

# South East

Local Enterprise Partnership



**SOUTH EAST LEP**

## **EUROPEAN STRUCTURAL AND INVESTMENT FUND STRATEGY**

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**FINAL REVISED VERSION V11 MARCH2016**

# CHAIRMAN'S FOREWORD

## Introduction

Welcome to the South East Local Enterprise Partnership's **European Structural and Infrastructure Framework (ESIF) strategy**, the primary document for European investment in business growth, skills and jobs across the South East of England. Back in 2013, the South East secured its best ever agreement for investment from the European Structural Funds – the European funding which includes the ESF, ERDF and EAFRD programmes. This currently totals around €200m.

The UK Government has now completed negotiations with the EU Commission on how these programmes will operate nationally and it vital we now ensure they are directed to our priorities for local business and local people.

Our "refreshed" ESIF Strategy is the document that will ensure this happens.

The South East area comprising East Sussex, Essex, Kent, Medway, Southend and Thurrock is a powerhouse of the national economy. Our businesses and communities have clearly defined needs which our ESIF Strategy addresses.

We want to encourage great new ideas to come forward for investment that will support our major or growing business sectors - such as our ports, the logistics, agritech and creative industries – our major growth corridors and our bespoke Growth Hub services to local business. We want to foster new innovation and enterprise to drive local growth and create new private sector jobs.

At the same time, we want to strengthen the skills of local people: helping those in jobs to progress, and bringing those currently not in work much closer to the labour market. Our "escalator of opportunity" approach promotes higher level skills and apprenticeships, while supporting employability and basic skills through joint investment with the Big Lottery for groups of people most in need.

A specific focus on areas such as our coastal and rural towns will ensure wider community benefit in areas which face particular and shared challenges.

The SE LEP ESIF Strategy is the culmination of several years working with private, public and community sector partners and is the definitive document for the 2014-20 EU programme for business, skills and rural funding.

Most practically, the strategy is now the core document of the SE LEP ESIF Committee whose members will use it to judge the "fit" of project applications with its objectives in assessing their suitability for funding. In short, the success of projects in accessing funds will depend on it.

With the publication of this document we now have in place the strategy, with the funding and the partnership. It is now up to us all to deliver the growth, jobs and skills our local economy needs to thrive and grow.

I look forward to working with you.

George Kieffer

**Chairman, SELEP ESIF Committee**

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# 1 Introduction to the strategy

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- 1.1 This is a strategy to develop workforce skills, support innovation and business, and tackle social exclusion across the South East Local Enterprise Partnership (SELEP) area of East Sussex, Medway, Kent, Southend, Thurrock and Essex.
- 1.2 Fitting hand-in-glove with the South East LEP area Growth and City Deals and Strategic Economic Plan, our EU Structural and Investment Fund Strategy makes clear proposals for investment of the €187m from ESF and ERDF allocated to the SELEP area which will be matched by public, private and community investment. In addition, it outlines how the further €18mm of funding through the European Agricultural Fund for Rural Development will support and develop rural business and communities.
- 1.3 SELEP is more than just a Board - it is a wider partnership with the private and public sectors and with civil society across the SELEP 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 Growth Hubs 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 SELEP 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 Deals 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 SELEP skills challenge will be addressed by placing the needs of employers at the centre of our skills and employability offer; developing an 'escalator of opportunity' and offering the very best independent skills and careers advice and guidance; and increasing take-up and adding value to apprenticeship and vocational provision to upskill the SELEP workforce. We will also offer support to those in need of employment but who socially excluded and remain several steps removed from the labour 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 ESIF sub-committee level for rigorous value for money and impact.
- 1.11 SELEP 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 and the EU through the SELEP area ESIF sub-committee.

## 2 SELEP – Strengths and Opportunities

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### SELEP's Strategic Economic Plan

- 2.1 The SELEP strategic economic plan (SEP) and Growth Deals set 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 Plan identifies four key pan-LEP priorities:

Building on our economic strengths;

Boosting our productivity;

Improving our skills; and,

Building more houses and re-building confidence.

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

- 2.2 The SELEP area is large, encompassing Essex, Southend, Thurrock, Kent, Medway and East Sussex. With four million residents, the SELEP area accounts for 7.5% of England's total population, and is the second most populous LEP area in England<sup>1</sup>. The Office of National Statistics (ONS) forecasts that the population will grow by a further 368,000 by 2021<sup>2</sup>. 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)<sup>3</sup>. This overall growth in the potential workforce is an important economic asset.
- 2.3 With two million economically active people in the LEP area, and over 1.8 million residents in employment<sup>4</sup>, the SELEP area is a major employment area in its own right. In 2011 there were 1.7m jobs in the SELEP economy<sup>5</sup>. This represents 6.5% of the total jobs base in England.
- 2.4 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 SELEP area each day and many London businesses and sectors have trade and supply chain links to those in the SELEP area<sup>6</sup>. Skilled commuters are prime assets that are of value both to London employers and to businesses supplying services in the SELEP communities where salaries are spent. An economic footprint that contributes significantly to the national economy.

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<sup>1</sup> ONS (2013) mid-year population estimates

<sup>2</sup> ONS (2012) interim 2011-based subnational population projections for England

<sup>3</sup> ONS (2012) Interim 2011-based subnational population projections

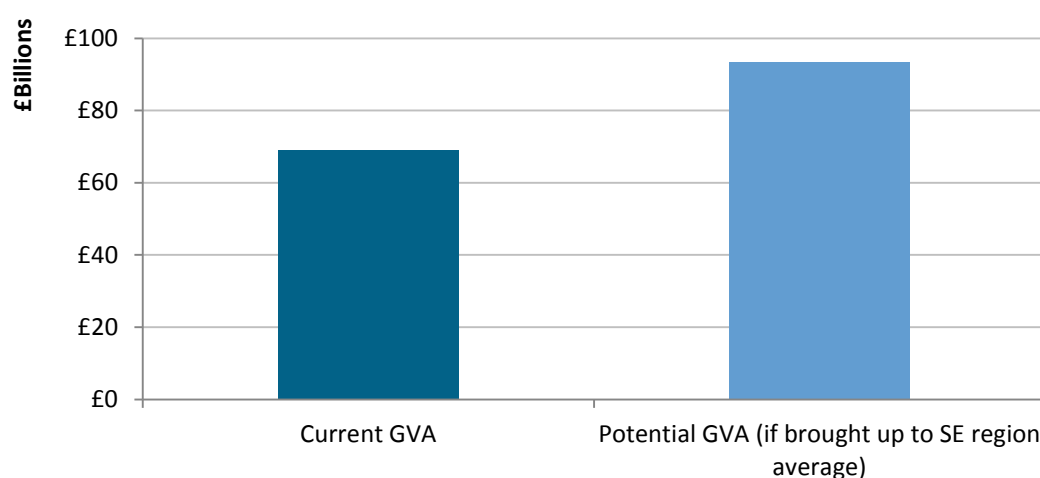
<sup>4</sup> ONS (2013) annual population survey

<sup>5</sup> ONS (2012) jobs density

<sup>6</sup> ONS (2012) annual population survey 2011

- 2.5 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 SELEP economy totalled £68.9bn, representing 5.9% of the England total (£1,174bn)<sup>7</sup>.
- 2.6 Future growth to the economy is therefore of vital national interest, yet the economic contribution of the SELEP 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 SELEP 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 SELEP output per resident were comparable to that across the South East region in 2012, the SELEP 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...

- 2.7 The SELEP 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 2011<sup>8</sup>, and London Gateway, which is providing deep-sea shipping access to the largest UK and international consumer markets and places the SELEP area firmly at the centre of the UK's logistics operation with links to the rest of the world. Other locations, like Harwich, Newhaven, Ramsgate, Sheerness, Purfleet, Tilbury and Thames-port, are also major freight ports.
- 2.8 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 passengers<sup>9</sup> and a quarter of England's sea freight<sup>10</sup>. With

<sup>7</sup> ONS (2013) Regional Gross Value Added (Income Approach)

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

<sup>9</sup> Data for 2011 – Department for Transport (2013) Sea passenger statistics: 2012

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

around 95% (by volume) of the UK's international trade being transported by sea, these areas are vital for UK trade<sup>11</sup>.

- 2.9 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 2012<sup>12</sup>, London Southend and close proximity to London's major airports, City, Heathrow and Gatwick. The supply chain and labour market for Gatwick is of particular significance to the eastern part of the SELEP area, although the airport itself lies in the Coast to Capital area. Cross-Channel services run via Eurotunnel from Folkestone, which carried over 7 million passengers and 15 million tonnes of freight in 2010<sup>13</sup>, 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**

- 2.10 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.
- 2.11 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**

- 2.12 There are a number of sectors with high growth potential in the SELEP area, which fit closely with the National Industrial Strategy<sup>14</sup>, and through which we can target LEP-wide support for innovation.
- 2.13 Each of the SELEP areas has carefully identified those sectors with the most growth potential. Further analysis indicates that there are some major opportunities across the SELEP area to build on existing strengths and respond to identified national priorities:
- **Life sciences and medical technology** is a clear specialisation within SELEP 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 sector<sup>15</sup> 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.

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<sup>11</sup> UK Trade & Investment (2008) The UK Ports Sector

<sup>12</sup> CAA (2013) UK Airport Statistics: 2012 - annual

<sup>13</sup> Department for Transport (2012) Channel Tunnel: traffic to and from Europe

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

<sup>15</sup> ONS (2013) Business Register and Employment Survey



- **Advanced manufacturing** currently provides 43,000 jobs<sup>16</sup> and is represented by a number of world class manufacturing firms operating in the SELEP 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 jobs<sup>17</sup>. The SELEP 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 Lydd, as well as just outside our area at Gatwick.. SELEP is also the location of the high speed rail link to Europe and HS1.
- The **low carbon economy** currently employs 46,000 people<sup>18</sup>. There is offshore wind manufacturing capacity across the SELEP 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 SELEP. In addition, as pressure grows to reduce energy consumption and conserve resources, demand is rising for lower carbon and environmental technologies, services and processes in a diverse range of sectors, including manufacturing and construction as well as in the Public Sector itself, and across all housing stock, private and social.
- **Tourism and leisure** is a significant sector in employment terms providing 95,900 jobs<sup>19</sup>. 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. There is a strong potential link between this sector and the creative and cultural sector particularly film and TV link ups
- The **creative, cultural and media** sector employs 32,200 people<sup>20</sup>, 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 £76,700<sup>21</sup>. 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 Folkestone, and the School for Creative Start Ups, the University of the Creative Arts (UCA), the Marlowe in Canterbury and arts facilities in East

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<sup>16</sup> ONS (2013) Business Register and Employment Survey

<sup>17</sup> ONS (2013) Business Register and Employment Survey

<sup>18</sup> ONS (2013) Business Register and Employment Survey

<sup>19</sup> ONS (2013) Business Register and Employment Survey

<sup>20</sup> ONS (2013) Business Register and Employment Survey

<sup>21</sup> ONS (2013) Business Register and Employment Survey and TBR (2013) Trends Central Resource

Sussex including the University of Brighton in Hastings, Jerwood Gallery in Hastings, Glyndebourne International Opera House near Lewes and the De La Warr Pavilion in Bexhill. There are also links with Tech City in London. SELEP's cultural strengths support innovation in a number of sectors. Alongside the creative and cultural industries, the sport sector adds a further 24,000 jobs<sup>22</sup>. The sector would benefit from development of its film/TV location offer and studio space, and a stronger link to the supply of trained employees through the skills strategy

- The **social care and health** sectors are of particular importance in our area, particularly in our coastal and smaller towns. Growing numbers of older people in need of social care is fuelling demand for increasingly skilled care workers and innovative technological and organisational responses in a tight financial environment. Although the sector is traditionally low wage, employment growth could be substantial and the market is ripe for disruption and the creation of sustainable models incorporating higher value, higher skilled provision drawing on new approaches, partnerships and technologies. Integration of health and social care is opening space for entrepreneurial responses including by social enterprises
- The **social enterprise and NGO sector** is strong across the SELEP area and has potential both as an engine of employment growth in its own right, and as a route for disadvantaged people to progress towards employment. SELEP has a stated goal of becoming the most social enterprise friendly part of the UK.

- 2.14 We need to develop our strengths in these sectors through targeted support for the development of innovative clusters, exploitation of the SELEP area Growth Hub, 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...**

- 2.15 With 344,300 businesses in the area, SELEP has a strong business base and a high business density<sup>23</sup>. 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)<sup>24</sup>. 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 England<sup>25</sup>.
- 2.16 SELEP 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 England<sup>26</sup>. A higher proportion of businesses in the area have applied for a patent (3.2%) than the England average (2.8%)<sup>27</sup>. This means that we have a sound base and a culture / willingness

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<sup>22</sup> ONS (2013) Business Register and Employment Survey

<sup>23</sup> TBR (2013) Trends Central Resource

<sup>24</sup> ONS (2013) annual population survey

<sup>25</sup> ONS (2013) Business Demography 2012

<sup>26</sup> ONS (2011) UK Innovation Survey 2011

<sup>27</sup> ONS (2011) UK Innovation Survey 2011

to exploit opportunities and to capitalise more from the strong culture of innovation that already exists within our local economy.

- 2.17 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**

- 2.18 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 (they catered for over 144,000 in 2011/12<sup>28</sup>), the businesses, services and Intellectual Property they create, by the expertise and facilities they provide to businesses and the conduits to funding they facilitate. This includes important technologies and processes which have the capacity to offer competitive and innovation advantages to firms across the area. This includes for example Big Data, a particular speciality of the Universities of Essex and Brighton, which already contributes strongly to our priority sectors including advanced manufacturing, medical technologies and logistics. Our programme will support specialisms such as these in our area particularly where partnerships with our priority sectors is possible.
- 2.19 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.

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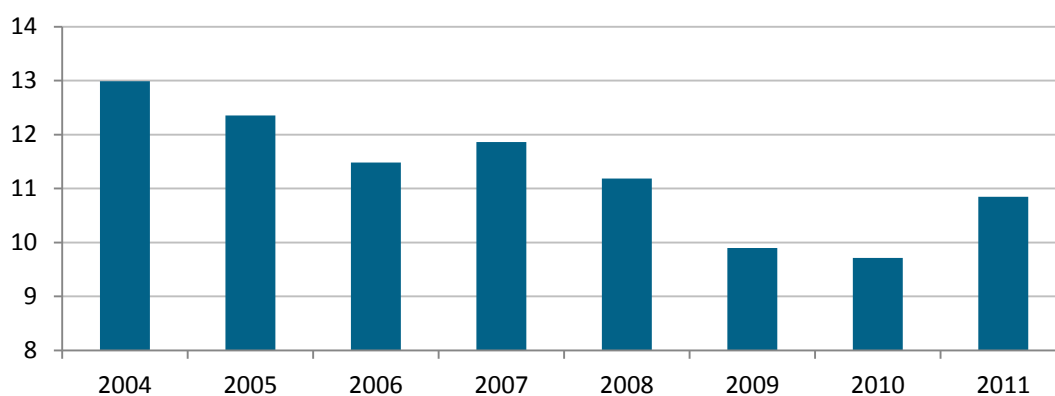
<sup>28</sup> Higher Education Statistics Agency

### 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 whole<sup>29</sup>. There were 10.8 business births per 100 active enterprises in 2011, lower than the national rate (11.4 for England), and the SELEP rate in 2004 (13.0 births per 100 active enterprises)<sup>30</sup>.

**Figure 3.1: SELEP 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 SELEP 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 SELEP area is 15.9%, compared with less than half that figure for women (6.2%)<sup>31</sup>. The difference (9.7 percentage points) is higher than across England as a whole (7.3 percentage points).

#### SELEP has significant opportunities for rebalancing employment towards higher value activities...

- 3.3 Productivity – in terms of GVA per job - is lower in SELEP than in the wider South East (by £5,300 per job) and England (£4,000 per job)<sup>32</sup>. This is largely because the industrial structure of the SELEP 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 SELEP 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 employment rates in

<sup>29</sup> ONS(2013) business demography 2012

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

<sup>31</sup> ONS (2013) annual population survey

<sup>32</sup> ONS (2013) Regional Gross Value Added (Income Approach), December 2013

the SELEP area than across England. For example, for jobs requiring no qualifications, the SELEP employment rate is 42.1% compared with 39.9% for England as a whole<sup>33</sup>.

- 3.5 Parts of the SELEP 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 SELEP economy is in high value sectors like manufacturing, financial and business services, and information and communications.

**Table 3.1: Comparison of SELEP vs. England employment profile (2012)**

Sector	SELEP		England	
	Employment	%	Employment	%
<b><i>Relatively larger sectors in the SELEP area</i></b>				
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%
<b><i>Relatively smaller sectors in the SELEP area</i></b>				
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%
		<b>100%</b>		<b>100%</b>

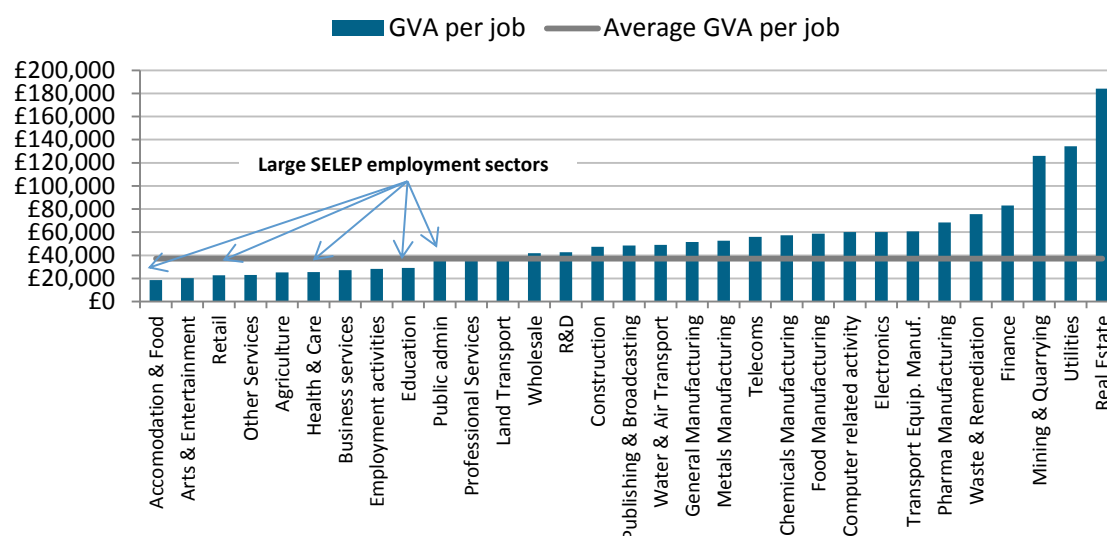
Source: Business Register and Employment Survey

- 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 SELEP economy outperforms the South East region in only two of 31 sectors; agriculture and construction. It outperforms the UK average in only 10 sectors<sup>34</sup>. Hence, there is also a strong rationale for investment in both general and specialist business support to raise productivity across sectors.

