. Sadly, these contracts, piloting low unit costs and back-loaded payment structures have not delivered positive outcomes for the most disadvantaged and vulnerable people, who have been <i>parked</i> in the short term, whilst provision has had to <i>cream off</i> more work-ready clients to secure payments by results to break even.</p> <p>ESF delivery will focus on added value in terms of targeted activity that generates results which falls outside of other programmes. Intensive local delivery using local expertise rooted in the community to specifically target need and overcome barriers is envisaged. The programme will build on successful programmes run by local partners e.g. Essex Apprenticeships, the Medway Employment, Skills and Community Programme, the East Sussex Learning and Skills Partnership Board Strategy Delivery Programme. Kent Employment Programme, Assisted Apprenticeships programme (focusing on supported apprenticeships for vulnerable young people e.g. care leavers, LLDD), Youth Employment Zones (targeted projects in areas of highest youth unemployment) and the 14-24 Learning, Employment & Skills Strategy.</p> <p>The use of ESF funding will enable the reach of these programmes to be extended, where necessary, offering more in-depth support to participants which local experience has proved will deliver better outcomes for ESF and public funding.</p>
<p>Commissioning/delivery</p>	<p>We will opt-in with DWP, Big Lottery, SFA and our priorities for each are to agree local interventions to meet need by those best placed to do so. As under other ESF activities, local determination on the use of the funding is a pre-requisite.</p> <p>SE LEP is keen to see greater involvement of the local voluntary and community sector in the delivery of ESF activities. With regard to active inclusion, within the BIG Lottery opt-in there is a requirement for 80% of delivery to come through the sector. This will provide the backbone of the specialist support through this measure.</p> <p>Delivery will also be through a wider partnership involving Jobcentre Plus, colleges and training providers, as well as local authorities. SE LEP has identified a number of pipeline projects as a starting point for funding not matched through opt-in arrangements, with a range of local match funding sources, and expect to play a key role in</p>

	shaping the provision available under this activity.
ESF outputs and results	<p>The results that we want to achieve through this priority are:</p> <ul style="list-style-type: none"> • an increase in active participants newly engaged in job-searching; • increase in the number of participants in education/training on leaving; • Increase in those gaining a qualification; • Increase in the number of participants in employment; and, • The number of participants engaging in activities addressing barriers to work or participation in training. <p>Estimated outputs are:</p> <ul style="list-style-type: none"> • 12,000 participants (mainly unemployed and inactive) involved in job search activities, education and training, gaining qualifications, and moving in to employment. <p>These outputs are estimated purely from the application of the EU funds and do not include the outputs that will result from match funding.</p>
Match funding sources	<p>SFA opt-in BIG opt-in DWP opt-in Local match – through private sector investment, local authorities, training providers, and the voluntary sector</p>

- 7.15 These will be priorities for the investment of European Social Fund (ESF) and reflect the views of a wide range of SE LEP’s stakeholders. There will be particular focus on supporting priority sectors with practical and technical skills by engaging with employers. There will be a particular focus on coastal and rural communities.
- 7.16 In support, we will also be exploring subsidised public transport and pooled scooter/car hire schemes e.g. “wheels to work”/Kick Start/JobLink models can be developed to improve access to employment and training across SE LEP.

8 Summary Programme Allocations

- 8.1 The selection of strategic activities under the headings set out above resulted from the evidence-based narrative set out above, and the production of the SWOT on the basis of the evidence; secondly agreeing areas of priority activity to be progressed through the Strategic Economic Plan and EU SIF strategy; and thirdly, relating these back to the EU thematic objectives. Through this process we identified strategic activities with the potential for funding through ERDF and ESF in accordance with the emerging strategies for the LEP covering innovation and enterprise, and skills and employment.
- 8.2 The proposed allocation of funding across interventions is as set out in the following table:

Table 8.1: ERDF and ESF allocations by activity

LEP activities/interventions	ERDF	ESF	Total
Innovation and smart specialisation	£19,500,000		£19,500,000
Business starts and growth	£27,100,000		£27,100,000
Increasing trade and attracting investment	£5,400,000		£5,400,000
SEFUND	£26,000,000		£26,000,000
CLLD	£4,500,000	3,750,000	£8,250,000
Employer led infrastructure and Information, Advice and Guidance		£9,550,000	£9,550,000
Increased apprenticeships and other vocational provision (including brokerage)		£24,200,000	£24,200,000
Up-skilling the workforce and SME growth		£19,150,000	£19,150,000
Active inclusion, transitions to work and reducing youth unemployment		£25,850,000	£25,850,000
Total	£82,500,000	£82,500,000	£165,000,000

Methodology for calculating outputs

European Regional Development Fund

- 8.3 A report undertaken by Regeneris Consulting was issued by government in December 2013⁸⁰. This offered a starting point – albeit with caveats – for estimating likely outputs for our proposed ERDF activities on the basis of ERDF activity delivered in the 2007-13 programme. The benchmark unit costs proposed in this strategy were developed on the basis of these, varied to reflect local needs and circumstances, such as higher than average delivery costs in the south-east and the emphasis of the interventions (level of intensity of support to be provided), as well as a review of the outline project proposals submitted to the SE LEP over the period since the launch of the draft Strategy in October. Where funding

⁸⁰ Regeneris Consulting (2013) England ERDF Programme 2014-2020: Output Unit Costs and Definitions

has been allocated to opt-in agencies, and indicative outputs have been provided by those agencies, these have been used.

European Social Fund

- 8.4 Outputs for ESF activity has been derived from three sources. Firstly, from the detailed programme development work conducted by the SE LEP Skills Advisory Group – made up of representatives from local authorities. Secondly, a review of the information on unit costs provided in a note from government in December 2013 based on the costs of delivery of national skills and employment programmes. Thirdly, on the basis of a review of the outline project proposals submitted to the SE LEP.

Summary of Outputs

- 8.5 An initial indication of the scale of outputs that we anticipate from the programme is as follows:

Table 8.2: Summary of outputs

Output indicators	
Number of enterprises supported	18,400
Number of new enterprises supported	7,000
Number of jobs created	12,200
Number of enterprises cooperating with research institutions	1,100
Number of enterprises supported to introduce new products	1,800
Estimated reduction in greenhouse gases	247,000 tonnes
Number of companies supported with business resource efficiency	2,300
Number of participants in training and employment activities	69,600

- 8.6 It should be noted that in relation to the ESF funding allocated to the SFA and DWP opt-ins, outputs are estimated purely from the application of the EU funds, and not including the outputs that will result from match funding as we do not have information on the outputs likely to be achieved. For all other funding, the output totals are inclusive of those outputs that will be derived from the EU funds and the match funding.

Match funding

- 8.7 A summary of the match funding proposed for the programme is provided below.

