South East England 2007-13 ERDF Competitiveness Operational Programme

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Contents

PAGE

1.0 Executive Summary 1

2.0 Socio-economic Analysis 4

3.0 Strategy 32

4.0 Priority Axes 97

5.0 Cross Cutting Themes 121

6.0 Financial Allocations 131

7.0 Coordination 133

8.0 Implementing Provisions ..... Error! Bookmark not defined.

9.0 Abbreviations i

10.0 Definitions iii

List of figures

Figure 2.1 GVA per head 6
Figure 2.2: Employment in South East England over time 9
Figure 2.3: Employment by Sector (South East England and UK) 10
Figure 2.4: Ecological Footprint (gha/cap) 20
Figure 2.5: Tonnes of CO_2 Source Emissions per Square Kilometre 21
Figure 2.6: Recyclable materials (million tonnes) 23
Figure 2.7: Renewable energy targets (land based development) in the South East 24
Figure 3.1: Contribution of the Programme to the Community Strategic Guidelines ..41

List of tables

Table E.1 : Outputs Expected from Priority Axis 1 3
Table E.2: Results Expected from Priority Axis 1 4
Table E.3: Impacts Expected from Priority Axis 1 4
Table 2.1: Domestic expenditure on R&D as percentage of total GVA, 2003 15
Table 4.1: Outputs Expected from Priority Axis 1 110
Table 4.2: Results Expected from Priority Axis 1 110
Table 4.3: Impacts Expected from Priority Axis 1 113
Table 4.4 Progress Indicators 120
Table 5.1: UK EQUALITIES LEGISLATIVE CONTEXT 126
Table 5.2: Equal Opportunities and Inclusion - Key Evidence 127
Table 6.1: Financial Allocations by year 131
Table 6.2: Financial Allocations by Priority Axis (€ 2006 prices) 132

1.0 Executive Summary

This South East England Operational Programme (SEEOP) sets out how ERDF resources are to be used in the Region over the period 2007-2013. The Programme Document has been drawn up in accordance with EU and UK Government guidelines.

The Operation Programme combines €23.706m of support from the European Regional Development Fund with a matching contribution of at least €23.706m from the public sector. The overall value of the programme is thus €47.412m over its 7-year life.

The Programme is based upon an analysis of the needs and opportunities facing South East England, particularly the recognised importance of decoupling further economic growth from resource consumption, pollution generation and a loss of biodiversity if the Region is to achieve its vision of achieving sustainable prosperity by 2016[1].

The aim of this Operational Programme is to:

"Promote competitiveness in South East England whilst contributing to reducing the region's ecological footprint"

To achieve this aim the Programme has established three objectives:

- To raise levels of knowledge and innovation across all business sectors in order to support more resource efficient business practices, boosting profitability and long-term competitiveness;
- To stimulate innovation and job creation in new and emerging ecologically-driven market sectors
- To reduce the rate of growth of the Region's ecological footprint, whilst stimulating economic growth

These objectives will be delivered through two Priority Axes:

- Promoting Sustainable Production and Consumption
- Technical Assistance

The Strategy for the Programme has been drawn up, in consultation with regional partners, as the most effective means of investing the resources available in order to meet the challenges facing the region over the coming 7 years. The Programme was refined with help from ECOTEC after consultation with regional partners. The changes were

[1] As set out in the "Regional Economic Strategy for South East England 2006-16"

introduced as a result of the comments received from the consultation. The most significant change was the reduction from two Priority Axes to a single Priority Axis. This will focus the scope of the activity more tightly while maintaining a degree of overall flexibility within the Programme.

In drawing up the strategy full attention has been paid to existing policy frameworks, and other sources of intervention, in order to ensure that the funds available add value to and complement actions planned or on-going in the region. Particular regard has been had for the Regional Economic Strategy for South East England, the Regional Spatial Strategy and the Integrated Regional Framework.

The Programme is also set within a clear policy context. It seeks to deliver relevant objectives of European Cohesion Policy and the UK Government's objectives for the use of the Structural Funds in England. The focus of the Programme is on ensuring sustainable production and consumption, through promoting innovation and knowledge transfer and stimulating enterprise and supporting successful businesses. It is intended that this will not only deliver positive sustainable development outcomes, so improving the attractiveness of the region, and secure a more competitive economy but will also lead to the creation of more and, more particularly, better jobs in the regional economy as a whole. In doing so there are clear linkages to the main priorities of the Community Strategic Guidelines:

- Enhancing the attractiveness of Member States, regions and cities by improving accessibility, ensuring adequate quality and level of services, and preserving their environmental potential;
- Encouraging innovation, entrepreneurship and the growth of the knowledge economy by research an innovation capacities, including new information and communication technologies; and
- Creating more and better jobs by attracting more people into employment, improving adaptability of workers and enterprises and increasing investment in human capital

and to the priorities for Competitiveness Programmes in England, as set out in the National Strategic Reference Framework :

- Promoting innovation and knowledge transfer;
- Stimulating enterprise and supporting successful business;
- Ensuring sustainable development, production and consumption; and
- Building Sustainable Communities

As resources are limited the Regional partners have decided that it is necessary to concentrate resources through a focused approach. A thematic focus has been identified which is reflected in Priority Axis 1. The Programme is pan-regional in its approach but due regard in implementation will be had to matters of social inclusion and territorial cohesion. It is essential that the weaker parts of the Region gain strong benefit from this Competitiveness Programme, whilst traditionally excluded groups are also supported to secure equality of opportunity. The SEEOP has been subject to an independent Equal Opportunities Impact Screening process which provides positive support for the approach adopted, whilst highlighting important considerations for the delivery of the programme as a whole.

The Programme will be organised in a way that is conducive to the Government's objective of simplifying business support and recognises the aim of the Business Support Simplification Programme (BSSP). Equally, the Programme also intends to complement related initiatives, such as the Technology Strategy Board, where potential gains from more co-ordinated actions are deemed to be significant.

The approach adopted by the Programme has been endorsed by both the independent ex-ante evaluation of the Programme and the independent Strategic Environmental Assessment of its proposed activities.

The expected outputs, results and impacts of the Programme are set out below (Tables E.1 to E.3). These are regarded as the minimum to be achieved. The Programme is highly innovative and is constituted as a 'learning programme'. As such a number of outputs will need to be refined in the light of planned evaluation activities. Equally, important qualitative effects are anticipated in terms of the development and dissemination of good practice in identified areas and the indicator framework reflects this.

Table E.1 : Outputs Expected from Priority Axis 1

Output	Target
Number of businesses assisted to improve their performance	750
Number of additional firms involved in business networks	800
Number of businesses within the region engaged in new collaboration with UK knowledge base	270
Number of businesses in the region developing R&D links with other businesses	70
Number of businesses engaged in developing sustainable mobility strategies	240
Number of energy efficiency demonstrator projects	10

Table E.2: Results Expected from Priority Axis 1

Result	Target
Number of businesses improving performance	1250
Gross new jobs created	180
Number of businesses making financial savings from improved energy and resource efficiency	550
Number of SMEs reducing energy, waste or water usage by 10%	550
Number of businesses achieving independent environmental accreditation	100
Number of businesses increasing percentage of turnover attributable to new and improved products by 5%	110
Reduction in road congestion and pollution levels attributable to sustainable mobility strategies	10% reduction on existing levels
Number of businesses tendering for public sector contracts	75
Development and dissemination of good practice expertise	Qualitative assessment
Number of businesses integrating new products, processes or services	2

Table E.3: Impacts Expected from Priority Axis 1

Impact	Target
Net additional employment	109
Net increase in GVA	€32,000,000
Reduction in region's CO_2 emissions	85,000 tonnes

*A catalyst effect

2.0 Socio-economic Analysis

This section provides an analysis of the socio-economic situation in the South East region. This analysis has been used to develop the strategy for the SEEOP and contains data that will act as a baseline against which the progress of the programme will be measured. The

data referred to in the analysis is set out in full in Annex 1 with relevant tables referred to in the text.

2.1 Introduction

South East England is a prosperous region, consistently outperforming the national average on a wide range of measures of economic well-being. The region has the highest population of any of the English regions at 8.2m. It consists of 8 counties – Berkshire, Buckinghamshire, East Sussex, Hampshire, Kent, Oxfordshire, Surrey, and West Sussex. The region's main population centres are the cities and towns of Oxford, Brighton, Portsmouth and Southampton.

The region is served by a number of key transport facilities and routes:

- The international airports of Heathrow and Gatwick;
- The M4 and M40 motorways which run from London through the west and north-west of the region respectively; the M20 motorway which runs from London to Dover in the south east; the M2 running to the north of this, and the M3 running from London to Southampton and then, as the M27, connecting to Portsmouth.
- Major freight and passenger ports including Dover, the Channel Tunnel, Portsmouth, Newhaven, Ramsgate and Southampton.

This section provides a socio-economic assessment of the region from the latest available data, benchmarking the South East's performance against other regions in the UK and across Europe and highlighting changes in regional performance over time. It concludes with a SWOT analysis of the region's economy and an overview of the key challenges facing South East England in maintaining and enhancing its competitiveness.

2.2 Regional Context

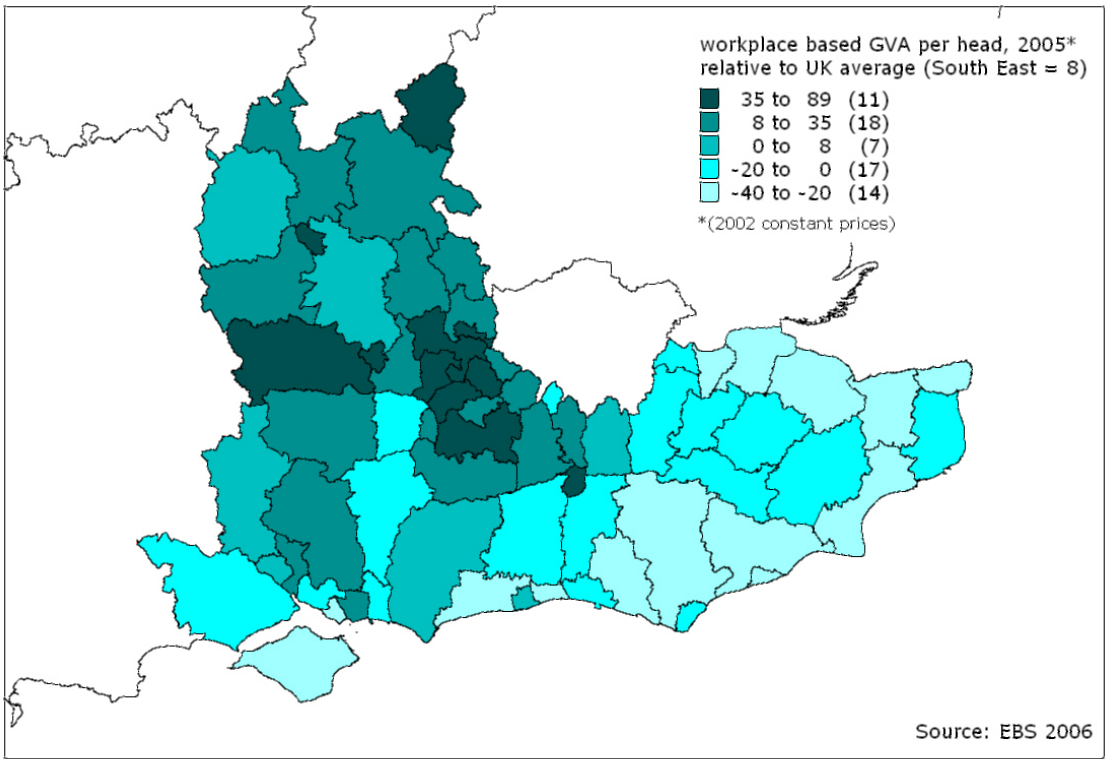
2.2.1 Economic context

South East England performs strongly on many of the measures of economic well-being. In 2004, it recorded resident-based Gross Value Added (GVA) of £158,187 million, second in England only to London (Table A1-1). Furthermore, over the years between 1991 and 2004 the South East's GVA grew faster than any other region's. South East England also has the second highest workplace based GVA per head of any UK region (Table A1-2). In 2004, it recorded workplace GVA per head of £19,505, higher than the UK average of

£17,258. However, this strong performance is not uniform across the region. Map 2.1 shows that almost half of South East England's local authorities scored under the UK average in terms of workplace GVA per head.

Although the South East England performs well compared to the rest of the UK, it ranks 34th of the best performing global regions[1], with labour productivity 25 per cent below the high-performing global average. The region is 55 per cent below Hartford (US) the best performing global region and 53 per cent below Luxembourg, the best performing European region.

Figure 2.1 GVA per head



In 2006, median pay for South East England's residents in full time employment was £26,001 (Table A1-3), the second highest of all UK regions behind London and ten per cent above the UK median (£23,580).[2] Workplace based pay, at a median of £24,857, was also the second highest regional figure behind London (five per cent above the UK median). Residence based pay exceeds workplace based pay in 12 of the 19 upper tier or unitary local authorities in the region, highlighting the strong commuting flows between South East England and London.

[1] Robert Huggins Associates (2003) Global Index of Regional Knowledge Economies
[2] ONS Crown Copyright, 'Annual Survey of Hours and Earnings 2006', gross annual pay- workplace based median

2.2.2 Population

With 8.2 million residents, South East England has the highest population of all English regions (Table A1-4). In common with many other UK regions the population of South East England is growing, driven by increasing levels of net in-migration, and is projected to reach 8.9 m in 2016[1]. The number of households is forecast to increase from 3.35m in 2003 to 4.01m by 2021, over which period the average household size is predicted to fall from 2.36 persons per household to 2.17 persons per household (Table A1-5).

The region is expected to experience significant demographic change, with a marked increase in the proportion of residents over 65 years of age and an accompanying fall in the number of those aged 19 and under to 2016. Most of the districts in the coastal fringe have a significant proportion of their population over the retirement age.

Over the last decade the South East has seen a strong increase in employment, with an upward trend across the region. Employment rates in the South East are higher than the national average. While the employment rate for older people (50-retirement age) in the region is five points above the national average, when compared to 35-49 age group in the region, the rate for older people is almost 12 points below the national average. The ratio of disabled to non-disabled employment rates in the South East was 0.74 in 2005. This was at the time the highest in the country. There are even more profound disparities between certain groups within the disabled population and non-disabled population, with employment rates among non-disabled group twice as high as for people with DDA+ work limiting disability.

The overall percentage of non-white people over the age of 16 in the South East England is 5.4 percent, which equates to 348,900 people (Table A1-6). This is well below the national average of 13 percent. Overall there are very few areas of South East England where there are strong concentrations of black and minority ethnic communities. The exception to this is the Unitary Authority area of Slough where black and minority ethnic communities make up 43 percent of the population, in comparison to just 1 per cent on the Isle of Wight[2]. The region is also characterised by the diverse nature of black and minority ethnic groups resident in South East England.

Despite some improvement in average employment circumstances since 1991, the latest Labour Force Survey data shows that people of working age from the Black Minority Ethnic (BME) groups are less likely to be employed than their white counterparts. The 2001 census shows that qualifications are more evenly spread than the economic

[1] ONS, 2003 based population projection

[2] Annual Population Survey, July 2005 – June 2006, NOMIS

prosperity of the regions would suggest. In addition, over the past decade qualification levels have improved for BME groups, with the gap between the BME and the white population being reduced.

2.2.3 Deprivation

Despite the strong economic performance and relative affluence of South East England there continue to be areas with high levels of deprivation which co-exist alongside general prosperity, most significantly along the coastal strip. Within the region, over 400,000 people fall within the 20 percent most deprived areas nationally. The geographic divide between prosperity and deprivation is stark. South East England has 29 wards which are among the most deprived 10 percent of wards in the country. Although all counties and the Isle of Wight have some deprived wards, the most deprived areas are in parts of Kent, along the East Sussex coastal strip, (although West Sussex coastal strip shows signs of a similar pattern of decline) Portsmouth and Southampton. Brighton and Hove has the highest number of SOAs[1] in South East England falling into the most deprived 20 percent in the country. Approximately 85 percent of all deprived people within the region live in the coastal fringes. Areas where there is a concentration of deprivation include: Hastings, 38 percent of the population classified as deprived; 24 percent of Thanet and 22 percent of Portsmouth's population.

2.3 Employment

2.3.1 Employment rate

According to data from the Annual Population Survey, South East England has the highest employment rate of all UK regions at 79.0 percent (Table A1-7), with only seven of the region's 66 local authority areas having rates below the national rate of 74.4 percent. Over the past decade, the employment rate in South East England has increased by 5.1 percent, although most of the increase occurred during the late 1990s.[2] At 3.8 per cent the region has the third lowest unemployment rate of the English regions.