<sup>33</sup> ONS (2013) Annual Population Survey

<sup>34</sup> Cambridgeshire Insight (2013) East of England Forecasting Model

**Figure 3.2: SELEP productivity (GVA per job) by sector (2011)**



Source: East of England Forecasting Model

### ...and our knowledge economy should be stronger

3.8 Knowledge economy employment<sup>35</sup>, in particular, is relatively low across the SELEP 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 SELEP's employment base (17.3%) is found in knowledge intensive sectors than nationally (21.7%)<sup>36</sup>.

**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, working in

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

<sup>36</sup> ONS (2013) Business Register and Employment Survey - 2009 & 2012

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 rankings<sup>37</sup> - 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 SELEP area is also relatively low: 14.0% of employment was in export intensive sectors in 2011, up from 13.6% in 2010<sup>38</sup>. 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-exporters<sup>39</sup>.

### **Businesses need access to finance...**

- 3.11 Businesses throughout the South East continue to need investment for expansion and to innovate. More stringent lending criteria following the economic downturn has made accessing investment more difficult, even for highly promising businesses and ideas.
- 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. As the economy has improved since 2013 there has not been a concomitant rise in lending, despite increased liquidity in the commercial financial system. A top priority for businesses in the SELEP area, particularly start ups and SMEs, is improvement in investment readiness better ability to meet stricter lending criteria. We will seek to support high growth potential businesses improve their ability to access finance.

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

- 3.13 All the SELEP 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.

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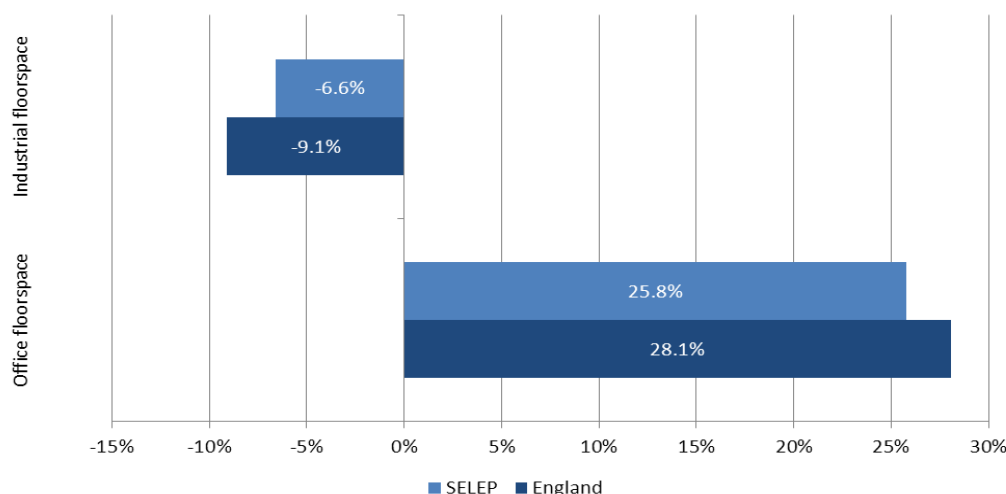
<sup>37</sup> For instance those by *The Guardian* and *The Times* newspapers

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

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

- 3.14 The SELEP 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%)<sup>40</sup>.
- 3.15 In recent years, the amount of industrial floor space has declined in the SELEP area, though not as fast as in England overall. Conversely, office floor space has increased in the SELEP area, but again, not as fast as nationally (see Figure 3.4).

**Figure 3.4: Percentage change in office and industrial floor space 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 only in Harlow but across the SELEP area. STEM and employability skills are also fundamentally important, and

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



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.

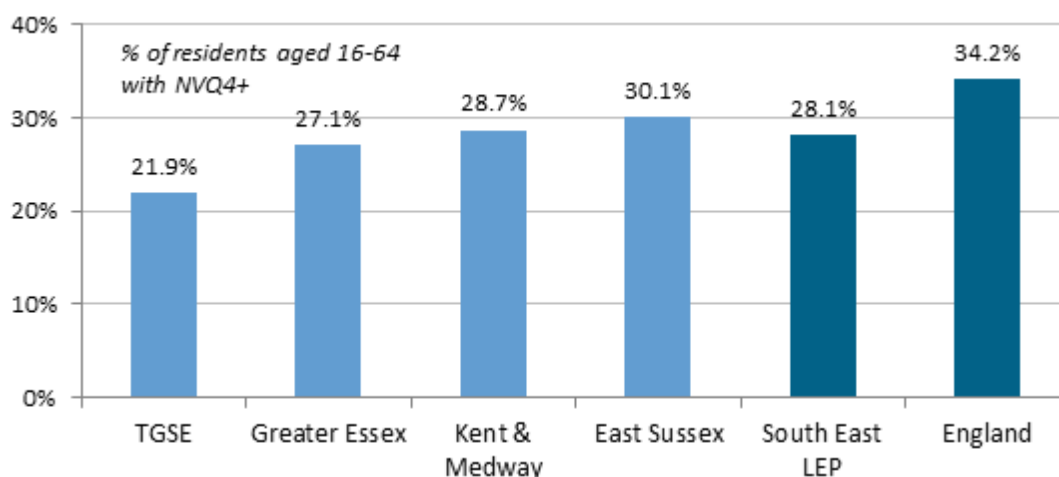
### **Skill levels are rising but a low proportion of SELEP residents have high level skills**

- 3.20 The proportion of residents with high level (Level 4+) qualifications is relatively low in the SELEP area at 28.1% of people aged 16-64, compared with 34.2% for England and 36.8% for the South East region<sup>41</sup>.
- 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

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

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<sup>41</sup> ONS (2013) annual population survey



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 SELEP and the England average has widened during this time<sup>42</sup>. The England rate rose 5.9 percentage points between 2008 and 2012, compared to 4.3 percentage points for SELEP. A similar pattern appears across qualification levels.
- 3.23 Looking ahead, the vast majority of job openings in the SELEP 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)<sup>43</sup>. Over half of the 785,000 employment opportunities expected between 2010 and 2020 are likely to require people with level 4 skills and above<sup>44</sup>. Without sufficient investment in workforce skills, technological progress and innovation will not translate into productivity growth, and the SELEP economy will not be competitive in an increasingly knowledge-based global economy.

### Low skills levels also impede economic growth

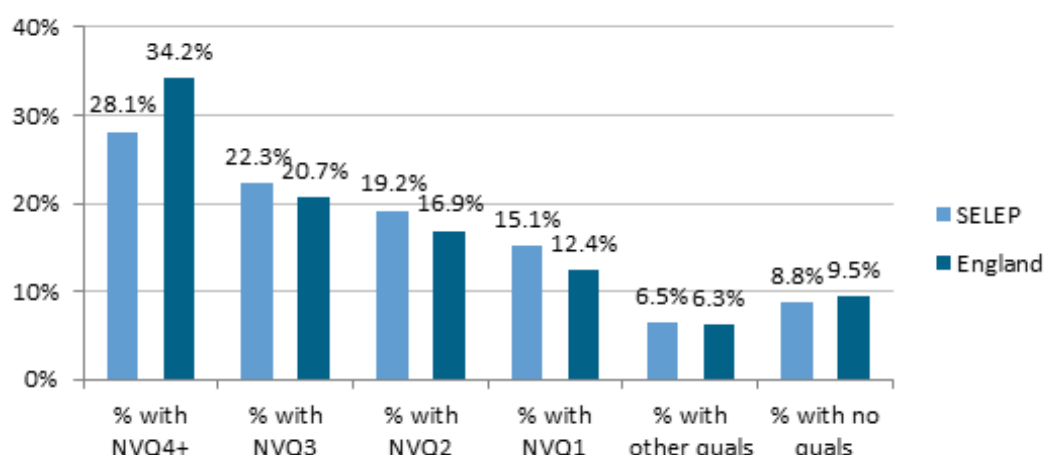
- 3.24 Compared with the average for England a higher proportion of SELEP residents are qualified at NVQ levels 1-3 and a slightly lower proportion have no qualifications. However, there are still 746,700 people aged 16-64 (30.4% of the working age population) who lack Level 2 qualifications, which are 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.

<sup>42</sup> ONS (2013) annual population survey

<sup>43</sup> UKCES (2011) Working Futures 2010-2020

<sup>44</sup> UKCES (2011) Working Futures 2010-2020

**Figure 3.6: Qualifications of SELEP residents, % aged 16-64 (2012)**



Source: ONS annual population survey

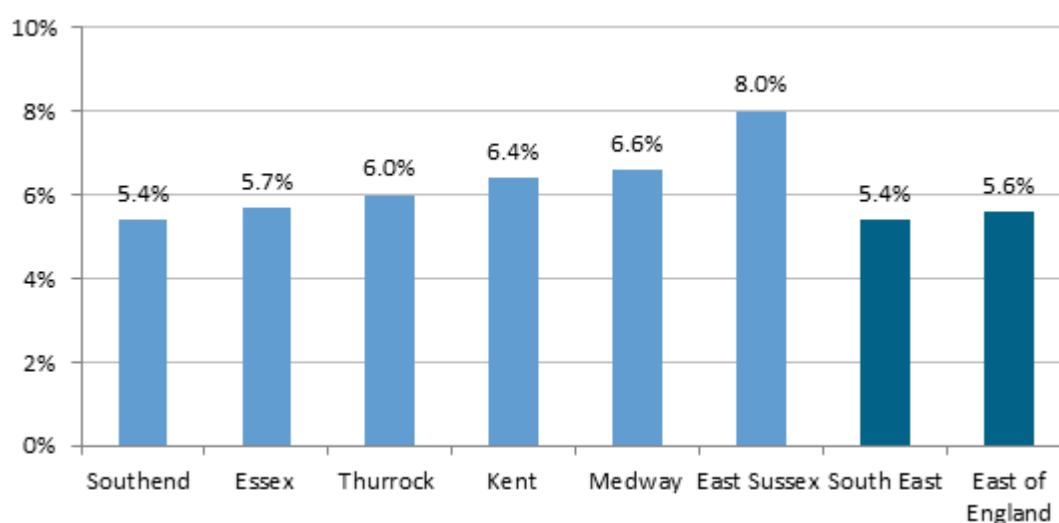
- 3.25 Analysis conducted for the Essex Community Budget has identified a significant challenge with numeracy and literacy among adults with one in four adults in Essex without Level 2 qualifications in Maths and English. These functional skills gaps consign many residents to a lifetime of work on low 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. SELEP 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 occupations<sup>45</sup>. 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 SELEP 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.

<sup>45</sup> <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 however down by 730 people from 2011 levels. Most areas across the SELEP have seen the numbers of young people NEET fall during this time, but this is no cause for complacency – those remaining NEET are likely to have even more entrenched issues which need to be addressed..

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 persistently 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.

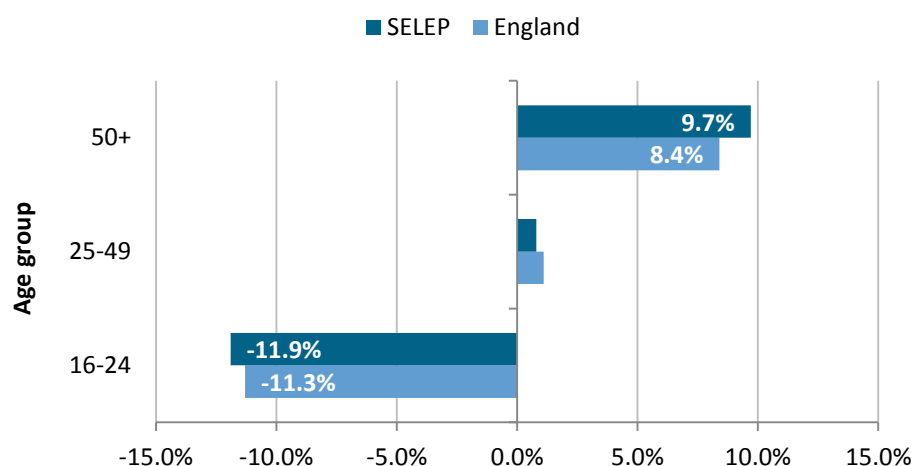
## The unemployment rate for young people is also high

- 3.32 A total of 1.87m residents are in employment in the SELEP area. At 72.3% of working age residents, this is close to the average for England (72.2%)<sup>46</sup>. 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 SELEP area whilst the proportion of older people has increased. Employment of residents aged 16-24

<sup>46</sup> ONS (2013) annual population survey

has declined by 11.9% in the SELEP area since 2008, even faster than the decline in England as a whole (11.3%)<sup>47</sup>. 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 issue is different from the particular concerns for NEET young people. This is particularly a practical challenge in some of our rural areas.

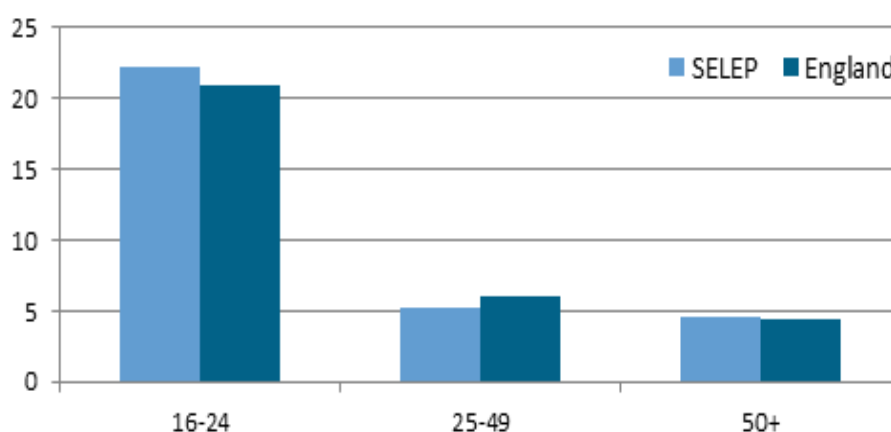
**Figure 8: Employment change by age (12 months to Dec 2008 – 12 months to June 2013)**



Source: ONS annual population survey

- 3.33 Over 145,000 people are unemployed in the SELEP area, an increase of 43,600 since 2008<sup>48</sup>. 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%)<sup>49</sup>. Youth unemployment is above average in the SELEP area.

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



Source: ONS annual population survey

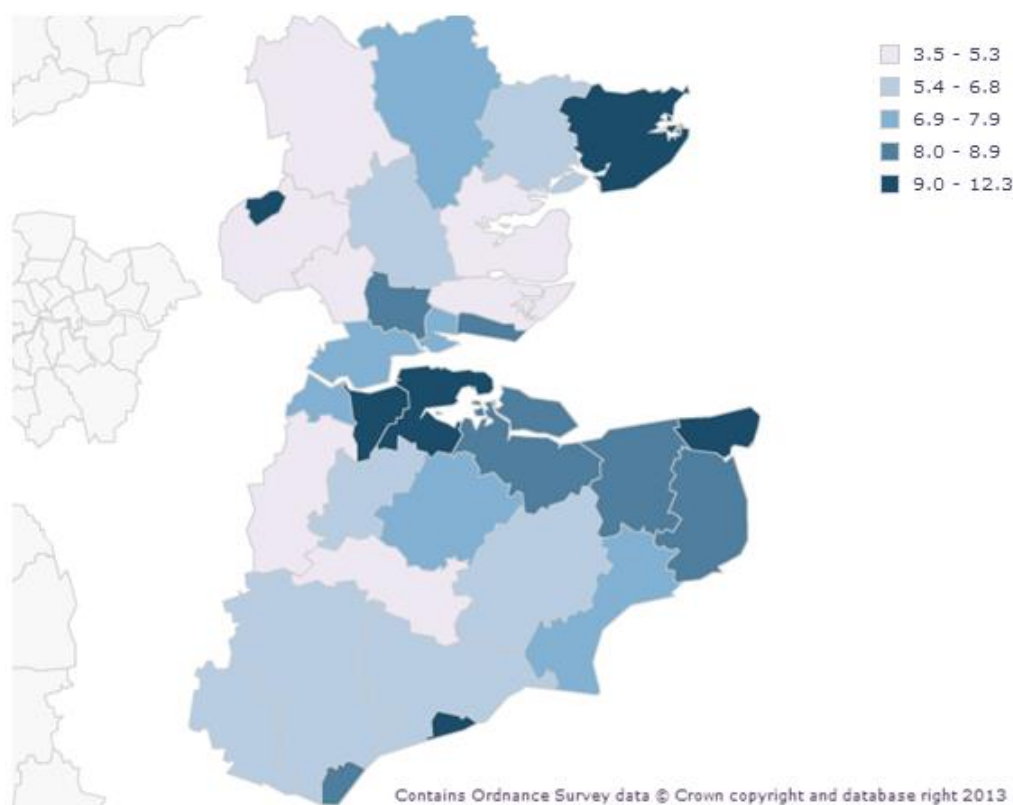
<sup>47</sup> ONS (2013) annual population survey

<sup>48</sup> ONS (2013) annual population survey

<sup>49</sup> ONS (2013) annual population survey

- 3.34 There were 16,470 people aged 24 and under claiming Jobseeker's Allowance in the SELEP area in December 2013, a higher proportion (26.7%) of young people than seen nationally (24.8%)<sup>50</sup>.
- 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: SELEP 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 SELEP is around the national average, but there are pockets across the SELEP 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%<sup>51</sup>.