Table 8.3: Summary of match funding

	ERDF match	ESF match
Private	£22,500,000	£6,550,000
Public national	£25,500,000	£8,000,000
Public local	£10,200,000	£5,650,000
Opt-in	£19,800,000	£52,200,000
Civil Society		£6,350,000
Don't yet know	£4,500,000	£3,750,000

- 8.8 We already have confirmed match funding from a number of local agencies. To date this equates to just over £26m for ERDF and ESF activities. This includes match funding from local authorities and partners (£13.5m), local training providers and colleges (£13m), and the voluntary sector (£375,000). Clearly this match funding is indicative at this stage, and assumptions need to be made in relation to future years on the basis of current budgets.

Value for Money

- 8.9 We recognise the need to ensure that there is appropriate **transparency and accountability** for the SE LEP and the direction of public funds whilst ensuring the active involvement of business, and creating arrangements which are suitably streamlined to enable prompt yet well informed decisions to be taken.
- 8.10 All investments will need to demonstrate they are responding to local need, contribute to the strategic priorities of the LEP (SEP and/or SIF), the cross cutting themes and deliver value for money. The LEP will also ensure that all processes and criteria take full account of the need to secure compliance with the requirements of the Public Procurement Regulations (which implement EC Public Procurement Directives) or the need for suitable competitive tendering where the Regulations do not apply.
- 8.11 Principles and **selection criteria** will include strategic fit, market failure, additionality, outcomes and outputs, contribution to cross-cutting themes, evidence of private sector involvement, and match funding, and the availability of alternative sources of finance.
- 8.12 Inputs are the sum of the resources (financial and other) and activities required for the intervention. Outputs are the immediate things produced by the intervention: these are typically measurable, and necessary but not sufficient for the delivery of desired outcomes. Outcomes are the intended results of the intervention in terms of its ultimate objectives. These are related in terms of overall value for money (outcomes achieved given the resources given up) as well as the individual components of economy, efficiency and effectiveness:
- Economy:* The cost of the inputs being consumed – are the necessary inputs being secured at the minimum necessary cost?
- Efficiency:* The ratio of inputs to outputs – the benefit returned for every £ invested
- Effectiveness:* The link between outputs and outcomes – To what extent do outputs (like jobs) achieve the desired outcomes (sustainable economic development)?
- 8.13 Unless all similar projects use outputs that are formally defined for comparison (where possible) vfm cannot be established. The EU Commission and national government are establishing a new set of output definitions for ERDF and ESF; a number of these definitions will also be suitable for the LGF and will where possible be used for both. Clear guidance on output definitions will be shared with the project promoters at the start by SE LEP and used by the project appraisers as part of the vfm guidance.
- 8.14 Vfm assessments usually provide a cost-benefit based assessment of what a project's or programme's impact is likely to be and will also provide the evidence required to inform and support project appraisal. Some projects (capital) should be in a position to provide a full

cost benefit analysis in line with Treasury Green Book appraisal guidance, but using webTAG / LTB Assurance Framework for transport infrastructure. We note that cost benefit analysis will be less appropriate for housing. Other, mainly revenue projects, will have more reliance on published benchmarking indicators from similar projects (see Appendix A). Both capital and revenue projects will be subject to due diligence internally or externally applied and as appropriate to the size of the project.

8.15 In the development of the SE LEP vfm guidance we will ensure we can respond to the two following fundamental questions:

- what areas of investment will best deliver government's and the SE LEP's strategic purpose and policy objectives?
- which potential projects deliver the best combination of policy outcomes and cost efficiency?

9 Collaboration and Alignment

Collaboration with other LEPs

- 9.1 The South East LEP is keen to collaborate with other LEP areas, both neighbouring and further afield, on project level development where there is a clear and logical business case and mutual benefit for doing so. We have held discussions with a number of LEPs – Buckinghamshire Thames Valley, Enterprise M3, Hertfordshire, Thames Valley Berkshire, Greater Cambridgeshire Greater Peterborough (GCGP), New Anglia and Coast to Capital, as well as with the London Stansted Cambridge Corridor consortium and with the national CORE Partnership.
- 9.2 We are particularly conscious that we share territory with GCGP (Uttlesford district) and Coast to Capital (Lewes district) and it will be in the interests of businesses and communities that provision is co-ordinated where this is sensible.
- 9.3 Cross LEP activities – Energy Sector – including Offshore Wind with New Anglia LEP. Essex, Suffolk & Norfolk County Councils have been working together over a number of years to improve industry intelligence and to develop responsive provision to address the emerging needs of the Energy Sector. They have built strong links with tier 1 employers in the offshore wind sector and EEEGR. Whilst the RGF bid was unsuccessful, the partnership was awarded with Coastal Communities funding to improve IAG and to encourage recruitment through apprenticeships in advance of industry demand – allowing local people to acquire appropriate skills. Projections from a number of sector skills councils illustrate the recruitment and skills needs for the sector over the next decade. This investment in skills (incl. 200 apprenticeships) has proven to be timely by recent announcements that offshore wind construction and engineering is soon to commence. Creating timely skills pipelines is pivotal to ensuring that local people are prepared with the skills to enter this growth sector. If those skills are not available locally, they will be imported. The SE LEP ESF Skills Priorities seek to deliver similar solutions for other growth sectors.
- 9.4 Discussions have taken place between the SE LEP Creative Industries Business Leaders Group and the GLA Culture team to discuss the potential to develop a shared approach to address challenges around affordable workspace and skills development. This will be taken further over the coming weeks.
- 9.5 As an emerging growth sector energy companies will have specific skills needs which will need to be met if growth potential is to be realised and sustained. To help meet these skills needs a partnership is being established with the Centre of Excellence at Northampton University to ensure a full range of training provision from vocational to post graduate qualifications.

Alignment with other EU funds

- 9.6 For the 2014-20 programming period, the European Commission has been seeking to improve the contribution of all EU-funded programmes to the delivery of the goals of its Europe 2020 growth strategy, in particular, by focusing programmes on a limited number of priorities from a thematic menu. This is expected to increase the impact of programmes as

well as help achieve the objectives of Europe 2020 in relation to employment, innovation, education, social inclusion and climate/energy. These priorities are clearly reflected in the EU Investment Prospectus as well as in the priorities of a range of other EU-funded programmes for which the SE LEP area is eligible. Identifying strategic linkages with these other sources of European funding will therefore add significant weight and value to the EU Investment Prospectus.

- 9.7 In view of this we will specify in our management arrangements, an explicit responsibility on partners to collaborate in relation to the application and use of other EU funds. This will apply both at local area level, and at SE LEP level.
- 9.8 A number of linkages have been identified with major European funding programmes, which are outlined below.