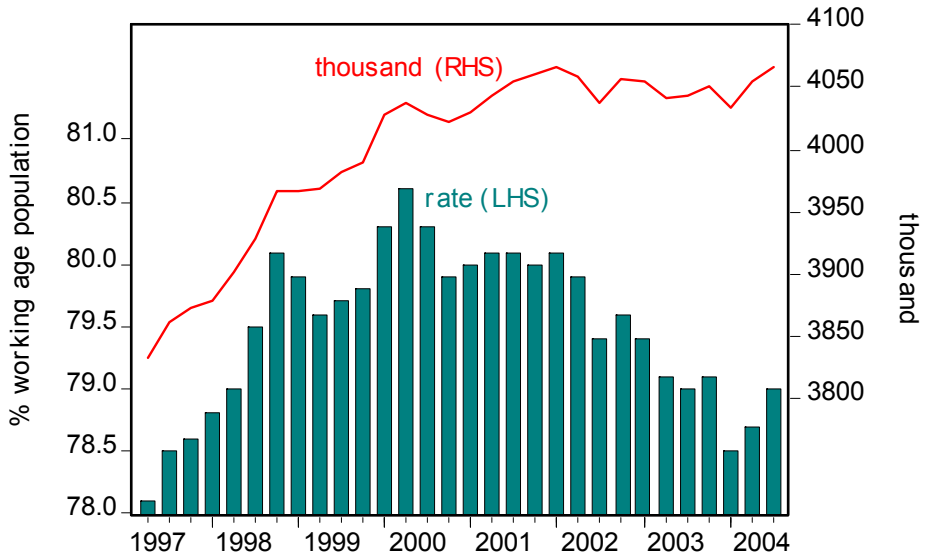
2.3.2 Economic activity

The region also performs well on the measure of economic activity (Table A1-7), ranking third of the UK regions with 81.6 percent of working age residents economically active, well above the UK figure of 76.5 per cent. However, there are some significant variations

[1] Standard Output Areas is a new geography used within the Indices of Deprivation. Output areas were developed from the Census of Population 2001.
[2] Annual Population Survey, July 2004 – June 2005, NOMIS

across the region. Overall over half of South East districts rank in the UK top quartile, with only Hastings (75.7 per cent), Southampton (75.9 per cent) and Oxford City (74.4 per cent) ranking in the bottom quartile.

Figure 2.2: Employment in South East England over time



Source: Annual Population Survey

Note: RHS – Right Hand Side; LHS – Left Hand Side

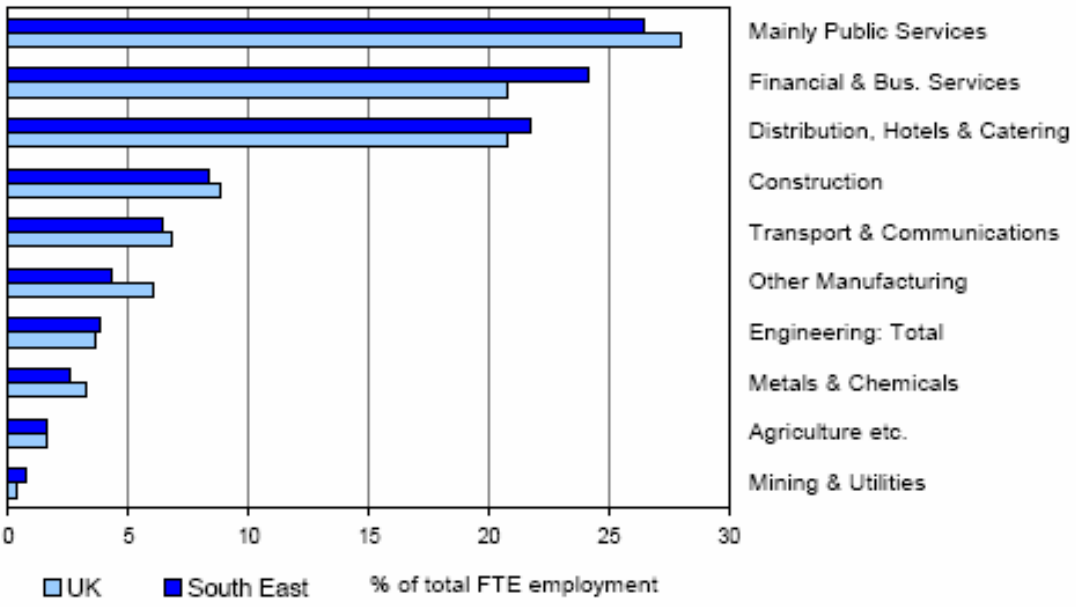
South East England has the lowest levels of worklessness in England. The 8.1 per cent of working age people living in workless households and 9.7 per cent of children living in workless households in the South East are well below the English levels of 11.2 and 15.6 per cent respectively (A1-8). However, there are marked differences in labour market participation between social groups in the South East.

Levels of labour market participation and employment tend to be relatively low among women, those from ethnic minority groups and those with disabilities. The economic activity for women in South East England is around 11 percentage points below the equivalent male rates. The overall employment rate for ethnic minority groups is 12 percentage points lower than the equivalent figure for white groups. Furthermore, there are significant disparities within the ethnic minority groups with just 49.5 percent of people from Pakistani/ Bangladeshi background in employment. Although the ratio of disabled to non-disabled employment rates was 0.74 in 2005, the highest rate in the country, the latest available data suggests a large spread in employment rates between the best performing and the worst performing districts. In 2004, the employment rate for the disabled people of working age in Dover was just 47.4 percent. The equivalent employment rate in Tonbridge was 88.8 percent.

2.3.3 Employment by sector

Since the early 1980s South East England's economy has become increasingly service sector oriented. Private and public sector services now account for almost 80 per cent of all employment in the region and are forecast to be the main driver of productivity and employment growth in the region over the next decade. As figure 2.2 shows, there is a relatively high concentration of financial and business services employment in South East England.

Figure 2.3: Employment by Sector (South East England and UK)



Source: EBS, 2005

The share of the total workforce employed in the high-tech manufacturing and high-tech service industries[1] is higher in the South East than across the whole of England (Tables A1-9 and A1-10). Although only 1 percent of the region's workforce is employed in high-tech manufacturing, this compares favourably to the figure of 0.8 percent nationally. The proportion of the workforce employed in high-tech services in the South East (5.1 percent) in 2005 was significantly higher than the national average (3.2 percent).[2] Around a quarter of England's businesses in the high-tech manufacturing and high-tech services sectors are located in the South East region. Specific high-tech manufacturing sectors, where South East England is particularly strong include the pharmaceuticals, medicinal products and botanical products sectors. In the high-tech services category, South East England has a particular strength in software consultancy and supply (Table 1-11).

[1] Definition of high-tech manufacturing taken from DTI (2005) 'Regional Competitiveness Indicators'; definition of high-tech service industries taken from Baldwin and Gallatly (1998)
[2] Annual Business Inquiry 2005

With nearly 38 per cent of total employment in sectors where graduates make up at least 40 per cent of the workforce, the South East is the second most knowledge intensive regional economy behind London. However, it should be noted that on this measure Oxford (43.7 per cent), Berkshire (41.7 per cent) and Surrey (41.0 per cent) are well ahead of Buckinghamshire (38.2 per cent), Hampshire (36.0 per cent) and Kent (33.5 per cent). A major factor underlying these disparities is the industrial structure, while the economies of Surrey and the Thames Valley are characterised by advanced high-technology manufacturing and services the economies of Kent, East Sussex and the coastal fringe are heavily dependant on public sector and lower value added activities.

The above analysis is based on definitions using the Standard Industrial Classification 1992 (SIC92). However, it is important not to overlook strong clusters or other types of industrial groupings which cut across the SIC92 classifications and which have been identified in previous research as having both a strong presence in the South East and significant growth potential.

Previous research has indicated that the creative and cultural industries in South East England play a significant role in the regional economy. The creative and cultural industries' share of the regional workforce increased from 10.9 per cent in 1995 to 13.2 per cent in 2002. The South East and London account for 54 per cent of total creative and cultural employment in England[1].

According to a study commissioned by SEEDA, the environmental industry also plays significant role in the regional economy. The industry employs approximately 236,000 people and contributes nearly £8 billion to the regional economy[2], accounting for six per cent of the region's output. The strongest growth is in the higher-value added sectors such as environmental technology and the provision of environmental advice. There are currently 1,200 environmental technology businesses in South East England with an annual turnover of £4.6 billion and the region is home to 21 percent of the UK's environmental R&D capacity.

SEEDA has supported the development of key sector consortia which provide a business-led focus for collaboration to nurture new ideas and identify opportunities to bring innovation to market through business to business engagement. The sectors have been identified as being strategically important to competitiveness and the region's knowledge economy. Consortia have been developed for the following industries/ clusters:

- Media

[1] Worman N. (2005) Creative Industries: Key Questions on Regional Impact – The View from South East England
[2] Cambridge Econometrics (2005) The Environmental Economy of the South East

- Marine Industries
- Health Technologies
- Envirobusiness
- Built Environment
- Aerospace

2.4 Competition

> The level of competition in an economy may vary significantly across regions and localities. In sectors where goods and services are not easily traded transport costs, poor information and differences in consumer tastes will segment markets. Where markets are regional or local, in particular in poorer or more remote regions, they may become dominated by only a few firms. In contrast, firms in large and densely populated regions with good access to markets are more likely to experience higher levels of competition. Not only can these markets support a greater number of competitors, but also firms and consumers are likely to have comparatively easy access to a wide choice of suppliers.
>
> HM Treasury (2001) Productivity in the UK 3: The Regional Dimension

The Treasury has argued that varying levels of competitive intensity across the UK may play an important role in explaining regional and local productivity differences, with firms in poorer and more remote regions facing less competition, and hence fewer incentives to cut costs and innovate[1], before going on to note that since 1980 the higher start-up rates in London and the South East compared to those in the North East of England, Scotland and Wales and the associated differences in competitive pressures may go some way to explain the stronger growth performance in London and South East England over the past decade.

The South East England economy could be vulnerable in light of intensifying competition for global investment associated with the increasing strength of some emerging economies such as China and India and the rapid pace of technological change. As businesses worldwide seek to drive down costs and increase productivity there is a need to reinforce the existing strengths of the region's business environment.

[1] See HM Treasury (2001) *Productivity in the UK: 3 The Regional Dimension* (available at http://www.hm-treasury.gov.uk/media/F2F/30/ACF1FBD.pdf)

2.5 Enterprise

There are 317,395 businesses based in the South East region[1], which is one of the highest in the country. On the measure of new VAT registrations as a percentage of total business stock the South East ranked third of the English regions with 9.9 per cent[2] (Table A1-12). On a related measure, with 43.5 new VAT registrations per 10,000 adults the South East's performance is well ahead of the national level (39.2), ranking behind only London (59.2). In the South East, self employment accounts for 14.1 per cent of all employment, ahead of the national level, but only 4th highest of UK regions, behind London (16.3 per cent), Northern Ireland (15.1 per cent) and the South West (14.6 per cent).

Nearly 70 per cent of business registered for VAT in South East England are still operating after three years, this is the highest survival rate of all the English regions, and is above the UK figure of 66.5 per cent (Table A1-13).

The Global Entrepreneurship Monitor[3] includes the Total Entrepreneurial Activity Index. The TEA index measures the numbers of people who are engaged in entrepreneurial activity in the UK. It comprises of:

- All the people who are setting up a business by themselves or with other people as a stand-alone activity.
- All the people who are setting up a business by themselves or with other people as part of their work.
- All the people who own or run a business that has not been paying salaries for more than 42 months.

In 2005 6.9 per cent of the South East's adult population were covered by these criteria, to rank second of all UK regions behind London (8.3 per cent) (Table A1-14). However, the region ranks only 4th (8.7 per cent) for the proportion of adults expecting to start a business in the next three years – the same proportion as for England as a whole. The latest data (2005) show 14.6 per cent of working age residents as being self-employed compared, second behind London but ahead of the national average of 12.6 per cent.

In line with other regions of the UK, entrepreneurial activity is relatively low amongst BME groups. The government has a clear objective to encourage more enterprise in disadvantaged communities and areas where there is a strong concentration of Black and

[1] Office for National Statistics
[2] Inter-Departmental Business Register, ONS and Small Business Service, DTI
[3] See http://www.london.edu/gem.html

Ethnic Minority groups. It is estimated that in 2004, the business start-up rate for BME groups was around 3.4 new businesses per 1,000 population (of BME groups) against the regional average of around 8.8 new businesses[1]. Although there are a relatively high number of women starting their own business in the South East compared to other regions in the UK, female self-employment still accounts for only 30 percent of total self-employment[2].

2.6 Innovation

Innovation can be described as the successful exploitation of new ideas - either new products or new processes. It is widely acknowledged that innovation contributes to higher levels of productivity and standards of living. Innovation is not just about products and processes that are completely new but also about those that are new to a particular firm i.e. the diffusion of new products and processes.

Data from the Fourth Community Innovation Survey (CIS4) shows that the South East is, along with London, the top performing region in England with 30 per cent of the region's turnover attributable to new or improved products. The region also performs well in respect of gross expenditure on R&D as a percentage of GVA (2.9 percent), the second highest in England behind the East of England region[3].

Other data from CIS4 report a similarly strong performance (Table A1-15):

- 60 per cent of all enterprises in the South East engage in some form of innovation activity, the highest in the country.
- The South East is second to London in respect of bringing new products/ processes to market, with 32 per cent of its firms introducing a either a new process or new product in the 2002-04 period.

The South East region has a strong record of linking university research with business. Data from the Higher Education Innovation Survey indicates a clear trend towards increasing levels of collaboration between universities and business in the region and in particular, engagement with SMEs. University income from research contracts with SMEs in the South East has increased markedly in recent years by some 49 percent between 2001/02 and 2003/04 (from 3.1m to 6.0m). This compares to a reduction of 6 percent

[1] Barclays (2005) Black and Minority Ethnic Business Owners – A Market Research Perspective, SME Research Team, Barclays.
[2] Labour Force Survey (2006)
[3] ONS and RHA, 2005

across England as a whole and suggests that there is a clear association between the level of university-business collaboration in the region and its strong innovation performance.

The South East has a strong research base with the potential to provide further impetus for innovation in the region. The Research Assessment Exercise identified international research excellence in a range of disciplines at the University of Oxford including general engineering, metallurgy and materials, earth sciences and clinical laboratory sciences (Table A1-13). As stated earlier, the region has particular strengths in environmental technologies. The University of Reading, for example, was given the highest rating in environment sciences. Notable research centres in related fields include the Walker Institute for Climate Change Research at the University of Reading and the Centre for Environmental Strategy at the University of Surrey. Environmental industries in the region will be further supported by the Regional Resource Centre for Environmental Technologies currently being developed by SEEDA.

Of all the UK regions only firms and government in the East of England spend more on R&D per unit of GDP than the South East (see Table 2.1, below), however, despite the notable research strength of the South East's Universities, the region is only a moderate performer relative to other UK regions for research and development expenditure by higher education institutions. Increased R&D investment by universities would help to elevate the South East above the 3 per cent of GDP target suggested by the Lisbon Agenda. At 2.9 per cent the South East is already performing above the 2.5 per cent national target set by the UK Government in the Science & Innovation investment framework 2004-2014 (2004, para 4.14).

Table 2.1: Domestic expenditure on R&D as percentage of total GVA, 2003

	2004				2003			
	Business	Gov	HEI	Total	Business	Gov	HEI	Total
North East	0.4	0.0	0.5	0.9	0.5	0.0	0.5	0.9
North West	1.6	0.1	0.4	2.1	1.5	0.1	0.4	2.0
Yorkshire and the Humber	0.4	0.1	0.5	1.0	0.5	0.1	0.5	1.0
East Midlands	1.4	0.1	0.3	1.8	1.3	0.1	0.3	1.8
West Midlands	0.9	0.1	0.3	1.3	1.0	0.1	0.3	1.4
East of England	2.9	0.4	0.5	3.8	3.4	0.4	0.5	4.2
London	0.4	0.1	0.5	1.0	0.3	0.1	0.5	1.0
South East	2.1	0.3	0.4	2.9	2.3	0.4	0.4	3.1
South West	1.5	0.4	0.2	2.2	1.6	0.4	0.2	2.2
Wales	0.6	0.1	0.5	1.2	0.5	0.1	0.5	1.2
Scotland	0.6	0.3	0.7	1.6	0.6	0.3	0.7	1.7
Northern Ireland	0.5	0.1	0.5	1.1	0.5	0.1	0.4	1.0
England	1.3	0.2	0.4	1.9	1.4	0.2	0.4	2.0
United Kingdom	1.2	0.2	0.4	1.8	1.2	0.2	0.4	1.9

Source: ONS, 2003

The South East has a 27% share of the total UK R&D employment and that 0.7% of South East total employment are employment in R&D compared to just 0.4% in the UK as a whole.[1] Within the South East there are 204 patents per million people.[2] Using patents per head of population is one of the most commonly used measures of innovation. However, this is not without weaknesses, for example innovations new to firms but not the market are not captured, not all innovations are patented, propensity to patent varies by industry and patents may be distorted by being registered at a firm's Head Office. Although levels of innovation in the region are some 60% above the national average, there are 23% below the best performing UK region (East of England). Within the South East Berkshire, Buckinghamshire and Oxfordshire is the second best performing UK sub-region with 343 patents per million inhabitants. This level is some 67% above the regional average and almost three times greater than those seen in Kent.