<sup>50</sup> ONS (2014) claimant count

<sup>51</sup> 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)**

	SELEP	SELEP	South East (region)	England
	(level)	(%)	(%)	(%)
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 SELEP 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, particularly by providing effective routes towards job opportunities in growth sectors and those reporting labour shortages.
- 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 SELEP area: 10.4% of the population lives in areas among the 20% most deprived in England<sup>52</sup>. 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 (see Chapter 6 on rural issues for more on this).
- 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 SELEP's coastal communities are home to 325,000 jobs, an above-average share of these are in public services like health and education.

<sup>52</sup>CLG (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 SELEP 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 SELEP 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 Strategic Economic Plan and Growth Deals set out the requirements for strengthening transport infrastructure in the SELEP 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.
- 3.47 The vital importance of the SELEP area for cross channel communications is undermined by the increasing use of ‘Operation Stack’ on the M20 in response to difficulties at the French ports and with the channel tunnel and from steadily rising traffic volumes. A strategic response to reduce the need for Stack for the benefit of both cross channel traffic and for local road users is becoming more urgent. Carbon Emissions are relatively high in some areas, particularly from transport. Our area also contains in some areas, particularly coastal towns and areas closer to London, high proportions

of sub standard, high energy consuming housing, Retrofitting higher efficiency systems and improving insulation is a high priority if we are to make a meaningful contribution to reducing carbon emissions.

- 3.48 In 2011, the SELEP area had total emissions of 21,358 thousand tonnes of CO<sub>2</sub> which accounted for 7.1% of national emissions. On a per capita basis, emissions are slightly lower in the LEP area than nationally (0.0054ktCO<sub>2</sub> in 2011, compared with 0.0056ktCO<sub>2</sub> for England as a whole)<sup>53</sup>.
- 3.49 CO<sub>2</sub> emissions in the SELEP 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.
- 3.50 As the SELEP 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.

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<sup>53</sup> DECC - Sub-national greenhouse gas emissions statistics

## 4 Building on our unique strengths and overcoming barriers to growth

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### SELEP SWOT analysis

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

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

## Innovation driving prosperity: SELEP Priorities for Growth

4.1 Our Strategic Economic Plan (SEP) and Growth Deal are designed to deliver 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.

4.2 The key elements of the Strategic Economic Plan are set out below:

### Building on our economic strengths

- As a world gateway
- Our workforce
- Entrepreneurial business culture
- Universities and innovation
- Sectoral strengths

### Boosting our productivity

- Creating enterprise zones
- Increasing access to finance
- Accelerating business starts and supporting growth
- Promoting innovation
- Growing our rural economy
- Growing our coastal economies
- Increasing trade and attracting investment

### Improving our skills

- Increasing participation of young people in work, education and training
- Improving our residents' skills levels and employability
- Improving the talent pool for key sectors

### Building more houses and re-building confidence

- Building more houses
- Restoring confidence in coastal community housing markets

## The role of EU Structural Funds

4.3 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.

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

4.5 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 SELEP 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 address these needs, as well as providing the required investment in low carbon actions in a way which supports and reflects our overall approach of enterprise development and innovation. We have also allocated ERDF funds to support for Community Led Local Development (CLLD), which we plan to make available to eligible areas in support of our social inclusion goals. Using ERDF for CLLD reflects the importance we attach to joining together labour market supply and demand, and the vital role of business growth in providing routes to employment and local economic growth.
- 5.4 Our ERDF programme there allocates funds to four of the available ERDF Thematic Objectives / Priority Axes:

Table 5.1: ERDF allocation by thematic objective / priority axis

PA	ERDF Thematic Objective	Allocation €	%
1	TO1 Innovation	€18,329,755	19
3	TO3 SME Competitiveness	€49,177,280	52
4	TO4 Low Carbon	€21,615,077	23
8	TO9 Community Led Local Development	€5,945,107	6
	Total	€95,067,219	

- 5.5 The delivery of each of these priorities will differ across the SELEP 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. In conformity with the goals of government our plans include making clear and explicit links and synergies between our use of ERDF and development of the Growth Hub in development for the SELEP area.

## Promoting innovation and smart specialisation

- 5.6 The drive for innovation must come from businesses themselves and reflect their needs. Across the SELEP area, partners can ensure expertise is accessible, promote business to business collaboration, and facilitate effective university and college partnerships with businesses.
- 5.7 The Witty Review<sup>54</sup> 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 SELEP, 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. This will include particular support for the extension of cutting edge research and processes development, such as Big Data, to our priority and other growth sectors.
- 5.8 Innovation centres are needed in the SELEP area to help strengthen support for innovation locally, with opportunities such as that offered by proposals for Sandwich Discovery Park to be supported.

Thematic Objective / Priority Axis One Innovation and Smart Specialisation	
Evidence of need	<ul style="list-style-type: none"> <li>Two thirds of UK private sector productivity growth between 2000 and 2007 was driven by innovation<sup>55</sup>.</li> <li>The SELEP area offers significant potential for growth in a number of national priority sectors.</li> <li>There is currently an over-reliance on low value sectors in the area, which contributes to below average levels of productivity.</li> <li>Need to better exploit potential for innovation in rural areas (see Chapter 6)</li> <li>A lower proportion of SELEP employment base is found in knowledge intensive sectors than nationally.</li> </ul>
Project/programme priorities	<ul style="list-style-type: none"> <li>Specialist / targeted sector-focused investment support provided for the identified key growth sectors for the SELEP' <ul style="list-style-type: none"> <li>Life sciences and medical technology</li> <li>Advanced manufacturing</li> <li>Logistics</li> <li>low carbon economy</li> <li>Tourism and leisure</li> <li>The creative, cultural and media</li> <li>The social care and health</li> <li>The social enterprise and NGO sector</li> </ul> </li> <li>•</li> <li>•</li> <li>• Sector-focused business support to promote the development and commercialisation of new technologies. The following are examples of the types of projects expected (but with no a-priori inclusion in our programme which will be subject to OCT)</li> </ul>

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

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

	<ul style="list-style-type: none"> <li>• Anglia Ruskin MedTech Campus - providing health innovation spaces with on-site business support;</li> <li>• Saxon Business Park, with a focus on aviation, advanced engineering and servicing businesses connected to the airport.</li> <li>• Sustainable Ideas &amp; Innovation Fund: Supporting pre-and post-start businesses and exploitation of IP</li> <li>• Networks for R&amp;D and Innovation <ul style="list-style-type: none"> <li>• Provision of inward investment support to businesses seeking to exploit the potential of innovation, where possible in collaboration with UKTI, designed to generate maximum value for money and present a coherent investment proposition for the SELEP region</li> </ul> </li> <li>• Building in innovation as a key provision in the Growth Hubs</li> <li>• Developing centres for innovation based on smart specialisation</li> </ul>
Rationale for selection of activities	<ul style="list-style-type: none"> <li>• Uncertainty around the outcomes of innovations and long lead-in times limits SME and investors' appetite for early stage research<sup>56</sup></li> <li>• Challenges in securing finance to exploit untried and untested technologies</li> <li>• Under supply of services to support R&amp;D and innovation in the SELEP area.</li> <li>• While there are programmes in development (e.g. the New Anglia Med Tech Campus) the flow of information and cooperation between our HEIs and businesses remains sub-optimal.</li> </ul>
Additionality, - fit with other local and national programmes	<ul style="list-style-type: none"> <li>• Innovation and Research Strategy for Growth - focuses on enhancing innovation for SME growth.</li> <li>• The EU smart specialisation approach is already being implemented by universities, local authorities and other partners in the area.</li> <li>• The programmes envisaged are in line with government industrial strategy and sector strategies.</li> </ul>
Value for money	<ul style="list-style-type: none"> <li>• 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.</li> <li>• 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 the LEP EU Partnership Board or undertaken at Board level.</li> <li>• 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.</li> <li>• 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.</li> <li>• MAS research suggested that every £1 of public funding allocated for MAS</li> </ul>

<sup>56</sup> UK Innovation Survey 2011



	Level 4 support generated approximately £1.4 - £1.8 of economic benefit for the business. <sup>57</sup> Vfm will be assessed at appraisal based on benchmarking (as above) where available.
Commissioning/delivery and risk	<p>We will commission tailored programmes which will target key sectors and spend on additional activities and events. This will be fully aligned with our Growth Hubs, and will dovetail with any National provision</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 nationally agreed procurement routes.</p>
Impact	<p>The outputs anticipated from this strand of our programme will be:</p> <ul style="list-style-type: none"> <li>• 535 enterprises supported</li> <li>• new businesses cooperating with research institutions</li> <li>• business supported to introduce new products or services</li> </ul> <p>The results of this in terms of local impact will be:</p> <ul style="list-style-type: none"> <li>• an increase in SME productivity, jobs, and business starts, and an increase in GVA, as well as GVA per job;</li> <li>• growth of the low carbon economy; and,</li> <li>• increased business competitiveness through bringing new products/services to the market.</li> </ul> <p><i>Full details of the targeted achievements of this area of our work are shown in the following table</i></p>

### Promoting Research and Innovation: full set of targets

Investment priority	Indicator	Measurement unit	Target value (2023)
1a - Enhancing research and innovation (R&I) infrastructure and capacities to develop R&I excellence, and promoting centres of competence, in particular those of European interest	Research, Innovation: Number of researchers working in improved research infrastructure facilities	Full time equivalents	17
	Number of researchers working in improved research or innovation facilities	Full-time equivalents	34
	Public or commercial buildings built or renovated	Square metres	877

<sup>57</sup> Evaluation of MAS 2007

1b - Promoting business investment in R&I, developing links and synergies between enterprises, research and development centres and the higher education sector, in particular promoting investment in product and service development, technology transfer, social innovation, eco-innovation, public service applications, demand stimulation, networking, clusters and open innovation through smart specialisation, and supporting technological and applied research, pilot lines, early product validation actions, advanced manufacturing capabilities and first production, in particular in key enabling technologies and diffusion of general purpose technologies	Productive investment: Number of enterprises receiving support	Enterprises	537
	Productive investment: Number of enterprises receiving grants	Enterprises	376
	Productive investment: Number of enterprises receiving financial support other than grants	Enterprises	10
	Productive investment: Number of enterprises receiving non- financial support	Enterprises	131
	Productive investment: Number of new enterprises supported Final	Enterprises	45
	Productive investment: Private investment matching public support to enterprises (grants)	EUR	454,987
	Productive investment: Private investment matching public support to enterprises (non- grants)	EUR	636,504
	Productive investment: Employment increase in supported enterprises Final	Full time equivalents	43
	Research, Innovation: Number of enterprises cooperating with research institutions Final	Enterprises	290
	Research, Innovation: Number of enterprises supported to introduce new to the market products Final	Enterprises	43
	Research, Innovation: Number of enterprises supported to introduce new to the firm products Final	Enterprises	85
	Public or commercial buildings built or renovated	Square metres	232

## Supporting SME competitiveness

- 5.9 The current make-up of the SELEP business base means creating more businesses and growing existing businesses is key to growing the SELEP 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.

5.10 Our priorities are integration of national and local programmes, access to finance, inward investment and developing export potential. We will fully align our work in this area with the SELEP area Growth Hub

5.11 Recent research<sup>58</sup> 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 through UK expansion and mobility and from global investors and to promote trade in global markets. We will also encourage business retention through promoting and supporting expanding companies stay in the south east rather than move abroad in particular to the far east.

5.12

Thematic Objective Three SME Competitiveness	
Evidence of need	<ul style="list-style-type: none"> <li>• 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</li> <li>• Productivity, in terms of GVA per job, is below the national average in the SELEP area and unemployment has increased since the economic downturn, particularly among young people. Despite improvements, continued progress is needed</li> <li>• The rate of registered business births is relatively low in the LEP area and has also been set back by the economic downturn.</li> <li>• SMEs have been shown to play a vital role in stimulating innovation<sup>59</sup>, improving productivity in existing businesses<sup>60</sup> and supporting job creation<sup>61</sup>.</li> <li>• Exporting is increasingly important as a driver of economic growth, but a relatively low share of employment in the SELEP area is found in export intensive sectors.</li> <li>• Difficulty experienced by innovative businesses in securing finance on viable terms</li> <li>• Continued restrictions on bank lending relative to pre-recession levels</li> <li>• Strong levels of demand for existing finance schemes, exceeding current supply, and strong output performance.</li> <li>• The UK government wants to help double the UK's exports to £1 trillion by 2020.</li> <li>• Strong demand for and growth in social enterprise in need of more specialised and targeted support</li> </ul>
Project/programme priorities	<ul style="list-style-type: none"> <li>• Supporting Growth Hub development - co-ordination/facilitating access to new and existing local and national programmes and other locally evidenced business support provision</li> <li>• <a href="#">Specialist / targeted sector-focused investment support provided for the for the identified key growth sectors for the SELEP</a>.</li> <li>• Emphasis on support to target pre-gazelles, high-growth and high value-added firms</li> <li>• Support for the creation and expansion of social enterprise and the NGO</li> </ul>

<sup>58</sup> Bringing home the benefits – How to grow through exporting, UKTI, Dec 2013

<sup>59</sup> NESTA (2009) "Business Growth and Innovation: The wider impact of rapidly-growing firms in UK city-regions"

<sup>60</sup> BIS Economics Paper No. 12 (2011) "Productivity and the Economic Cycle"

<sup>61</sup> Anyadike-Danes, Bonner and Hart (2011) "Job Creation and Destruction in the UK: 1998 – 2010"

	<p>sector including specialised advice, training and capacity building</p> <ul style="list-style-type: none"> <li>• Improving access to Business finance schemes</li> <li>• Fully funded mini-market visit programmes</li> <li>• Sector-focused trade missions</li> <li>• Business to business mentoring</li> <li>• Support for businesses, particularly start ups and SMEs, to become investment ready and meet business loan conditions</li> </ul> <p>Provision of inward investment support to SMEs and start ups, where possible in collaboration with UKTI, designed to generate maximum value for money and present a coherent investment proposition for the SELEP region</p> <ul style="list-style-type: none"> <li>•</li> <li>• Development of Creative Industry hubs and delivery of programme set out in SELEP Creative Economy prospectus</li> <li>• Increasing business starts</li> <li>• Support in identifying premises</li> <li>•</li> </ul>
Rationale for selection of activities	<p>SME support and accelerating growth:</p> <ul style="list-style-type: none"> <li>• The small proportion of high growth SMEs that exist are important, creating around a quarter of new jobs<sup>62</sup>. The SELEP area needs to grow the number of high growth job creating companies</li> <li>• SMEs have been shown to play a vital role in stimulating innovation<sup>63</sup>, improving productivity in existing businesses<sup>64</sup> and supporting job creation<sup>65</sup>.</li> <li>• 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 failures<sup>66</sup>.</li> <li>• Business support displays 'public good' characteristics and creates positive externalities, possibly resulting in under provision by the private sector<sup>67</sup>.</li> <li>• Mentoring has been shown to deliver benefits across a range of areas, including leadership skills and business planning<sup>68</sup>.</li> </ul> <p>Business finance:</p> <ul style="list-style-type: none"> <li>• 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 businesses<sup>69</sup>.</li> <li>• The provision of loan finance through business finance programmes 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 investors<sup>70</sup>. Support to meet loan conditions is a crucial factor improving the take up of finance opportunities</li> </ul>

<sup>62</sup> ED AU secondary analysis of data in NESTA (2009) "Measuring business growth" Anyadike-Danes, Bonner, Hart and Mason

<sup>63</sup> NESTA (2009) "Business Growth and Innovation: The wider impact of rapidly-growing firms in UK city-regions"

<sup>64</sup> BIS Economics Paper No. 12 (2011) "Productivity and the Economic Cycle"

<sup>65</sup> Anyadike-Danes, Bonner and Hart (2011) "Job Creation and Destruction in the UK: 1998 – 2010"

<sup>66</sup> BIS (2013) SMEs: The Key Enablers of Business Success and the Economic Rationale for Government Intervention

<sup>67</sup> BIS (2013) SMEs: The Key Enablers of Business Success and the Economic Rationale for Government Intervention

<sup>68</sup> BMG (2013), 'Demand for mentoring among SMEs'

<sup>69</sup> BIS (2013) SMEs: The Key Enablers of Business Success and the Economic Rationale for Government Intervention

<sup>70</sup> Feedback to Expansion East Kent

	<p>Support for exporting:</p> <ul style="list-style-type: none"> <li>• 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 networks<sup>71</sup>.</li> <li>• A minority of registered firms export<sup>72</sup>, with most firms exporting only a small share of their output<sup>73</sup>. However, many internationalised firms experience a 'virtuous circle' where exporting leads to new innovation, and where those innovations then lead to further exporting<sup>74</sup>.</li> <li>• 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 firms<sup>75</sup>.</li> </ul> <p>Support for Inward investment</p> <ul style="list-style-type: none"> <li>• Programmes to encourage and support inward investment lacking, leading to unexploited potential for growth</li> </ul>
Additionality, and relationship with national programmes	<p>Business Support programmes:</p> <ul style="list-style-type: none"> <li>• 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 Growth Hubs and programmes co-ordinated with the national services</li> </ul> <p>Inward Investment:</p> <ul style="list-style-type: none"> <li>• 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 Growth Hubs will play a stronger role in encouraging exporting.</li> </ul> <p>Exporting:</p> <ul style="list-style-type: none"> <li>• 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 work 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.</li> </ul> <p>Business Finance:</p> <ul style="list-style-type: none"> <li>• Additionality will come through the complementing of loan schemes by offering extra support, coaching and services to help ensure local businesses are in a position to meet and comply with conditions for loans of different sorts available from commercial and public schemes</li> <li>•</li> </ul>
Value for money	<p>Business support programmes:</p> <ul style="list-style-type: none"> <li>• 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),</li> </ul>

<sup>71</sup> BIS (2011) International Trade and Investment – the Economic Rationale for Government Support

<sup>72</sup> 11.2% of registered businesses in Great Britain export either goods or services, or both in 2012 – ONS (2013) Annual Business Survey

<sup>73</sup> BIS (2011) International Trade and Investment – the Economic Rationale for Government Support

<sup>74</sup> UKTI (2013) New markets, new ideas: How exporting fosters innovation and growth

<sup>75</sup> Regeneris (2013) Workstream 2: Economic efficiency and what works in local economic policy