European Territorial Cooperation (Interreg)

- 9.9 The European Commission has published a draft regulation for Territorial Cooperation (Interreg) 2014-20. The structure of the new programmes is expected to be broadly similar to the existing ones, with each having to choose up to four thematic objectives from those listed in the draft regulations.
- 9.10 Interreg programmes demonstrably contribute to the socio-economic development of the programme area, but it is acknowledged that additional added value lies in promoting European cohesion / integration and contributing to innovation and capacity building on individual and organisational levels. Therefore the complementarity of Interreg with the EU Growth Programme, and the opportunity for increasing added value of European funds through aligned activity must not be underestimated. They all rely on working collaboratively with partner organisations from other European countries.
- 9.11 Organisations in the SE LEP are eligible to apply for project funding from 5 Interreg programmes in 2014-20. These are the two Interreg VA cross-border co-operation programmes '2-Seas' and 'France (Channel) England'; the North West Europe (NWE) and North Sea Region (NSR) Interreg VB transnational co-operation programmes and the Interreg VC interregional programme which encompasses the whole of the EU. These programmes are all under various stages of development.

Programme Preparation: '2-Seas' and 'France (Channel) England'

- 9.12 Each programme is currently at a different stage of development (and the Channel programme has yet to establish its strategic priorities) but both are likely expected to include the following:
- **innovation:** improving the framework for generating and delivering innovation, including social innovation and support for SMEs;
 - **low carbon technologies:** promoting research, innovation and adoption of low-carbon technologies; and,
 - **environment and climate change:** coordination of actions, especially those related to coastal zones and areas prone to flooding

Programme preparation: NW Europe

9.13 Consultation is under way on the development of what will be the Interreg Vb NW Europe Programme. Currently it has **three** areas of thematic focus.

- **innovation**: enhancing the capacity of the NWE territory to generate innovation, on the basis of its existing potential through a quadruple helix approach; reducing the innovation capacity gaps between regions;
- **low carbon economy**: investment in climate change mitigation potential; greenhouse gas reduction; investment in energy efficiency and renewable energy sources; and,
- **environmental protection / energy efficiency**: eco-innovation and resource efficiency to decouple the growth curve from the material consumption curve.

Programme preparation: North Sea Region

9.14 Following consultation, programme preparation is in advanced stages in the North Sea Region, where there are **four** areas of thematic focus under **three** strategic headings (innovation, environment, transport):

- **innovation**: improving private sector R&D investment, and building quadruple helix innovation collaboration; cross-programme area SME clustering for internationalisation and capacity building; smart specialisation cooperation to avoid wasteful duplication of effort;
- **climate change mitigation**: addressing climate change mitigation through promoting shift to a low carbon economy; Promoting climate change adaptation particularly for coastal flood risk, but also food supply, species change, water quality, salt water intrusion and land use planning;
- **environmental protection / energy efficiency**: joint development of new solutions for safeguarding and improving the quality of the natural environment, e.g. green infrastructure in cities, small wetlands on farmland or build with natural flood defences on coast; quadruple helix approach to new environmental protection solutions; resource efficiency through improved methods for delivering existing products and services or the creation of new products; and,
- **transport**: ensuring remote area connectivity through enhancing regional mobility through connecting secondary and tertiary nodes to TENT infrastructure; expansion of effective multi modal transport alternatives and cleaner transport solutions by developing environment friendly and low carbon transport systems including river and sea transport, ports and multimodal links.

Potential alignment with Interreg

9.15 There are particular opportunities for alignment of funds through focus on innovation. In particular current work on med-tech projects within the SE LEP area – current projects include *Cura-B* and *SYSIASS* – could be capitalised on. There is similar scope for furthering work in creative and cultural industries, as demonstrated through the *CURE Project*. Activity under climate change mitigation and environmental protection/energy efficiency (current projects include *MaxiGreen*) would also complement work through the SIF Strategy driving SME Competitiveness and a shift to a low carbon economy.

- 9.16 Although the following is not an exhaustive list, there are also a number of ‘thematic’ EU programmes with the scope to provide complementary activities and synergy with those of the SIF. More generally, participation in Interreg projects can drive adding value to SE LEP SIF Strategy projects and investments by creating pan-European partnerships and networks, cross-border innovation corridors.

Horizon 2020

- 9.17 Horizon 2020 brings together the Framework Programme for Research and Technological Development with other instruments such as LIFE+, IEE, etc. Horizon2020 will deliver Research & Innovation through a proposed budget of €71 Billion across Europe, and this will be done under 3 headings: *Excellent Science*, *Competitive Industries* and *Societal Challenges*. Maximising the impact of research and innovation through ERDF investment by aligning it to cutting edge R&I through Horizon 2020 would bring definite added value to SE LEP investment; also utilising potential investment through the former LIFE+ and Intelligent Energy Europe strands to complement any investment under low carbon economy and social inclusion thematic objectives.

COSME

- 9.18 Horizon 2020 will contain an instrument for SME support in early stage ventures and for innovation. This will be aligned to the Programme for Competitiveness in SMEs, COSME. The COSME Programme will also support SMEs with €2.3 Billion budget, and will help access to finance, encourage entrepreneurship and help access to markets for SMEs. There are clear linkages here with SME competitiveness focused activity in the SIF Strategy, and any proposed Access to Finance Financial Instrument.

Connecting Europe Facility

- 9.19 The proposed budget for the Connecting Europe Facility (CEF) is €29.3 Billion, which will be comprised of the Trans-European Networks for Transport, Energy and ICT (along with an aligned €10 Billion from the Cohesion Fund specifically for transport infrastructure in Convergence regions).

Transport

- 9.20 In total, TEN-T projects in the UK will be able to access a total of €23.2 Billion for transport. Member states recently agreed the detail of the proposed TEN-T Regulation for 2014-20. The new proposals set out a much smaller and more tightly defined transport network to focus spending on a smaller number of projects. The TEN-T network consists of two layers: a Core Network and a Comprehensive Network. Both layers include all transport modes and consist of “nodes” (large cities, ports, airports etc.) and connecting corridors.
- 9.21 It should be noted that the Commission proposal foresees funding being concentrated on rail, inland waterway and maritime projects. Any potential financing for roads would come via a €2 Billion financial instruments scheme (within the CEF envelope) in the form of loans, loan guarantees, venture capital funds, risk-sharing schemes and similar mezzanine financing arrangements, with some scope for non-repayable grants for roads. In a UK context, this could mean grants representing up to 10% of eligible projects costs for schemes in port hinterlands (considered a cross-border section). It is anticipated that 80 to 85 per cent of the CEF Transport budget will go to projects on Core corridors.