2.7 Investment

Investment in physical plant, machinery and buildings improves the stock of capital and allows workers to produce more output per unit of time. In addition to the more traditional forms of investment, Information and Communication Technology (ICT) has become a significant destination for investment and has become a major driver of labour productivity. The UK as a whole suffers from low levels of capital investment in both manufacturing and services. There is a significant shortfall in business investment per worker compared to other developed nations

Foreign Direct Investment (FDI) not only has the potential to stimulate regional demand and job creation, but also the evidence suggests that inward investment can stimulate higher productivity growth by strengthening competition and innovation, and increasing access to new ideas and technologies. After the United States, the UK has the largest stock of FDI worldwide (Table A1-16). The UK continues to be the most important location to FDI in Europe; it accounts for 20.1 per cent of all FDI in the EU and 8.2 per cent worldwide. Alongside London, the South East is the largest recipient of FDI investment in the country. In 2005/06 the South East accounted for nearly 18 per cent of all UK inward investment, (220 investments), however, the distribution of FDI is not even across the region - there is a concentration of foreign companies in the western part of the region, and close to London. There is also a concentration of foreign companies along major transport routes and in major urban areas on the coast, suggesting a correlation between the location of foreign companies and connectivity.

[1] Source is the Annual Business Inquiry (ABI) 2007, latest data available 2005
[2] Regional Economic Strategy 2006-16: The Evidence Base, p. 139

As a proportion of total UK Business Investment (Gross Fixed Capital Formation), investment in the South East is the second only to London in the UK (Table A1-17). Benchmarking investment to regional GVA to take into account regional economic size the South East performs equally well, coming second only to Northern Ireland.

Of all UK regions, the South East has the lowest share of Government investment, however the region is home to three of the four growth areas launched in the UK Government's (2003) Sustainable Communities Plan: the Thames Gateway, Ashford and Milton Keynes. Substantial investment is scheduled for each of these locations including housing and transport developments. Other towns and cities in the South East will also benefit from the government 'Growth Points' initiative which provides infrastructure investment to support further housing growth in the region. Basingstoke, Didcot, Maidstone, Oxford, Urban South Hampshire, Reading and Reigate have been named as the region's growth points.

The South East Diamonds for Investment and Growth are major centres of economic activity that can act as catalysts to stimulate prosperity. The centres (including their surrounding areas) are identified in both the Regional Economic Strategy and the South East Plan and consist of:

- Basingstoke
- Brighton & Hove
- Gatwick
- Milton Keynes & Aylesbury Vale
- Oxford/Central Oxfordshire
- Reading
- Thames Gateway Kent (including Medway and Ebbsfleet)
- Urban South Hampshire (including Portsmouth and Southampton)

The East Kent and Ashford area is also seen as a key area of opportunity to support the region's productivity growth. The area encompasses the Growth Area of Ashford, identified in the government's Sustainable Communities Plan. The introduction of new high-speed domestic rail services will be a key factor in supporting the growth of Ashford and stimulating the regeneration of the area's coastal towns.

2.8 Skills

The contribution of labour to economic growth depends not only on the scale of labour supply but also on workforce skills, with a more skilled workforce resulting in higher levels

of productivity. Much of the South East region's workforce is highly skilled but there are strong skills needs emerging if social and economic inclusion issues are to be addressed.

Some 29 percent of South East working age residents hold degree level qualifications, making it the third most highly qualified region in Great Britain behind London and Scotland, and ahead of the national level of 26 per cent (Table A1-18). However, as with other indicators, there are significant variations within the region. Six local authority districts had over 40 percent of working age residents qualified to at least NVQ level 4 to rank in the top 20 of UK British local authorities, while eight had fewer than 20 per cent of residents with degrees to rank among the lowest qualified in the country, with the 15.9 per cent in Dartford ranking it 384th of the 407 local authorities in Great Britain.

The overall level of high performance can be expected to persist as the region has the highest proportion of school pupils of any English region achieving five or more GCSEs at grades A* to C at 57.7 per cent.

2.9 Environment

The environment is an economic driver as well as an economic asset. There is room for growth in environmental technologies and services - including renewable energy, waste disposal and recycling - the global market is potentially very large. The global market for environmental technologies and services is estimated to be worth around £515 billion, and is growing dramatically driven by legislation to curb global warming. Some of the evidence presented here is based on data collated to inform the Strategic Environmental Assessment (SEA) and Sustainability Appraisal of the RES and the Strategic Environmental Assessment of the SEEOP.

Arable, horticultural and grassland activities are dominant land uses in the South East

[1] with two-thirds of land in the region being agricultural and 40 percent of the region protected by some form of conservation designation. It is also the most wooded region in England. Approximately 15 percent of land in the region is designated as green belt[2]. There are 700 Sites of Special Scientific Interest (SSSIs) within the region and approximately 93,000 designated historic buildings. The New Forest National Park, one of the UK's newest national parks, is mostly located in the county of Hampshire. However, there are threats to the region's natural environment and its biodiversity is affected by habitat loss, incompatible land use, invasion by non-native species and pollution[3].

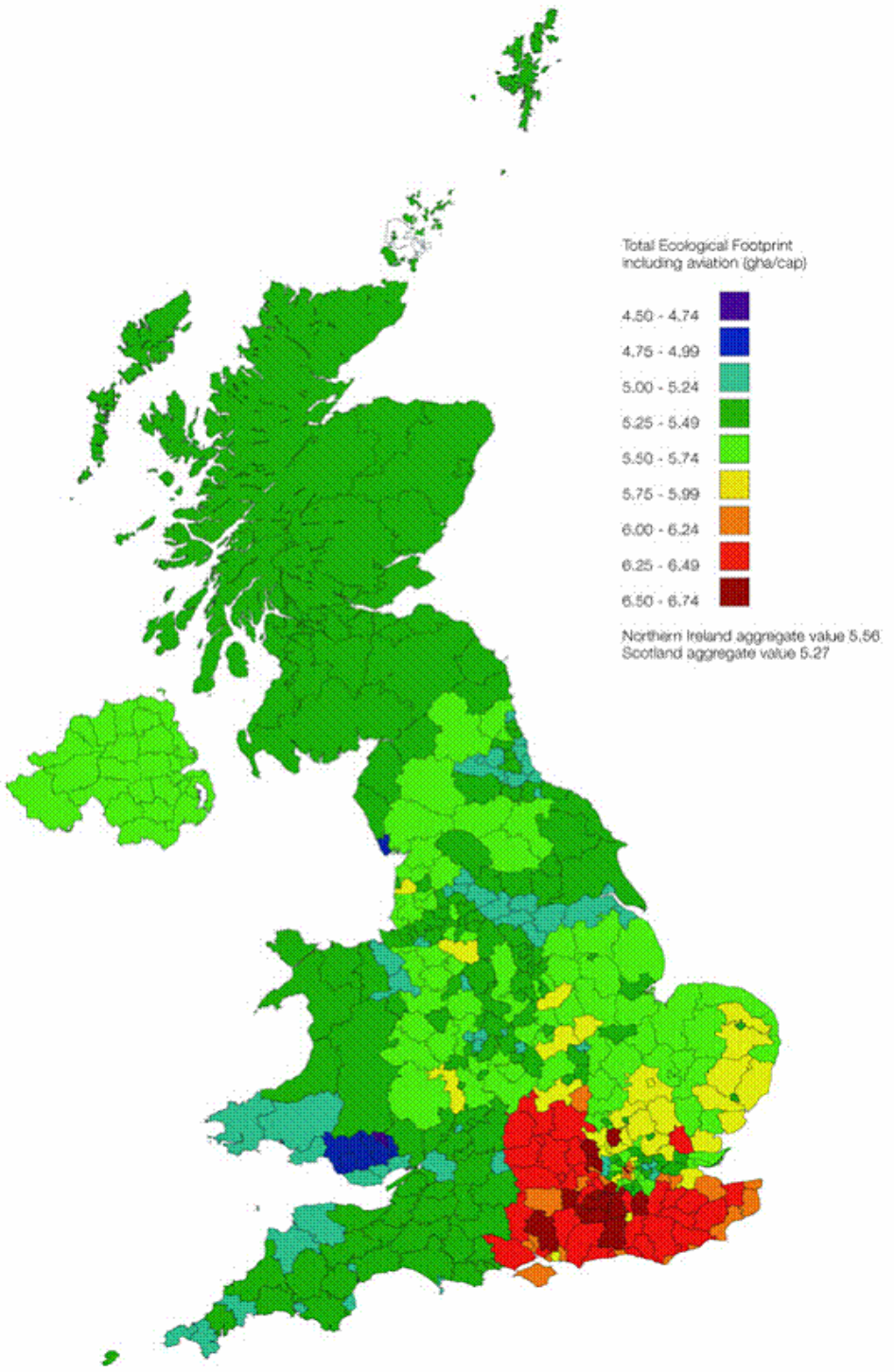
At 6.3 global hectares per resident, South East England has the largest ecological footprint of all UK regions, 16.7 per cent above the UK average (figure 2.4)[4]. This is also increasing at a rate of 1.1 per cent per capita per annum.

One reason for this poor performance is that the South East produces more tonnes of carbon dioxide each year than any other region. This is a function of its population size as, at 18.9 million tonnes, the South East's carbon emissions per resident are the second lowest of all English regions at 2,370 kg per resident per year (Table A1-19). This strong performance is driven by the region's industrial structure, although the South East has an active manufacturing base the high concentration of knowledge-intensive industries help the region achieve the country's third lowest industrial and commercial emissions. However, this masks the comparatively poor performance in respect of domestic emissions where the region produces more emissions per capita than any region except Yorkshire and the Humber.

The South East's high carbon dioxide (CO_2) emissions reflect the impact of a strong economy that consumes more goods and services than any other region. In contrast to many UK regions, the South East's CO_2 emissions from consumption are considerably higher than CO_2 emissions from production. The South East $C0_2$ emissions from consumption are 13.4 tonnes per person, 13 percent higher than the national average, while emissions from production are more than 10 tonnes per person. Emissions from production are still significant, reflecting the fact that the South East has an active manufacturing base in addition to its service economy.[5]

[1] DEFRA (2000) Countryside Survey, Department for Food and Rural Affairs
[2] Environment Agency (2004) State of the Environment in the South East England
[3] Ibid.
[4] WWF – UK (2006)
[5] WWF-UK (2006).
NOTE: Construction activities are also major factor that contributes towards high ecological footprint.

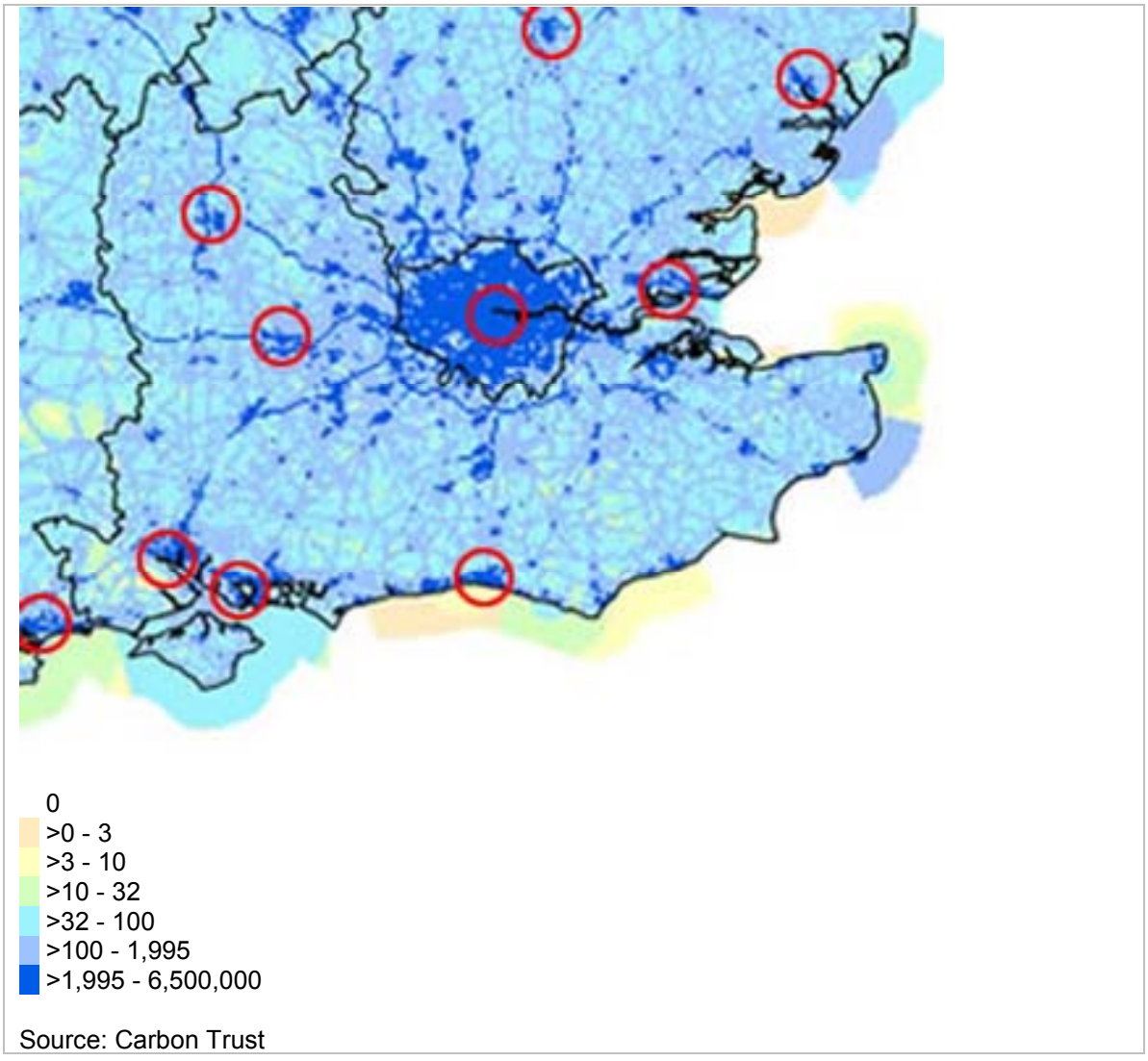
Figure 2.4: Ecological Footprint (gha/cap)



The colour coded shading in Figure 2.5 illustrates carbon dioxide density per square kilometre and detailed information on the tonnes of CO_2 source emissions by various towns and cities throughout the greater south east region. The map shows the high densities within the urban areas of the region and the arterial routes. The urban coastal areas and inner area of the region towards Greater London feature particularly strongly as

well as the major cities such as Oxford. To mitigate the effects of climate change, global greenhouse gas emissions must be reduced significantly. Monitoring data and projections indicate that the 15 European Union members at the time of the EU's ratification of the Kyoto Protocol in 2002 (EU-15) will reach their Kyoto Protocol target for cutting greenhouse gas emissions. This requires emissions in 2008-2012 to be 8% below 1990 levels.

Figure 2.5: Tonnes of CO_2 Source Emissions per Square Kilometre



The region also has the third highest road transport emissions (Table A1-19). The region's high road transport emissions may be explained by the 78 per cent of journeys to work in the South East being made by car – the second highest proportion of the English regions (Table A1-18).

Congestion and increased transport movements are recognised as a significant problem for the South East, both in terms of their environmental cost and their drain on the economy. Recent work[1] undertaken across the Greater South East of England (London, East of England Region and South East England Region) identifies that there will be an increasing propensity for intra-regional commuting within South East England, and that this will predominantly be by car. It forecasts an additional 300,000 additional commuting car trips by 2016 – under all forecast scenarios.

In 2003/ 2004, 4.52m tonnes of municipal solid waste were produced in the South East, down from 4.54m tonnes in 2002/2003. However, municipal waste increased by over 14 percent from 1996 to 2004. Although recycling and composting is increasing, the overall growth in waste still exceeds any gains made by recycling in the region.

National waste policy, European Directives and lack of capacity are driving the move to reduce the quantity of household waste going to landfill. A commensurate increase in re-use and recycling will be required if the South East is to reduce its ecological footprint.

In order to achieve these recycling rates it will be necessary to develop economically sustainable markets for recycled and composted materials and invest in new recycling, recovery and reprocessing infrastructure in the region.