	<p>and hence better value for money.</p> <ul style="list-style-type: none"> <li>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).</li> </ul> <p>Businessfinance:</p> <ul style="list-style-type: none"> <li>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 at of £33,000 per job.<sup>76</sup> LEP interventions will be benchmarked against comparable schemes elsewhere and will draw on lessons learned from the current RGF loan and grant funding programmes.</li> </ul> <p>Evidence from evaluation and monitoring shows that trade services:</p> <ul style="list-style-type: none"> <li>Have substantial positive impact on the profit and medium term performance of supported firms, giving high benefit cost ratios, and supporting stronger business growth;</li> <li>Have substantial positive impact on business R&amp;D and innovation, suggesting lasting positive effects on business competitiveness in both domestic and overseas markets;</li> <li>Have substantial positive impact on business skills and export know how;</li> <li>Attract businesses which are innovative, actively seeking to grow, and have the management qualities to benefit from support.</li> </ul> <p>All schemes:</p> <ul style="list-style-type: none"> <li>All projects and programmes will be subject to value for money assessment as part of their appraisal process through the nationally defined procurement process Opt-in agreements will be subject to detailed negotiation between local authorities and the opt-in agencies.</li> </ul>
Commissioning/delivery and risk	<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, SELEP 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.</p> <p>To maintain a balance between responsiveness to local need and scale of delivery, we anticipate a small number of schemes over the programme period. SELEP will maintain oversight of programme performance and will ensure comparable appraisal and monitoring requirements.</p>
Impact	<p>The outputs anticipated from this strand of our programme will be:</p> <ul style="list-style-type: none"> <li>jobs created</li> </ul>

<sup>76</sup> NAO Regional Growth Fund 11 MAY 2012

	<ul style="list-style-type: none"> <li>• 3,105 businesses assisted</li> <li>• new enterprises supported</li> </ul> <p>The results of this in terms of local impact will be:</p> <ul style="list-style-type: none"> <li>• a clearer, less fragmented business support landscape;</li> <li>• tailored support through intelligent brokerage;</li> <li>• increasing the effectiveness of national and local programmes through better targeting;</li> <li>• increased business competitiveness.</li> </ul> <p><i>The full set of targeted achievements under this part of the programme are shown in the following table</i></p>
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### Enhancing the competitiveness of SMEs: Full Set of Targets

3a - Promoting entrepreneurship, in particular by facilitating the economic exploitation of new ideas and fostering the creation of new firms, including through business incubators	Productive investment: Number of enterprises receiving support Final	Enterprises	641
	Productive investment: Number of enterprises receiving grants	Enterprises	423
	Productive investment: Number of enterprises receiving financial support other than grants	Enterprises	58
	Productive investment: Number of enterprises receiving non- financial support	Enterprises	164
	Productive investment: Number of new enterprises supported Final	Enterprises	496
	Productive investment: Private investment matching public support to enterprises (grants)	EUR	2,228,477
	Productive investment: Private investment matching public support to enterprises (non-grants)	EUR	71,950
	Productive investment: Employment increase in supported enterprises Final	Full time equivalents	259
	Research, Innovation: Number of enterprises supported to introduce new to the market products Final	Enterprises	50
	Number of potential entrepreneurs assisted to be enterprise ready	Persons	2,027

	Public or commercial buildings built or renovated	Square metres	79
3c - Supporting the creation and the extension of advanced capacities for product and service development	Productive investment: Number of enterprises receiving support Final	Enterprises	1,637
	Productive investment: Number of enterprises receiving grants	Enterprises	1,095
	Productive investment: Number of enterprises receiving financial support other than grants	Enterprises	150
	Productive investment: Number of enterprises receiving non- financial support	Enterprises	426
	Productive investment: Number of new enterprises supported Final	Enterprises	514
	Productive investment: Private investment matching public support to enterprises (grants)	EUR	6,932,689
	Productive investment: Private investment matching public support to enterprises (non-grants)	EUR	2,235,315
	Productive investment: Employment increase in supported enterprises Final	Full time equivalents	672
	Research, Innovation: Number of enterprises supported to introduce new to the firm products Final	Enterprises	257
	Number of enterprises receiving information, diagnostic and brokerage	Enterprises	164
	Public or commercial buildings built or renovated	Square metres	204
3d - Supporting the capacity of SMEs to grow in regional, national and international markets, and to engage in innovation processes	Productive investment: Number of enterprises receiving support Final	Enterprises	915
	Productive investment: Number of enterprises receiving grants	Enterprises	611
	Productive investment: Number of enterprises receiving financial support other than grants	Enterprises	86
	Productive investment: Number of enterprises receiving non- financial support	Enterprises	238
	Productive investment: Number of new enterprises supported Final	Enterprises	291
	Productive investment: Private investment matching public support to enterprises (grants)	EUR	4,249,328



	Productive investment: Private investment matching public support to enterprises (non-grants)	EUR	1,425,525
	Productive investment: Employment increase in supported enterprises Final	Full time equivalents	381
	Research, Innovation: Number of enterprises supported to introduce new to the firm products Final	Enterprises	146
	Number of enterprises receiving information, diagnostic and brokerage	Enterprises	92
	Public or commercial buildings built or renovated	Square metres	114

## Supporting the shift towards a low carbon economy

- 5.13 Allocation of 20% of the EU funds to low carbon activity is an EU requirement. This is 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, our support for SME competitiveness, through supporting the wider business community to increase efficiency and reduce operational costs, and our contribution to the cross cutting theme of sustainable development. 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.
- 5.14 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 Strategy<sup>77</sup>. 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.
- 5.15 We want to continue with the work that has already taken place across the area on supporting industry and other sectors (including the Public) 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

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<sup>77</sup> Department for Business, Innovation & Skills and Department of Energy & Climate Change (2013) Offshore Wind Industrial Strategy – Business and Government Action

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. We will also consider programmes aimed at improving the energy performance of the built environment in all sectors and at area based schemes to improve our carbon performance.

- 5.16 To maximise the extent to which low carbon objectives feature within our programmes but also to increase flexibility within the overall programme, we support the integration of sustainable development as a cross cutting theme and allow 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

<b>Thematic Objective Four</b> <b>Supporting the shift towards a Low Carbon Economy</b>	
Evidence of need	<ul style="list-style-type: none"> <li>• Impact of predicted climate change on prosperity and wellbeing</li> <li>• The challenge of energy security and fossil fuel prices</li> <li>• Maximising the economic opportunities arising from these issues</li> <li>• One of the SELEP 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.</li> <li>• 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 supply chains.</li> <li>• Nationally the Low Carbon Plan identifies savings targets of 29% CO<sub>2</sub> 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 3.3MtCO<sub>2</sub>e has been saved within the SELEP, contributing only 0.11% of the national target for that period.</li> <li>• 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.</li> </ul>
Project/programme priorities	<ul style="list-style-type: none"> <li>• 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&amp;D and the implementation of innovation projects in business. The footprint of this successful programme can be extended to cover all four federated areas.</li> <li>• Sector-focused business support, to promote the development and commercialisation of new low carbon technologies.</li> <li>• Low carbon supply-chain growth programmes.</li> <li>• 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.</li> <li>• Development of Newhaven cluster, and support for CORE programme in North Kent, and its extension to Harwich and to other potential sites in the SELEP area.</li> <li>• Development of support for environmental technology businesses, including feasibility of combined heat and power opportunities.</li> <li>• Support for businesses, particularly SMEs, and all sectors, to reduce consumption</li> </ul>

	and improve energy efficiency
Rationale for selection of activities	<ul style="list-style-type: none"> <li>• Sustainable growth requires ever increasing efficiency and reduction in emissions.</li> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> <li>• Demand for business start up support also remains high, 920 individuals have approach 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.</li> <li>• It is one of the SEP strategic objectives to support the low carbon energy sector, particularly in relation to offshore wind.</li> <li>• 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.</li> </ul>
Additionality and fit with national programmes	<p>We want to play a central role in developing the potential of Offshore Wind and will dovetail with existing and planned initiatives..</p> <p>We will support the development of the Kent &amp; 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 national procurement process</p>
Commissioning/delivery	We will work with the national Business Services where programmes show an ability

and risk	<p>to support low carbon developments consistent with our goals, including the possibility of a tailored programme to 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.</p>
Impact	<p>The outputs anticipated from this strand of our programme will be:</p> <ul style="list-style-type: none"> <li>enterprises supported with energy efficiency measures</li> <li>reduction of 10,488 tonnes of greenhouse gas (GHG) emissions</li> </ul> <p>The results of this in terms of local impact will be:</p> <ul style="list-style-type: none"> <li>growth of the low carbon economy; and,</li> <li>Increase in energy efficiency.</li> </ul> <p><i>The full set of achievements targeted in this area are shown in the following table</i></p>

### Supporting the Shift to a Low Carbon Economy: target achievements

4a - Promoting the production and distribution of energy derived from renewable sources	Productive investment: Number of enterprises receiving support Final	Enterprises	28
	Productive investment: Number of new enterprises supported Final	Enterprises	6
	Renewables: Additional capacity of renewable energy production Final	MW	3
	GHG reduction: Estimated annual decrease of GHG Final	Tonnes of CO <sub>2</sub> eq	2,098
4b - Promoting energy efficiency and renewable energy use in enterprises	Productive investment: Number of enterprises receiving support Final	Enterprises	355
	GHG reduction: Estimated annual decrease of GHG Final	Tonnes of CO <sub>2</sub> eq	1,731
4c - Supporting energy efficiency, smart energy management and renewable energy use in public infrastructure, including in public buildings, and in the housing sector	Energy efficiency: Number of households with improved energy consumption classification	Households	157
	Energy efficiency: Decrease of annual primary energy consumption of public buildings	kWh/year	151,408

	GHG reduction: Estimated annual decrease of GHG Final	Tonnes of CO2eq	2,505
4e - Promoting low-carbon strategies for all types of territories, in particular for urban areas, including the promotion of sustainable multimodal urban mobility and mitigation-relevant adaptation measures	Productive investment: Number of enterprises receiving support Final	Enterprises	448
	GHG reduction: Estimated annual decrease of GHG Final	Tonnes of CO2eq	3,863
4f - Promoting research and innovation in, and adoption of, low- carbon technologies	Productive investment: Number of enterprises receiving support Final	Enterprises	53
	Productive investment: Number of new enterprises supported Final	Enterprises	9
	Research, Innovation: Number of enterprises cooperating with research institutions Final	Enterprises	4
	Research, Innovation: Number of enterprises supported to introduce new to the firm products Final	Enterprises	7
	GHG reduction: Estimated annual decrease of GHG Final	Tonnes of CO2eq	676

## Community Led Local Development

- 5.20 SELEP is committed to the use of CLLD in the parts of our area with most severe disadvantage and where local partners have come together to create a compelling case for local control and coordination of EU funds. We have allocated ERDF funds to CLLD in order to provide for infrastructure and business support needs in CLLD programmes. Further details of CLLD and the use of €c7m ERDF funds is provided in section 7 below.

The targets to be achieved by this element of ERDF are shown in the following table:

9d - Undertaking investment in the context of community-led local development strategies	Productive investment: Number of enterprises receiving support	Enterprises	505
	Productive investment: Number of new enterprises supported	Enterprises	353
	Productive investment: Employment increase in supported enterprises	Full time equivalents	378
	Number of potential entrepreneurs assisted to be enterprise ready	Persons	1,413
	Square metres public or commercial building built or renovated in targeted areas	Square metres	1,207

## 6 Growth in the SELEP rural economy

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### Introduction

- 6.1 *NB: this section remains to be fully revised pending finalisation of DEFRA's plans for EAFRD following the 2015 election. The strategy set out by SELEP below overall holds good, however the details of the EAFRD programme itself remain to be confirmed.*
- 6.2 The growth plans and programmes outlined in SELEP's European Structural and Investment Fund strategy (ESIF) apply as much to rural areas as they do to urban ones, to businesses with a rural location, or those operating in rural sectors, and to people living throughout our area. The ERDF and ESF programmes will support businesses and people who meet the criteria for support irrespective of where they are located. This arises from SELEP's overall philosophy: we intend to ensure that individuals and businesses are able to access programmes from whatever source that will help them learn new skills and grow their businesses wherever they are based<sup>78</sup>. In this context, EAFRD funds will therefore be targeted on specific activities which fall outside of provision normally expected to arise from ERDF or ESF, taking advantage of the opportunity EAFRD offers to add value beyond that possible under other EU, or for that matter domestic, funds and programmes. The SELEP area has an allocation of €18,069,267 for its EAFRD programme, which, with match funding, means some €36m will be invested in our rural areas.
- 6.3 SELEP's own broader rural strategy with which our EAFRD programme is aligned with SELEP's overall strategy is focused on delivering jobs and growth, based on support for and exploitation of the region's strengths and assets. Its rural areas provide many of these, including innovation based research centres and a strong tourism potential. Government and the European Commission have made it clear that EU funds should be as fully aligned with, and complementary to, each other and to domestic programmes as possible, and SELEP is fully behind an approach that positions EU funds to support agreed broader strategic goals. We expect our EAFRD programme to evolve further over time, particularly in relation to very specific localities, sectors and services. The main directions and priorities for SELEP's rural areas are clear, and we believe our rural strategy provides a robust basis for us to be able to set out the overall approach we propose for EAFRD in our area. This chapter continues with a restatement of the overall vision for SELEP's rural areas, followed by a summary of the main conditions to be found there. The main part of the chapter sets out the LEP's overall strategic goals, interpreted in light of the opportunities offered by EAFRD. It concludes with an annex presenting a more detailed description of key features of our rural area, and a SWOT analysis drawn from it. These have been used to inform the main body of the text, and tie back to both our area's Strategic Economic Plan and rural strategy.

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<sup>78</sup> South East Local Enterprise Partnership Strategic Economic Plan 2014, p30

## SELEP's rural vision<sup>79</sup>

- 6.4 The SELEP vision for its rural areas is of: *'A growing rural economy with a highly skilled workforce in full employment. Our intention to create opportunities for the establishment of new businesses; the development of existing ones; increased job opportunities; and a thriving culture of entrepreneurship supports this vision.*
- 6.5 *The SELEP rural economy is a rich mixture of traditional and innovative land-based businesses including farming, horticulture, viticulture, forestry and rural tourism, along with a broad range of non-rural businesses which collectively provide an exciting mosaic of economic opportunities.*
- 6.6 *Good access to services; improving skill levels; the availability of affordable housing; and reduced journey times to work are essential elements of the vision and to ensuring a good quality of life in rural communities. The effective stewardship of the countryside and the natural environment are crucial to the long-term health and wellbeing of the economy and our communities.*
- 6.7 *SELEP's rural strategy covers a wider remit than those factors which can be influenced directly by SELEP funds and activities, but recognises the links and interdependence between economic, social and environmental aspects of life in its rural areas.*
- 6.8 *Issues of strategic concern across the SELEP geography are highlighted and there is acknowledgement that the detail of these issues may vary from area to area leading to the implementation of different solutions. The federated structure of the SELEP allows freedom for individual areas to identify the most effective interventions to be made to deliver strategic outcomes.*
- 6.9 *In acknowledgement of this the strategy identifies activities and outcomes which may be instrumental in achieving strategic aims, but does not attempt to prescribe an exhaustive list of suitable actions.'*
- 6.10 It is against this backdrop that EAFRD funds will be deployed, addressing those areas for which the funding is intended and which have the potential to make a real difference.

## SELEP's rural sector

- 6.11 The population of the South East LEP is 3.97 million with 936,000 people living in the rural areas. Each of the three county areas and unitaries within SELEP have their own particular mix of rural land-use, environments, rural and non-rural businesses and communities all of which contribute to the economic, environmental and social wellbeing of the area.
- 6.12 The SELEP rural area is comprised of an extensive mix of outstanding natural and farmed landscapes. Natural landscapes include the North and South Downs, Romney Marsh, the Essex coastline, North Kent Marshes, the Seven Sisters coastline and significant areas of ancient and commercial woodland. The area also contains the Kent Downs, High Weald and Dedham Vale Areas of Outstanding Natural Beauty (AONB) along with part of the South Downs National Park.

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<sup>79</sup> This is drawn from the South East Local Enterprise Partnership Rural Strategy 2015-2021 version 1



- 6.13 Farmed landscapes range from the fertile cereal growing areas in Essex to the mixed farming areas of Kent and the livestock farms of East Sussex. Horticulture, viticulture, forestry, top and soft fruit production and diversification initiatives (open farms, golf courses, holiday accommodation, etc.) all contribute to the rich mix of economic activity. The area also contains a wealth of cultural and heritage sites, historic buildings and attractive towns and villages. The rural tourism offer is considerable with significant potential for future development. The prosperity of many smaller towns and villages rely on a vibrant rural economy.
- 6.14 24% of all employed people in the SELEP live in rural areas and 31% of all self-employed people are located in these areas<sup>80</sup>. Non-rural businesses located in the rural area make a significant contribution to the economy. These include businesses in the retail, construction, finance, hospitality and public sectors. For example more than a third (36%) of businesses in Kent are based in the rural area and over 50% of these are non-rural in nature<sup>81</sup>. Small and micro businesses are a particular feature of the rural economy and the number of people who are self-employed is growing. The creation of business clusters in rural areas helps support business start-ups and generates an entrepreneurial culture which encourages job creation and economic growth across all sectors. A more detailed presentation of SELEP's rural circumstances can be found in the Annex to this chapter.

### **SELEP's Rural Strategy and EAFRD Programme**

- 6.15 Based on the analysis of the challenges and opportunities in SELEP's rural area, the strategy encompasses three fundamental areas of interest, each interconnected with the others. SELEP will champion these objectives in partnership with the Government to promote best practice and effective engagement.
- 6.16 Our goals relate to:
- The rural economy
  - Rural communities
  - The rural environment
- 6.17 The priorities in these areas are set out in Table 6.1, and are wide ranging, seeking action across a broad range of different issues. SELEP plans to support and stimulate work to address all these, seeking to mobilise a wide range of public and private investments and interventions designed to deliver a coherent and mutually supportive end result. EU funds will play an important role, with ESF and ERDF being mobilised where appropriate. From the point of view of EAFRD it is clear that the limited funds available (c€16.5m), and the conditions for use of the fund means it should, and will, be used in targeted ways on those parts of the overall strategy where the greatest impact is likely to be felt.

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<sup>80</sup> Action with Communities in Rural England (ACRE) Rural Evidence Project September 2013.

<sup>81</sup> Kent Rural Delivery Framework 2007.