ICT

- 9.22 CEF has a dedicated theme to stimulate investment in fast and very fast broadband networks and pan-European digital services. The proposed budget for ICT works within the CEF envelope is €1 Billion, though this is down from the original €9.2 Billion budget under the original EU Multi-annual Financial Framework.
- 9.23 Increasingly, the European Commission is indicating that infrastructure investment utilising European funding should be targeted at market failure, and where possible should be done through financial instruments unless a solid case can be made for investment through grant funding. Developments concerning products, services, applications and demand-related actions should focus on tackling societal challenges, empowering individuals and strengthening competitiveness. One avenue for alignment of funds would be utilising the capacity for infrastructure investment in CEF (e.g. in superfast broadband) to align to innovation, SME competitiveness and low carbon economy investment.

YES Europe

- 9.24 The new programme to be called YES Europe (Youth, Education, Sport), has a proposed €19 Billion budget. It will provide a simplified framework under the Education & Training 2020 strategic framework; brand names (Erasmus, Comenius, etc.) to be kept.

Fisheries Local Action Groups

- 9.25 Hastings FLAG has committed a programme worth c£1.5m of EFF, private and public funding to develop a sustainable and resilient future for the UK's largest beach launched fishing fleet. Emphasis has been put in developing supply chains to secure high product value, developing fishing as part of the Hastings food and cultural offer, the resilience of the fleet and its workforce, strengthening tourism and developing new markets (i.e. Herring Fairs) and strengthening the capacity and organisation of the fishing community. Hastings will be keen to design a new programme to build on this. There is considerable synergy with the broader Community Led Local Development approach Hastings and Rother are developing both in terms of a community led focus on the economy and the development of strong community level management and leadership architecture.
- 9.26 In addition, a new application for a FLAG programme is being developed by Southend, for submission under the new Fisheries programme. A FLAG in Southend would focus on:
- diversification of the fishery industry in Southend;
 - developing and delivering apprenticeships and skills in the sector;
 - increasing the sustainability of the fishing industry; and,
 - creating stronger communities – greater awareness, integration and support of the fishing industry.

10 Cross-cutting themes

- 10.1 EU regulations covering the structural and investment funds require that they should promote sustainable development and equality and diversity. SE LEP is committed to promoting equality and combating discrimination in line with domestic legislation and European Regulations. These objectives support the LEP and partner agency policies. They will be promoted horizontally across the programme and vertically through the activities designed under a number of the priorities.
- 10.2 We will be developing a process for assessing value for money in relation to programmes and initiatives promoted through the SEP and the SIF. In addition we will include impact on sustainable development and equality as part of the assessment criteria. Throughout the programme we will also ensure the impact of activities on the cross-cutting themes is monitored.
- 10.3 SE LEP will adopt the public sector duty under the **Equality Act 2010**, as a hybrid organisation, and recognise the opportunities provided by the EU Structural and Investment Funds to advance equality of opportunity across different groups within the population. Once it is clear what the role will be for the LEP itself under the programmes, the equalities and diversity and sustainable development policies and procedures will be established. We have a model for this from the East of England Local Management Committee. In the meantime, the LEP has agreed the following **equalities objectives**. These are:
- a demonstrable commitment to equalities and diversity through leadership and agreed strategies;
 - equalities inputs and outputs to be mainstreamed through policies, procedures and processes;
 - partnership activities will take account of the diverse needs of our stakeholders and beneficiaries; and,
 - systematic information will be collected in order to monitor the impact of our projects and programmes.
- 10.4 We have consulted a number of organisations and individuals with specific interests and expertise in both cross cutting themes in the development of this strategy. This included a conference with sustainable development agencies in the summer. We have met with the Chair of the Equalities Group for the current Local Management Committee for the East of England Programme who has provided us with advice on the development of our approaches to cross cutting themes.

Sustainable Development

- 10.5 Supporting the shift towards a low carbon economy is a requirement of the programme, and at least 20% of the ERDF allocation will be allocated to this objective. We are committed to ensuring that this is a fully embedded cross-cutting theme. As such, we have not held this funding separately under the low carbon heading, but want to see it integrated as a core theme within our innovation programmes and across the range of support provided for SMEs.

- 10.6 As discussed in the earlier, low carbon is one of the LEP's priority sectors and we will be directing funding towards sector support and supply chain development. Part of the plan for development of the offshore energy sector is to help build the supply chain through the Kent and Medway CORE and its networks, and the links we will develop to the innovation support programme.
- 10.7 As part of our support for SMEs we will support energy efficiency and waste minimisation to help businesses to reduce costs as well as carbon emissions. We will expect to see advice on these issues provided across business support programmes, or explicit referrals made to specialist providers where more appropriate. We will fund projects designed to up-skill our workforce to support supply chain development in the low carbon sector and supply chain.
- 10.8 We will incorporate sustainable development and equality and diversity considerations within assessment criteria for projects to embed them as cross-cutting themes, and ensure specialist support and advice is available for project promoters throughout the programme.

Equality and Diversity

- 10.9 As with sustainable development, the programme includes a **horizontal and vertical approach** to implementation of the equality and diversity objective. The evidence base for the strategy has identified geographic areas of deprivation where residents are suffering from multiple disadvantage. These include areas where through age, gender, ethnicity, and disability, residents face specific and additional barriers to inclusion in the labour market.
- 10.10 We will expect the selection of projects and project assessment criteria to ensure that through **active outreach**, beneficiaries are empowered and enabled to participate in programmes, regardless of their gender, race, ethnicity, belief, disability, age or sexual orientation. The programme will include activities to ensure that economic benefits reach disadvantaged and hard-to-reach groups, and responds to their needs and any under-representation.
- 10.11 There is a requirement for 20% of the ESF allocation to be used to support social inclusion. We will support programmes specifically designed help to address these barriers and tackle disadvantage. There will be a particular focus on NEET young people, and those at risk of becoming NEET, women, the long-term unemployed, and those facing multiple disadvantages and barriers to inclusion in the labour market.
- 10.12 In accordance with the policies of our local authorities, SE LEP has taken into account each local authority equality and diversity strategic objectives. We will conduct an **Equality Impact Assessment** on the strategy prior to its final agreement and implementation.
- 10.13 To support the embedding of equality and diversity as a cross-cutting theme, we will expect projects to demonstrate how they will ensure they achieve equality of access, through input targets to include outreach, enabling measures such as reasonable adjustments and accessibility to buildings.

11 Delivery and Risk

- 11.1 Delivery of the programme will be through a variety of routes. These are open calls for projects, opt-ins, financial instruments, and commissioning through tendering for delivery contracts. In addition, we are proposing to support three areas in their applications for Community-Led Local Development. Each of these is discussed below, with consideration of the associated risks to delivery.

Role of Local Enterprise partnerships

- 11.2 Local Enterprise Partnerships will not act as Managing Authorities or Intermediate Bodies. The administration of the Funds will be the responsibility of the Managing Authority Departments operating through the Local European Structural and Investment Fund Teams. The liability for the Funds in England will remain ultimately with the projects and Managing Authorities, who will consequently retain responsibility for final approval of projects.