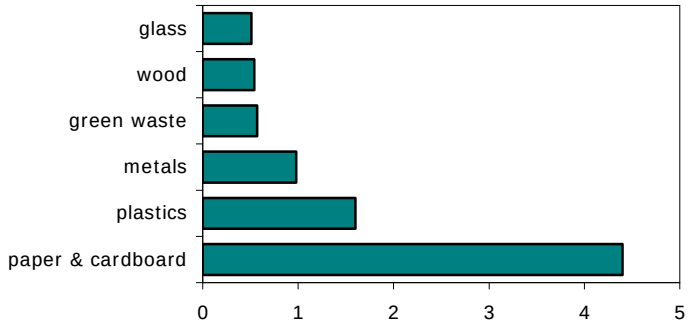
In 1998/99 65kg per person per year of household waste was recycled or composted, the second highest in England (after the South West). By 2003/04 that figure had risen to almost 104kg, alongside East of England the highest amongst English regions. The South East region has the second highest level of household waste recycled or composted in the UK. Over the past decade there has been a significant improvement in household recycling, with the rates increasing from 12 per cent in 1996 to over 22 per cent in 2003.

However, household waste only represents 9 per cent of waste with the Commercial sector contributing 11 per cent, Industrial 13 per cent, Construction and Demolition 33 per cent and Agriculture less than 1 per cent. The balance comes from mining, quarrying and other wastes. Since construction activity is a major contributory factor to the South East's ecological footprint this is an area where the greatest impact can be made.[2]

Of the waste produced, Figure 2.6 illustrates which materials are being recycled in the South East. By far the largest amount of recyclable material is paper and cardboard; the least being glass.

[1] Cambridge Econometrics. Commuter Flows in London and the Wider South East 2001-2016/21 published Oct. 2005
[2] WWF-UK (2006).

Figure 2.6: Recyclable materials (million tonnes)



Source: Estimated waste arising in the South East, 2003

Over the past two decades total energy consumption in the UK has followed a strong upward trend. The South East has the third highest household consumption of electricity of all the English regions. In 2003, the region consumed 17,234 GWh of electricity, which equates to 4.96 GWh per thousand households.

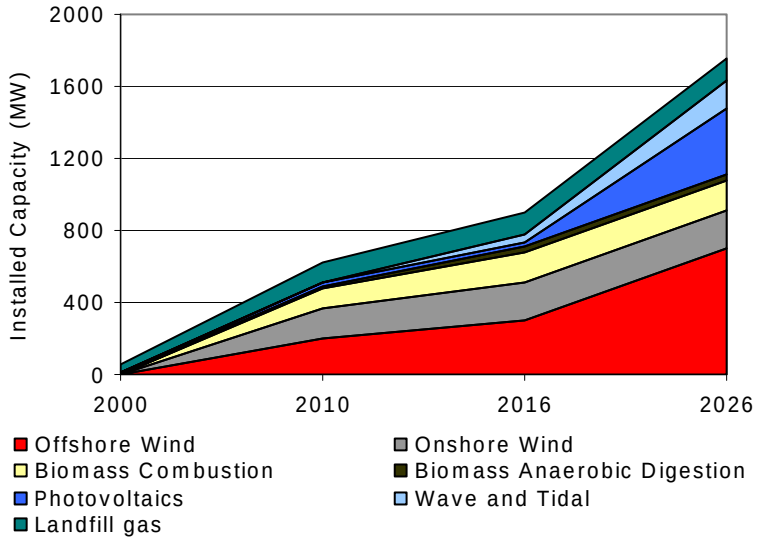
In 2005, renewable energy accounted for 2.6 percent of the region's electricity generation capacity, a significant increase from 0.5 percent in 2001. Landfill gas and offshore wind were the two main ways of producing renewable energy in 2005. The South East is the 3rd largest producer of renewable electricity of all the regions[1].

Ambitious targets are in place to increase energy production from renewable resources in the South East. Given rising energy prices and our increasing dependence on imports, there is a clear economic argument favouring future investment in renewable energy. Figure 2.4 demonstrates that by 2026 over half of renewable energy will come from on and off shore wind turbines. Photovoltaic[2] arrays will play an increasing role and sources such as biomass, landfill gas and wave and tidal energy will all contribute.

[1] South East England Regional Assembly

[2] The process that produces electricity from sunlight.

Figure 2.7: Renewable energy targets (land based development) in the South East



Source: IRF 2004

It is important not to ignore the social dimensions of sustainable consumption and production. As the Commission for Racial Equality notes[1], minority groups often perceive the sustainability agenda as being based around white, middle class concepts of the environment. However, the faith or culture of many ethnic minority communities promotes a deep interest in environmental matters. As many ethnic minority communities retain strong connections with their country of origin, there is also a strong interest in the potential impacts of climate change. Capacity-building and enterprise support in the area of sustainable production and consumption not only provides a means of raising environmental awareness amongst a range of equality groups but also helps to turn specific areas of interest into new business ideas.

Beyond the South East, the EU accepts climate change is one of the greatest environmental, social and economic threats facing the planet with observations of increases in global average air and ocean temperatures, widespread melting of snow and ice, and rising global mean sea level. The Earth's average surface temperature has risen by 0.76° C since 1850. Most of the warming that has occurred over the last 50 years is very likely to have been caused by human activities. In its Fourth Assessment Report (AR4), published on 2 February 2007, the Intergovernmental Panel on Climate Change (IPCC) projects that, without further action to reduce greenhouse gas emissions, the global average surface temperature is likely to rise by a further 1.8-4.0°C this century. Even the lower end of this range would take the temperature increase since pre-industrial times above 2°C, the threshold beyond which irreversible and possibly catastrophic changes become far more likely.

[1] CRE response to Consultation Draft of South East England OP

Projected global warming this century is likely to trigger serious consequences for humanity and other life forms, including a rise in sea levels of between 18 and 59 cm which will endanger coastal areas and small islands, and a greater frequency and severity of extreme weather events. The South East contains many areas which are at risk of increasingly regular and widespread flooding. This risk can only grow worse in light of the forecast sea level rise.

2.10 Urban / Rural Characteristics

The key urban centres in the region include Oxford, Reading, Brighton and Southampton/ Portsmouth. While the overall economic activity rate in the region's urban districts is similar to the rate in the whole of the region, some urban areas underperform against the regional average. The economic activity rates in Oxford and Southampton are both 8 percentage points below the regional average. Urban areas in the Coastal South East including Hastings and Thanet in East Kent tend to perform relatively poorly in respect of the rate of economic activity. Such areas offer strong economic potential but have had mixed success in reinventing themselves in response to the decline of manufacturing and tourism.

The land area of the South East is predominantly rural in character and a quarter of the region's population live in small rural towns and villages. 636,000 hectares of the region are designated as Areas of Outstanding Natural Beauty, with a further 54,000 hectares of country parks and 74 km of Heritage Coastline (Table A-21).

The Region's Economic Strategy identifies three distinct economies in the region:

The **Inner South East** - a relatively wealthy core around London, where a strong relationship with a Global City sits alongside centres of economic vitality as strong as any in Europe, delivering much of the region's 'world class' performance and characterised by:

- High productivity,
- High economic activity and near full employment,
- High concentration of world class companies, clusters and high-tech sectors.
- High skills profile of working age population.
- Low proportion of economically active population with no qualifications.
- High proportion of employment in knowledge-based sectors.
- Low dependency on public sector employment.
- Significant pockets of deprivation coexisting alongside general prosperity.
- Relatively young population and favourable demographics.
- Relatively good infrastructure and connectivity, but with substantial congestion on existing networks.

The **Rural South East** – a largely rural area with well-established market and county towns providing a focal point around which economic activity may cluster and spread, but with networks more effectively developed in the West than in the East, and characterised by:

- High economic activity and employment rates.
- Highly skilled commuter workforce (commuting both within and outside the region).
- High business density and business start-up rates.
- Very few pockets of deprivation with regard to the overall index of multiple deprivation, but dispersed patterns of rural deprivation.
- High levels of deprivation with regard to the domains of housing and access to services.
- A younger population than the Coastal South East, but a population whose average age is increasing.
- Variable infrastructure quality, especially for non-radial movements.

The **Coastal South East** – a less prosperous periphery, with large urban areas offering strong economic potential alongside coastal towns that have had mixed success in reinventing themselves, and characterised by:

- Low productivity relative to the South East and, in some cases, the UK.
- Generally lower economic activity and employment rates.
- High concentration of economic inactivity and higher 'structural' unemployment rates.
- Relatively low skilled profile of its workforce.
- Lower business density and business start-up rates.
- More traditional industrial activities, including lower value added manufacturing and tourism.
- High dependence on public sector employment.
- A low proportion of employment in knowledge-based sectors, especially in the private sector.
- Less favourable demographics: a greater proportion of people already over retirement age and projections of further ageing.
- Relatively poor infrastructure and connectivity.

2.11 South East Regional SWOT Analysis

The socio-economic analysis is summarised in the following SWOT analysis.

Strengths	Weaknesses
A highly prosperous region: - High levels of output - High rates of productivity - High average income levels Strong international Gateway: - Major airports, especially Heathrow and Gatwick airports; - Channel Tunnel freight and passenger stations - Major seaports Favourable location with strong accessibility: - Proximity to London and Europe Strong, knowledge-based, economy: - Service sectors predominant with strengths in financial services and business services - High proportion of knowledge-intensive industries - Strong in Hi-tech manufacturing and service sectors - Strong innovation performance Strong attractor of Foreign Direct Investment Strongly performing labour market: - Low unemployment rate - High economic activity rate - Low levels of worklessness Vibrant business base: - High number of businesses - High business start-up rate - Very strong survival rates Highly skilled workforce: - Large proportion of residents qualified to degree level Areas of high environmental quality - Recognised for areas of national and international quality - Internationally renowned built and cultural heritage Positive record on sustainable development Good record in recycling and renewable energy production Low levels of $C0_2$ emission per capita and, overall, by industry	Strong economic performance remains below the best internationally High environmental costs: - High levels of energy consumption - High CO_2 emissions overall - Increasing levels of waste - High levels of emissions from transport - Highest ecological footprint nationally Sub-regional economic disparities: - Some areas underperforming on economic measures - Variation in productivity performance - Pockets of multiple deprivation - underperforming coastal areas. - Identifiable economic 'contours' of performance Engagement of certain groups, e.g. BAME, disabled, older workers, is low in comparison with national average and within each group there remain significant disparities Evidence of disparities in access to opportunities for specific communities High levels of congestion and associated economic, social and environmental costs High cost of housing Weak levels of infrastructure Poor intra-regional connections in rural areas
Opportunities	**Threats**
Capitalising on the region's knowledge base and its research excellence in a range of disciplines	Increasing global competition in key sectors and strength of emerging economies such as China

including environmental technologies Strong sectors with growth potential - Creative and cultural sectors - Environmental market sectors High proportion of knowledge workers with strong links to global knowledge networks Increasing links between businesses and Higher Education (HE) offer the potential to increase innovation outcomes Opportunities in emerging environmental market areas, strong policy push New GVA opportunities, such as from exploiting waste streams Government investment in growth areas and growth points including Thames Gateway Capturing and enhancing sustainable development and more efficient use of existing resources Scope for dissemination and sharing of good practice in adopting more efficient production techniques (both in service and manufacturing sectors) Development and exploitation of low carbon technologies which will help to improve resource efficiency in the region Involvement of under-represented groups in these areas represents a significant untapped potential resource Skills base and business culture to enable innovative approaches and exploit new market opportunities	and India Reducing competitiveness of manufacturing, service and knowledge base as costs rise Reduced attractiveness to Foreign Direct Investment and increased 'off-shoring' of activity Ageing population and shrinking workforce Increasing number of households and rising demand for land Water shortages, climate change and coastal erosion Lack of investment in essential transport, homes, skills and the environment leads to the relocation of key productive companies, weakening the region's competitive position Increasing scarcity of natural resources Reducing visual attractiveness of the region. Region reaches a 'Tipping Point' whereby disinvestment leads to a stagnating or diminishing economic performance Adverse effects on biodiversity brought about by increasing pollution levels Increasing competition from Schipol airport to Heathrow's status as Europe's major international hub airport

2.12 Key Challenges

The overriding challenge for South East England is to sustain its economic strength whilst minimising the social and environmental costs that this entails. It must do so in the face of ever-increasing global competition. This means that the business base must continuously strengthen its competitiveness if existing levels of economic prosperity are to be maintained. Yet the costs of economic growth are now significant, both globally and

within the region itself. The risk is that with an ageing population, shrinking workforce and increasing environmental costs a 'tipping point' is reached whereby a cycle of disinvestment occurs and increasing negative externalities and rising costs weaken the competitiveness of the South East's business base. The challenge for South East England is to promote and champion models for sustainable economic growth, a challenge which has driven the development of the current Operational Programme.

Given the projected changes in population, existing industrial structure and stiff global competition, the South East will have to deploy scarce resources more efficiently in order to maintain or increase current living standards into the future. Prosperity flows from bringing more resources into use and from increased productivity. The South East is well-placed to meet this challenge. If economic activity and employment rates amongst older workers do not increase, the South East's aging population may lead to labour shortages resulting from a shrinking workforce and lower employment rates. The implication of lower overall employment rates is lower GVA per head unless the fall in activity rates is matched by a strong increase in productivity from those people remaining in employment.

One of the strongest challenges facing the Region is the size of its ecological footprint. It is recognised that this is not sustainable and exacerbates global trends in climate change, pollution and waste production as well as more local environmental concerns. Forecast increases in the number of households resident in the region only reinforce these environmental pressures. The Region is ready to face this challenge and recognises that it provides opportunities as well as potential threats. To do so means that business, and organisational, practices must be adopted that begin to decouple economic growth from resource consumption, pollution and a loss of biodiversity.

The South East has many strengths, a globally-strong knowledge base, a strong and innovative business base and an active and well-skilled workforce. The opportunity facing the Region is to bring these strengths to bear in ways that maximise the environmental benefits to the region, as well as the economic, and help to achieve sustainable prosperity. Integrating economic, environmental and social opportunities through a single line of actions with benefits to all three domains is the real challenge that faces policy-makers, practitioners, businesses and residents in South East England. It is for this reason that this Operational Programme has adopted a strategy which focuses on promoting sustainable production and consumption practices.

For there to be lasting change it is recognised that behavioural shifts are required, amongst our businesses, our procurement bodies and our citizens. It is beyond the resources of this programme to achieve such shifts alone. However, European-funded actions - through this Programme - can perform an important catalytic role through

developing and demonstrating best practice in a very practical manner. The very real challenge that this programme is able to address is to challenge the current perception that policies in this area are only able to influence large firms - by reaching out to the small and medium sized firms which make up the bulk of the region's economy.

We recognise that there are other challenges that also face the Region, particularly around infrastructure and disparities in, employment, worklessness and prosperity. These challenges are being met by other, more strongly resourced, European, national and regional initiatives. For this reason this Programme does not address these issues directly itself.

The pressing issue of infrastructure investment in the region has been the subject of a recent settlement through the Regional Funding Allocation process. This has provided funds for a rolling investment programme in agreed regional transport priorities up until 2016. Several of these transport priorities, particularly relating to inter-regional transport corridors, have been supported through the INTERREG IIIB Community Initiative. Disparities in worklessness, unemployment and prosperity are also being tackled across the region through Local Area Agreements. Local Area Agreements provide a mechanism to integrate the activities, and funding programmes, of all relevant parties in pursuit of common objectives. As of July 2007 these Agreements have been strengthened, providing Local Authorities with enhanced responsibilities in this area and aligning the operations of national and regional agencies, including the Learning and Skills Councils, the Regional Development Agency and Job Centre Plus, in pursuit of agreed local priorities. The funding programmes of these agencies, and of programmes such as the European Social Fund (ESF) Employment Programme for the region, are weighted towards those areas where levels of social and economic exclusion are greatest. The substantial funds available through these programmes[1] will make a significant contribution to tackling the challenges the Region faces in overcoming identified disparities between different parts of the Region.

The South East England Operational Programme recognises that prosperity and access to opportunity are not evenly distributed across the Region and will take positive steps to address this. Widening access to the opportunities available in the region, and ensuring that the benefits of economic growth assist weaker parts of the region and are not just the preserve of the strong form a crucial underlying theme to the programme. It is fundamental that the Programme ensures that businesses and organisations located in less prosperous parts of the Region gain advantage from the opportunities available, in order that the Programme also supports wider objectives of 'smart growth', or, in another

[1] At more than €200m the regional allocation to South East England from the UK's European Social Fund (ESF) Programme alone dwarfs the funds available to the Region through the ERDF Competitiveness Programme

terminology, 'territorial cohesion'. It is our belief that the overall prosperity of the South East economy can be maintained and increased through stronger growth in employment and productivity in those under-performing sub-regional economies whilst simultaneously maintaining, and enhancing, levels of competitiveness across the region as a whole.

3.0 Strategy

The Socio-economic analysis set out in Section 2 highlights the particular challenges facing the South East region over the coming years. It is a broadly prosperous region, albeit with pockets of deprivation. It is a region of globally competitive businesses, universities and other research institutions, although there is no room for complacency in the face of future international competition. Much of the region's workforce is highly skilled but there are strong skills needs emerging if social and economic inclusion issues are to be addressed. Demographic pressures and high levels of in-migration place a strong emphasis on planning for future economic well-being and promoting inclusion agendas throughout the region. The economic success of the region has also come at a price with issues of sustainable development and sustainable growth now high on the regional agenda.

