

South East LEP EU SIF - Thematic Programmes

ERDF - Innovation, Investment and Enterprise

- 1.1 The SE LEP economy offers enormous potential for growth by creating a more innovative, advanced economy. We offer strengths in several national priority sectors. We have first class research and development centres based both in our nine universities and in industry. However our economy underperforms relative to the wider South East due to the over-representation of lower value sectors in the economy, a low rate of business creation and unexceptional rates of exporting.
- 1.2 We have therefore identified priority areas of intervention under the following headings, in order both to comply with national priorities and requirements, and to support higher levels of growth in the economy.

Table 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

- 1.3 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.
- 1.4 The Witty Review¹ 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.

Thematic Objective One	
Innovation and Smart Specialisation	
Evidence of need	<ul style="list-style-type: none"> Two thirds of UK private sector productivity growth between 2000 and 2007 was driven by innovation². The SE LEP area offers significant potential for growth in a number of national priority sectors.

¹ Encouraging a British Invention Revolution: Sir Andrew Witty's Review of Universities and growth, BIS, Oct 2013

² NESTA (2009) The Innovation Index: measuring the UK's investment in innovation and its investment

	<ul style="list-style-type: none"> • There is currently an over-reliance on low value sectors in the area, which contributes to below average levels of productivity. • Rural Innovation DEFRA 2013: Between 2008 and 2010, around 42% of both urban and rural businesses surveyed were involved in broader innovation activities (for example new or significantly improved products, processes, structures, or concepts, specific innovation projects, research and development etc.). This suggests that innovation is not affected directly by whether the business is located in an urban or rural settlement. • 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 to promote the development and commercialisation of new technologies • Anglia Ruskin MedTech Campus - providing health innovation spaces with on-site business support; • Saxon Business Park, with a focus on aviation, advanced engineering and servicing businesses connected to the airport. • Sustainable Ideas & Innovation Fund: Supporting pre-and post-start businesses and exploitation of IP • Networks for R&D and Innovation • Supporting innovation in both products and services • Building in innovation as a key provision in the Gateways to Growth • Ensuring clearer, understandable and usable routes between business and HEI and vice versa
Rationale for selection of activities	<ul style="list-style-type: none"> • Uncertainty around the outcomes of innovations and long lead-in times limits SME and investors' appetite for early stage research³ • Challenges in securing finance to exploit untried and untested technologies • Under supply of services to support R&D and innovation in the SE LEP area. • While there are programmes in development (e.g. the Anglia Ruskin MedTech Campus) the flow of information and cooperation between our HEIs and businesses remains sub-optimal.
Additionality, - fit with other local and national programmes	<ul style="list-style-type: none"> • Innovation and Research Strategy for Growth - focuses on enhancing innovation for SME growth. • The EU smart specialisation approach is already being implemented by universities, local authorities and other partners in the area. • The programmes envisaged are in line with government industrial strategy and sector strategies.
Value for money	<ul style="list-style-type: none"> • Integration of university-led and business to business innovation projects with wider business support programmes will extend impact and effectiveness, and therefore improve value for money. • All project applications will be subject to value for money assessments initially undertaken by the applicants which then may be checked by devolved areas and reported to

³ UK Innovation Survey 2011

	<p>the LEP EU sub-committee.</p> <ul style="list-style-type: none"> • National data from the TSB suggests that, on average, the business benefits that can be expected from a single KTP project are: An increase of over £240k in annual profits before tax; the creation of two new jobs and or; an increase in the skills of existing staff. Because of the small-scale of many LEP businesses, the KEP approach would aim to have more modest impacts, and also help companies reach a stage where they can engage in a full KTP. • In respect of sector networks feedback thus far on the University of Brighton Profitnet suggests 91% of businesses supported experienced a number of improvements, including 37% now collaborating with other members on joint business ventures and 33% having made cost savings. Detailed vfm data however is not yet available but we have a basis/benchmark to work from as projects develop. • MAS research suggests that every £1 of public funding allocated for MAS Level 4 support generated approximately £1.4 - £1.8 of economic benefit for the business.⁴ Although the support may go beyond a MAS+ project, we would estimate vfm of a similar or greater scale than cited here, on the basis of a much tailored set of interventions. • Vfm will be assessed at appraisal based on benchmarking (as above) where available.
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 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 as appropriate.</p> <p>Likely delivery agencies and partnerships include higher education institutions, local authorities and business support agencies with a strong delivery track record. They will develop proposals in response to invitations to bid which will be assessed through the LEP programme management structures and challenged to reduce risk and ensure quick and efficient delivery mechanisms, integrated with other business support programmes through the Gateways to Growth.</p>