Open calls for projects

- 11.3 We have worked very closely with a range of partners throughout the process of developing this strategy, and we know that some of our partners will be developing project proposals with an expectation that they will be invited to submit applications throughout the programme period. We will expect to be able to provide support for local agencies to do so, and that there will be open competition through advertised bidding rounds. We will minimise the delivery risk on these open bidding rounds through providing support and advice to project promoters, helping to work through opportunities to build on existing and successful projects where possible, and identifying local match funding. We have already started to do this, and have a pipeline of projects of around £200 million.

Risk and mitigation

- 11.4 The risks associated with open calls are firstly that there may not be a pipeline of projects ready to apply for funding, secondly that the agencies are unable to identify match, and thirdly the quality of proposals may not be sufficiently high. We will have reduced these risks through continuing the pipeline project development process already underway across the LEP. In each area, projects are being developed and the co-ordination and alignment of these projects will be stepped up a gear following SIF submission to ensure high quality bids are prepared. Match funding has been identified on an indicative basis through public agencies - particularly local authorities, universities and colleges, and from the private sector, on the basis of a potential model of delivery building on existing programmes. This means that we will be anticipating a high level of competition for the funds, and therefore another means of reducing the delivery risk is by a rigorous selection process, which we would develop in conjunction with the Managing Authority representatives at the local level.

Commissioning - through a limited tendering process

- 11.5 There are a number of key agencies and partners across the LEP area who have a track record of excellence in delivering some of the types of interventions, for example in supporting SMEs to reduce GHG emissions, and in working with the Princes Trust. We would

want to support these partners in rolling out these interventions for the next programme, and will explore the potential for commissioning elements of programme delivery.

Risk and mitigation

- 11.6 This could provide a low-risk route for delivery, working with those agencies with a strong track record, local knowledge and match funding, and allow a quicker start to the programme than going through an open call.
- 11.7 In addition, the proposal to develop a number of networked Gateways to Growth will be developed over the coming months in more detail, to scope out which services would be included, the relationship with national business support programmes as delivered through any opt-in arrangements, and how other business support programmes might be linked in through a commissioning process.

Opt-in agreements

- 11.8 The opt-in arrangements provide a mechanism for much closer integration of local and national programmes, a source of guaranteed match funding, and provide a low level of risk in delivery. As such we are keen to exploit the opportunities provided by this approach, subject to negotiations to determine the relationship between these and other local services, and clarification of delivery arrangements. Overall our priority is to increase the range and depth of the programmes to ensure additionality, focus on our key sectors and to increase the visibility and availability of the work being carried out by the respective agencies.
- 11.9 SE LEP has had detailed discussions with all the opt-in agencies at a local and a LEP level, and we are working towards agreeing the details of the additional provision we would aim to fund. We will continue these negotiations over the coming weeks, with the objective of agreeing initial **3-year programmes for opting in to UK Trade and Investment, the Manufacturing Advisory Service and Growth Accelerator, Skills Funding Agency, Department of Work and Pensions, and BIG Lottery**. Progress to date on the discussions is summarised in the following paragraphs.

Risk and mitigation

- 11.10 Our assumption is that working with government agencies through opt-in agreements will provide a low risk approach to delivery as they will be subject to clear and negotiated agreements, build on local service delivery, and be subject to high quality management processes through the national agencies.

ERDF opt-ins

- 11.11 SE LEP has decided in principle to work with the three key ERDF opt-In agencies and partners will work on the detail of the contracts post approval of the ESIF. Opting in with will assist in delivering our innovation and smart specialisation strategies; support business starts and growth; increase trade and attract investment into the area.

Manufacturing Advisory Service (MAS) – Innovation, SME Competitiveness, Low Carbon

- 11.12 MAS is the government's flagship business improvement programme for manufacturers, providing specialist strategic and technical advice to help improve the competitiveness of manufacturing in England. SE LEP partners will work with MAS to design a tailored

programme which will target key sectors (such as offshore wind supply chain companies) and spend on additional activities and events. We have currently allocated £5 million to this opt-In, subject contract.

Growth Accelerator – SME Competitiveness and Low Carbon

- 11.13 Growth Accelerator is a government backed programme of support for businesses that exhibit strong potential and ambition for growth and has minimum access criteria. There is interest in increasing the impact as well as the volume of current interventions across the SE LEP area. Partners have had a lot of negotiation meetings and these are continuing. SE LEP partners are particularly interested in exploring the potential for Growth Accelerator to work with companies, which are below the minimum access criteria, to prepare them for the mainstream Growth Accelerator programme. This would provide clear additionality and contribute to our strategy. We have currently allocated £9.4 million to this opt-In, subject to contract.

UK Trade and Investment – SME Competitiveness

- 11.14 UKTI is the government department that helps UK-based companies succeed in the global economy and assists overseas companies to bring their high-quality investment to the UK. UKTI leads for the government on all trade promotion activity.
- 11.15 SE LEP partners are interested in working closely to increase the work of UKTI in the area increasing export, sector development and the building capacity in companies to do more in terms of working with export managers to make export plans happen. The demand from SE LEP partners is to for bespoke and targeted local plans. We have currently allocated £5.4 million to this opt-in, subject to contract. This is based on partners reaching a satisfactory conclusion to on-going discussions shaping a bespoke delivery service in individual parts of the SE LEP area to deliver outputs in addition to those achieved under current contracts.

ESF opt-ins

Skills Funding Agency

- 11.16 The Skills Funding Agency is responsible for the allocation of skills funding for adults. The Agency is proposing a professional management service that will deliver LEPs' skills priorities within ESF, to be matched through SFA mainstream funding for local delivery. The SFA has developed a draft Memorandum of Understanding and SE LEP will propose amendments to this to ensure the maximum degree of local determination. This includes a role for SE LEP representatives to write specifications and to participate in the application approval process. SFA promises to make performance management information and other important data available to the LEP, which would have a scrutiny role.
- 11.17 We are proposing to take advantage of the SFA opt-in to the value of £34.2 million. The opt-in value relates to mainstream funding (largely from the Adult Skills Budget) which will align with local ESF Activity. It is currently proposed that £6 million of this is directly linked to providing 5,000 additional face to face advice services to young people over 15 year olds (NB: the current service only supports 18+s) as a top up to the National Careers Service's 10,000 face to face advice sessions for adults. SE LEP is keen to complement the National Apprenticeship Service offer by targeting SMEs in key growth sectors, as well as supporting improved skills for the workforce.