6.18 A thriving economy is at the heart of any successful area, and in line with SELEP's overall goals of stimulating growth and jobs we are allocating half our EAFRD funds to support for the rural economy and rural business. As already mentioned, we will be using our ERDF funds across the SELEP area to support eligible business, including those in rural areas. This will all be coordinated through our network of Growth Hubs. EAFRD is to be used to address issues which go beyond ERDF, or other domestic programmes. Specifically these are:

- Enhanced advice services tailored to the needs of business located in rural areas, whether with a rural basis or not. EAFRD will be used to source specific expertise to be made available through the existing plans for business support across the SELEP area. Business will be expected to make a case to demonstrate good potential in return for access to specialist advice, guidance and support, in many cases sourced from peers. Business navigators with specific rural business expertise will lead this strategic initiative. Support includes access to office space, business mentors, skill development, business planning and marketing. Delivery mechanisms will be tailored to circumstances including being 'on-site' in rural locations and via the web using webinars. We want to ensure the potential for businesses to grow in situ
- Aid for the creation of new non agricultural businesses in rural areas and for investment in non agricultural activities. SELEP believes a thriving rural economy must increasingly host businesses of all types, bringing new and different forms of employment, goods and services. Our planned business support infrastructure will be extended to offer specific support to businesses seeking to locate into rural areas, or already based there but with barriers to growth. Specialist support might include specific aid for start ups; investment in systems or processes; access to finance; development of networks and mutual aid for emerging rural clusters etc. We will support rural diversification by creating a LEP-wide knowledge transfer network (KTN) promoting innovation and best practice and offer signposting to support and development programmes. This will encourage 'translation' and the adoption of new and innovative techniques and processes within all sectors. This KTN will become a major focal point through which innovation is championed. We will also support the development of the Agrifood sector by addressing the lack of capacity in production and supply and addressing the shortfall in analytical services.
- SELEP's core economic strategy includes targeted support for growing and high potential sectors. EAFRD will be used to support sectors which fall into this category. We host world standard agritech companies and research organisations, and we believe this sector has huge potential to grow. EAFRD will be made available on a competitive basis to agritech and agrifood businesses to assist with growth and job creation. Funds will be used to support existing investment plans where there is proven potential, for example by increasing attractiveness to commercial investors; building clusters and supply chain relationships; stimulating collaborative research; or supporting pilots and trials. The experience of Thanet Earth demonstrates the potential of high investment/high input approaches to large scale production whilst at the same time using land very efficiently. TE's exploitation of technology on the one hand and the large regional market offers models for further development, with the potential for yet greater import substitution and job creation.

- The viticulture sector across the South East LEP area also demonstrates high potential, with growing investment and expansion of market share. This draws together natural climatic, landscape and soil advantages with the large regional market and the growing international reputation of Plumpton college for viticulture research. These sorts of expanding sectors which can exploit different local advantages to create growth and jobs will be high priorities for support.
- The huge numbers of tourists which visit the UK and in particular London and key locations in the South East do not at present venture in great numbers into our area's beautiful countryside. EAFRD funds will be used on a competitive basis to support initiatives with demonstrable potential to increase the number and quality of tourist visits to the area. This might include joint marketing and market research initiatives; support for more integrated destination management including improving the quality of key tourist facilities; making areas more attractive for inward investment in quality tourist destinations; and measures to highlight to potential visitors the potential of the area. We will seek to raise awareness of the 'cultural and heritage offer' across SELEP through developing links with tourism professionals, tourism businesses and other stakeholders to encourage information sharing, identification of opportunities for joint working and development of a strategic approach to enhance the tourism offer.

6.19 Under the heading of rural communities, our EAFRD funds will contribute to both strategic objectives: supporting greater connectivity, and helping build the skills base. Communications, access and networking are essential in all modern economies, and in the South East's rural areas there remain significant barriers which unfairly disadvantage communities and businesses. These include the road and rail networks, which remain overly radial to London; the availability of business networks and meeting space; and of particularly relevance to EAFRD, high speed communications. Mobile coverage is patchy in many areas, with speeds below convenient for phone use let alone mobile internet. In respect of superfast broadband 100% of all areas will have broadband to at least 2mb via Broadband Delivery UK (BDUK) and Local Body-funded rollouts, which also aim to provide superfast speeds to 90% across the UK by 2016 and to 95% across the UK by 2017. Consideration will be given to increasing speed to super/ultrafast levels with a specific focus on business parks, subject to State Aid implications. Maximising business and community benefit from whichever broadband speed can be accessed remains important.

6.20 EAFRD will therefore be used (subject to confirmation of eligibility) to support targeted extension of high speed communications to areas which will not benefit from the existing national roll out. The reason areas will not be reached by the 95% are primarily to do with the cost/benefit of conventional broadband network. Rather than subsidise installation of uneconomic infrastructure, we will instead use EAFRD funds to support innovative solutions to delivering greater access. This might include localised wireless or other new generation mobile technologies. We assess proposed projects at the appropriate time, when EAFRD support is confirmed as eligible, and in light of the prevailing technological solutions

- 6.21 In relation to skills, our rural areas are to too great an extent characterised by relatively poor skills at all levels. Our ESF funds are being used to tackle skills gaps and deficits at all stages of the ‘escalator of opportunity’<sup>82</sup>, and will include measures to extend access to rural areas as a priority. EAFRD is not designed as an instrument to support individuals as such, rather to help businesses and communities.
- 6.22 EAFRD will therefore be used to deliver highly specific training and qualifications to those rural businesses with the highest jobs and growth potential. Delivery will be integrated with the advice and guidance programme described above, and will flow from assessment of the needs of rural businesses seeking support, and assessment of their prospects. Our aim is to deliver specific skills and qualifications where there is an existing good business that needs additional human capital development to reach their potential. Support will be competitively assessed, and used to help those making a strong case for a substantial multiplier effect from subsidised skills development or achievement of qualifications
- 6.23 Sustainable tourism is dependent on the distinctive, high quality landscapes, wildlife, habitats and heritage assets of our counties (An economic appraisal of the estimated future visitor numbers to the local area, based on surveys of approximately 1,000 people, concluded that the reactivation of the meanders could attract an estimated additional 45,000 visitors per year, whilst failure to develop the meanders would lead to a reduction in visitor numbers (Eftec, 2011). 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).
- 6.24 Our rural environment is both an asset and in need of stewardship and preservation. The quality of our rural areas is central to their attractiveness both as places to live and to visit. SELEP’s rural strategy includes a number of specific goals in relation to our environment which fall outside EAFRD’s remit. In one area however we see strong potential for substantial added value. This is in small scale renewable generation. In many areas the most exciting opportunities to tackle carbon emissions and contribute to tackling climate change come from small scale renewables – whilst at the same time preserving the rural environment and enhancing the rural economy and communities. Our area, and in particular the Weald of Sussex and Kent, is the most wooded in the whole country, but with much under utilised and poorly managed woodland. This is potentially a hugely valuable resource for emerging high efficiency woodfuels generation. There is also strong biomass potential in our crop growing areas, as well as for anaerobic digestion. At the same time we have many reliable small rivers suitable for micro turbines; and large areas of south facing roof space in the part of the country with the longest hours of daylight. Therefore:
- EAFRD will be used to support micro generation from sustainable means, prioritising those with the greatest potential for reliable, efficient support and to contribute to the rural economy and labour market. This will include a specific ‘Intelligent Renewables’ programme to make available professional, independent support. We understand that at present businesses are the main target for support, but that community based and community

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<sup>82</sup> See SELEP ESIF Strategy

owned schemes are expected to become eligible later in the programme. We hope to be able to support both businesses and communities, and will structure our spending expectations accordingly. We are aware of the issues around qualification for feed-in tariffs, and will design our support package accordingly. This will therefore focus on developing aspects of schemes such as development of fuel supplies such as wood; development of distribution, control and management systems; feasibility studies and the networking of generation sites such as community roofs, rather than generation itself.

Table 6.1 SELEP Rural priorities and ESIF commitments		
Rural Economy	Rural Communities	Rural Environment
<b>RE1 - Provide support for rural businesses</b> and businesses in rural areas to improve access to 'business critical' infrastructure, resources and professional support to enable growth and development <i>EAFRD 2.1: Enhanced advice services for rural businesses £1.17m</i> <i>EAFRD 6.2 Business start-up aid for non-agricultural activities in rural areas £1.17m</i> <i>EAFRD 6.4 Support for investments on creation and development of non-agricultural activities. £1.17m</i>	<b>RC1 – Support development and provision of enhanced levels of connectivity</b> across SELEP to provide adequate infrastructure for rural communities and businesses <i>EAFRD 7.3 Support for broadband infrastructure, including its creation, improvement and expansion, passive broadband infrastructure and provision of access to broadband and enhancing the accessibility and use of ICT in rural areas to underpin public e-government solutions. £2.44m</i>	<b>REn1 – Support development of a more efficient low carbon and sustainable rural economy</b> <i>EAFRD 7.2 Support for investments in the creation, improvement or expansion of all types of small scale infrastructure, including investments in renewable energy and energy savings. £2.44m</i>
<b>RE2 - Optimise the growth and development of the Agritech and Agrifood sectors</b> to support sustainable food production, maintain plant and animal health and support and enhance natural habitats <i>EAFRD 4.2: Support of investments in processing/marketing and/or development of agricultural products. £1.17m</i>	<b>RC2 – Develop the skills of the rural workforce</b> and provide opportunities for people to work, learn and achieve <i>EAFRD 1.1: Training and qualifications for rural businesses £2.44m</i>	<b>REn2 – Safeguard our natural assets, heritage and quality of life.</b> Respond to the needs of the environment, biodiversity and our cultural assets.
<b>RE3 – Support the development of sustainable rural tourism</b> to maximise the rich cultural, historical, landscape, health and wellbeing visitor offer <i>EAFRD 7.2 Support for investments for public use in recreational infrastructure, tourist information and small scale tourism infrastructure. £2.44m</i>	<b>RC3 – Build 'community capital' in our dispersed communities, villages and market towns</b> <i>EAFRD Leader projects</i>	<b>REn3 – Support sustainable development and planning to provide a sustainable future</b>
<b>Total EAFRD ESIF Commitment £7.12m</b>	<b>Total EAFRD ESIF Commitment £4.88m</b>	<b>Total EAFRD ESIF Commitment £2.44m</b>

## First Calls for Applications

The first calls for applications under SELEP's EAFRD programme will be focused on measures 6.2 and 6.4

EAFRD 6.2 Business start-up aid for non-agricultural activities in rural areas

EAFRD 6.4 Support for investments on creation and development of non-agricultural activities.

6.25 SELEP is seeking to stimulate new business start up and support for non agricultural activities across a broad range of potential applicants (taking into account the restrictions on certain sectors as specified in the guidance, such as motor vehicles and professional services). We hope to be able to support those with the greatest growth and employment potential, and will work with our Growth Hub and other ERDF and business support services to identify an pipeline of good candidates. Our area is large and diverse, meaning different sectors have potential in different parts of the SELEP area. Notwithstanding our broad goal of supporting those with the highest potential however, priority sectors will include:

- Those rural businesses with the most innovative diversification potential
- Those seeking to integrate with existing SELEP area supply chains, particularly in high value and high technology sectors
- Those with a strong research and development component particularly when associated with existing research institutions
- Those able to demonstrate strong low carbon and energy efficient credentials
- Those with export potential
- Those with inward investment potential

6.26 These measures are part of Article 19, and seek to encourage new start up activity in rural areas with the aim of diversifying the economy, attracting both current and future residents to the possibility of starting businesses, and creating employment. They also aims to support both land based and other rurally located businesses to diversify and engage in new forms of economic activity to complement and enhance land based industries and to introduce high growth potential new sectors. Actions which can be supported include:

- Provision of funding to businesses and entrepreneurs to support the creation and development of Small and Micro Businesses, including the uptake of new or improved business processes
- Support for new technologies to develop new or higher quality products to open up new markets or encourage shorter supply chains
- Centres to foster creation and development of rural businesses and to provide a focus for knowledge exchange which provide the links to the various innovation centres locally, including Growth Hubs and across the world and small space where businesses can start and grow
- Facilitating the transfer of relevant knowledge, skills and innovative practices to rural micro- and small businesses and networks
- Encouraging cooperation between businesses and start ups with common interests and building collective responses to common problems
- Developing and stimulating networking and clustering between enterprise and encouraging greater research and development investment and activities
- Facilitating access to additional business start up and development advice such as from ERDF programmes

SELEP is keen to make available the full range of support eligible under EAFRD:

- building or improving fixed property
- buying new equipment and machinery
- general costs such as architect, engineer and consultation fees
- intangible investments, including buying or developing computer software specifically for the project (not 'off the shelf' software)
- the costs of getting patents, licences, copyrights and trademarks where they form part of a larger project
- energy saving measures and other measures to help businesses grow and reduce their environmental footprint and overheads
- expanding into non-food activities for existing farming or rural based business
- marketing and promotion and other measures to improve the running of business where these are part of a larger project

## **Annex: Detailed overview of SELEP's rural sector**

The population of the South East LEP is 3.97 million with 936,000 people living in the rural areas. Each county has its own particular mix of rural land-use, unique environments, rural and non-rural businesses and a broad range of communities all of which contribute to the economic, environmental and social well-being of the area.

A thriving rural economy creates access to a variety of jobs which in turn helps support vibrant communities and enhances the rural environment. It is important to acknowledge that the rural economy remains very diverse with the majority of businesses being rurally located as opposed to specifically land-based. Construction, real estate, manufacturing and health and public services are major contributors.

However, traditional land-based sectors such as agriculture and horticulture remain very important in terms of their strategic contribution given concerns over the UK's future food security.

Rural communities have historically been isolated to varying degrees and may struggle to gain access to services, health care, adequate communication, education and work. Transport infrastructure is often poor. Workplace based skill levels are generally lower in rural areas. Access to business appropriate skills training is important in respect of both supplying skills to local rural business and their workforce and for rural communities to access work in the urban or rural areas.

More rural households are likely to be off the gas grid than urban (38% compared to 9%). This is also likely to apply to community facilities and small rural enterprise. In respect of businesses, fuel costs directly affect their bottom line and in respect of residents this can create fuel poverty (18% of rural compared to 16% in urban; Defra Statistical Digest of Rural England 2012). Identifying an alternative renewable energy source for a community (business or residential) is a possible action following the outcome of feasibility studies.

Housing affordability is lower in predominantly rural areas than urban areas. Living and working in rural areas can be economically challenging with regard to access to affordable housing possibly making it more difficult for rural businesses to recruit and retain key workers. The provision of affordable housing is a priority issue across the SELEP.



There are significant barriers in terms of the time, effort and resources required to bring some of the rural housing sites forward. A key constraint is the understandable sensitivity around land availability and its use given the amount of environmental designations. However, rural house building, and in particular affordable housing is vital to support the ongoing viability of rural villages and a thriving local economy.

Village halls and community drop-in centres are examples of how essential outreach venues help provide services, community and business events, childcare etc. and so gain or retain access to key services. Social enterprises can also help maintain economic resilience and connectivity and highlight the 'community capital' which exists.

24% of all employed people in the South East LEP live in rural areas and 31% of all self-employed people in the SELEP are located in these areas<sup>83</sup>. Rural communities have a long tradition of successfully developing their own enterprises. Many of SELEPs valued landscapes and habitats have been shaped by and are dependent upon traditional landscape management and modern farming systems and are covered by a variety of landscape designations. This is a major asset for rural tourism, health and well-being and attracting new businesses and inward investment. The value of conserving and investing in this 'natural capital' is considerable.

The rural tourism offer is distinctive and diverse given the wide range of products and experiences on offer. Examples include walking, adventure sports, fishing, sailing, horse riding, photography, conservation activities, cycling, cultural and historical tours, etc.

The rural assets and locations where these activities take place are equally diverse and include farms, coastline, the North and South Downs, rural towns and villages, historic houses, estates, archaeological sites, churches, gardens, woodlands and designated landscapes such as the South Downs National Park, Areas of Outstanding National Beauty and wildlife reserves and Sites of Special Scientific Interest.

Of all overnight domestic trips 19% were made to the countryside in 2009. The value of rural tourism in England in 2009 was £3.2 billion which equates to 18% of total domestic spend (source UKTS). Visitors who stay overnight spend more and non-domestic visitors must be encouraged to leave the 'honey pot' of London and explore the rural hinterland. Efforts to increase these numbers along with that of day visitors is important to the economy of rural areas for the following reasons:

- Tourism in rural areas creates employment and opportunities for business growth where other opportunities may be limited.
- Tourism provides the opportunity to supplement the income streams of businesses operating in fixed rural locations. A good example of this is via farm produce sales and on-farm accommodation as a result of diversification.

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<sup>83</sup> (Action with Communities in Rural England (ACRE) Rural Evidence Project September 2013).

- Tourism also supports and sustains the economic viability of communities, their services and local amenities. This includes shops, pubs, restaurants, transport and postal services.

Water consumption is a particular issue in the SELEP. It is densely populated with relatively high per capita domestic water use. Future management of water resilience is a high priority for the area and this is a consideration in relation to food production in particular.

In July 2013 BIS, Defra and DfID Ministers launched a new strategy on agricultural technologies, the latest in a series of initiatives which are part of the government's Industrial Strategy focusing on areas where government intervention can stimulate business investment and growth. Major challenges identified by the 'UK Strategy for agricultural technologies' are the UK's declining productivity growth and competitiveness, and the gap between research and commercialisation. Translating scientific knowledge into practical applications is a primary aim.

The vision is for the UK to become a world leader in agricultural technology, innovation and sustainability; exploits opportunities to develop and adopt new and existing technologies, products and services to increase productivity; and contributes to global food security and international development. Agriculture contributes £9 billion to the UK economy and underpins the UK's £26 billion food and drink manufacturing sector.

East Malling Research is one of the country's leading centres for horticultural research and has a significant part to play in this sector. A number of other organisations and companies in the SELEP area are also involved in land-based research and development and could make a valuable contribution to delivering the Agri-tech Strategy.