⁴ Evaluation of MAS 2007

Impact	<p>The outputs anticipated from this strand of our programme will be:</p> <ul style="list-style-type: none"> • 5,875 enterprises supported • 400 new businesses cooperating with research institutions • 300 business supported to introduce new products or services <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/services to the market.
Match funding sources	<p>MAS opt-in - £5m</p> <p>Public-local - £4.5m</p> <p>Private Sector - £2.5m</p> <p>Public-national - £4.5m</p>

Supporting SME competitiveness

- 1.5 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.
- 1.6 Our priorities are integration of national and local programmes, access to finance, inward investment and developing export potential. Where opportunities exist, existing local authority supported provision will be co-located (physically or virtually) with other services through a “Gateways to Growth” approach, responding to local needs and business demand.

Thematic Objective Three SME Competitiveness	
Evidence of need	<ul style="list-style-type: none"> • LEP target is 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 innovation⁵, improving productivity in existing businesses⁶ and supporting job creation⁷.

⁵ NESTA (2009) “Business Growth and Innovation: The wider impact of rapidly-growing firms in UK city-regions”

	<ul style="list-style-type: none"> • 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. • The UK government wants to help double the UK's exports to £1 trillion by 2020. • 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. • The UK government wants to help double the UK's exports to £1 trillion by 2020.
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. • Southend piloting an approach through the Southend City Deal Growth Hub to provide seamless access for businesses with a particular focus on priority sectors, joining up UKTI, GA, MAS, SFA and TSB support with local delivery team signposting and co-ordination. Good practice from this pilot will be used elsewhere. • Access to finance schemes - development and extension of programmes • Export development programmes, including micro-loan scheme • Fully funded mini-market visit programmes • Sector-focused trade missions • Business to business mentoring • Business networking and links to sector programmes, including Creative Sector Innovation Hub on High House Production Park • Increasing business starts • Support in identifying premises • Direct loan finance to businesses with the appetite and potential for growth
Rationale for selection of activities	<p>SME support and accelerating growth:</p> <ul style="list-style-type: none"> • The small proportion of high growth SMEs that exist are important, creating around a quarter of new jobs⁸. The SE LEP area needs to grow the number of high growth job creating companies • SMEs have been shown to play a vital role in stimulating innovation⁹, improving productivity in existing businesses¹⁰ and supporting job creation¹¹. • 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 failures¹².

⁶ BIS Economics Paper No. 12 (2011) "Productivity and the Economic Cycle"

⁷ Anyadike-Danes, Bonner and Hart (2011) "Job Creation and Destruction in the UK: 1998 – 2010"

⁸ ED AU secondary analysis of data in NESTA (2009) "Measuring business growth" Anyadike-Danes, Bonner, Hart and Mason

⁹ NESTA (2009) "Business Growth and Innovation: The wider impact of rapidly-growing firms in UK city-regions"

¹⁰ BIS Economics Paper No. 12 (2011) "Productivity and the Economic Cycle"

¹¹ Anyadike-Danes, Bonner and Hart (2011) "Job Creation and Destruction in the UK: 1998 – 2010"

¹² BIS (2013) SMEs: The Key Enablers of Business Success and the Economic Rationale for Government Intervention