The problems facing South East England are not those that characteristically face regions in receipt of European Regional Development Funds. Rather than a problem of too little economic growth and a failure to attract investment the challenge facing the region as a whole is how best to address both the type and pattern of growth that it currently experiences, in order to remain competitive, environmentally sustainable and to avoid potential disinvestment effects. In particular the Region needs to develop solutions to the problems arising from the steady increase in its overall headline growth, secure the competitiveness of its existing business base and secure higher-value employment opportunities into the future.

If future economic competitiveness, prosperity and employment is to be ensured then it is essential that the region tackles the challenge of securing sustainable economic development. In this it has the potential to be a European, and international, leader. To do so the SEEOP will concentrate on promoting sustainable production and consumption practices across the South East.

In seeking to develop a globally competitive and sustainable knowledge-based economy three key dimensions are broadly recognised[1]:

- there is a need to break the link between economic growth and the use of resources;
- sustainable development requires as much emphasis on patterns of consumption as on production; and

[1] Alakeson V et al (2003) Making the Net Work: Sustainable Development in a Digital Society

- the implications of new, and flexible, working practices on social and economic behaviour remain poorly understood and only weakly integrated into strategic thinking.

The focus of this programme will be on working with SMEs, along with other bodies as appropriate, to improve their competitiveness, and the competitiveness of the region as a whole, through supporting more sustainable patterns of production, the development and adoption of new eco-innovations, and to influence more sustainable resource consumption patterns, such as in the area of sustainable mobility.

The SEEOP is intended to support the delivery of South East England's wider ***vision***, as set out in the RES (2006-16), namely that:

"By 2016 the South East will be a world class region achieving sustainable prosperity"

In doing so the particular ***aim*** for this SEEOP is to:

"Promote competitiveness in South East England whilst contributing to reducing the region's ecological footprint [1]"

Three ***objectives*** have been established for the Programme and these are set in Box 3.1 below. SMART[2] indicators have been developed for each of these, and are set out in Section 4.

Box 3.1 Programme Objectives

- raise levels of knowledge, innovation and growth across all business sectors in order to support more resource efficient business practices, boosting profitability and long-term competitiveness;
- stimulate innovation and job creation in new and emerging ecologically-driven market sectors
- reduce the rate of growth of the Region's ecological footprint [3], whilst stimulating economic growth

[1] The Ecological Footprint measures the amount of biologically productive land and water area required to produce the resources an individual, population, or activity consumes and to absorb the waste they generate, given prevailing technology and resource management. This area is expressed in global hectares (gha), hectares with world-average biological productivity (1 hectare = 2.47 acres).

[2] Specific, Measurable, Achievable, Realistic, Timely

[3] This includes the Region's carbon footprint as well as its more broadly defined ecological footprint.

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Annex 2 sets out a policy flow diagram which illustrates the link between these objectives and wider policy objectives, particularly the Community Strategic Guidelines and the National Strategic Reference Framework. Annex 3 lists the information sources that have informed this section of the SEEOP.

The Programme is intended to be a 'learning programme'. In this respect it is intended to develop and pilot highly effective practices which can be more widely 'mainstreamed' throughout the region. It is the intention of the Programme to develop best practice through an iterative, double loop'[1], process (through our own activities and by working with others); and to disseminate this best practice to both provide the iterative feedback for further learning, creating a rich learning environment[2], and to ensure that the benefits are realised across the Region.

On the one hand, through this process, the programme will induce behavioural changes across the region through raising awareness of what is possible. On the other, it will also extend our knowledge of what is actually possible. Taken together this approach will provide a high degree of added value, will maximise the level of impact for the value of the resources available and leave a lasting legacy.

The strategy adopted for the SEEOP addresses the challenges facing the region as set out in the region's economic strategy[3]. In this, three interlinked objectives are highlighted:

- Achieving global competitiveness;
- Spreading the benefits of competitiveness (SMART Growth); and
- Ensuring that competitiveness is consistent with the principles of sustainable development (Sustainable Prosperity).

The importance of stimulating more sustainable patterns of production and consumption, lies at the heart of these three objectives, and is increasingly being recognised more widely. At the World Summit on Sustainable Development in 2002, all countries committed themselves to promoting sustainable patterns of consumption and production, with developed countries taking the lead, reflected in the EU's published Strategy for Sustainable Development (2002). In March 2003, the European Council identified sustainable consumption and production and the development of a 10-year framework as one of the key priorities for the European Union. This was re-emphasised in 2005, when the Commission published its initial stocktaking and future orientations for the EU

[1] Argyris C and Schön D (1978) Organisational Learning: A Theory of Action Perspective

[2] Cognisance is taken of the 'learning ladder' developed by Ciborra C and Andreu R (2002)

[3] SEEDA (2007) The Regional Economic Strategy for South East England 2006 – 2016: A Framework for Sustainable Prosperity

Sustainable Development Strategy and a platform for action in the same year. The linkages of this strategy to the wider policy context are set out in more detail below.

The South East, as one of the most developed regions of the EU, has a responsibility, and a need, to take a lead in this area and to demonstrate how these aspirations can be met. In doing so, through this SEEOP, close regard has been had to the UK's own priorities for promoting sustainable consumption and production, as set out in 2003[1].

The Region has developed a regional sustainable development strategy (the Integrated Regional Framework) as encouraged by the Community Strategic Guidelines. This strategy is currently under review (2007) and it is anticipated that the EU Structural Funds can make a significant contribution to the delivery of this strategy, and influence the nature of its approach. One of the strengths of the SEEOP is the opportunity to integrate domains which, traditionally, have been separated between different areas of government, particularly environment, business, planning and economic development.

The South East's Competitiveness Programme seeks to *contribute* to achieving wider regional, national and European policy objectives. It will do so through stimulating new approaches and adding additional value to actions proposed but not yet implemented. In this respect it will act as a high profile programme driving forward a key dimension of the region's agenda, and contributing substantially to European and UK policy objectives. The focus of the programme is to be on delivering a dynamic, competitive and sustainable economy, maintaining and enhancing its ability to compete at the international scale.

The challenges facing the region, as outlined in the SWOT, provide opportunities for businesses and other organisations in the South East to respond positively to and to build the longer-term competitive position of the region. In particular, they provide a substantive framework around which actions can be developed which will:

- raise levels of knowledge and innovation across all business sectors in order to support more resource efficient business practices, boosting profitability and long-term competitiveness;
- stimulate innovation and job creation in new and emerging ecologically-driven market sectors
- reduce the rate of growth of the Region's ecological footprint[2].

In identifying the most appropriate strategic response to the requirements of the region close attention has also been paid to those actions that are eligible for support through the

[1] DEFRA (2003) Changing Patterns: UK Government Framework of Sustainable Consumption and Production

[2] This includes the Region's carbon footprint as well as its more broadly defined ecological footprint.

ERDF. Particular attention has also been paid to ensuring complementarity and consistency with other Community policies, especially the 7th Framework Programme, Competitiveness and Innovation Framework Programme, and to realising synergies with actions proposed through the ESF and EAFRD programmes in the region.

The approach that has been identified as most appropriate to the needs of the region accords with the thrust of the recent work by the High Level Group examining competitiveness, energy and the environment for DG Enterprise[1]. In this work they stressed that in seeking to adapt swiftly to a low-carbon emitting future whilst remaining competitive in an increasingly global economy, then EU businesses must make more efficient use of resources and supply-side measures must be coupled with market conditions that create demand for more sustainable technologies, products and services.

- The High Level group identified the following 'triple-win' from positive actions in this area:
- It would generate global demand for efficient products, technologies and services;
- It would generate a level playing field for companies competing in international markets (e.g. energy intensive industries); and
- It would result in true environmental, social and economic improvements.

This SEEOP seeks to promote strong approaches in this area in anticipation of increasing market pressures on businesses within the region to adapt to a low-carbon emitting future, and of effective actions in this area at an EU and national level. In doing so it will secure at a regional level both positive environmental benefits and secure the long-term competitiveness of the regional economy, helping to create and sustain more and better jobs. This SEEOP will help to deliver the priorities of the European Community, in particular the need to strengthen competitiveness and innovation, create and safeguard sustainable jobs, and ensure sustainable development.

3.1 The Priority Axes and Cross-cutting Themes

In support of the key issues and required actions identified above, together with the analysis set out in Section 2, existing strategic priorities in the Region, and the findings of extensive consultation it has been determined that the Programme will be delivered through a single main Priority Axis – ***Promoting Sustainable Production and Consumption*** – supported by a ***Technical Assistance*** Priority Axis.

[1] Fourth Report Of The High Level Group On Competitiveness, Energy And The Environment (European Commission DG Enterprise)

At the regional level it is recognised that there is a need to ensure that the actions taken through these Priority Axes support, and actively promote, overarching considerations of Equal Opportunities and Environmental Sustainability in line with the identified needs of the Region and statutory commitments. The Priority Axes will be underpinned by two cross-cutting themes which explicitly address environmental sustainability and equality and diversity. The details of each of these are set out in Section 5. Although described in a separate Section, it is important to stress that these themes are integral to the delivery of the Priority Axes, and in delivering the Programme particular regard will be had to their respective objectives.

A description of the indicative content of the Priority Axes is set out in Section 4. The areas for action identified are based upon an assessment of the needs and opportunities within the region and a desire to exploit synergies and complementarities with other regional, national and European initiatives. Taken together these actions will support the delivery of both regional, national and European policy objectives, whilst making a significant contribution to promoting the sustainable economic performance of the region over, and beyond, the lifetime of the programme.

The SEEOP will principally support actions to stimulate productive investment, primarily in SMEs, and the development of endogenous potential within South East England. In doing so it will make a particular contribution to the following dimensions of EU cohesion policy:

- Improving the attractiveness of Member States, regions and cities, through strengthening synergies between environmental protection and growth and addressing our intensive use of traditional energy sources.
- Encouraging innovation, entrepreneurship and the growth of the knowledge economy, particularly through facilitating innovation and promoting entrepreneurship.

The aim of the programme is to anticipate and promote economic change in South East England and, in developing the SEEOP, particular regard has been given to the need for thematic concentration, with a focus on elements that can contribute to the Growth and Jobs agenda. In doing so the programme highlights the importance of supporting the provision of collective business and technology services to groups of firms. The SEEOP also gives consideration to the opportunity to strengthen the capacity and capabilities, particularly by working with and through SMEs, in South East England in the field of sustainable development.

The SEEOP will have a significant impact in combating climate change within the South East. The focus on sustainable production and consumption, highlighted in the results indicators for SMEs reducing energy, waste or water usage by 10% and the reduction in

congestion and pollution levels attributable to sustainable mobility strategies, will deliver towards the European Climate Change Programme. The impact of the programme in addressing climate change will be demonstrated in the measures around stabilising the region's ecological footprint and reduction in CO_2 emissions by 85,000 tonnes.

The SEEOP will develop links with the ERDF programmes of other regions, notably London and East of England, collectively the Greater South East, and their carbon neutral programmes. The aim of the London ERDF programme "to promote sustainable, environmentally efficient growth" and East of England's overall theme of Low Carbon Economic Growth demonstrate the opportunity for significant synergies with the SEEOP in terms of best practice and mutual opportunities for SMEs. These synergies will develop as the specific activities to be carried out under the three programmes are developed.

3.2 Concentration of resources

Owing to the relatively limited resources allocated to South East England through the European Regional Development Fund, there is a need to focus the SEEOP in order to reap maximum benefit from the investments made. Following the findings of the regional consultation exercise and, taking on board the comments of the ex-ante evaluation report, it has been agreed that a thematic approach to concentration is most appropriate as the primary focus. This offers the most effective approach for addressing the needs and opportunities of South East England, whilst maximising the value of the funds available. This SEEOP therefore concentrates on promoting sustainable production and consumption.

Within the programme priority the focus is clearly on actions which are designed to address both environmental and competitive performance of the economy, particularly:

- Supporting those small and medium sized enterprises which can most benefit from improving their competitive performance through support to improve the efficiency of their resource use;
- Addressing the innovation needs and opportunities for growth in companies working in sectors related to new and emerging environmental-market technologies.

Within the bounds of the agreed Priority, programme partners wish to ensure that the particular needs of different areas of the South East are also addressed, reflecting a commitment to respect issues of territorial cohesion within the region. This is to make certain that all parts of the region are able to benefit from support through this SEEOP. It is crucial that in tackling the critical matter of the Region's sustainable development actions

do not inadvertently exacerbate existing socio-economic disparities within the Region. Indeed, wherever possible, actions will be designed to spread prosperity and to tackle the ecological footprint of the economically weaker parts of the region.

In drawing up selection criteria regard will be given to the distinctive economic geography of the region, and the needs of the more disadvantaged areas of the region, as well as the region's identified 'Diamonds for Growth'. Furthermore, there is a commitment to developing projects that will connect stronger and weaker parts of the region in networks of mutual learning.

3.3 Lessons from past programmes

In drawing up this SEEOP due regard has been taken of what lessons can be learnt from previous Structural Fund programmes. Prior to the current Programme, the region was eligible for support through Objective 2 of the Structural Funds. Between 1994 and 1999 the programme concentrated assistance on eligible wards in Thanet and between 2000 and 2006 the area eligible for support comprised wards in Thanet and in Hastings. Both programmes have made an important contribution to the regeneration and economic development of these areas. Through these programmes lessons have been learnt in the management and delivery of Structural Fund programmes which will be of value in delivering the current programme. More specific lessons, however, are less applicable in this case owing to the different focus of the programme. To remedy this gap we have drawn on wider experience from across the UK[1], as well as from specific projects that operated in the South East, such as SEPIA, GROW and ESPACE (see Section 3.5 for further details), which drew on other sources of ERDF assistance, and other Structural Fund programmes, such as ESF. Lessons from these projects have been an important influence on the development of this Operational Programme.

In developing the strategy and the priority axis particular note has been taken of:

- The need for a strategic and coherent approach in approaching knowledge transfer. Particular attention has been paid to: the role of knowledge transfer in regional economic development in South East England; identifying priority areas for investment where maximum economic change can be effected and building on existing assets & opportunities within the higher education and business base of the region.
- Understanding the underlying market failure issues.
- Ensuring a clear evidence based approach to developing the strategy and activities to be supported.

- Accepting risk through taking a portfolio based approach, and adopting a portfolio approach to project selection to avoid 'isolating' what should be linked activities.
- The development of appropriate indicators and the need to take a realistic approach to what outputs can reasonably be achieved during the lifetime of the programme.
- Ensuring strategic integration with other regional programmes and activities, as well as dovetailing and adding value to national (and European) initiatives that operate within the region.
- Concentrating resources on identified priority areas in order to maximise effectiveness.
- Embedding the principles of sharing best practice by ensuring activity links more and less prosperous parts of the region.
- Considering the appropriate scale at which to intervene. Whilst the programme is pan-regional the particular needs of the sub-regions have been, and will be, taken into consideration in terms of the finer delivery and implementation of the strategy.

3.4 Lisbon Earmarking

This SEEOP will make a valuable contribution to UK and EU commitments to the agreed 'Lisbon targets'. These 47 targets are taken from the 88 categorisation codes in Annex II of the Implementing Regulations. The 47 codes are the ones that have been identified as specifically contributing to Lisbon. Overall, it is anticipated that at least 96% of Priority Axis 1 will contribute to agreed Lisbon targets, whilst some 92% of Programme activity as a whole, including Technical Assistance expenditure, will make a direct contribution to the agreed Lisbon targets. Section 4 and Annex 4 each contain a list of which particular targets this SEEOP makes a contribution to.

3.5 Policy linkages

The SEEOP for South East England contributes to a range of policy initiatives at a European, national and regional level, with a strong contribution to the objectives of the Lisbon Agenda and the Lisbon National Reform Plan. The key policy linkages are structured as follows:

- Identification of linkages with Structural Fund policies
- Identification of linkages with competitiveness and innovation policies
- Identification of linkages with sustainable development policies
- Identification of linkages with other Regional policies

[1] DCLG: Good Practice Guide for English ERDF and ESF Programmes 2007-13

3.5.1 Structural Funds policy context

Structural Fund programmes are required to take into account the aims of the EU's Community Strategic Guidelines, the provisions of the relevant Regulations and, in the UK, the guidelines set out in the National Strategic Reference Framework. For the South East's SEEOP these provide a strong context in which to situate the actions planned.

Community Strategic Guidelines

The Programme will directly support two of the three principle objectives of the Community Strategic Guidelines and make an indirect contribution to the third. These objectives are set out below with a more detailed assessment contained in Figure 3.1.

- enhancing the competitiveness of Member States' regions and cities by improving accessibility, ensuring adequate quality of and level of services, and preserving their environmental potential;
- encouraging innovation, entrepreneurship and the growth of the knowledge economy by research on innovation capacities, including the new information and communication technologies; and
- creating more and better jobs by attracting more people into employment, improving adaptability of workers and enterprises and increasing investment in human capital.