Department for Work and Pensions

- 11.18 The Department for Work and Pensions (DWP) is responsible for welfare to work and social inclusion policy, as well as pensions. The DWP is a significant player in employer and participant engagement and signposting through local Jobcentre Plus. SE LEP proposes to opt-in to the value of £10 million. The opt-in value relates to mainstream funding (largely the provision of employment and back to work support) which will align with local ESF Activity. Essentially, this will result in there being two £5 million contracts of approximately 3.5 years each. SE LEP's ESF Transitions to Work Activity will complement DWP provision. DWP and JCP will play an active role in ensuring that disadvantaged and vulnerable adults are able to make better transitions to work.
- 11.19 Reducing underemployment will support those in receipt of Universal Credit to build up their hours of work and training (ESF will pay wages whilst training – one hour for every 2 hours of additional paid work from the employer). DWP will be developing a Memorandum of Understanding to which SE LEP will contribute. SE LEP aims for maximum local determination with involvement at each stage of the tendering and delivery process.

Big Lottery

- 11.20 Big Lottery delivers grant funding largely to the voluntary and community sectors to improve outcomes for disadvantaged and vulnerable people of all ages. It can deliver support to SE LEP in the delivery of all delivery methods of our Active Inclusion Activity. In terms for value, SE LEP proposes an opt-in of £8 million with Big Lottery. Big Lottery's match funding is actual match funding. Therefore, the Big Lottery matched ESF will offer SE LEP £16 million worth of activity, thereby doubling our Active Inclusion outputs and outcomes. SE LEP aims for maximum local determination with involvement at each stage of the tendering process. The current negotiations relate to whether SE LEP has a place on the grant decision making panel for ESF or only an advisory. SE LEP aims to resolve this through the development of a more localist Memorandum of Understanding with Big Lottery. We are particularly interested in taking advantage of the Partnership Development Funding, which offers SE LEP a strategic role in developing local solutions (with the voluntary sector), to deliver active inclusion activity. The Reaching Communities delivery method is also favoured by SE LEP.

Financial Instruments

- 11.21 The LEP is interested in the potential to lever in more resources to support growth in the area through the use of financial instruments. Explorations are currently taking a number of different forms. There is a high level of interest in the potential for an urban development/JESSICA fund to address, in particular some of the specific needs of town centres, particularly in coastal and estuarine communities, in the SE LEP area. This will be developed within the SE LEP Growth Deal/Strategic Economic Plan.

Risk and mitigation

- 11.22 Any projects will be thoroughly assessed through an ex-ante assessment. Risk of delivering under these programmes is likely to be higher than through the above routes.
- 11.23 This will be developed further within the SE LEP Growth Deal and Strategic Economic Plan.

Community-Led Local Development

- 11.24 Following a workshop with representation from areas across the LEP on the potential for an approach to Community-Led Local Development (CLLD), there have now been a number of expressions of interest from communities across the area. These programmes would provide local targeted interventions that could not be incorporated into larger programmes, but would tackle specific local need and enable communities to more effectively take advantage of the area wide strategic interventions.
- 11.25 Further work is in progress to identify potential CLLD areas, but five indicative proposals are provided below.

Dover and Ramsgate

- 11.26 This could potentially cover Newington in Ramsgate, and Dover Town, in Kent. The areas propose either a multiple area CLLD intervention covering parts of the two towns, or two separate thematic single CLLD areas, focused on youth unemployment in Ramsgate, and heritage related Tourism in Dover Town. Both these themes align with SEP objectives. Indicative match funding has been identified of £1.5m, with potential links to neighbouring areas of economic opportunity such as the Enterprise Zone at Discovery Park

Hastings and Rother

- 11.27 This would cover the more deprived wards in Hastings, along with those containing opportunities for capital led growth, and in Rother it would include the deprived wards in Bexhill Town, and North East Bexhill, along with part of Rye. The focus of the programme would be:
- community led regeneration in St Leonards and Bexhill (neighbourhood focused);
 - economically active over 50's;
 - cultural economy;
 - digital by choice;
 - ethnic minority business support;
 - linking business and education; and,
 - community leadership/programme support.

- 11.28 Indicative match is available amounting to £4.205m. A number of investments have been made through both GPF and RGF including a new RGF4 Fund 'SUCCESS' for creative industries. CLLD submission would add value to investments in the areas to date. There is also a link to Assisted Area Status - the Hastings wards proposed will be principally those within the Assisted Area if successful under the 2nd AAS consultation.

Thurrock

- 11.29 This would cover the communities of Chadwell St. Mary, Tilbury, Aveley, Grays and Stanford-le-Hope which have a combined population of 73,344. This would cover some of the most deprived wards in Thurrock but which also have significant growth potential facilitated by major investment in capital projects. For example investment in the Port of Tilbury will create 1,100 jobs in an area suffering from high levels of unemployment and poor skills levels.

- 11.30 Through the programme Thurrock Council and Thurrock CVS will work in partnership with these communities to develop community led networks and hubs. The focus of the programme is to support local communities to help them become stronger, more coherent and, perhaps most importantly more self-sufficient by enabling self-help and reducing traditional demand for public services.
- 11.31 Although the offer will be determined by the community the focus of hubs is likely to include:
- community leadership and capacity building;
 - links to skills and retraining programmes;
 - employability skills and job brokerage;
 - business support;
 - linking business and education;
 - volunteering;
 - digital by design; and
 - health promotion.
- 11.32 Keen to build on this success Thurrock Council has identified indicative match of £3m (2014 - 2017) and is keen to secure a similar amount through SE LEP's CLLD allocation.

Romney Marsh

- 11.33 The Romney Marsh Partnership (RMP) covers a distinct area including parts of Shepway and Ashford in Kent and Rother in East Sussex in recognition of the fact that communities do not stop at local authority boundaries (total population equates to around 25,000). The focus of the programme would be on rebalancing the local economy within the context of the decommissioning of the 2 nuclear power stations (Dungeness A and B). Match funding would predominantly be through the Magnox socio-economic programme, from which the board have accessed around £1.2m in the past 6 months.
- 11.34 The partners – including public sector reps as well as community and business reps – have already made some great progress and have managed to source external funding to contribute toward a RMP Co-ordinator, as well as source match-funding for a series of initiatives including Marsh Million 0% loan fund and the Romney Marsh Incubator Centre. This funding, which comes predominantly through the Magnox Socio-Economic Programme, could be used as match for the CLLD in order to achieve even more economic initiatives that mitigate against the impact of decommissioning of Dungeness A Power Station. The area covered by the CLLD could also incorporate parts of the urban hinterland of the Marsh – such as parts of Folkestone and Ashford – towns that have a strong bearing on the future of the Marsh.

Devonshire Ward, Eastbourne

- 11.35 This would cover the most deprived ward in Eastbourne. The focus of the programme would be on public realm, building community resilience, creating a housing development programme, attracting higher value businesses, and developing skills, and offering a higher quality offer to visitors. Match funding of £3m has been identified to support the programme.

Risk and mitigation

- 11.36 CLLD Local Action Groups will be encouraged to work closely with their local area partnerships in the development of their strategic plans and programmes, and in managing spend. Applications will be reviewed by the LEP to assess capacity in order that delivery risk can be minimised.