	<ul style="list-style-type: none"> • Business support displays ‘public good’ characteristics and creates positive externalities, possibly resulting in under provision by the private sector¹³. • Mentoring has been shown to deliver benefits across a range of areas, including leadership skills and business planning¹⁴. <p>Access to finance:</p> <ul style="list-style-type: none"> • 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 to high growth firms compared to other businesses¹⁵. • The provision of loan finance through access to finance programmes and SEFUND will ensure a strong emphasis on long term viability of the business. Businesses benefiting from RGF-backed support have indicated that loans have been more helpful than grant support in demonstrating credibility to private sector investors¹⁶. • 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. <p>Support for exporting:</p> <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 networks¹⁷. • A minority of registered firms export¹⁸, with most firms exporting only a small share of their output¹⁹. However, many internationalised firms experience a ‘virtuous circle’ where exporting leads to new innovation, and where those innovations then lead to further exporting²⁰. • 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 firms²¹.
<p>Additionality, and relationship with national programmes</p>	<p>Business Support programmes:</p> <ul style="list-style-type: none"> • There are a wide variety of existing business support programmes run through local authorities and their partners, along with access to finance programmes supported by local authorities with Regional Growth Fund. These 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. • SE LEP partners are particularly interested in exploring the potential for Growth Accelerator to work with companies which

¹³ BIS (2013) SMEs: The Key Enablers of Business Success and the Economic Rationale for Government Intervention

¹⁴ BMG (2013), 'Demand for mentoring among SMEs'

¹⁵ BIS (2013) SMEs: The Key Enablers of Business Success and the Economic Rationale for Government Intervention

¹⁶ Feedback to Expansion East Kent

¹⁷ BIS (2011) International Trade and Investment – the Economic Rationale for Government Support

¹⁸ 11.2% of registered businesses in Great Britain export either goods or services, or both in 2012 – ONS (2013) Annual Business Survey

¹⁹ BIS (2011) International Trade and Investment – the Economic Rationale for Government Support

²⁰ UKTI (2013) New markets, new ideas: How exporting fosters innovation and growth

²¹ Regeneris (2013) Workstream 2: Economic efficiency and what works in local economic policy

	<p>are below the minimum access criteria, to prepare them for the mainstream Growth Accelerator programme.</p> <p>Inward Investment:</p> <ul style="list-style-type: none"> • Locate in Kent, Locate East Sussex, 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. <p>Exporting:</p> <ul style="list-style-type: none"> • 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. <p>Access to Finance:</p> <ul style="list-style-type: none"> • Additionality for access to finance programmes 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. • Extends successful government-funded schemes supported through the Regional Growth Funds. • 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 including via Gateways to Growth.
Value for money	<p>Business support programmes:</p> <ul style="list-style-type: none"> • Alignment and co-ordination between national and local programmes will lead to increased coverage (through cross-referrals and better information), greater impact of individual programmes (through more effective targeting), and hence better value for money. • There is little quantitative research available on vfm for business support, so we will ensure that robust evaluation processes are put in place for this programme. One assessment from 1998 of the Business Link service assessed the impact of support provided as adding nearly £55,000 to a company’s turnover, and 1.63 workers to the employment within the average firm. Service users in the same research assessed that during a three year period covered by the research, firms, on average, increased their employment by 0.4 jobs, their turnover by £76,000, their profits by £9,000, their net assets by £13,000 and their exports by £6,000 because they had received Business Link support (this excluded deadweight). <p>Access to finance:</p> <ul style="list-style-type: none"> • For the access to finance provision in East Sussex, RGF is capped at £16,000 per job created, although the average currently is set at £8,000. This compares favourably with the national figure set