Figure 3.1: Contribution of the Programme to the Community Strategic Guidelines

Community Strategic Guidelines for Cohesion Policy	South East England SEEOP
Guideline 1: Enhancing the competitiveness of regions and cities Expand and improve transport infrastructures Strengthen synergies between environmental protection and growth Address Europe's intensive use of energy resources	The SEEOP will make a positive contribution to enhancing the competitiveness of South East England and its urban areas. Inter alia this will include actions which: Strengthen synergies between environmental protection and growth, particularly the promotion of greater resource efficiency amongst SMEs Promote improvements in sustainable mobility, particularly through working with SMEs to reduce levels of car use and Encourage energy efficiency amongst SMEs in the region
Guideline 2: encouraging innovation, entrepreneurship and the growth of the	The focus of the SEEOP is on encouraging entrepreneurship and innovation in SMEs,

Community Strategic Guidelines for Cohesion Policy	South East England SEEOP
knowledge economy Increase and improve investment in RTD Facilitate innovation and promote entrepreneurship Promote information society for all Improve access to finance	particularly through: concentrating resources on stimulating the adoption of more resource efficient business processes and stimulating new business activity through eco-innovation.
Guideline 3: Creating more and better jobs Attract and retain more people in employment and modernise social protection systems Improve adaptability of workers and enterprises and the flexibility of the labour market Increase investment in human capital through better education and skills Administrative capacity Help maintain a healthy labour force	The SEEOP will promote the creation of higher value jobs and also of a greater number of jobs in sectors linked to ecological innovation. Through its support for enhancing the competitiveness of the SME sector it is also anticipated that additional jobs will be created in these sectors. Actions in support of the labour force will be addressed through the complementary ESF programme for the Region.

The programme can also make an indirect contribution to the objectives of the Community Strategic Guidelines relating to risk prevention. Flooding of river basins and coastal areas owing to severe weather events is a very real risk in South East England. The cost of such events, both in human and financial terms, is significant. Actions taken by this programme may contribute to developing solutions and approaches to mitigating these risks.

ERDF Regulation

The Actions set out in the SEEOP are based upon the provisions of Article 5 of the ERDF Regulation (2007-2013). In particular, the programme will concentrate on promoting:

- innovation and the knowledge economy, including through the creation and strengthening of efficient regional innovation economies, systemic relations between the

private and public sectors, universities and technology centres, taking into account local needs;
- environment and risk prevention, particularly stimulating energy efficiency, the development of efficient energy management systems and promoting clean and sustainable public transport.

National Strategic Reference Framework

The South East SEEOP has clear links to the UK's National Strategic Reference Framework (NSRF). Like the NSRF, we regard sustainable economic development objectives to lie at the heart of our programme of activities (p.12). Of the four priorities set out in the NSRF (see Box 3.2, below) the South East's OP will concentrate on delivering sustainable production and consumption, with a strong emphasis also on promoting innovation and knowledge transfer. The Programme will also seek to ensure that actions in these areas also contribute to the remaining two objectives.

Box 3.2: The four priorities of the UK's NSRF

- Priority 1: Promoting innovation and knowledge transfer
- Priority 2: Stimulating enterprise and supporting successful business
- Priority 3: Ensuring sustainable development, production and consumption
- Priority 4: Building sustainable communities

In the context of the recent consultation exercise, the UK Government has committed to some minor modifications to the NSRF which dovetail well with the planned strategy approach in South East England. In particular the commitment to amend the text of the innovation and knowledge transfer priority to cover the scope for promoting greater energy and resource efficiency is welcomed.

3.5.2 Competitiveness and innovation policy context

In March 2000, the EU Heads of States and Governments agreed to make the EU "the most competitive and dynamic knowledge-driven economy by 2010". The agreement reached at this time has become known as the Lisbon Agenda. Although some progress was made on innovating Europe's economy, there is growing concern that the reform process is not going fast enough and that the ambitious targets will not be reached. At the half-way point for the Lisbon agenda, the spring European Council of 22-23 March 2005 placed renewed focus on growth, innovation and employment as a priority for action for the

EU and all Member States. It is equally beholden upon European regions to address the challenges established as a matter of urgency.

In its Communication: "Working Together For Growth and Jobs[1]" the Commission identifies the need to place economic growth and job creation centre stage, whilst securing more sustainable patterns of growth. This SEEOP seeks to deliver on this complex objective. The importance of stimulating innovation, and knowledge transfer between the research base and businesses, forms a strong element in this – as also recognised in the Aho Report, published in January 2006. This presents a strategy to create an Innovative Europe. The central recommendation is that a pact for research and innovation be formed to drive the agenda for an innovative Europe, to demonstrate that 'all the drivers of Europe's innovation ecology are willing to work together to achieve European prosperity, competitiveness and quality of life'. The pact will facilitate actions to create a market that stimulates innovation and provides firms with the incentive to innovate and perform R&D.

In Working Together for Growth and Jobs, the Commission highlights how making growth and jobs the immediate target goes hand in hand with promoting social or environmental objectives. In this SEEOP the South East goes one step beyond this, demonstrating how such ambitions can be reconciled in practice. As the Commission recognizes, Lisbon is an essential component of the sustainable development objectives set out in the Treaty, and in this Programme, the South East will contribute directly to one of the main areas for action identified: namely harnessing knowledge and innovation for growth, particularly through promoting eco-innovation.

This SEEOP will also directly contribute to 3 out of the 6 priorities identified by the UK Government in "Lisbon Strategy for Jobs and Growth: UK National Reform Programme", published by HM Treasury in October 2005 as the UK Government's contribution to delivering the revised Lisbon strategy in the UK, namely:

- building an enterprising and flexible business sector that is the best in the world, where firms can succeed and exploit the opportunities presented by a more open and competitive global economy;
- promoting innovation to ensure the UK is a world leader in turning scientific research into business innovation, at a time of increasing rewards to innovation and given the growing importance of knowledge driven industries in the world economy. This will require sustained investment in the science base and action to address barriers to the diffusion and adoption of new ideas;
- increasing innovation and adaptability in the use of energy and resources and promoting low-carbon sources of energy, aimed at radically improving resource

[1] COM (2005) 24

efficiency, and helping both to boost business competitiveness and break the link between economic growth and environmental degradation.

In the DTI's Innovation Report: Competing in the Global Economy, a number of important dimensions to future UK Government policy were highlighted which have set a broad framework guiding the content of this SEEOP. This includes the establishment of a national Technology Strategy Board (see below), the use of public procurement policies to stimulate innovation and a general move to increase levels of R&D activity in the UK. The SEEOP for the South East also links well to the ambitions expressed in the UK Government's 10 Year Investment Strategy for Science and Innovation, particularly the desire to secure a greater responsiveness of the research base to the economy and to strengthen levels of knowledge transfer and innovation. Building on the activities generated through actions in this area is a key aim for the SEEOP, particularly in light of the strengths of the science and research base in the Region. In a similar vein the Programme also intends to foster close linkages with the work of the Technology Strategy Board.

The SEEOP is directly relevant to the Environmental Technologies Action Plan (ETAP) policy initiative for leveraging eco-innovation. The Action Plan's objectives are:

- to remove the obstacles so as to tap the full potential of environmental technologies for protecting the environment while contributing to competitiveness and economic growth;
- to ensure that over the coming years the EU takes a leading role in developing and applying environmental technologies;
- to mobilise all stakeholders in support of these objectives.

In particular the SEEOP will address the actions under the first axis of the ETAP, Getting from Research to Markets.[1]

The Technology Strategy Board (TSB) is a new Executive Non-Departmental Public Body, which is being set up to develop a coherent UK-wide strategy for technological innovation and to deliver a programme of Government financial support to encourage business investment in, and use of, technology across all sectors of the UK economy. The TSB was initially set up in October 2004 to manage the main technology programmes of the then Department for Trade and Industry. The TSB's vision is:

[1] The three actions under the first axis are:
1/ Increase and Focus Research, Demonstration and Dissemination
2/ Technology Platforms
3/ Environmental Technology Verification

For the UK to be seen as a global leader in innovation and a magnet for technology-intensive companies, where new technology is applied rapidly and effectively to wealth creation.

The strategy of the TSB has four major goals:

• to help our leading sectors and businesses to maintain their position in the face of global competition;

• to stimulate those sectors and businesses with the capacity to be among the best in the world to fulfil their potential;

• to ensure that the emerging technologies of today become the growth sectors of tomorrow; and

• to combine all these elements in such a way that the UK becomes a centre for investment by world-leading companies.

This strategy is delivered through four main programmes: user-driven collaborative R&D, Knowledge Transfer Networks (KTN), Innovation Platforms and Emerging Technologies.

The Sainsbury Review[1] contains significant recommendations for the future role of the TSB and seeks to use the TSB to address the fragmented technology and innovation landscape within the UK by giving the TSB a new leadership role. For example the involvement of the TSB in delivering the SEEOP will be vital when the TSB becomes the repository for information about technology's role in the competitive strategies of different industries and its role in providing this to other organisations when needed. This has clear implications for a programme with activities around the environmental sector.

In response to the conclusions of the Sainsbury Review, the RDAs, Technology Strategy Board (TSB) and Science and Industry Councils have committed to collaborating to support innovation priorities that deliver the national technology strategy and Regional Strategies. Utilising the Single Pot and European Funds, each RDA has committed to ear-marking investment to match fund TSB programmes on a case by case basis or as part of a regional prospectus.

3.5.3 Sustainable development policy context

Sustainable development is the overarching long term goal of the European Union. A sustainable development strategy was first adopted at the European Council in

[1] Lord Sainsbury of Turville, The Race to the Top: A Review of Giovernment's Science and Innovation Policies, October 2007.

Gothenburg in 2001, the current EU Sustainable Development Strategy (SDS), adopted by the Council in 2006, builds upon the original, taking into account the sense of urgency arising from continued unsustainable trends in relation to issues including: climate change and energy use; demographic pressure and ageing; management of natural resources; and land use and transport. The overall aim of the renewed EU SDS is 'to identify and develop actions to enable the EU to achieve continuous improvement of quality of life both for current and for future generations, through the creation of sustainable communities able to manage and use resources efficiently and to tap the ecological and social innovation potential of the economy, ensuring prosperity, environmental protection and social cohesion'. In meeting this aim the strategy identifies seven key challenges with corresponding targets, operational objectives and actions:

- climate change and clean energy;
- sustainable transport;
- sustainable consumption and production;
- conservation and management of natural resources;
- public health;
- social inclusion, demography and migration; and
- global poverty and sustainable development challenges.

The SEEOP for the South East will directly contribute in a significant manner to the third of these key challenges and, indirectly, to others. In doing so the SEEOP will also assist in informing the EU's Action Plan on Sustainable Production and Consumption, which seeks to help emerging countries and developing economies use natural resources sustainably and make the transition to more sustainable patterns of consumption and production, in line with their own development priorities. One product of the action plan will be an EU eco-efficiency strategy that will promote environmentally friendly public sector purchasing policies and green technologies, while ensuring that sufficient funding is channelled into research on eco-innovations. Again this is an area where mutual lessons can be learnt through the operation of the South East's SEEOP.

On a wider note, the South East's SEEOP also sits well with the Marrakech Process. This was launched in 2003 following the first international expert meeting on a 10 year framework for Sustainable Consumption and Production Patterns, held in Marrakech and organised by the United Nations' Department for Sustainable Development. The Marrakech Process is intended to promote implementation of sustainable consumption and production policies and measures at the national and regional levels, with coordinated international support. It is expected that the 10-year Framework that emerges will be broad in scope and will help to catalyze and guide the transition to a more sustainable global

economy. The EU is a major participant in this process, and actions through ERDF programmes, such as that in the South East, can assist in meeting a number of the areas that the UN anticipates action to be in required in, such as:

- Identifying specific activities tools, policies, measures and monitoring and assessment mechanisms including, where appropriate, life-cycle analysis and national indicators;
- Adopting and implementing policies and measures to promote patterns of sustainable consumption and production, applying the polluter-pays principle.
- Developing production and consumption policies to improve products and services.
- Developing awareness - raising programmes on the importance of sustainable consumption and production patterns, particularly among youth and relevant segments in all countries, through inter alia, education, public and consumer information, advertising and other media.
- Developing and adopting consumer information tools to provide the information related to sustainable consumption and production;
- Increasing eco-efficiency, with financial support from all sources, where mutually agreed, for capacity-building and technology transfer.

In its emphasis on promoting sustainable production and consumption the SEEOP also contributes to a significant degree to the UK's aims and objectives in stimulating sustainable development. The UK Government's strategy for sustainable development is set out in the document "Securing the Future". This forms a powerful framework for the activities to be supported through this SEEOP and the strong linkages between the two documents are clear. In particular the SEEOP will play an important role in assisting the Region to contribute towards the following dimensions of Government policy aimed at delivering more sustainable patterns of production and consumption[1]:

- a continued drive to improve resource efficiency and reduce waste and harmful emissions across business sectors
- new commitments on sustainable procurement in the public sector to make the UK a leader within the EU by 2009
- support for innovation to bring through new products, materials and services
- stronger partnerships with key business sectors such as the food, tourism and construction industries
- a review of waste strategy, with increased emphasis on reducing waste at source and making use of it as a resource

[1] Highlighted in Chapter 3: "One planet economy: sustainable consumption and production.

In addition the SEEOP will contribute important elements towards other targets set out by the Government in Securing the Future, particularly in terms of raising the importance of Climate Change as a driver of activities, reducing greenhouse gas emissions and creating more sustainable communities.

In considering the nature of the strategy set out in the SEEOP care has been taken to ensure that lessons have been drawn from existing initiatives in this area, and to avoid wasteful duplication. The emphasis is on adding value through additional activities. Particular examples of relevant initiatives that have been taken into consideration include: the low carbon building programme, through the DTI, and support for biomass and energy crops, through DEFRA, as well as the Business Resource Efficiency and Waste Programme and the Waste and Resources Action Programme (see Box 3.3 below).

Box 3.3 Business Resource Efficiency and Waste Programme (BREW)

BREW is a package of resource efficiency expenditure measures to use the additional revenue (£284 million) from the increase in landfill tax in the 2003 Budget. The programme assists businesses in reducing the 400m tonnes of waste produced each year in the UK, mostly by developing and expanding schemes already in operation. Examples of schemes in receipt of BREW funding include:

- the DTI's technology programme: operations include providing grants for research and development into resource efficiency;
- the Market Transformation Programme: supports the development and implementation of UK Government policy on sustainable products, through conducting research and working with industry to build a common understanding on how environment impacts can be mitigated and assisting in the drafting and delivery of action plans.

Waste and Resources Action Programme (WRAP):

WRAP, a not for profit company formed in 2000 as part of the Government's waste strategy is one of the organisations delivering the BREW agenda, Its aim is to deliver greater material resource efficiency. It runs seven broad programmes to deliver this aim, focusing on: the construction sector; the manufacturing sector; the composting industry; the retail sector; behavioural change in consumers; business support to the recycling industry and supporting local authorities in improving their recycling and home composting services.

3.5.4 Regional strategy context

Within the South East there are a range of regional, inter-regional and sub-regional strategies that this programme needs to support and contribute to. The principle strategies are set out below. It is clear that practical issues of sustainable development, particularly

managing growth in a more sustainable manner, form a common thread, one of the reasons for the SEEOP concentrating on this.

Regional Economic Strategy for South East England

The SEEOP has been developed in accordance with the Region's Regional Economic Strategy 2006: "A Framework for Sustainable Prosperity", including making use of the comprehensive evidence base developed as part of the RES process.

The Regional Economic Strategy's vision is that: 'by 2016 the South East will be a world class region achieving sustainable prosperity'. It is acknowledged that the Regional Economic Strategy's vision will only be achieved by all relevant partners working together with the full support of national Government. Progress towards the vision is to be measured against three headline targets:

- achieve an average annual increase in GVA per capita of at least 3 per cent;
- increase productivity per worker by an average 2.4 per cent annually, from £39,000 in 2005 to at least £50,000 by 2016 (in constant prices); and
- reduce the rate of increase in the region's ecological footprint (from 6.3 global hectares per capita in 2003, currently increasing at 1.1 per cent per capita per annum), stabilise it and seek to reduce it by 2016.

The SEEOP will assist in supporting the achievement of each of these three targets.

The strategy responds to a the new global context, whereby countries such as China, India, Brazil and Russia, as well as the Central and Eastern European Accession States, emerging as huge new markets offering significant opportunities and threats to South East businesses; sets targets to ensure success is more widely accessible; and identifies the importance of quality of life as a competitive advantage. The strategy sits within the overall context of the Integrated Regional Framework for Sustainable Development in the South East and alongside the draft South East Plan – the region's spatial strategy.

The agreed vision for the Region is informed by three values which have also informed the development of the SEEOP. The three values are:

- building on excellence for global competitiveness;
- investing in potential to lift underperformance; and
- safeguarding quality of life as a competitive advantage.