There are three land based colleges within the SELEP area. These are Plumpton College in East Sussex, Hadlow College in Kent and Writtle College in Essex. They provide a broad range of Further and Higher Education land based courses and are major contributors to the rural skills and training needs of the SELEP and have an important role in supporting and developing the rural economy. Abberton Rural Training project in north Essex opened its doors to students in September 2014, and provides rural skills training. Courses include work-based employability skills training, such as pesticide training, and recreational courses in traditional rural skills, such as spinning

## Rural Businesses

### Land based (agriculture, horticulture, viticulture, etc)

East Sussex faces a number of challenges including a low wage economy, high levels of worklessness and benefit dependency in the more deprived wards (although this is more prevalent in urban areas). Although agriculture (including fishing, energy and water) accounts for only 0.7% of the employment in the county at 5,231 jobs (2009) it does account for a large area of land use at 67% (117,000 hectares in East Sussex in 2007, of which 57,000 in Wealden, 35,000 in Rother and 22,000 in Lewes).

In 2010 the county had 1,747 agricultural holdings and 112,083 hectares of farmed land. Approximately 4,500 people are employed on the county's farms. This includes just over 1,000 full-time workers and 1,650 part-time farmers, partners and directors. The amount of farmed land has fallen in recent years resulting in a reduced number of jobs within this sector. The average size of a

holding is 64.2 hectares compared with 84.0 hectares in the south-east and 84.3 across England as a whole.

The county has a significant concentration of livestock farms. Some 40% of farmland is used for grazing livestock, compared with 16% in England. Only a fifth (19%) of land is used for growing cereals, compared to 29% across England as a whole. This concentration of livestock farming on small holdings creates a number of business challenges due to economies of scale. There are plans to restock the Weald of East Sussex and Kent with livestock both to increase active management of the landscape and to create opportunities for new entrants to farming and develop skills.

There are significant areas of fruit production and the viticulture sector is expanding quickly. Plumpton Agricultural College is the local land-based college and has an international reputation for viticulture as a result of its wine research centre, which has the potential to support viticulture across the whole SELEP area and has established plans for an English Vineyards Observatory project.

Kent had 2,767 registered farm holdings in 2010 (latest Defra figures available). In 2006 this figure was 5,511. 66% of these holdings are less than 50 hectares in size. 46,000 people are employed in Kent's land-based sector. Horticultural enterprises make a significant contribution to the rural economy. Many of these enterprises are technologically advanced, including in particular the Thant Earth facility which demonstrates the potential of high intensity advanced production for efficient use of land and creation of jobs.

Kent's 'Garden of England' tag is based on the fact that it produces a broad range of agricultural and horticultural products and is a major producer of top and soft fruit. Vineyards are an increasingly important contributor to the rural economy. Approximately 150,000 people work in rural Kent. This equates to 20% of the workforce.

East Malling Research is a centre of excellence in crop research and development and directly contributes to the promotion of business innovation in food production. Hadlow College is the county's land-based college.

Essex has good quality agricultural land and is primarily an arable county with the focus on cereal production and combinable crops. It has the largest percentage (60%) of arable farms in the SELEP area and is the least forested of the three counties.

The county's total farmed area in 2010 was 253,198 hectares (ha) spread over 2323 holdings. This gives an average farm size of 109 ha, or 269 acres, which is 30% larger than the English average. Overall 69% of Essex is farmland. Arable cropping covers over 76% of Essex farmland with wheat being the most important crop, covering 43% of the farmed land. Oilseed rape is the second most important crop covering 16% of the arable land.

While Essex is no longer a big cattle and sheep producing area, the County still has 38,900 ha of grassland, some 15% of the farmed area. Much of this is coastal grazing and meadowland along the various river valleys that drain across the county.

According to Natural England figures, in November 2012 there were 979 agri-environment agreements in place in Essex, with 153,134 hectares of the county managed under one or more of these agreements.

The gross value added of agriculture in Essex stands at £111 million (Defra 2010), representing 1.8% of England's total. In 2010 there were over 8,000 people directly employed in farming within the county.

Key grain processing sites include flour mills at Tilbury (Allied and ADM), Chelmsford (Marriages), Maldon (Greens) and Mistley (EDME) with major maltings at Witham (Bairds) and Mistley (Crisp Anglia Maltings). Major cereal and oilseed export facilities exist at Harwich and Tilbury, where cargoes up to 50,000 tonnes can be handled. Milk is currently processed at Hatfield Peverel and Dagenham with a number of abattoirs across the county.

Important pockets of horticulture and viticulture exist: In what is one of the driest counties, vineyards are fast becoming established, covering over 160 acres, and their output is adding to the levels of production across the LEP area. Wilkin and Sons Ltd, based in Tiptree, is a major producer of fruit and preserves and is involved in innovative growing techniques, product development and community and education initiatives. The Lee Valley Horticultural Centre is well-placed to provide fresh salad and vegetables to London while Tendring and Colchester areas have a number of innovative salad and root crop growers. Water resource is critical to these growers and they demonstrate the kind of forward thinking crucial to future economic success.

Non-land based (manufacturing, construction, health and public services, etc) More than a third (36%) of Kent's businesses is based in the rural area and over 50% of these are non-rural in nature (Kent Rural Delivery Framework). Small and micro businesses are a particular feature of the rural economy, and self-employment is also important. Increasingly people are choosing to work from home or a local office.

In East Sussex there is under representation of high growth sectors and a larger than average majority of Small and Medium Sized Enterprises (SME's) only serving local market. Even so it is estimated that 25% of the county's total workforce works in non land based sectors located in rural areas, demonstrating the importance of support for these types of businesses.

32% of all businesses in Essex are located in rural areas. The vast majority (79%) are small businesses employing less than 5 people. Self-employment is also important with 33% of all self-employed people in Essex living in rural areas. The largest individual sector among rural businesses is construction comprising 24% of the total. Agriculture comprises 12%.

### **Renewable energy**

Some areas of the SELEP area are heavily wooded and the effective management of this asset provides a specific opportunity to enhance the rural economy. There is increasing demand for domestic, locally produced wood fuel products and significant opportunities on a much larger commercial scale e.g. community heating systems.

In Essex, the East Coast offshore wind industry is becoming increasingly important, with the Energy Skills Centre at Harwich established specifically to support skills requirements within the energy sector.

### **Tourism development and marketing**

High quality, distinctive landscapes are a key feature of rural Kent – together the Kent Downs and High Weald Areas of outstanding Natural Beauty (AONBs) cover 32% of the county. The activities of

the land-based sector have contributed to Kent's landscape and this 'countryside capital' is a key driver for the county's £1.8 billion tourism industry.

East Sussex has significant assets in terms of its heritage, culture and natural environment which provide a huge draw to both domestic and international tourists. The county's rapidly growing viticulture sector, along with those in Kent and Essex, offer significant additional tourism potential and there are established plans for a Kent, East and West Sussex wine route.

Essex has a rich diversity of wildlife habitats with 75 Sites of Special Scientific Interest (SSSIs). Many of these are concentrated on its 350 mile long coastline, which is the longest of any English county. This is now being marketed as the 'Discovery Coast' and provides opportunities for specialist food producers, two of which - Colchester (Mersea Island) Oysters and Maldon Salt – are already internationally recognised brands. Abberton Reservoir is one of Europe's top wetland sites, being of International importance as a safe haven for wildfowl and other rare birds. The work of voluntary and public agencies makes a major contribution to maintaining natural habitats.

The Dedham Vale AONB attracts visitors from all over the world and contributes £44 million per year through tourism activity to the local economy.

#### **Broadband provision**

In respect of superfast broadband 100% of all areas will have broadband to at least 2mb via Business Development UK (BDUK) rollout. Consideration could be given therefore to increasing speed to super/ultrafast levels with the initial focus on business parks. However this would likely have State Aid implications given there has already been public subsidy and is likely to be prohibitive in terms of cost. Maximising business and community benefit from whichever broadband speed can be accessed is important and therefore the development of digital skills is an action that perhaps could be picked up under ESF, although EAFRD could supply the training.

## SWOT Analysis of SELEP rural areas

Strengths	Weaknesses
<p><b>Rural businesses</b></p> <p><b>Land based</b></p> <ul style="list-style-type: none"> <li>• Strong agricultural sector focused on commodity production, niche markets and high levels of farm diversification</li> <li>• Productive horticultural base in both top fruit and soft fruit sectors</li> <li>• Successful 'Thant Earth' facility demonstrating the potential of large scale investment in horticulture</li> <li>• Well-established local food offer with the focus on sustainable production, traceability and quality</li> <li>• Well-established and connected rural organisations able to support business initiatives and programmes</li> <li>• Entrepreneurs increasingly involved in creative rural business development</li> <li>• High potential for horticulture and viticulture to build on existing experience and exploit favourable climate, light levels, access to markets and soil types</li> </ul> <p><b>Non-Land based businesses</b></p> <ul style="list-style-type: none"> <li>• Resilient self-employed, home-based micro-businesses and SME's.</li> <li>• Diversity of existing rural economy provides broad base of business activity in rural areas and opportunities for entrepreneurs</li> </ul> <p><b>Renewable energy</b></p> <ul style="list-style-type: none"> <li>• Areas of woodland with significant potential for developing sustainable energy supplies</li> </ul> <p><b>Tourism</b></p> <ul style="list-style-type: none"> <li>• High quality landscape and rural environment making the area attractive for visitors</li> <li>• Strong local rural tourism offer linked to coast and countryside, building on excellent farming heritage and food offer</li> <li>• Areas of important ancient woodland with a high quality biodiversity offer and significant tourism asset</li> <li>• High quality historic environment with rich cultural and heritage visitor attractions</li> </ul> <p><b>Broadband provision</b></p> <ul style="list-style-type: none"> <li>• Access to expanding markets: London, Europe and international</li> </ul>	<p><b>Rural businesses</b></p> <p><b>Land based</b></p> <ul style="list-style-type: none"> <li>• High proportion of small farms in some areas with inefficient business processes</li> <li>• Relatively low numbers of young people entering the land-based sector or succeeding to family business</li> <li>• Disconnect between the products/outputs from land based research and development and the opportunity for use by commercial businesses/producers</li> <li>• High dependence on seasonal migrant workers especially in the horticultural sector</li> <li>• Lack of overall co-ordination of business support and development programmes for SME's – both land based and non-land based</li> </ul> <p><b>Non-Land based businesses</b></p> <ul style="list-style-type: none"> <li>• Low skill levels in some sectors where up to 20% of the workforce lack NVQ level 1 and basic work readiness skills</li> <li>• Lack of commercial workspace for business development</li> <li>• Transport infrastructure in need of improvement</li> <li>• Town and Country Planning system constrains appropriate development and is not keeping up with changes in the rural economy</li> </ul> <p><b>Renewable energy</b></p> <ul style="list-style-type: none"> <li>• Under-utilisation of woodland and under-developed markets for wood products</li> </ul> <p><b>Tourism</b></p> <ul style="list-style-type: none"> <li>• Lack of resources and funding for marketing and promotion of tourism in parts of the LEP</li> </ul> <p><b>Broadband provision</b></p> <ul style="list-style-type: none"> <li>• Limited Broadband and 3G/4G network coverage and speed</li> </ul>

Opportunities	Threats
<p><b>Rural businesses</b></p> <p><b>Land based</b></p> <ul style="list-style-type: none"> <li>• Improve efficiency and productivity of agriculture and horticulture through new and emerging agri-tech initiatives, including experience gained from Thanet Earth</li> <li>• Develop the agri-food sector by responding to increased demand for local, high quality affordable produce</li> <li>• Respond strategically to new and emerging export markets particularly in the food sector</li> <li>• Support research and development in the land-based sector (East Malling Research, commercial horticultural units, agricultural colleges)</li> <li>• Enhance productivity of small farms and provide opportunities for young people to work in the sector through use of co-operatives to share resources, create economies of scale and develop niche markets e.g. sustainable, high quality, welfare friendly meat products</li> <li>• Exploit natural climatic, landscape soil types to expand viticulture and horticulture</li> </ul> <p><b>Non-Land based</b></p> <ul style="list-style-type: none"> <li>• Support and develop the rural SME sector through training, mentoring and skills provision (rural hubs, affordable and flexible workspace, training provision embedded in the community)</li> <li>• Provide support for business start-ups to maximise job creation and enhance the business offer in rural areas</li> </ul> <p><b>Renewable energy</b></p> <ul style="list-style-type: none"> <li>• Promote alternative low carbon renewable energy sources for business, residential and community premises – biomass, woodchips, solar, ground source heat, etc</li> <li>• Develop the timber market through effective management of the significant woodland resources within the LEP</li> </ul> <p><b>Tourism</b></p> <ul style="list-style-type: none"> <li>• Develop the tourism offer across the area by building on our heritage, cultural</li> </ul>	<p><b>Rural businesses</b></p> <p><b>Land based</b></p> <ul style="list-style-type: none"> <li>• Impact of climate change</li> <li>• Coastal erosion and flooding</li> <li>• Animal and crop disease risks</li> </ul> <p><b>Non-Land based</b></p> <ul style="list-style-type: none"> <li>• Concentration of investment in urban areas</li> <li>• Constraints of current planning system and policy on business development and provision of affordable housing</li> </ul> <p><b>Renewable energy</b></p> <ul style="list-style-type: none"> <li>• Continuing low levels of woodland management leading to further degradation and lack of productivity</li> <li>• Risk of tree diseases reducing viability and longevity of woodland</li> </ul> <p><b>Tourism</b></p> <ul style="list-style-type: none"> <li>• Fragmented tourism offer</li> </ul> <p><b>Broadband provision</b></p> <ul style="list-style-type: none"> <li>• Lack of resource to roll-out broadband to the last 5% of users</li> <li>• Public sector funding cuts reducing provision of services in rural areas</li> </ul>

<p>and environmental assets through strategic partnership working</p> <ul style="list-style-type: none"> <li>• Provide training and support programmes for businesses to maximise promotion and marketing of the tourism offer</li> <li>• Develop the 'overnight' visitor market to enhance spend, create employment and sustain economic viability of communities</li> </ul> <p><b>Broadband provision</b></p> <ul style="list-style-type: none"> <li>• Increase Broadband and 3G/4G connectivity to support business and community development and viability and delivery of rural services</li> </ul>	
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## 7 Building a 21st Century Workforce and combatting social exclusion

7.1 Our workforce – current and potential - is our most important economic asset. This includes those already working, those seeking to work, those with the potential to work, and young people who will enter the labour market. Our ambition is to create a significant increase in higher value employment in the SELEP area. To do this, and to support London, **our workforce must have the skills that employers, including those in growth sectors, need, as well as the means to progress towards employment and overcome the barriers that stand in the way of finding and keeping a job.**

7.2 We have chosen to distribute our ESF programme to the following thematic objectives:

7.3

TO/Investment Priority	Definition	Allocations
IP 8i (1.1)	Access to Employment	€17,265,385
IP 8ii ESF (1.2)	Integration of Young People ESF	€21,820,513
IP 8ii YEI (1.3)	Integration of Young People YEI	€3,600,000
<b>TO8 Total</b>	<b>Employment and labour mobility</b>	<b>€42,685,897</b>
IP 9i (1.4)	Active inclusion	€13,831,708
IP 9vi (1.5)	Community Led Local Development	€7,035,211
<b>TO9 total</b>	<b>Social Inclusion</b>	<b>€20,866,919</b>
<b>PA1 Total</b>		<b>€63,552,816</b>
IP 10iii (2.1)	Access to lifelong learning	€20,469,958
IP 10iv (2.2)	Improving the relevance of systems	€7,791,714
<b>TO10 / PA2 Total</b>	<b>Skills and lifelong learning</b>	<b>€28,261,672</b>
<b>Total ESF</b>		<b>91,814,488</b>

### Our Challenges

7.4 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 SELEP 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.

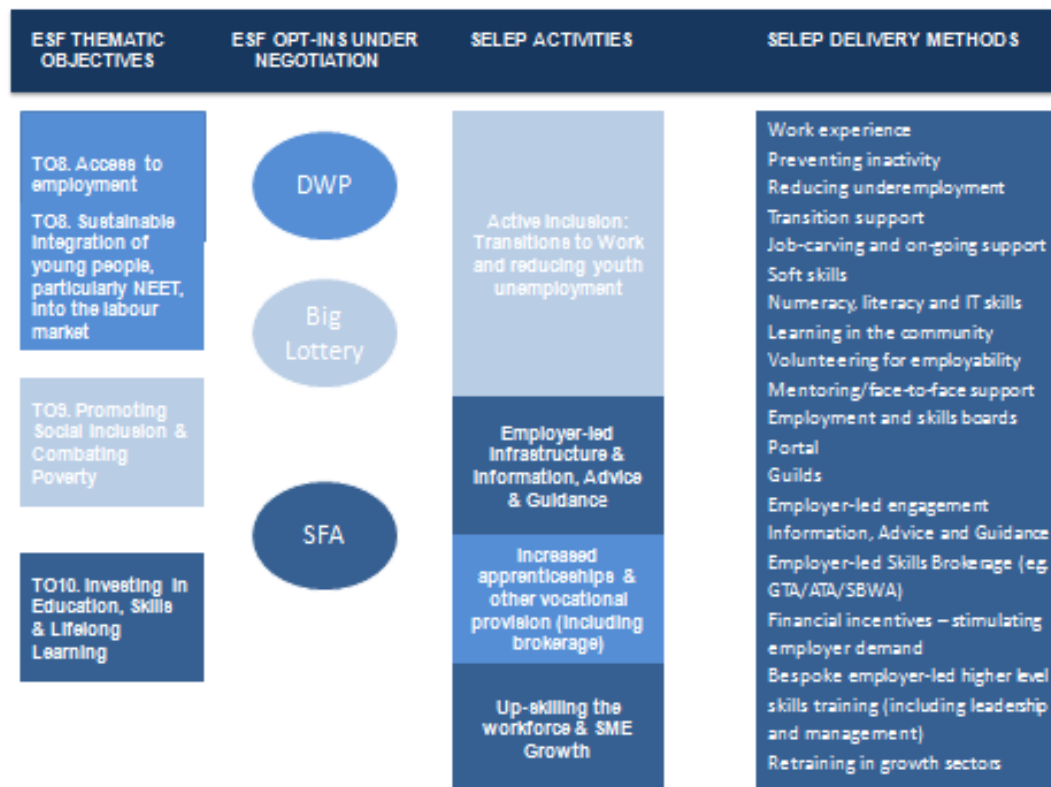
7.5 In response to these problems, we have identified our skills and employment priorities and these are discussed below under the following headings:

- Employment and labour mobility
- Social Inclusion
- Skills and lifelong learning

7.6 Our approach to implementation will differ across the area in response to local need, but our main aims across SELEP are to ensure a strong demand side dimension to all provision and targeting of local priority sectors that increase employment, offer higher wages, and stimulate further growth. We are aiming to provide an 'Escalator of Opportunity' to the people of the SELEP area, providing openings to employment, vocational training and progression in and out of work at all levels. We will be distributing our funding at all levels of the labour market, with a concentration on social inclusion and access to employment for the workless and unemployed; significant provision of apprenticeship support; support for those with lower level skills to improve their skill sets, and with targeted investment in higher level skills directly relevant to our priority sectors.