	<p>at of £33,000 per job.²² LEP interventions will be benchmarked against comparable schemes elsewhere and will draw on lessons learned from the current RGF loan and grant funding programmes.</p> <p>Evidence from evaluation and monitoring 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. <p>All schemes:</p> <ul style="list-style-type: none"> • All projects and programmes will be subject to value for money assessment as part of their appraisal process through the devolved structures and LEP EU Partnership; • Opt-in agreements will be subject to detailed negotiation between local authorities, key stakeholders, and the opt-in agencies.
<p>Commissioning/delivery and risk</p>	<p>For SME support programmes to be delivered by local partners, we have identified a number of pipeline projects with a range of match funding sources, and will assess these applications through open bidding rounds and commissioning.</p> <p>For exporting projects, SE LEP partners are interested in working closely to increase the work of UKTI in the area increasing export, sector development and building capacity in companies to make export plans happen. We are in the process of negotiation with UKTI over the opt-in.</p> <p>In respect of the Growth Accelerator again SE LRP partners are working with GA to identify and agree the needs both across and within the sub LEP areas.</p> <p>In relation to Access to Finance, SE LEP may use 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.</p>
<p>Impact</p>	<p>The outputs anticipated from this strand of our programme will be:</p> <ul style="list-style-type: none"> • 6,370 jobs created • 9,135 businesses assisted • 3,400 new enterprises supported <p>The results of this in terms of local impact will be:</p>

²² NAO Regional Growth Fund 11 MAY 2012

	<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.
Match funding sources	<p>Growth Accelerator opt-in - £9.4m</p> <p>UKTI opt-in - £5.4m</p> <p>Public-local - £4.7m</p> <p>Private - £19m</p> <p>Public-national - £11m</p>

Thematic Objective Four Supporting the shift towards a Low Carbon Economy	
Evidence of need	<ul style="list-style-type: none"> • Impact of predicted climate change on prosperity and wellbeing • The challenge of energy security and fossil fuel prices • Maximising the economic opportunities arising from these issues • One of the SE LEP priority sectors is low carbon and offshore wind - the area includes a long stretch of coast and estuary, particularly vulnerable to impacts of climate change, with transport infrastructure vulnerable to extreme weather. • Across all sectors there are significant opportunities to reduce costs through improving energy efficiency and reducing waste, and through supporting the development of low carbon (and waste) supply chains. • Nationally the Low Carbon Plan identifies savings targets of 29% CO2 by 2017 and 35% by 2022 (from 1990 levels). The SELEP region currently contributes 7.12% of the carbon footprint for England. Between 2008 and 2011 3.3MtCO2e has been saved within the SELEP, contributing only 0.11% of the national target for that period. • Energy is a significant issue for our business base with increasing prices impacting on business viability. Importation of fossil fuels (EU figures are 80% of oil and 50% of gas) and an ageing energy infrastructure create a significant vulnerability for growing the economy. Global electricity demand is predicted to increase by 89% over the next 25 years exacerbating the current challenges.

<p>Project/programme priorities</p>	<ul style="list-style-type: none"> • Look to build on the success of the ERDF funded Low Carbon Business programme by securing new ERDF resources to deliver a new three year programme. The offer of the programme will be extended to offer Knowledge Transfer placements to support R&D and the implementation of innovation projects in business. The footprint of this successful programme can be extended to cover all four federated areas. • Sector-focused business support, to promote the development and commercialisation of new low carbon technologies. • Low carbon supply-chain growth programmes. • 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. • Development of Newhaven Clean Tech cluster, and support for CORE programme in North Kent, and its extension to Harwich and to other potential sites in the SE LEP area. • Development of support for environmental technology businesses, including feasibility of combined heat and power opportunities. • Supporting business to reduce their bottom line costs in terms of energy usage.
<p>Rationale for selection of activities</p>	<ul style="list-style-type: none"> • Sustainable growth requires ever increasing efficiency and reduction in emissions. • Since 2009 when the current South Essex Low Carbon Business programme started there has been a steady demand from SME's for low carbon support. 2900 business have been in contact with the programme [13.81% of the business based for South Essex based on 2009 baseline] Of these 1745 have formally engaged in the programme and 1021 have completed 12 hours (or equivalent) support. • Over £5.4m of low carbon projects have been brought to the programme showing the ongoing level of investment in the sector by SMEs to support this £1.748m of grant funding has been provided with over £500k of further project in the application process. • The LCB programme shows £6m of works and services from the 5% of local businesses that have completed support through the programme. The scale of the market for low carbon goods and services is significant and increasing. With an existing energy and manufacture sector thriving in the sub region, the area is well placed to develop its business base for green technologies and to be a low carbon hub. The level of energy sector and the targets for housing and industrial development provide further opportunities to assess the opportunity for heating and renewables systems within this. • Demand for business start up support also remains high, 920 individuals have approached the Thurrock Local Enterprise agency for advice through the programme. Conversion rates remain very low with 50 registering as businesses. This shows the level of potential for robust pre-start support.