Managing investments and compliance with State Aid rules

- 11.37 State aid refers to forms of assistance from a public body or publicly-funded body, given to undertakings engaged in economic commercial activity on a selective basis, with the potential to distort competition and affect trade between member states of the European Union.
- 11.38 SE LEP will concentrate assistance on projects which will strengthen the National, SE LEP and sub-regional economies. Factors taken into consideration include the income generated directly by the project, the displacement effects on firms in and outside Assisted Areas and the wider objective of the competitiveness of the economy at large. Projects which have the potential to have a major impact on jobs in other companies within the UK will not be seen as priority. For example if the applicant operates within a sector where it supplies only to UK customers and this market is already fully supplied by UK based businesses, then any new project jobs are likely to result in the loss of jobs within competitor businesses. Aid in principle can be granted to all sectors of economic activity, apart from the fisheries and aquaculture, agricultural and the transport sector. Some sectors are seen as having more potential than others in terms of risk of (job) displacement with retail, franchises, property development and investment, passenger transport, amongst others, often cited. All projects will need to address possible displacement affects within the application process.
- 11.39 The General Block Exemption Regulation (GBER) sets out categories of State aid that have been declared compatible by the European Commission. As long as all the terms of the GBER are met there is no requirement to notify the Commission in advance and request approval before awarding aid. There is however a requirement to provide the Commission with summary information form. This form of aid is usually applied when the fund involved specifically covers one or more of the interventions below and a number of individual grants will be given. The GBER provides cover for regional investment and employment aid; Aid for newly created small enterprises (Assisted areas only); SME Investment and employment aid; Aid for newly created enterprises set up by women; Environmental protection aid; Aid for consultancy in favour of SMEs and SME participation in fairs; Aid in the form of risk capital; Aid for research, development and innovation; Training aid; Aid for disadvantaged and disabled workers.
- 11.40 SME investment aid in favour of small and medium-sized enterprises operating in the SE LEP shall be compatible with EC State Aid rules. Currently this is at **10% GGE*** in the current *non* Assisted Areas of SE LEP.
- 11.41 The **de minimis** regulation refers to small amounts of aid that the Commission considers will have no substantial effect on trade and competition between member states. The de minimis regulation covers small amounts of aid within a predetermined threshold (€200,000 over a 3 (fiscal) year) period. However, aid provided under this regulation carries a number

of stringent administrative requirements, including information and declarations from the SMEs relating to the grant provided.

- 11.42 A clear process will be developed and agreed with the Managing Authority for governing the implementation of the State Aid requirements. These will include confirmation of the location of SMEs (ie within or without an Assisted Area), confirmation of costs, size of the company, sector, and consistency with regulations and Regional Aid guidelines and timing of the grant.

12 Partner Engagement and Governance

- 12.1 EU funded investments will be critical to the delivery of SE LEP's Growth Deal and Strategic Economic Plan. Through its devolved model of operation, SE LEP will ensure full project fit according to priorities, confidence in delivery and best value for money.
- 12.2 In achieving this, SE LEP is committed to working with wider public, private and community sector partners to encourage project development and ensuring that the investments are made in the most appropriate way. In doing this, we will work closely with the Managing Authority Growth Delivery Teams (in the Departments of Communities & Local Government, Work & Pensions and Environment, Food & Rural Affairs) to ensure that funds are delivered in full accordance with government guidance.

Partner Engagement

- 12.3 The proposals outlined have been shaped by wide ranging engagement and consultation with public and private sector partners across the SE LEP area. Universities, Colleges, training providers, voluntary sector agencies and third sector representative organisations, business support providers, businesses, rural and environmental groups, local authorities and other interested partners have had the opportunity to contribute and feedback on the proposals and suggest projects.
- 12.4 The South East LEP has, through its own contacts and through its devolved structures, a far reaching network to communicate and update on the progress of the developing strategy. A series of workshops was held throughout summer 2013 on a range of topics to inform the development of these proposals. Following these open seminar sessions, focus groups emerged which enabled more detailed discussions and helped to inform the final results.
- 12.5 In addition to the summer seminar sessions, the LEP held an open event to launch the draft strategy and a period of consultation, in October 2013. This event was attended by 116 partners and over 500 were invited and received copies of the draft strategy.
- 12.6 The EU SIF draft document has been available on the SE LEP website since 17th October 2013 and partners have been provided with details of the document and links to more detail on the website. All partners were encouraged to provide feedback and project ideas, which many did, either in writing or at consultation events.
- 12.7 The South East LEP has an extensive and growing network of contacts who receive regular bi-weekly briefings and updates on LEP activity, progress on the ESIF proposals has been regularly provided through this communication channel and partners directed to the Website or the central LEP team to provide feedback on progress.
- 12.8 Local area partners have also taken the opportunity to consider the strategy and inform local partners at existing relevant events throughout the SE LEP patch. A list of some meetings and audiences reached is provided at Annex A.

Role of the voluntary sector

- 12.9 As a Partnership we recognise and value the major contribution and the economic impact of the work of the voluntary and community sector. With a combined turnover exceeding £1.5 billion across the LEP area, the sector is a major provider of local employment for local people, a deliverer of key local and strategic services, and an important tool to leverage in additional external resources.
- 12.10 Consequently voluntary sector representative organisations were involved in discussions about the structure and content of the strategy prior to submission of the October draft, and again following submission to consider the responses from government and develop the strategy further.
- 12.11 The Active Inclusion activity through the Big Lottery opt-in will largely be delivered (i.e. 80% of provision) through the voluntary sector as part of a programmatic partnership approach. We are keen to see the involvement of smaller local voluntary sector organisations in the delivery of specialist support that improves access to opportunities for young people and adults with specific barriers to employment and training, and using volunteering as a route to employment.
- 12.12 This will build upon and develop established good practice, its cost efficiency, its innovation, and its role in skills development.
- 12.13 In addition, third sector organisations based in local communities will be needed to deliver highly targeted interventions in response to local needs. These may include support within CLLD areas, but will also deliver across each of the four LEP areas. These interventions could be commissioned through the partnership approach under the Big Lottery opt-in. The mechanics of this are subject to further negotiation with government.

Management Arrangements

- 12.14 SE LEP covers a large and complex geographical area – we are the largest LEP outside of London with several strong and functional economic areas. Reflecting this complexity and scale - **and the need for strong local appraisal of projects and expertise** - we will create a bespoke management structure within our devolved model of operation.
- 12.15 This approach will ensure full local engagement within a wholly transparent system that brings robustness and confidence both the SE LEP Board and to the government’s managing authorities.