7.7 The relationship between the EU thematic objectives, the opt-in offers under discussion, and the SELEP 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**



## Employment and labour mobility

- 7.8 To tackle unemployment and improve the flow of people into job opportunities we will secure the provision of personalised, flexible employability support services to complement existing provision. The aim of this provision is to enable people to have the highest possible chance of acquiring skills for employment and progression in work - primarily by introducing them to employment and career opportunities in SELEP's priority and growth sectors and to help them progress into work in these sectors.

It will not be a 'standing' provision across SELEP for the duration of the contract, but rather 'agile' provision that will focus in on target areas of need and opportunity and respond flexibly to individual's, employers and local labour market needs. These could both be in a localised geographical area, or a reasonable 'travel to work' area.

Our provision in this area will also provide skills and vocational training support to further move participants along the 'escalator of opportunity', particularly transition from unemployment and insecure employment to more stable and higher skills positions. Provision will focus on issues such as basic skills, numeracy, literacy and ICT capability, as

well as the specific skills demanded by growth and priority sectors. It may include apprenticeships, placements and work trials, and support for re-training and upskilling.

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, including additional provision to tackle basic skills and numeracy needs

<b>Thematic Objective Eight</b> <b>Promoting Employment and Supporting Labour Mobility</b>	
Evidence of need	<ul style="list-style-type: none"> <li>• Low skills levels &amp; high levels of youth unemployment/NEET impede economic growth.</li> <li>• Too many unemployed and workless local residents lack employability skills and relevant work experience for available opportunities</li> <li>• There is a lack of specific skills needed by priority and growth sectors and in sectors which find it hard to recruit</li> <li>• Existing unemployment support programmes lack the capacity and flexibility to address the holistic needs of local unemployed residents</li> <li>• Existing provision does not support unemployed and workless residents who do not or cannot access the benefits and support system</li> <li>• Too many young people lack numeracy and literacy skills when entering the labour market</li> <li>• Local employers find it hard to recruit skilled and work-ready adults and young people, particularly to local growth sectors</li> <li>• Young people are unaware of the breadth of career opportunities in a number of growth sectors.</li> <li>• Job opportunities exist but businesses, especially SMEs are unable to secure skilled staff from local area</li> </ul>
Project/programme priorities	<ul style="list-style-type: none"> <li>• Provision to <b>prepare people for work</b>, particularly in SELEP's priority sectors. An agile service to deliver a local response to labour market needs and opportunities. This will involve intensive support for participants, local delivery utilising local expertise and providers, rooted in SELEP communities.</li> <li>• <b>A range of skills development activities</b>, personalised support/mentoring, and workplace based programmes including entry level provision and lower level apprenticeships</li> <li>• <b>Enhanced IAG</b> - 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.</li> <li>• <b>Brokerage</b> of vocational training opportunities to provide a clear pathway into key sectors</li> <li>• Additional support for young people in the Youth Employment Initiative area of Thurrock</li> </ul>

<p>Rationale for selection of activities</p>	<p>Employment support</p> <ul style="list-style-type: none"> <li>• Despite the Work Programme and other employment support activities, long term unemployment and worklessness remain at unacceptably high and intractable levels. Responses need to be tailored more closely to the needs of individuals, and supported through to employment itself to secure sustainable jobs</li> <li>• Some people do not sign on or receive benefits due to family or personal circumstances, but could nevertheless be in work. This provision will help to build pathways for such groups towards and into employment</li> </ul> <p>IAG</p> <ul style="list-style-type: none"> <li>• The existing IAG provision lack capacity and good up to date knowledge of local opportunities</li> </ul> <p>Additional provision for young people</p> <ul style="list-style-type: none"> <li>• Too many young people continue to leave education with inadequate numeracy and literacy</li> <li>• Insufficient provision exists to match young people to the opportunities available in the SELEP area, particularly in the priority sectors</li> <li>• Thurrock has a high enough proportion of young NEET people to trigger support under YEI</li> </ul>
<p>Additionality, and fit with national programmes</p>	<p>Employment Support</p> <ul style="list-style-type: none"> <li>• Provision will complement existing employability support particularly the Work Programme, post Work Programme for those who have not sustained employment, and employment programmes delivered by local authorities</li> </ul> <p>Enhanced IAG</p> <ul style="list-style-type: none"> <li>• This would build on the work already undertaken by SELEP'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.</li> <li>• 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.</li> </ul>
<p>Commissioning/delivery and risk</p>	<p>The programme will include support under the DWP and SFA opt-in arrangements, 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, , employers, 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</p>

	these programmes.
Impact	<ul style="list-style-type: none"> <li>Local support enables young people and adults to make informed choices about training, re-training and employment routes available in the local economy, and to take them up</li> <li>Support the establishment of a clear vocational pathway leading from schools to sustained employment.</li> </ul>
Value for Money	<p>The opt-In arrangement with SFA will support infrastructure 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>
<p>Outputs and results (NB: these include outputs supported by match and co-funding)</p> <p><b><i>Provisional Figures to be revised following March 2016 re-allocation of funds</i></b></p>	<p>8i (pathways to employment)</p> <p>Participants 32,130(17,610 men14,520 women)</p> <p>Unemployed, including long-term unemployed 22,490</p> <p>Inactive 8,030</p> <p>Participants over 50 years of age 7,160</p> <p>Participants from ethnic minorities 2,420</p> <p>Participants with disabilities 7,920</p> <p>Participants without basic skills 5,660</p> <p>Participants who live in a single adult household with dependent children 3,590</p> <p>8ii Young people ESF</p> <p>Participants (below 25 years of age) who are unemployed or inactive 8,990 (4,930 men 4,060 women)</p> <p>Unemployed, including long-term unemployed 6,290</p> <p>Inactive 2,250</p> <p>Participants from ethnic minorities 470</p> <p>Participants with disabilities 1,010</p> <p>Participants without Basic Skills 1,580</p> <p>Participants who live in a single adult household with dependent children 340</p> <p>8ii YEI</p> <p>Participants (below 25 years of age) who are unemployed OR inactive (not in education or training) 980 (520 men 460 women)</p> <p>Participants (aged 25-29) who are unemployed OR inactive (not in education or training) 330 (180 men 150 women)</p> <p>Unemployed (including long term unemployed) participants (YEI) 980</p> <p>Long-term unemployed participants (YEI) 330</p> <p>Inactive participants not in education or training (YEI) 330</p> <p>Participants from ethnic minorities 100</p> <p>Participants with disabilities (YEI) 140</p> <p>Participants who live in a single adult household with dependent children (YEI)40</p>

## **Active inclusion, transition to work, and community participation**

- 7.9 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 (see below) and across the programme as a whole.
- 7.10 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.

## **Community Led Local Development**

- 7.11 Community Local Led Development is a new way of delivering local economic, social and environmental development support using EU structural funds. It is based on four key tenets: It is driven by local needs and potential and innovation at the local level; it is bottom up and focused on sub-regional areas; the strategies are developed and led by Local Action Groups (with public and private and local socio-economic interests) and; the strategies are multi sectoral and area based.
- 7.12 In respect of Community Led Local Development the Departments for Communities and Local Government and Work and Pensions supporting, from European Regional Development Fund (ERDF) and European Social Fund (ESF):
- The European Regional Development Fund – Priority Axis 8: Promoting social inclusion and combating poverty and any discrimination.
  - Investment Priority 9d: Undertaking investment in the context of Community Led Local Development strategies:
  - Investment Priority 9d of the ERDF Operational Programme aims to further territorial cohesion by addressing concentrations of deprivation and disparities in economic performance at lower geographic levels, through the promotion of entrepreneurship and Small and Medium Enterprises (including social enterprise) development, and capacity building within communities as a foundation for economic growth in deprived areas.
- 7.13 The European Social Fund – Priority Axis 1: Inclusive Labour Markets
- 7.14 Investment Priority 1.5: Community Led Local Development:
- 7.15 Priority Axis 1 - Investment priority 1.5 of the ESF Operational Programme sets out how Community Led Local Development will allow for the targeting of activity on specific geographic areas facing multiple deprivation in pursuit of coherent, social, economic and

sustainable growth, and add value to mainstream European Social Fund activity being delivered locally.

- 7.16 Under these ERDF and ESF may support a single integrated Community Led Local Development Strategy to be developed in individual eligible CLLD 'Local Action Group' (LAG) areas within the SELEP area.
- 7.17 Key eligibility to become a CLLD area includes having a targeted population of over 10,000 but less than 150,000, that is also within the worst 20% most deprived areas as identified under the 2010 Indices of Multiple Deprivation. In addition there is a minimum amount of €3m set per total single CLLD Programme area to ensure 'critical mass'. Each CLLD Strategy will outline a coherent set of operations designed to meet local objectives and needs. These actions will contribute to achieving the EU Strategy for smart, sustainable and inclusive growth which is both designed and implemented by the Local Action Group (LAG). The LAG is crucial to the CLLD bottom up approach, and will oversee the decision making process via the LAG Board; this Board will not be dominated by either public authorities or a single interest Group. In addition each LAG will have a formal Accountable Body to manage the financial Plan for the LAG's operations under the Strategy.
- 7.18 **The SELEP economic context specifically in the context of CLLD:**
- 7.19 SELEP has 7.5% of England's population and is the largest LEP outside London; a large LEP is more likely to have socio economic disparity and so less community cohesion.
- 7.20 The rate of registered business births remains comparatively low at 3.8 new enterprises/1,000 residents (2012) compared to 4.4/1,000 nationally (ONS 2012).
- 7.21 SELEP businesses have identified specific shortages in skills in the key economic growth sectors; these shortages include employability/vocational skills, generic skills in customer service, basic front-line communication, plus numerical skills. Work readiness is a particular challenge for those experiencing long periods of unemployment and/or newly entering the labour market.
- 7.22 End 2012, 6.3% of 16-18 years olds were not in education, employment or training in SELEP. This is above the national average at 5.6%.
- 7.23 Banks now have to more carefully assess a borrower's ability to repay loans, which includes the importance of loan security. Local entrepreneurs may face more problems in obtaining finance than nationally; banks reducing lending/ not lending locally provides some evidence of market failure. A key issue is understanding/improving credit score data and preparing business plans/applications. Action should respond to these investment barriers, with ERDF providing confidence to private/public investors to contribute the project finance balance or entrepreneur to make activity viable. Investment will help social enterprises especially where they increase labour market access.
- 7.24 10.4% of the SELEP population lives in the 20% most areas deprived nationally. Some coastal towns in particular face a wide range of socio-economic challenges. Around a quarter of the



total LEP population (1m), live in coastal communities. The average coastal unemployment rate is well above the LEP average and some places markedly e.g. Thanet 9.0%; Hastings 8.9% (April – March 2014/15 NOMIS). Skills levels are poor. There exists a culture of entrenched welfare dependency that requires a comprehensive programme of intensive support in tailored training, job creation (including self-employment/social enterprise) and access to opportunities to overcome multiple disadvantages. SELEP also recognises there are some areas of deprivation with similar issues that lie outside LEP coastal areas, this includes Thurrock where the 20% most deprived LSOAs fall south and west of Thurrock, including in Tilbury (IMD 2010).

7.25 Although SELEP is placed in the ‘more developed’ SE region in respect of the European Growth Funds, the annual rate of (unadjusted) economic growth 2009 – 2012 in SELEP was just 3.9%. Cornwall & Isles of Scilly however were at a higher rate of 4.3%, yet are termed a ‘less developed’ region. *Source: LEP Network Annual Report 2014.*

7.26 **The local market failure to be addressed by the use of CLLD:**

7.27 Deprived areas can suffer from several market failures with a resulting lack of socio economic cohesion such that market forces, in isolation, will/cannot deliver an economic correction. Public sector intervention is necessary. Examples include:

7.28 Lack of local/mainstream delivery infrastructure and content to both *engage and retain* beneficiaries

7.29 ‘Benefits led’ local economies that are out-with private sector market intervention

7.30 Lack of communication/audience appropriate information targeted on the difficult to reach

7.31 Mainstream provision difficulty in adequately identifying and responding to some very local economic, social and geographic barriers to the labour market

7.32 Insufficient private sector investment in commercial/public sites & buildings and entrepreneurs due to perceived/actual lack of required investment return/uplift value, lack of security against loans, inappropriate/poor business & investment plans by those seeking private sector backing/support.

7.33 **The CLLD areas proposed within the SELEP area:**

7.34 Within the CLLD criteria and responding to community need/demand there are potentially 5 local CLLD programmes in the following areas:

- Dover (Kent (Assisted Area Status (AAS): 3 wards))
- Folkestone (Kent)
- Hastings & Rother (East Sussex (AAS: 19 wards))
- Ramsgate (Kent (AAS: 7 wards))
- Thurrock (South Essex)

- 7.35 Not all of these areas may pursue CLLD through the whole competitive bidding process, and not all may be successful in gaining CLLD status.
- 7.36 **SELEP area CLLD will bring added value over mainstream programme activity, for example by:**
- 7.37 Providing local targeted interventions that cannot be incorporated into larger programmes will enable communities to more effectively use these larger strategic interventions.
- 7.38 The innovative LAG approach will foster the empowerment and integration of target community groups to enter the labour market; it can provide a transaction cost economy of scale that enables funding to go straight to the beneficiaries needing it most.
- 7.39 The currently proposed total CLLD ESIF budget is €7,035,211 ESF and €5,945,107 ERDF.
- 7.40 **The key identified SELEP ESIF priorities for CLLD are:**
- > Support for employment, self- employment, start- up, social enterprise, training brokerage;
  - > Transition support into work (including tackling health, mental health, BME, older people, soft skills needs);
  - > Improving links between local communities and potential employers
  - > Training programmes designed around company and/or individual needs
  - > Work experience and volunteering
  - > Early intervention to prevent workless young people
  - > Making the most of the digital economy: For example for new/ potential entrepreneurs/ businesses; workless people transitioning into work;
  - > Enabling jobs for local people in new developments
  - > Business to business mentoring
  - > Community learning/hubs
- 7.41 In respect of sectors to be targeted this is likely to include, in some CLLD areas, cultural and creative industries and related visitor economies.
- 7.42 **In developing the SELEP CLLD strategies areas will also consider relevant local strategies, this may include:** Community Strategies; local Economic Development/Regeneration Strategies; Skills Strategies; Sustainable Development Strategies; Local Partnership Schemes (e.g. 'Up on the Downs Landscape Partnership Scheme' (e.g. Dover)); Local Task Force Plans (e.g. Hastings and Rother); Town Centre Teams & related strategies; BIG Local Community Led Action Plans.
- 7.43 **In addition all CLLD Strategies will reference existing/known future provision that may be complemented by the proposed CLLD activity, for example:**
- Relevant ESF and ERDF mainstream projects;
  - Relevant Channel and or 2 Seas Interreg 5a projects;

- Relevant local activity/strategies under the SELEP Growth Deal and the SELEP Coastal Communities /Creative Industries Working Groups;
- CLLD local LEADER LAG activity in the relevant SELEP area, for example the East Kent and the Wealden and Rother Rural Partnerships, and other relevant action under local rural partnerships;
- Fishery Local Action Groups (FLAG);
- Locally and SELEP run (e.g. SEFUND) capital grants and loans to business;
- 'BIG Local' via Partnerships and other relevant third sector activity.

7.44 The SELEP Growth Hub has three 'sub hubs' in place acting as a 'local one stop shop' for business. These 'sub hubs' serve the three localities of East Sussex (Business East Sussex); Essex, Thurrock and Southend (Business Essex, Southend and Thurrock – 'BEST') and Kent and Medway. These Hubs include those important business services provided via national provision (e.g. The National Business Helpline provided by BIS), as well as more tailored local provision (e.g. support for start-ups including business plan development). The local provision varies according to the needs of the localities but all CLLD areas will need to make contact with their local hubs and gain and maintain an understanding of their services; in this way the hubs will provide additional added value to some CLLD activities, and vice versa.

#### 7.45 **Risk and mitigation**

7.46 The SELEP area already has experience of CLLD type activity under LEADER and FLAG as well as other geographically targeted regeneration programmes (e.g. the Local Enterprise Growth Initiative). The current live LEADER LAGs in the SELEP area (e.g. East Kent, Wealden and Rural Rother) will be important sources of information in relation to effective and efficient operational processes and good practice. The formal accountable body is likely to be from the public sector, in either way they will need to have demonstrable experience of running similar types of programmes, preferably including ERDF and or ESF. There will also be progress reporting arrangements into the appropriate local de facto SELEP Board under the SELEP devolved structure to ensure that they have oversight of spend and can suggest any mitigation where required. The local networks already established, including via these local SELEP Boards (e.g. on Skills), will help ensure that communication around the additional opportunities that CLLD can offer locally is effective and has further reach.