	<ul style="list-style-type: none"> • It is one of the SEP strategic objectives to support the low carbon energy sector, particularly in relation to offshore wind. • The Coastal Communities Group has identified a number of programmes that could be developed into a coherent package of support for the offshore wind sector and supply chains. • Sustainable tourism is partly dependent on the distinctive, high quality landscapes, wildlife, habitats and heritage assets of the county. • DEFRA estimates that action to protect and enhance such natural and historic assets can have a benefit to cost ratio of up to 100:1 (East Sussex Environment Strategy, 2011);
Additionality and fit with national programmes	<p>We want to play a central role in delivering the government's Offshore Wind Industrial Strategy²³. 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.</p> <p>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.</p> <p>Exploitation of low carbon technologies across a range of sectors will also be a key element of our approach to innovation and growth.</p>
Value for money	<p>The focus on low carbon fits well with national policy. There are opportunities for synergy and added value which can result from collaboration. Previous ERDF low carbon support projects in the East of England achieved significant GGHG reductions at a unit cost of around £26 per tonne of CO2. We would expect a similar unit cost for this programme of activity.</p> <p>The current LCB programme delivered (phase 1) outputs at a value of £3,895 per grant and £1,683 per 12 hour support across 870 businesses.</p> <p>All projects and programmes will be subject to value for money assessment as part of their appraisal process through the devolved structures and LEP EU Partnership.</p>
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</p>

²³ Department for Business, Innovation & Skills and Department of Energy & Climate Change (2013) Offshore Wind Industrial Strategy – Business and Government Action

	<p>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.</p>
Impact	<p>The outputs anticipated from this strand of our programme will be:</p> <ul style="list-style-type: none"> • 2,400 enterprises supported with business resource efficiency measures • annual reduction of 157,000 tonnes of greenhouse gas (GHG) emissions <p>The results of this in terms of local impact will be:</p> <ul style="list-style-type: none"> • growth of the low carbon economy; and, • Increase in energy efficiency.
Match funding sources	<p>Public-local –£1m</p> <p>Private - £5.5m</p> <p>Public-national -£10m</p>

European Agriculture Fund for Rural Development (EAFRD)

- 1.1 Through the European Fund for Rural Development (EAFRD), the South East LEP has been allocated £14.5m to support economic growth in rural areas.

EAFRD Supporting economic growth in rural areas	
Evidence of need	<p>There are more businesses per head of population in predominantly rural areas than in predominantly urban areas: over a third (35.6%) of the SE LEP business base is located in rural areas – significantly greater than the rural share of the population (23.9%)²⁴. This includes 35.5% of businesses in the professional, scientific & technical services sector and 36.7% of manufacturing businesses.</p> <p>However, since 2008 there have been more business start-ups per head of population in predominantly urban areas than in predominantly rural areas in England²⁵.</p> <p>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.</p>