The RES is structured around three interlinked objectives. As identified previously, the SEEOP delivers to each of these objectives and, in itself, can be seen as a unifying theme adding value to the RES. The particular dimensions that the SEEOP will support are identified in the table below. Where relevant, contributions will also be made to the cross-cutting themes identified by the RES, in particular in pursuit of equality and diversity objectives.

RES objective	RES Target	SEEOP contribution
Achieving global competitiveness	Increase the percentage of businesses located in the South East operating internationally, and maximise the South East's share of global Foreign Direct Investment	Limited
	Increase the proportion of businesses in the South East reporting R&D links with universities, and increase business expenditure on research and development in the South East	Strong
	Increase the percentage of total South East business turnover attributable to new and improved products and services	Strong
	Secure investment in infrastructure priorities to maintain international economic competitiveness	Limited
Spreading the benefits of competitiveness (smart growth)	Increase the business stock, increasing the number of new businesses run by women	Modest
	Maximise the number of people ready for employment at all skill levels, and ensure they are continually equipped to progress in the labour market	Limited
	Increase the level of participation of South East businesses (especially small businesses and social enterprises) in tendering for public sector contracts	Strong
	Reduce road congestion and pollution levels by improving travel choice, promoting public transport, managing demand and facilitating modal shifts	Modest

	Ensure sufficient and affordable housing and employment space of the right type and size to meet the needs of the region and support its competitiveness, and create the climate for long-term investment through the efficient use of land resources, including mixed-use developments	Limited
	Improve the productivity of the workforce and increase economic activity	Limited
Ensuring that competitiveness is consistent with the principles of sustainable development (sustainable prosperity)	Reduce CO2 emissions attributable to the South East by 20 per cent from the 2003 baseline by 2016, and increase the contribution of renewable energy to at least 10 per cent of energy supply in the South East by 2010	Strong
	Reduce per capita water consumption in the South East by 20 per cent by 2016, and achieve a 30 per cent increase over the 2003 baseline in GVA generated per tonne of materials entering the waste stream by 2016	Strong
	Achieve measurable improvements in the quality, biodiversity and accessibility of green space, open space and green infrastructure	Limited
	Enable more people to benefit from sustainable prosperity across the region and reduce polarisation between communities	Modest

South East Plan

The draft South East Plan – the Regional Spatial Strategy (RSS) - was submitted in March 2006. It has the vision that "the South East will show a sustained improvement in its quality of life over the period to 2026, measured by the well-being of its citizens, the vitality of its economy, the wealth of its environment and the prudent use of natural resources". In realising this vision, the South East England Regional Assembly has identified that the core objectives will be to maximise economic potential and sustainable housing growth,

raise standards of environmental management and reduce levels of social exclusion and natural resource consumption.

Inter alia, the draft strategy proposes that the core Statement of Policy will meet the following ambitions:

- the overall result of the Plan will be a healthier region, a more sustainable pattern of development, a dynamic and robust economy, a reduced level of social exclusion, a more bio-diverse environment and a reducing level of natural resource consumption;
- the region will remain a key international gateway and a pillar of the UK economy, maintaining strong links with London and a considerable degree of mutual interdependence. The linkages with other English regions will grow;
- within the region, a particular emphasis will be placed on means to reduce present economic and social disparities between the east and west of the region, including realising the untapped economic potential of the Thames Gateway, coastal towns and cities in East Kent and East Sussex; urban South Hampshire and the Isle of Wight;
- adequate land and property for business, housing and other services will be required and measures to achieve adequate provision forms part of this Plan. Delivery will need to be planned at both the regional and subregional level. At a regional level, the pace of growth will vary over the Plan period.

There are more than 100 policies on key issues contained in the RSS. These form an important framework for the delivery of the Operational Programme, and have guided its development. The Operational Programme will support the delivery of a number of the cross-cutting issues established for the RSS, as well as many of the main policy topics. In terms of the cross-cutting issues the Operational Programme will directly contribute to the underpinning requirement of Sustainable Development, as well as helping to deliver regional commitments in terms of climate change and resource use. The Operational Programme has been influenced by the commitments made in the RSS to promoting sustainable construction as well as the strategic commitment to an urban focus and renaissance and the role of the region as an international gateway. Not least, the Operational Programme has been guided by the commitment to address intra-regional disparities.

Of the 9 main policy areas of the RSS this Operational Programme relates positively to policies established in the areas of economy, natural resource management and deprivation and social inclusion. There is also a modest link to transport and communications policies. The Programme will make less of a direct contribution to policies established under the topics of housing; waste and minerals; countryside and

urban management; town centres, and tourism and related sport and recreation although it is cognisant of the policies in this area.

Integrated Regional Framework

The Integrated Regional Framework (IRF) was published in 2004. This established a shared vision for a sustainable region and provided the context for the draft South East Plan. The IRF is being reviewed and updated during 2007-08, and is being renamed the Regional Sustainability Framework (RSF). Until this time, the IRF forms the sustainable development strategy for South East England. The IRF acknowledges the prosperity of the region but highlights a number of issues and conflicts to be addressed to reduce the negative effects of economic growth, including:

- ensuring an adequate supply of affordable housing;
- reducing social exclusion and poverty and spreading economic benefits more widely;
- tackling growth in car traffic by reducing the need to travel;
- using natural resources more prudently;
- reducing pollution and waste;
- enhancing the region's biodiversity;
- managing and mitigating the likely impacts of climate change such as increases in flooding;
- improving overall levels of health of people living in the region;
- adapting to the needs of an ageing population;
- maintaining and improving the overall quality of the environment, including biodiversity and important landscapes;
- improving educational attainment and skills levels; and
- achieving high and stable levels of employment.

The IRF highlights the need to change the region's approach to economic development, noting that "continuing to develop the region in the same way as in the past will mean that these issues and conflicts will not be resolved. The IRF aims to encourage and support organisations in the South East to change the way we do things so that the region can remain prosperous while also tackling these important issues"[1]. There is a clear read across here to the intent of this Operational Programme to support a process of sustained behavioural change through developing, demonstrating and mainstreaming best practice solutions.

[1] http://www.southeast-ra.gov.uk/our_work/planning/sus_dev/irf.html

Regional Waste Strategy

Ahead of the adoption of the South East Plan, Regional Planning Guidance for the South East (RPG9) remains the region's statutory spatial strategy. RPG9's waste strategy was updated in June 2005 but is similar to the waste policies in the draft South East Plan (submitted to Government in March 2006 and scheduled to be adopted in early 2008).

RPG9 identifies one of the most significant issues facing the South East as being "the growing amount of waste produced and how to manage it now and in the future"[1].

The strategy's vision is for a region in which resources are used and managed efficiently, so that by 2025:

- the amount of waste produced will be minimised;
- the overwhelming majority of materials will be re-used, recycled or have value recovered from them; and
- the environment will be protected and enhanced for future generations.

There are ten guiding principles for the strategy, including:

- reducing the rate of growth of waste and start to minimise the overall amount generated through uncoupling waste growth from economic progress;
- change our perception of waste to regard it as a resource and shift the emphasis of policy from disposal to processing;
- take an holistic and integrated approach to waste management which is wider than spatial planning;
- minimise the transport and associated environmental impacts from the movement of waste;
- influence climate change through the reduction of greenhouse gas emissions.

Inter-regional strategies

The Thames Gateway is both a regional and national priority. Driven initially by the need to reverse the area's long-term economic decline, the Sustainable Communities Plan set out a new vision for the Gateway and an extensive programme of investment in infrastructure, new developments and the regeneration of existing communities. The

[1] GOSE (2005) Regional Planning Guidance for the South East (RPG9) Waste and Minerals, para 10.105.

Thames Gateway Strategic Framework[1] establishes the context for more detailed delivery programmes and action plans at sub-regional and local levels for the next 5 to 10 years.

The Thames Gateway Kent Partnership's vision[2] for North Kent is to 'develop an area of exciting waterside towns and cities with a world-class environment and a real civic pride that provides an international exemplar of urban renaissance'.

Across the whole Thames Gateway, the aim is to create the conditions for a further 180,000 jobs and provide 160,000 homes, in addition to creating a series of Thames Gateway Parklands to help deliver the UK's first low carbon region. Approximately 45,000 of those new homes will be in North Kent,

The Thames Gateway Kent Partnership have identified green growth as being a key feature of the area's future economy, where sustainable economic growth positively contributes to the area's natural and built resources, while generating new jobs in the tourism sector.

Regional good practice

The Region has good experience of managing high profile, innovative projects designed to develop and demonstrate best practice. This provides a valuable resource on which this Programme is able to build. Crucially, the mix of pan regional European projects undertaken in the past EU budgetary cycle clearly demonstrates the importance attached to exploring responses to the complex problems thrown up by pressure to identify more sustainable development paths.

Box 3.4 illustrates three projects which have formed a strong input into the development of the Operational Programme and which illustrate different elements of this Programme's proposed approach. Lessons from the implementation of these programmes will be used in developing the delivery approach for the Programme. The Operational Programme also offers a means to add value to the good practice developed through these projects through offering a mechanism to spread this good practice more widely in the region. This epitomises the integrated learning-based approach espoused by this Programme.

Box 3.4 Developing and disseminating good practice

[1] See http://www.communities.gov.uk/pub/562/TheThamesGatewayInterimPlanPolicyFramework_id1504562.pdf
[2] See http://www.thamesgateway-kent.org.uk/media/progress_update.pdf

GROW: The GROW programme, supported by the INTERREG IIIC Community Initiative, brings together five high-performing regions to work with each other towards smart, sustainable growth, in social, environmental and business terms. GROW now supports 16 pilot projects and is pioneering initiatives to address the dilemma that regional strategies face when balancing social, environmental and economic constraints to achieve stable growth.

SEPIA: The South East Programme for Innovative Actions (SEPIA) is a European funded business support programme operating in the South East of England, with a special emphasis on the European priority areas within East Kent and Hastings in East Sussex. The main objective is to strengthen the business base and create significant and sustainable employment opportunities in the South East Objective 2 areas and enable Small & Medium sized Enterprises to meet the challenges of competitiveness in Regional, National and International Markets.

ESPACE: This four-year project funded through the INTERREG IIIB Community Initiative, aims to develop a dynamic transnational approach to adapting to climate change through spatial planning mechanisms that can be implemented by the Partners. Through practical case study work, the development of new tools and examples of policy advice, it aims to influence the philosophy and practice of spatial planning in the region.

3.6 Regional Strategy Production

Regional Economic Strategy

The production of the South East Regional Economic Strategy has been a highly participative process, involving wide range of stakeholders, from key regional partners, to local partners and communities, to sectoral interests, to the businesses which are central to the creation of wealth and sustainable growth. The review began on the 15th July 2005 with an open launch event and workshop entitled the “South East as a Global Region”. This event reviewed the progress towards the objectives of the 2002 RES and identified some of the key influences which are having a major impact on our region. This successful launch was followed by a series of 16 public events, which were attended by more than 2,000 people. A final conference, Bringing it all Together, was held on the 10th October 2005, at which a draft vision for the new RES, supported by a number of objectives and key tasks, was presented.

The culmination of these public consultations was the production and publication of the Regional Economic Strategy Consultation Document and its accompanying Evidence

Base on 16th November 2005. Consultation on this document concluded on the 17th February 2006. During this consultation period over 320 responses were received from a range of stakeholders from across and outside of the region. The draft strategy, along with its associated Sustainability Appraisal, was released on 7th April 2006 for a further period of consultation, ending 30th June. There were 190 formal responses to this document which were used to further inform the development of the final Regional Economic Strategy.

Following approval by the SEEDA Board and the Assembly Executive, the final Regional Economic Strategy was published on the 31st October 2006 at the SEEDA Open General Meeting. Key Partners consulted and involved throughout this process have included:

- Central Government
- Local Authorities
- South East England Regional Assembly
- Regeneration Agencies
- Economic / Regeneration Partnerships
- Businesses and Business Representative Organisations
- Business Link Providers
- Business Support Organisations
- Culture, Sport and the Creative Industries Sector
- Trades Unions
- Regional Skills for Productivity Alliance
- Higher and Further Education Institutions
- Environment Agency and Natural England
- South East Climate Change Partnership
- Rural and Land-Based Interest Groups
- Strategic Health Authorities and South East Public Health Group
- The Voluntary and Community Sector

South East Plan

As with the Regional Economic Strategy, the South East Plan has also been subject to extensive consultation. As a statutory process the procedural steps are established. However, in terms of scale, the consultation exercise is believed to be the largest-ever public consultation of its type. Leaflets outlining the content of the Plan were sent to all 3.5 million households in the South East. In addition extensive MORI surveys of public opinion were conducted. Full details of this are contained in the Pre-submission Consultation Statement. This is a statement that must accompany the RSS.

3.7 Strategic Environmental Assessment

A Strategic Environmental Assessment (SEA) of the programme has been undertaken by independent consultants. The Programme has been developed in association with the work of these consultants and the development of the strategy and the priorities has taken the findings of the SEA into account. A non-technical summary of the results of the final SEA exercise is set out below.

3.7.1 Non-technical Summary

Ove Arup & Partners (Arup) were appointed to undertake the Strategic Environmental Assessment (SEA) of the European Regional Development Fund (ERDF) Operational Programme 2007-2013 (OP) for the South East region. The Competitiveness Programme for the SE will receive approximately £15m at the January 2006 exchange rate during the life of the Programme, namely 2007-2013.

The OP sets out the strategy for the funding of activities that will support the objective in enhancing the South East's competitive position through overcoming structural barriers to economic development and associated job creation within the region.

The aim of the SEA is to ensure that environmental consequences of certain plans and programmes are identified and assessed during their preparation and before their adoption. The purpose of the SEA process is to contribute to the integration of environmental considerations into the preparation and adoption of plans and programmes with a view to promoting sustainable development.

Draft Operational Programme

The vision for the draft OP stated:

"To promote the south East economy in a way which focuses on improving competitiveness and job creation in line with the goals of the Lisbon Agenda, and to contribute to reducing the regions ecological foot print, in line with the Gothenburg Agenda"

The focus of the draft Programme was on innovation and knowledge transfer particularly as it relates to sustainable development, production and consumption, together with an emphasis on targeting underperformance.

Operational Programme Priority Axis

Two priority axes were identified for the Programme, and are described below.

Priority Axis 1

Priority Axis 1 was stated as “Innovation, knowledge transfer and sustainable productivity” and two themes emerge from this:

- Promoting the knowledge economy
- Promoting sustainable production and consumption

Each of these themes had two strands that corresponded to either market or policy failure or to clear opportunities identified in the Regional Economic Strategy, and which could derive particular benefit from the targeted OP:

Theme 1 – Promoting the knowledge economy

- Raising levels and application of “knowledge” in the non-high-tech sectors
- Promoting ICT take-up for commercial exploitation among disadvantages in the region

Indicative actions to be supported under Theme 1 included:

- Pilot projects, pre-start funds, pump-priming funds and other assistance for catalytic projects which will unlock funding or lead to further activity in relevant programme activity areas
- Support for micro business start ups, business needs audit, signposting to advice, and funding, possible revolving loan funds, using existing delivery vehicles
- Measures to assist the integration of innovation good practise (building upon the lessons from the SE Innovative Actions Programme) into business at all levels and sectors. To include products and services, marketing and market research, production and distribution etc.
- Measures to improve linkages and establish new networks between public/private research institutions and SMEs and encourage areas of interest such as knowledge, skills and technology transfer/exchange, mentoring, work experience and the development of “market ready” technologies and products
- Promote behavioural change amongst businesses and industry (link with knowledge transfer) in areas such as: green procurement and supply chains; sustainable production patterns, resource efficiency, alternative technologies, waste management, use of Environmental Management Systems
- Measures to facilitate innovation and promote entrepreneurship including support for the development of “eco-innovation” and environmental technologies including “spin off”

and “spin out” of ideas and products for research institutes and firms in the environmental technology sector
- Support and promotion of programmes for sustainable construction and development
- Encourage new, more sustainable patterns of tourism; support programmes which promote natural and built assets and the protection and enhancement of green infrastructure for the development of sustainable tourism (where this is not supported by the Rural Development programme)
- Support for programmes to develop and provide new higher “value added” tourism and encourage new more sustainable tourism, a wider and more diversified tourism “offer”, extended seasons and “out of season” tourism

Theme 2 – Promoting sustainable production and consumption

- Increasing the prosperity of communities in a way which decreases the carbon footprint of the community and thus of the region as a whole (production)
- Reducing the region’s carbon footprint through the greater use of energy-efficient applications (consumption)

Indicative activities to be supported under Theme 2 included:

- Develop a range of social and economic interventions designed to lessen disparities between areas and between groups: employment, enterprise, innovation, with particular reference to Diamonds and Economic contours
- Develop a schedule of support measures to enable Volunteer Businesses, Social Enterprises and Community Companies and other SMEs to compete on level terms in service and contract procurement including (for example) local maintenance and environmental services contracts
- Promote behavioural change including green procurement and supply chains, green tourism and the use of Environmental Management systems
- Encourage development of projects in areas such as environmental technology, salvage, recycling and alternative energy sectors as a route into training and employment for local people
- Promote the adoption of products in areas such as environmental technology, salvage, recycling and alternative energy sectors as a route into training and employment for local people

In accordance with Articles 45 and 46 of the EC Regulations No 1083/2006, the OP is permitted to include Technical Assistance (TA) as one of the priority axes. In compliance with the regulations, a maximum of 4% of the total budget allocated to the SE will be allocated to this priority. TA is used to build and support the development and implementation of the SE OP. It will do this by supporting the development, monitoring and implementation of the ERDF programme.