Thematic Objective Nine Promoting Social Inclusion and Combating Poverty	
Evidence of need	<ul style="list-style-type: none"> <li>• Employment is considered the best route out of poverty and</li> </ul>

	<p>people with higher skills are less likely to be on low incomes<sup>84</sup>. Low skills of parents often consign the next generation to have lower aspirations, skills, and even poorer health.</p> <ul style="list-style-type: none"> <li>• Inequality in skills is associated with inequality in income<sup>85</sup>.</li> <li>• 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.</li> <li>• Disadvantaged and vulnerable people 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.</li> </ul>
Project/programme priorities	<ul style="list-style-type: none"> <li>• Provision to fill gaps, improve accessibility, and improve transitions and improve employability support for six specific priority target groups in the SELEP area:</li> <li>• Long term sickness and disability</li> <li>• Mental health</li> <li>• Carers</li> <li>• Lone parents</li> <li>• Older people</li> <li>• People struggling to sustain employment</li> </ul> <p><b>CLLD programmes:</b></p> <ul style="list-style-type: none"> <li>• There have been expressions of interest in establishing CLLD programmes, received from a number of eligible local areas</li> <li>• 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.</li> <li>•</li> <li>• CLLD will combine ESF with ERDF to enable infrastructure and business support element to be combined with labour market and social inclusion actions</li> </ul>
Rationale for selection of activities	<p>Targeted interventions will ensure that people are able to make sustainable transitions to work and beyond.</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 SELEP</p>

<sup>84</sup> 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

<sup>85</sup> 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

	<p>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 existing community-led regeneration programmes, and programme management infrastructure in place to support delivery.</p>
Additionality, and fit with other programmes	<p>SELEP'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. the Medway Employment, Skills and Community Programme, the East Sussex Learning and Skills Partnership Board Strategy Delivery Programme. Kent Employment Programme,</p>
Commissioning/delivery	<p>We will opt-in with Big Lottery and jointly develop a specification which meets our requirements and works with the priorities of the Building Better Opportunities programme.</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 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 <b><i>Provisional Figures to be revised following March 2016 re-allocation of funds</i></b>	<p>9i (Active inclusion)</p> <p>Participants 5,070 (men 2,790, women 2,280)</p> <p>Unemployed, including long-term unemployed 2,670</p> <p>Inactive 2,040</p> <p>Participants over 50 years of age 1000</p> <p>Participants from ethnic minorities 370</p>

	Participants with disabilities 1,240 9vi (CLLD) Participants 5,620 (men 3,070 women 2,550) Unemployed, including long-term unemployed 3,930 Inactive 1,410 Participants over 50 years of age 1,050 Participants from ethnic minorities 940 Participants with disabilities 1,200
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## Skills and lifelong learning

7.51 SELEP wishes to increase the number of people taking up apprenticeships in the region to meet the skills needs of growth sectors. Currently, many people starting apprenticeships in the area are not working in SE LEP's priority sectors and there are too few progressions to advanced and higher apprenticeships. We want to overcome this by working with employers to generate opportunities, providing information and support to potential candidates, thus developing a talent pool and finally by filling gaps in training delivery where required to support priority sectors.

7.52 Industry and business are increasingly reliant on high level skills. Increasing numbers of people disadvantaged in the labour market as they do not have those skills and qualifications. Businesses also cannot grow without these skills and productivity in the region remains low. We seek to make employees more secure and support economic growth through upskilling. We will

- Support employers to retrain and upskill their existing workforce to level 3 and above as well as to recruit new employees in roles requiring digital technology skills
- Increase access to higher-level skills by key growth sector employers while improving rates of Graduate employment in through a placement programme.
- Build capacity in businesses and support them to take a lead in the local skills system.

7.53 SELEP wishes to develop services to promote careers in priority sectors. Not enough people are taking up apprenticeships and other training positions (i.e. graduate and school leaver schemes) in priority sectors and national careers organisations do not to provide sufficiently localised services to meet the need. We are therefore interested two strands of activity:

1. Online and supporting activities: the development of a local, online tool (i.e. Website and App) to promote LEP priority sectors with supporting resources. This is to include a local economic evidence base as well as sector/company specific information.
2. Sector promotion: a series of sector focused projects giving information, training and support to enable people to take up employment in the sectors.

Employers will be involved in all aspects of programme design and delivery.

Thematic Objective Ten Education, Skills and Lifelong Learning	
Evidence of need	<ul style="list-style-type: none"> <li>• SELEP has low GVA per job £4,400 lower than national average<sup>86</sup></li> <li>• Low skills of existing staff impedes the ability for some SMEs to compete, innovate &amp; grow<sup>87</sup></li> <li>• 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<sup>88</sup>.</li> <li>• Businesses sometimes find it difficult to source training at the right price and in a timely manner<sup>89</sup>.</li> <li>• Job opportunities exist, but SMEs are unable to secure skilled staff from the local area<sup>90</sup></li> <li>• 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.</li> <li>• SELEP has an ageing workforce, with many skilled workers approaching retirement age<sup>91</sup>.</li> <li>• Local employers in our priority sectors see apprenticeships as a key entry level recruitment method – delivering practical &amp; technical as well as employability skills.</li> <li>• The take up of apprenticeships is greater in low waged, low skilled &amp; low aspirational disciplines</li> <li>• Key growth sectors are un(der)-represented in apprenticeship provision &amp; take up is falling – these sectors offer a greater chance of sustainable jobs &amp; securing higher earnings</li> </ul>
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"> <li>• <b>Support for apprenticeships in priority sectors</b></li> <li>• <b>Support for enhanced IAG</b></li> <li>• <b>Bespoke employer-led higher level skills training</b> for SMEs to retrain and up-skill the workforce at level 3 and above (QCF units/non-QCF) – this includes <b>leadership and management skills training</b>. This aims to improve employer competitiveness and productivity, enables</li> </ul>

<sup>86</sup> ONS (2013) Regional Gross Value Added (Income Approach), December 2013

<sup>87</sup> UKCES (2014) Employer Skills Survey 2013

<sup>88</sup> 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.

<sup>89</sup> 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

<sup>90</sup> 21% of businesses reported skills gaps or skills shortages in 2013 – UKCES (2014) Employer Skills Survey 2013

<sup>91</sup> ONS (2013) Subnational Population Projections

	<p>individuals to progress in work, thereby potentially increasing new employment opportunities.</p> <ul style="list-style-type: none"> <li>• <b>Retraining in key growth sectors</b> - 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.</li> </ul>
Rationale for selection of activities	<p>Apprenticeships:</p> <ul style="list-style-type: none"> <li>• SMEs struggle to engage Apprentices – take up of AGE grants &amp; 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.</li> <li>• 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</li> <li>• Almost half of the apprenticeships (1,295) started through the Essex Apprenticeship scheme have been in STEM related subjects</li> </ul> <p>SELEP 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"> <li>• Builds on the National Apprenticeship Service offer - National Apprenticeship Service's brokerage only supports large employers (&gt;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</li> </ul>



	<p>are currently un(der)-represented in mainstream provision</p> <ul style="list-style-type: none"> <li>• Current provision is demand led, but learners drive demand for skills more than businesses.</li> <li>• Skills providers often deliver a similar offer to the previous year. This is not responsive enough to employer demand.</li> <li>• 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.</li> <li>• 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.</li> <li>• The use of ESF funding will enable already successful local programmes to be extended to the SELEP area, with beneficiaries and businesses engaged.</li> </ul>
Relationship with national programmes	<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"> <li>• more advice and guidance to support people considering learning;</li> <li>• more money (£50m) to help learners with costs such as childcare; and,</li> <li>• 24+ advanced learning loans.</li> </ul>
Value for money	<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>
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>ESF Outputs and Results</p> <p><b><i>Provisional Figures to be revised following March 2016 re-allocation of funds</i></b></p>	<p>10iii Access to lifelong learning</p> <p>Participants 18,700 (men 9,160, women 9,540)</p> <p>Participants over 50 years of age 4,080</p> <p>Participants from ethnic minorities 1,350</p> <p>Participants with disabilities 1,350</p> <p>Participants without basic skills 3,290</p> <p>Participants who live in a single adult household with dependent children 830</p> <p>10iv Improvement to systems</p> <p>number of supported micro, small and medium-sized enterprises (including cooperative enterprises, enterprises of the social economy) 600</p>

## 8 Collaboration and Alignment

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### Collaboration with other LEPs

- 8.1 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 Centre for Offshore Renewable Energy (CORE) Partnership.
- 8.2 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.
- 8.3 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 SELEP ESF Skills Priorities seek to deliver similar solutions for other growth sectors.
- 8.4 Discussions have taken place between the SELEP 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 further developed.
- 8.5 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

- 8.6 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 SELEP 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.
- 8.7 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 SELEP level.
- 8.8 A number of linkages have been identified with major European funding programmes, which are outlined below.

## European Territorial Cooperation (Interreg)

- 8.9 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.
- 8.10 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.
- 8.11 Organisations in the SELEP 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'

- 8.12 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

8.13 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

8.14 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

- 8.15 There are particular opportunities for alignment of funds through focus on innovation. In particular current work on med-tech projects within the SELEP 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.
- 8.16 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 SELEP SIF Strategy projects and investments by creating pan-European partnerships and networks, cross-border innovation corridors.

### Horizon 2020

- 8.17 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 SELEP 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

- 8.18 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

- 8.19 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

- 8.20 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.

- 8.21 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

- 8.22 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.
- 8.23 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

- 8.24 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

- 8.25 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.

8.26 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.

## 9 Cross-cutting themes

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- 9.1 EU regulations covering the structural and investment funds require that they should promote sustainable development and equality and diversity. SELEP 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. This will be the primary responsibility of the bodies responsible for procurement and programme management, with oversight by the local ESIF Sub committee. SELEP will offer support for cross cutting themes where it is in a position to do so.
- 9.2 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 encourage that the impact of activities on the cross-cutting themes is monitored.
- 9.3 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**

- 9.4 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.
- 9.5 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.
- 9.6 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.

- 9.7 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

- 9.8 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.
- 9.9 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.
- 9.10 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.
- 9.11 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.

# 10 Delivery and Risk

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- 10.1 Delivery of the programme will be through a variety of routes. These are open calls for projects, opt-ins, possibly financial instruments, and commissioning through tendering for delivery contracts. In addition, we are proposing to support a number of 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**

- 10.2 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**

- 10.3 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**

- 10.4 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

- 10.5 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

- 10.6 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.
- 10.7 In addition, the proposal to develop a number of networked Growth Hubs will be developed 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

- 10.8 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.
- 10.9 SELEP 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.
- 10.10 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.
- 10.11 .

## ESF opt-ins

### Skills Funding Agency

- 10.12 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 SELEP will propose amendments to

this to ensure the maximum degree of local determination. This includes a role for SELEP 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.

#### Department for Work and Pensions

- 10.13 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. 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 SELEP will contribute. SELEP aims for maximum local determination with involvement at each stage of the tendering and delivery process.

#### Big Lottery

- 10.14 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 SELEP in the delivery of all delivery methods of our Active Inclusion Activity Managing investments and compliance with State Aid rules
- 10.15 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.
- 10.16 SELEP will concentrate assistance on projects which will strengthen the National, SELEP 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.
- 10.17 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.

- 10.18 SME investment aid in favour of small and medium-sized enterprises operating in the SELEP shall be compatible with EC State Aid rules. Currently this is at **10% GGE\*** in the current *non* Assisted Areas of SELEP.
- 10.19 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.
- 10.20 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.

# 11 Partner Engagement and Governance

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- 11.1 EU funded investments will be critical to the delivery of SELEP's Growth Deals and Strategic Economic Plan. Through its devolved model of operation, SELEP will ensure full project fit according to priorities, confidence in delivery and best value for money.
- 11.2 In achieving this, SELEP 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

- 11.3 The proposals outlined have been shaped by wide ranging engagement and consultation with public and private sector partners across the SELEP 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.
- 11.4 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.
- 11.5 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.

- 11.6 The EU SIF draft document has been available on the SELEP website since 17<sup>th</sup> 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.
- 11.7 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.
- 11.8 Local area partners have also taken the opportunity to consider the strategy and inform local partners at existing relevant events throughout the SELEP patch. A list of some meetings and audiences reached is provided at Annex A.

#### **Role of the voluntary sector**

- 11.9 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.
- 11.10 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.
- 11.11 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.
- 11.12 This will build upon and develop established good practice, its cost efficiency, its innovation, and its role in skills development.
- 11.13 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.

## **Governance: Partnership working: governance and roles of ESI Funds Growth Programme Board, its national and local sub-committees, Managing Authorities and local partners**

- 11.14 A national ESI Funds Programme Monitoring Committee (PMC) has been established in England. It is the PMC for the Operational Programmes for the ERDF and the ESF in England and is known as the ESI Funds Growth Programme Board (GPB).
- 11.15 The EAFRD PMC will be the PMC for EAFRD funds within the European Growth Programme.
- 11.16 The GPB is chaired by a representative of the Managing Authorities, who also provide the Secretariat. The membership of the GPB is drawn from representatives of a wide range of partners across the public, private, business, social, voluntary and environmental sectors.
- 11.17 The GPB is supported by a number of sub-committees advising it on relevant policy and operational matters. These sub-committees, which will provide supporting advice in specific policy areas such as innovation, skills and aspects of implementation, will bring in leading experts from their fields and provide an important resource for the GPB and ESI Funds Growth Programme.
- 11.18 All sub-committees will report to the GPB, to ensure transparency of proceedings. The GPB will not delegate decisions to these national sub-committees though their advice will be important in informing the GPB's perspective, advice and decisions.
- 11.19 The Managing Authorities will work in partnership with economic, environmental, equality, social and civil society partners at national, regional and local levels throughout the programme cycle, consisting of preparation, implementation, monitoring and evaluation.
- 11.20 At the local level, ESI Funds sub-committees have been set up in each Local Enterprise Partnership area. These local sub-committees in each Local Enterprise Partnership area will operate as sub-committees of the GPB, to whom they will report. Local promotion of ESI Funds projects and their impact will be a priority, as will local leadership of this amongst partners. This will complement the functions of the Managing Authority but not substitute for them.
- 11.21 Each Local ESI Funds sub-committee is therefore chaired by a local partner who, along with other members drawn from business, public, environmental, voluntary and civil society sectors, are advocates for the opportunities and impact of the ESI Funds. Membership of these sub-committees is inclusive and in line with EU regulations and the wide scope of ESI Funds priorities. The Managing Authority is the Deputy Chair of the local ESI Funds sub-committee, except in London.
- 11.22 The role and purpose of these Local ESI Funds sub-committees is clearly defined in Terms of Reference published on GOV.UK . They are not responsible for any tasks set out in EU



regulations for which Managing Authorities are responsible in relation to management of the ESI Funds.

11.23 The local sub-committees :

- Provide advice to the Managing Authorities on local development needs and opportunities to inform Operational Programmes and ESI Funds Strategies;
- Work with sectors and organisations they represent so that they engage with and understand the opportunities provided by the ESI Funds to support Operational Programme objectives and local economic growth;
- Promote active participation amongst local economic, environmental and social partners to help bring forward activities which meets local needs in line with the Operational Programmes and local ESI Funds strategies and Implementation plans;
- Provide practical advice and information to the Managing Authorities to assist in the preparation of local plans that contribute towards Operational Programme priorities and targets. Similarly, provide local intelligence to the Managing Authorities in the development of project calls decided by the Managing Authorities that reflect Operational Programme and local development needs as well as match funding opportunities;
- Provide advice on local economic growth conditions and opportunities within the context of Operational Programmes and the local ESI Funds Strategy to aid the managing authority's assessment at outline and full application stage;
- Contribute advice, local knowledge and understanding to the Managing Authority to aid good delivery against spend, milestones, cross-cutting themes, outputs and results set out in the Operational Programme and local ESI Funds strategies.

11.24 In this way partners at local level will play the important role foreseen in the Common Provisions Regulation and the main principles and good practices set out in the European Code of Conduct on Partnership. Managing Authorities will ensure that partner roles and responsibilities are clearly set out at all levels and that conflicts of interest are avoided.

11.25 Where specific Managing Authority functions are designated to an Intermediate Body, that body will seek advice from the relevant LEP area ESI Funds sub-committee in the same way as the Managing Authority would. The LEP area ESI Funds sub-committee will therefore provide advice to the Intermediate Body and/or the Managing Authorities as appropriate and as set out in the written agreement with the Intermediate Body.

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.

## Membership of the South East LEP ESIF Sub-Committee (November 2015)

		Name	Title	Organisation
The LEP Board				
	1	Graham Peters	Vice-Chair	SE LEP
	1	George Kieffer	Vice-Chair	SE LEP
LEP Executive				
	1	Lorraine George	SE LEP European Programmes Manager	SE LEP
Local Authority				
	1	Chris Hare	Board Member	Kent Association of Further Education Colleges
	1	Cllr Rupert Simmons	Councillor	East Sussex Council
	1	Cllr Graham Butland	Councillor	Essex County Council
	1	Cllr Graham Longley	Councillor	Southend-on-Sea Borough Council
	1	Cllr John Kent	Councillor	Thurrock Council
	1	Cllr Mark Dance	Councillor	Kent County Council
	1	Cllr Rodney Chambers	Councillor	Medway Council
Private Sector and private sector representatives				
	1	Kate Willard	-	Stobart Group
	1	Tudor Price	-	Kent Invicta Chambers of Commerce
	1	Bill Fox	-	Kent FSB
	1	Mark O'Neil	-	IoD South of England
Voluntary and civil society				
3rd Sector	1	Chris Evans		BBWCVS
Environment				

	1	Keith Moore	-	Environment Agency
Equalities				
	1	Karen Bush		University of Essex
Trade Union				
	1	To be confirmed		To be confirmed
Education, skills and employment				
	1	Alison Calnan	-	Ford Motor Company; SE LEP employment and skills board
Further Education				
Higher Education	1	Tony Lavender	Professor	Canterbury Christ Church University
Rural				
	1	Adam Scott	-	NFU
Managing Authorities				
DCLG	2	David Morrall	Head EE & SE GDT	DCLG
		Simon Hannah		DCLG
DCLG Secretariat	1	Till Specht	-	DCLG
DEFRA	1	Jacque Middleton	-	DEFRA
DBIS	1	Cath Goodhall	-	BIS
DWP	1	Jackie Tinkler	Head of ESF Policy	DWP
Observers & Officers				
Cabinet Office	2	Sue Lowe		Cabinet Office
Cabinet Office		Victoria Westthorp		Cabinet Office
ESF Opt-In: Job Centre Plus	1	Sue Pottle	-	DWP
ESF Opt-In: Skills Funding Agency	1	Michele Williams		SFA
Thurrock Council	1	Katy Thomas		Thurrock Council
East Sussex County Council	1			East Sussex County Council
Kent County Council	1	Ron Moys		Kent County Council
Essex County Council	1	Ian Lewis		Essex County Council
Medway Council	1	Fran Toomey		Medway Council
Southend-on-Sea	1	Emma Cooney		Southend-on-Sea

Borough Council				Borough Council
SE LEP	2	Adam Bryan		SE LEP