²⁴ Department for Environment, Food & Rural Affairs (2014) Rural Focus Report

²⁵ Department for Environment, Food & Rural Affairs (2014) Rural economy

	<p>Rural businesses tend to be smaller than businesses in urban areas: 91% are micro enterprises employing fewer than ten people (compared to 88.6% in urban areas)²⁶. Rural businesses also tend to have additional barriers in relation to connectivity - physical and virtual, and we need to continue to progress improved digital connectivity (mobile and internet), and helping rural businesses to operate effectively and grow in rural areas²⁷. This includes improving access to business skills development and training opportunities.</p>
<p>Project/programme priorities</p>	<p>Our programme priorities include:</p> <ul style="list-style-type: none"> • Critical infrastructure including digital and mobile connectivity; • Access to finance to support business growth; • Optimising the take-up of new technology and supporting innovation; and, • Continued diversification, including the growth of agri-tech, energy production and tourism <p>To assist in delivering locally-targeted support appropriate to the businesses across the LEP, we propose to pass a proportion of the funding (50%?) directly to the LEADER Local Action Groups to allocate alongside their LEADER funding. This will help to avoid confusion, and ensure a coherent approach to the allocation of the two funds.</p> <p>We envisage that despite the development of a number of additional LAGs in the SE LEP area, there will still be some "white space" between them, and we would look to target businesses in these areas for some of the additional support in the areas suggested above.</p> <p>Some specific projects types that we would seek to prioritise include:</p> <ul style="list-style-type: none"> • Agri-tech Innovation Centre - East Malling Research, Lee Valley glasshouse project/Food security institute, Thanet Earth, Writtal College, U of E Sustainability Institute, Plumpton Agricultural College. • Business Advice and support for micro businesses to encourage business run from home • Marketing and export of food products • Broadband - last mile investment • Small scale renewables - e.g. SDNP project, and Forestry Commission Forestry Wood Fuel; rural business parks and community facilities. • Tourism
<p>Rationale for selection of activities</p>	<p>We recognise the previous success of our SE LEP LAGs and would wish to support their approach to delivering support to</p>

²⁶ Department for Environment, Food & Rural Affairs (2014) Rural Focus Report

²⁷ Department for Environment, Food & Rural Affairs (2013) Guide to Rural Proofing

	<p>businesses in rural areas.</p> <p>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.</p>
Additionality - fit with other local and national programmes	Government Agri-tech priority sector initiative
Value for money	<p>VfM assessment will be undertaken on a project by project basis at appraisal, project promoters will also need to address this at the application stage. We expect all projects will look at three tests: an economic test, an efficiency test, and an effectiveness test. Output and impact estimates, and value for money assessments will use methodologies and benchmarks that are proportionate to the size of the project.</p> <p>The appraisal will provide an assessment of whether a proposal is worthwhile in terms of clearly identified objective(s) and provide evidence there is both a need for it and demand to take it up. It should also confirm the proposed intervention is likely to be worth the cost by ensuring there are SMART objectives and that the options considered for delivering them are reasonable.</p> <p>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.</p>
Commissioning/delivery and risk	An approach that builds on the existing LAG partnership mechanisms will reduce risk through the programme through ensuring a cohesive approach to allocation of LEADER and EAFRD funding, and reduce confusion amongst potential applicants by hiding the wiring of decision-making about which fund to apply for.
Impact	
Match funding sources	Private sector

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ESF allocation by thematic objective

ESF Thematic Objective	ESF allocation
Employment/labour mobility: access to employment and sustainable integration of young people	£33,800,000 (41%)
Education, skills and lifelong learning	£32,200,000 (39%)
Social inclusion: active inclusion	£16,500,000 (20%)
Total ESF allocation	£82,500,000 (100%)

Thematic Objective 8	
Promoting Employment and Supporting Labour Mobility	
Evidence of need	<ul style="list-style-type: none"> Local employers are looking for a single contact point for employment & skills. 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. 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. 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"> 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. 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