Devolved Area Boards

- 12.16 Established within each devolved area, **the business-led Local Area Boards will be at the very heart of project initiation and delivery**. Either directly or through local steering groups including wider public, private and voluntary and community sector partners, they will have direct contact with applicants, advise on local fit and make recommendations to the SE LEP Board and its EU Delivery Group (see below).
- 12.17 Each will be supported by an appropriate Council and any conflicts of interest will be carefully managed to ensure full probity and compliance.
- 12.18 Local Area Boards will:

- promote and encourage applications;
- ensure a pipe-line of projects;
- consider all expressions of interest and project applications; and,
- make recommendations for support to the EU Delivery Group of the SE LEP Board.

12.19 The devolved area Boards will formally submit outline applications for support to the SE LEP Board through its EU Delivery Group.

SE LEP Board

12.20 As required, the SE LEP Board retains overall accountability to government for the SE LEP's European Structural and Investment Fund strategy.

12.21 Through a **Board-level EU Delivery Group**, it will continue to be the first port of call for the Managing Authority representatives, which will oversee and manage project throughput seamlessly and effectively within the devolved model. The EU Delivery Group will consider and endorse project proposals before or during their consideration by the MA Growth Delivery Teams.

12.22 Chaired by a private sector Board member, the membership of the EU Delivery Group will be widened to include representatives from Local Area Boards or Steering Groups (see above), private, public and third sector nominees, as well as those with specific expertise in rural, environmental and equality issues to ensure that the EU's cross cutting themes are fully addressed. In addition, there will need to be both CLLD representation and potentially from Leader and Flag Groups.

12.23 The Managing Authority Growth Delivery Team and the LEP Secretariat will attend in an advisory capacity. Advice from the Managing Authority will be sought on all applications and accepted, prior to approval, recognising the Agency's ultimate role in accountability to the EU.

12.24 Within the EU Delivery Group, there will be mechanisms to eliminate potential conflicts of interest around strategic or project level investment decisions. These mechanisms will be reflected in the EU Delivery Group's Terms of Reference to be agreed by the SE LEP Board.

12.25 Formal endorsement of all recommendations will be will be required by the SE LEP Board either at a scheduled Board Meetings, or by the Chairman in consultation with the EU Delivery Group. The full Board will also be updated and advised regularly regarding the delivery of the European Structural and Investment Fund strategy and progress towards spending targets and outcomes.

12.26 The SE LEP Board will establish the EU Delivery Group/Board and approve terms of reference during 2014 ready to be fully operational on approval of the England Programme and SE LEP's European Structural and Investment Fund strategy. These terms of reference will fully reflect SE LEP's devolved model of operation.

Government and MA Local Growth Delivery Team

12.27 It is recognised that the **government's managing authorities' Local Growth Delivery Teams will have final responsibility for approving projects through a project appraisal process**

which must ensure eligibility criteria and strategic fit. The government will retain the liability for the management of the EU funds according to the EC regulations.

Conflicts of Interest

- 12.28 All members of the SE LEP Board, EU Delivery Group, and local panels will strive to avoid any conflict of interest between the interests of the Board, and personal, professional and business interests on the other. This includes actual and perceived conflicts. Particular examples include Board/Panel members who are also on the Board or working for another organisation that is competing for funding being assessed by the Board, and a Board Member with an interest in a business or other agency that may be awarded a contract by the Board.
- 12.29 In the course of meetings or activities, Board members will disclose any interests in a transaction or decision where there may be an actual or perceived conflict of interest. When in doubt, the interest will be declared, and clarification sought. Where there is an interest declared, the Board or Panel member may present an item and provide information to the Board, but will withdraw from the room during discussion on the issue or application.
- 12.30 The process for asking for declarations will be incorporated into the terms of reference of each Panel and Board, along with a process for investigating any concerns raised by stakeholders and/or the public, and recording findings in the minutes.

South East LEP Local Area consultation meetings 2013-14	
Meeting name	Audience and details
East Sussex Economic Advisory Board meetings	These meetings are for ESCC to engage the business sector (FSB, Association of East Sussex Chambers, individual Chambers and individual business reps), council members, Action in Rural East Sussex, business support organisations (Let's Do Business, Locate East Sussex), and District Borough Council Economic Development Officers.
East Sussex Voluntary & Community Sector EU Funding Open Dialogue	Representatives of the sector across the county were invited to a session with speakers from BIS, ESCC and the VCS sector.
West Kent Partnership	West Kent local authorities.
Kent & Medway Economic Partnership	Business representatives, Chambers of Commerce, local authority Leaders, Higher and Further Education.
Kent Economic Development Officers Group	Local authority economic development officers.
Business Advisory Board (BAB)	All business sectors represented.
Essex Open Meeting	Business, colleges, training providers, voluntary sector, environmental organisations, rural representatives, local authority partners.
Southend Business Partnership	Selection of Southend businesses from a range of sectors.
Thurrock Business Board	Selection of Thurrock businesses from a range of sectors.
Essex Business Group	Selection of Essex businesses from cross-sectors, including business representative organisations - Chamber, FSB and IOD and Essex SE LEP Board members.
Coastal Communities meeting	Cross-LEP representation of local authority partners from Coastal communities across the LEP.
Thurrock Business Conference	Business, colleges, training providers, voluntary sector, schools, local authority partners.
Essex Economic Development Officers Group	Economic Development officers from across the County, FSB, Colleges and selection of business support providers.
Green Infrastructure Seminar	Natural England, RSPB, Environment Agency, Forestry Commission, Voluntary Sector, nature partnerships, Local Authorities, CLA.
Coastal Communities Sessions	Local authorities, Natural England, Environment agency, voluntary sector.
Skills Theme Workshop	Colleges, training providers, private sector business, business representative organisations, Local authorities, Universities, National Apprenticeship Service, Job Centre Plus, Skills Funding Agency, Sector Skills Councils, voluntary sector.
Innovation and Smart Specialisation Workshop	Universities, private sector businesses, local authorities, specific industry sector representatives, Government departments, enterprise agency and innovation centre representatives, inward Investment agencies.
Low Carbon Workshops	Local authorities, existing Low Carbon Programme representatives, representatives from CORE locations.
SE LEP launch of Draft ESIF	Universities, Colleges, training providers, Private Sector Businesses, specific industry sector representatives, Government departments, enterprise agencies and innovation centre representatives, inward Investment agencies, Local authorities, voluntary sector, Natural England, environment agency, Skills Funding Agency, Job centre +, developers, train operators, Chambers and business representative organisations, National Trust, RSPB.
Voluntary Sector Sessions	Rural representatives, Community Voluntary Groups, Big Lottery, Government Departments, Job centre Plus.
CLLD	Local Authorities, National Maritime Group, Job centre +, Voluntary sector representatives, Housing Economic Development Project, Colleges, National Apprenticeship Service.
Skills advisory group	Local Authority Skills representatives, Skills Funding Agency.