<p>Rationale for selection of activities</p>	<p>Employer Portal:</p> <ul style="list-style-type: none"> The programme 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 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>Brokerage:</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 <p>Apprenticeships:</p> <ul style="list-style-type: none"> SMEs struggle to engage Apprentices – take up of AGE grants & other national employer incentives is poor. The local authorities have achieved an excellent additional update in apprenticeships through its current incentive scheme, which has the potential to be extended widely across the area and make a significant impact on youth unemployment. 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 <p>Guilds</p> <ul style="list-style-type: none"> 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. Kent County Council have piloted the Guilds approach in the hospitality sector, and this will be rolled out across these wider sectors and across a wider geographical area.
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<p>Additionality, and fit with national programmes</p>	<p>Enhanced IAG</p> <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. <p>Apprenticeships</p> <ul style="list-style-type: none"> • Builds on the National Apprenticeship Service offer - 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. <p>Guilds:</p> <ul style="list-style-type: none"> • 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’. The establishment of Guilds in key sectors will create a truly effective partnership between employers and the education and training sector.
<p>Commissioning/delivery and risk</p>	<p>The programme will include support under the SFA opt-in arrangement, particularly in relation to building on the NAS offer through skills training. Negotiation with the opt-in agencies will reduce risk and ensure a quick start to programme delivery.</p> <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>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>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 • 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.
Value for Money	<p>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. Negotiation of the opt-in agreements will help to secure value for money from the programmes.</p> <p>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.</p>
Outputs	<p>Outputs:</p> <ul style="list-style-type: none"> • 43,000 participants <p>Based on: 30,000 participants supported with enhanced IAG, 2,000 participants supported with brokerage of vocational training opportunities, 5,000 participants benefitting from retraining in growth sectors, and 6,000 participants accessing apprenticeships.</p> <p>Results:</p> <ul style="list-style-type: none"> • No. in education/training • No. gain qualifications • No. in jobs • No. in positive job search activities
Match funding sources	<p>Opt-in - DWP - £10m Opt-in SFA - £20m Public-local - £3.8m</p>

Thematic Objective 9

Promoting Social Inclusion and Combating Poverty

Evidence of need	<ul style="list-style-type: none"> • Employment is considered the best route out of poverty and people with higher skills are less likely to be on low incomes²⁸. Low skills of parents often consign the next generation to have lower aspirations, skills, and even poorer health. • Inequality in skills is associated with inequality in income²⁹. • There is a need to break down barriers to work, and to create new skills and employability pathways to improve access 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 groups³⁰ • Employers have indicated that many young people lack “employability skills”³¹. • 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.
Project/programme priorities	<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 unemployment/NEETs; • 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.

²⁸ Skills and educational attainment are likely to have the biggest impact on income and poverty through their relationship with employment and earnings – JRF (2012) Skills, employment, income inequality and poverty

²⁹ A large share of low-skilled adults is associated with a high income inequality - OECD (2013) Skilled for life? Key Findings from the Survey of Adult Skills

³⁰ 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% - Department for Education

³¹ e.g. 17% of businesses who have recruited 17-18 year olds to first job from School in last 2-3 years say that young people have a poor attitude / personality or lack of motivation - UKCES (2014) Employer Skills Survey 2013

	<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 lifesituation 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. <p>CLLD programmes:</p> <ul style="list-style-type: none"> • There have been expressions of interest in establishing CLLD programmes, received from Thanet, Hastings and Rother, Dover and Ramsgate, Thurrock, Romney Marsh, Devonshire ward in Eastbourne, Jaywick in Tendring, Tonbridge and Malling, and Medway. • The programmes envisaged will include youth employment schemes, local niche market employment schemes eg heritage related tourism, programmes for economically active over 50s and ethnic minorities, volunteering and community led networks and hubs for improved services to deprived communities. Retraining following decommissioning of nuclear power stations is a further proposal. • Development of these and areas is currently taking place to confirm the programme priorities, and identify match funding and outputs, and this information will be provided within the next few weeks.
<p>Rationale for selection of activities</p>	<p>Targeted interventions will ensure that people are able to make sustainable transitions to work and beyond.</p> <p>Some young people do not have any work experience. 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.</p> <p>Helping workers to improve their working hours and skills is vital to improving incomes, reducing dependency and poverty.</p> <p>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> <p>CLLD programmes have been suggested in areas including those most disadvantaged in the area (eg Hastings and Thanet), and isolated coastal communities. In a number of these areas there are</p>

	<p>existing community-led regeneration programmes, and programme management infrastructure in place to support delivery.</p>
<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.</p> <p>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), 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 shaping the provision available under this activity.</p> <p>CLLD – These will be further worked up in time for submission to HMG in July. This will include LEP consideration of the CLLD</p>

	<p>submissions part of which will be vfm and links into and support (complementary or additional) of the SEP and the SIF Social Inclusion objectives. It will be recognised however that CLLD is bottom up and is proven through most Leader programmes to be both an effective and efficient method of identifying themes and activity that may not necessarily be on the LEP horizon (due to the size of most LEPs and the SOA led focus of CLLD); as such, providing the CLLD submissions have a strong and robust evidence base for the interventions suggested, can show a strong delivery infrastructure and vfm in relation to outputs then they are more likely to gain LEP support. CLLD projects will be appraised against locally agreed criteria, in accordance with any government or LEP guidance. Accountability for the programme will be through a local authority which will act as the Accountable Body.</p>
ESF outputs and results	<p>Estimated outputs are:</p> <ul style="list-style-type: none"> • 13,400 participants <p>Based on: 2,530 participants supported with work experience, 2,800 participants supported with reduced inactivity, 1,800 from reduced underemployment, 1,800 participants benefitting from transition support, 500 from job carving and additional support, and 4,000 from training on soft skills.</p> <p>Results:</p> <ul style="list-style-type: none"> • No. economically inactive people in job search activities • No. education/training • No. gaining qualifications • No. in jobs • No. Positive job search activities <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> <p>CLLD - outputs to follow.</p>
Match funding sources	<p>Opt-ins – Big Lottery - £8m</p> <p>Civil Society - £6.3m</p> <p>Public-local - £2.2m</p> <p>CLLD match funding sources to follow.</p>

Thematic Objective 10

Education, Skills and Lifelong Learning

Evidence of need	<ul style="list-style-type: none"> • SE LEP has low GVA per job £4,400 lower than national average³² • Low skills of existing staff impedes the ability for some SMEs to compete, innovate & grow³³ • Many businesses have identified skills gaps in their workforce – these include practical and technical skills at all levels as well as leadership and management skills³⁴. • Businesses sometimes find it difficult to source training at the right price and in a timely manner³⁵. • Job opportunities exist, but SMEs are unable to secure skilled staff from the local area³⁶ • Many workers have to make career changes, notably from public sector roles, whilst transferable skills can be identified with lighter touch support. As the nature and structure of employment has changes, there is a need for retraining in our employment growth sectors. • SE LEP has an ageing workforce, with many skilled workers approaching retirement age³⁷.
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. • 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>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</p>

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

³³ UKCES (2014) Employer Skills Survey 2013

³⁴ 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.

³⁵ Lack of funds is a barrier for most businesses (61%) who would provide more training if they could, 10% of these businesses find it hard to find the time to organise training - UKCES (2014) Employer Skills Survey 2013

³⁶ 21% of businesses reported skills gaps or skills shortages in 2013 – UKCES (2014) Employer Skills Survey 2013

³⁷ ONS (2013) Subnational Population Projections

	<p>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>
<p>Additionality, and fit with other programmes</p>	<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.
<p>Relationship with national programmes</p>	<p>The SFA opt-in agreement will enable alignment with other nationally-commissioned training provision for adults. 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; • more money (£50m) to help learners with costs such as childcare; and, • 24+ advanced learning loans.
<p>Value for money</p>	<p>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.</p>
<p>Commissioning/delivery and risk</p>	<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</p>

	of local match funding sources, and will assess projects through open bidding rounds and/or commissioning.
Impact	<p>Outputs:</p> <ul style="list-style-type: none"> • 11,725 participants <p>Based on 4,725 participants helped with bespoke higher level skills training (incl. Leadership & Management), 5,000 from retraining in growth sectors, and 2,000 from access to apprenticeships.</p> <p>Results:</p> <ul style="list-style-type: none"> • No. Education/Training • No. Gaining Qualifications • No. in jobs
Match funding sources	<p>Opt-in SFA - £13m</p> <p>Private - £6.55m</p> <p>Public-national - £8m</p> <p>Public-local - £5.65</p>