Priority Axis 2

The second priority axis comprised the Technical Assistance (TA) available to finance the management, monitoring, evaluation, and information and control activities of the Programme. This priority axis did not have any indicative activities.

Operational Programme Cross-cutting Themes

Cross-cutting themes of Environmental Sustainability and Equality to be incorporated into the delivery of the OP both horizontally and vertically; environmental sustainability required that all projects incorporate the principles of sustainable development and that all projects included actions concerned with improving the environment, respectively.

The EU requires that all Programmes incorporate the delivery of equality and social inclusion in their areas as prescribed by the General Regulation for Structural Funds. The UK NSRF requires that Programmes incorporate the main legislative provisions governing equality and social inclusion, and that the principles of equal opportunity be built into the preparation, implementation, and monitoring and evaluation stages

Update to the Operational Programme

The redrafting of the OP emphasised that the OP is intended to support the delivery of the South East's wider vision, and in doing so the particular aim for the OP is to:

"Promote competitiveness in South east England whilst contributing to reducing the region's ecological footprint."

In support of this; three objectives have been identified for the Programme, namely:

- Raise levels of knowledge and innovation across all business sectors inn order to support more resource efficient business practices, boosting profitability and long-term competitiveness
- Stimulate innovation and job creation in new and emerging ecologically-driven market sectors
- Reduce the rate of growth of the region's ecological footprint

The draft OP was comprehensively revised following the consultation process (March to June 2007) to ensure that the final OP contained all the material, in an appropriate format, required by EU and UK Guidance and Regulations. The draft strategy already contained a strong coherence between the strategy and the wider European, national and regional policy context and elements that supported the delivery of positive environmental benefits. In the amendments made to the text it was important to retain these positive features however, it was also recognised that there were a number of common themes underpinning the responses to the original draft and that these should be adopted in order to strengthen the Programme as a whole.

The main developments of the OP can be summarised as follows:

- The baseline and socio-economic analysis was extended where possible
- The strategic focus of the Programme was fine-tuned to:
  - ► Retain two priority axes
  - ► Integrate more closely the proposed support for innovation and sustainable production and consumption under priority axis 1
  - ► Concentrate on promoting sustainable production and consumption practices
  - ► Explicitly adopt a pan-regional approach but to build in strong support for meeting 'smart growth' (or 'territorial cohesion') objectives
- The cross-cutting themes, particularly that addressing equal opportunities, have been developed more strongly and integrated more fully into the Programme as a whole
- Indicators and targets have been developed
- The Contribution of the Programme to wider policy objectives, particularly the Lisbon targets, have been set out

The activities reflect the refocused Programme, and are organised around three principal areas, namely:

- Promoting resource efficient business practices
- Stimulating innovation for a sustainable economy
- Encouraging sustainable consumption practices

The revised indicative activities include:

- Development and facilitation of networks
- Support for strengthening capacity of regional relay points

- Support for knowledge transfer activities
- Events and pilot actions
- Support to build the capacity for innovation in SME's
- Measures to assist the integration of innovation good practice
- Signposting, and developing, innovative financial products
- Support for the commercialisation of innovative ideas

Key Environmental Issues

The following key environmental and health issues have been identified from the Scoping exercise, and from the evidence base prepared for the OP:

- Climate change – the need to reduce carbon emission as the primary contributing factor to global warming, through reducing energy demand and increasing the supply of energy obtained from renewable sources
- Resource demand – the need to reduce the demand for aggregates and minerals from outside the region; together with a reduction in per capita water consumption throughout the region
- Biodiversity – protecting and enhancing the quality of the extensive lowland wildlife habitats and landscapes; and the coastal zone
- Waste management – the need to reduce rates of waste generation that are increasing faster than rates of reuse and recycling of recovered materials in the region

These issues are addressed in the OP as components of the ecological footprint of the region; one of the highest regional ecological footprints in the UK.

Identification of Alternatives

In the context of the SE OP, the following criteria have been used to identify 'reasonable' alternatives to the proposed OP:

- Activities allowed by Structural Funds regulations
- Activities compatible with the goals of the Lisbon agenda
- Activities achievable within the constraints of the available funds

Alternative 1 - The 'Do-nothing' Alternative

The discontinuation of the OP within the South East region was considered and comprises the 'do-nothing' alternative for the OP. However the allocation of Structural Funds to the

regions within England has made this alternative redundant and it is not considered reasonable and has not been assessed.

Alternative 2 – The 'Business-as-Usual' Alternative

The continuation of the 2001-2006 Objective 2 Programme was considered and comprises the 'business-as-usual' alternative for the OP. The focus of the 2001-2006 Programme was on tackling barriers to economic opportunity in key areas suffering industrial decline, urban deprivation, low economic activity and social exclusion; wards within the Thanet and Hastings areas benefited from the regeneration and economic development supported by this funding.

Sustainable Development was initially one of the cross-cutting themes for the 2001-2006 Programme before it was changed in the second half of the Programme to Environmental Sustainability, as part of the process of strengthening the contributions made by projects to the programme's cross-cutting themes.

The focus of the Structural Fund has now shifted to respond more closely to the Gothenburg agenda, and this has resulted in the need to integrate the cross-cutting theme of environmental sustainability throughout the OP. The incorporation of environmental issues and activities in the OP responds to the general recognition that sustainable economic development needs to fully recognise and integrate activities that address the environmental impacts and opportunities associated with economic development. The previous Objective 2 Programme did not have this level of integration at the strategic development process and for this reason a continuation of the approach adopted by the Objective 2 Programme could not be justified as it would not be compliant with the requirement for this round of the Programme to address the Gothenburg agenda. As such it is not a reasonable alternative and has not been assessed in the SEA.

Alternative 3 - Inclusion of Priority Axis for Environmental Activities

The inclusion of another priority axis in the OP that specifically focused on environmental aspects was considered. The advantage of this alternative lies with highlighting the need to address specific environmental problems identified for the SE. The disadvantage of this alternative is that it would have the effect of introducing a very prescriptive element to the OP that would separate environmental opportunities from 'mainstream' economic activities, something the OP aims to overcome.

For this reason this alternative is deemed to be unnecessary given the incorporation of environmentally-focused activities within priority axis 1, as well as the integration of environmental sustainability as a cross-cutting theme of the OP.

Choice of Alternative

The Programme identifies activities to be supported that focus on delivering improvements to the natural environment, and to quality of life in the region. The mix of activities focus on the development of innovative products and services that could deliver the 'smart' growth required in the SE to maintain its competitive position and not degrade the environmental resources of the region further, while realising that all areas within the region need to benefit through sharing of expertise and knowledge.

For this reason, the Programme as proposed has been assessed in this SEA. Given that the indicative activities presented in the revised Programme were not substantially different from the draft activities; the rationale for the choice of alternative that was assessed has not changed.

Stakeholder Consultation

All information concerning the consultation process is presented in Appendix B of the Environmental Report. This includes a list of the consultees, the notes of the pre-consultation workshop and a table of the consultation responses on the Scoping Report and the Environmental Report, with a description as to how the comments have been incorporated into the Environmental Report.

Pre-consultation Workshop

The pre-consultation workshop was held on 6 October 2006 at Arup. The purpose of the workshop was to present and discuss the proposed baseline data, the document review and the framework for the assessment and Environmental Report.

Consultation on Scoping Report

The Scoping Report for the SE OP was released for consultation on 14 November 2006 and the 5-week consultation process closed on Friday 1 December 2006. The Scoping Report was circulated electronically to the statutory consultees and stakeholders invited to the pre-consultation workshop. Comments received on the Scoping Report are collated in Appendix B. The table also includes a note of how the comments have been addressed in the context of the Environmental Report. In general, the comments referred to:

- A proposal to alter the SEA objectives and utilise the appropriate objectives and indicators from the Integrated Regional Framework (IRF) to integrate the SEA with the overall sustainability framework for the SE region
- Specific elements of the baseline data that needed to be updated
- Additions to the list of documents reviewed

- The importance of a statement as to how the SEA process had informed the development of the OP

Consultation on the Environmental Report

The draft Environmental Report together with the draft OP was circulated to stakeholders for consultation over a 12 week period commencing in March 2007 and closing in June 2007. Comments were received from the Environment Agency and this, together with a response and a cross-reference to the appropriate section of the Environmental Report, is provided in Appendix B.

In summary the comment highlighted:

- The indicative activities of the priority axis should be more focused on supporting the reduction of the ecological footprint of the region; although the extent to which the Programme can achieve a reduction in the ecological footprint will be difficult to quantify
- The identification of the alternatives (strategic options) needed to be made clearer
- The assessment of the effects of the Programme needs to include environmental aspects
- The screening criteria for activities will be important as a mitigation measure to ensure activities to not have an adverse effect on the environment; criteria should be used to proactively influence the choice of projects funded

Assessment Framework

The assessment framework is made up of a series of SEA objectives and indicators, which have been taken from the Integrated Regional Framework for the South East. To aid the appraisal process and ensure all the requirements of the SEA Directive are met a series of matrices were developed that provide a structure for completing and documenting the assessment process. The matrix guides the process for:

- Predicting and assessing the effects including cumulative and synergistic
- Identifying mitigation and enhancement opportunities
- Drawing conclusions on the plan or programme

To facilitate the assessment of the indicative activities, a set of criteria was developed that described the nature of the potential environmental effect as specifically as possible given the levels of detail provided by the OP. These criteria incorporated the requirement of the

SEA Directive to assess the probability, duration, frequency, reversibility, cumulative, transboundary nature of the effects, the risks to human health or the environment, and the magnitude and spatial extent of the effects.

Constraints to the Assessment

The following constraints were encountered which influenced the approach to and outcome of the assessment:

- The description of the indicative activities to be supported under each theme of the priority axis was mostly generic and this had the effect of limiting the understanding for potential significant environmental effects; in many instances the potential environmental effects are dependent on the specific type of project that may be proposed
- The identification of 'reasonable' alternatives was difficult given the constraints already placed on the OP, the requirement for activities supported under the ERDF programme to be linked with regional economic activities and allocation of funding to activities that support the Lisbon agenda

Assessment of the OP Activities

The assessment framework is presented in Appendix C of the Environmental Report.

Direct Effects

The direct effects have been assessed as those effects arising as a result of the implementation of the activities identified by the OP.

- Water Resources - given the activities supported by the OP, and their focus on efficiency of resource use, any minor adverse effect on water demand may be off-set by increased efficiencies obtained through the implementation of the Programme.
- Energy Demand – the activities supported by the Programme would focus on reducing overall energy demand and improving efficiency in energy consumption; this may off-set any adverse environmental effect resulting from an increase in energy demand due to the implementation of the Programme
- Natural Resource Consumption - the activities supported by the OP are unlikely to substantially increase the demand for aggregates and other materials in the region, and promote re-use and recycling of materials; this will have a minor beneficial effect.
- Waste - waste management is a critical aspect for the SE and initiatives that focus on the separation, re-use and recycling of waste (the reprocessing sector) together with the

development of alternative materials (for example, biodegradable packaging materials) will be supported by the OP and this will have a minor beneficial effect
- Transport - the OP will support initiatives that reduce the need for private vehicle utilisation, increase the use of public transport and otherwise reduce the contribution of vehicle emissions to reductions in air quality and this will have a minor beneficial effect

Indirect Effects

The indirect effects arise as an ancillary effect of the implementation of the activities under the OP within the SE region:

- Climate Change - the OP will focus on ensuring that appropriate infrastructure is developed to minimise the potential for adverse impacts arising from climate change, including impacts on biodiversity, and reducing greenhouse gas (GHG) emissions arising from transport emissions
- Air Quality - it is unlikely that the OP will result in substantial improvements to air quality in the region; and increases in the demand for transport capacity (passenger and freight) could be offset by the requirement for businesses to develop Green Travel Plans and demonstrate consideration of alternative systems for the transport of goods
- Landscape - potential effects would be minor beneficial given that the Programme aims to protect the landscape by ensuring that there is sufficient capacity to absorb further development that may occur as a result of increasing access to the countryside

Secondary Effects

Secondary effects are those effects that are not primarily associated with the implementation of the OP, but arise as a result of a combination of factors associated with, and independent of, the activities supported by the OP.

- Health and Well-being - encouraging entrepreneurial development within areas that have minimal economic activity combined with support to volunteer businesses, social enterprises and community companies to enable them to effectively compete for economic opportunities will have a minor to moderate beneficial effect
- Cultural Heritage - The focus of the OP in identifying opportunities to increase the tourism offer will have a minor to moderate beneficial effect on closing the gap between the underperforming areas in the region. However, these activities may traffic volumes on major routes and this would have a minor negative effect
- Previously Developed Land and Buildings - the will stipulate a preference for the refurbishment of buildings, rather than demolition, where appropriate. This will ensure

that the OP does not have an impact on land with a high ecological value, and will reduce the development pressure on greenfield sites, which is a minor beneficial effect

- Flood Risk - activities supported by the OP is considered a minor negative effect in terms of flood risk, however this can however be offset through the specification of use of Sustainable Urban Drainage Systems (SuDS) where appropriate to avoid the risk of increased flooding
- Biodiversity - the OP will need to demonstrate how any potential adverse environmental impacts will be mitigated to ensure no adverse effect on, or further loss of, biodiversity

Cumulative Effects

The principal cumulative effects that have been identified as a result of interactions between activities supported by the OP include:

- Increased demand for transport capacity (passenger and freight) and ambient air quality – the air quality determinants, NOx and PM10, arise from vehicle emissions and given the levels of congestion on roads reducing the concentration of these determinants will require a concerted effort to reduce the need for private vehicle travel in the region
- Energy demand and carbon emissions –energy demand need to be reduced through the implementation of stricter building standards, specification of energy-efficient technologies, and greater awareness within enterprises of the benefits of energy demand management. Reduction in energy demand together with increased use of on-site energy generation through renewable sources will also contribute to security of energy supply within the region. A reduction in carbon emissions will assist in addressing the cause of climate change and potentially reduce the adverse consequences
- Environmental quality and health and well-being – the maintenance of environmental quality within the region to support economic activities within the cultural and tourism sectors can contribute to decreasing the economic disparities between areas within the region. This would also support efforts to integrate economic activities in the rural areas with provision of goods and services to urban areas

Mitigation Measures

Given the focus of the OP on support for economic activity and job creation, the approach to mitigation is to avoid, rather than minimise, adverse environmental impacts; and the primary mechanism to control potential environmental effects is to implement a number of criteria that can be used in the up-front screening and assessment of potential activities presented for ERDF funding.

Monitoring

At a project level, a programme of evaluation will be undertaken to address the environmental performance of specific activities. Both project and programme level indicators are proposed; and these indicators will ensure that activities are supporting the delivery of environmental benefits or, at least, are minimising adverse environmental impacts.

Indicators that monitor and evaluate environmental performance of individual project activities are required that capture environmental objectives through both vertical and horizontal activity. Horizontal activity refers to the delivery of conventional economic activities with the integration of relevant environmental aims and objectives and vertical activity refers to the delivery of economic outcomes through projects with a strong environmental focus.

Conclusions

In summary, the assessment has highlighted the following:

- Although the financial allocation to the SE region is limited, the Programme will support initiatives aimed at promoting the knowledge economy. These can contribute to improving health and environmental quality within the SE region given the focus on non-hi-tech sectors that have potential to facilitate job creation through development of innovative products and technologies
- Support for activities that promote sustainable production and consumption and social inclusion, development of alternative energy sources and energy efficiency techniques; improve security of resource supply (energy and water) and improved techniques for waste management and self-sufficiency in the provision of aggregates and other materials, will effectively secure the ‘smart growth the region seeks to achieve. With appropriate initiatives to disseminate best practice and lessons learnt, this could have the effect of decreasing disparities between areas within the region which is another desired outcome of the Programme
- Mitigation measures most appropriate to the Programme will focus on avoidance of adverse environmental effects by means of screening criteria; and the implementation of systematic monitoring and reporting systems that are suited to the scale of the business

The scoping exercise undertaken as part of the Appropriate Assessment undertaken in the SEA exercise, concluded that, given the limited funding of the OP and the types of initiatives to be supported, it is unlikely that the economic development resulting from the

Programme's implementation will lead to increased pressure upon the region's natural assets and biodiversity or that the Programme will have a significant adverse effect on the region's designated areas.

Update to the Conclusions

The revised OP was subject to a screening exercise that concluded that the revisions to the priority axis gave the Programme a sharper focus, and integrated delivery of environment benefits with activities focused on promoting innovation and employment creation, especially within the SME sector, while minimising adverse effects associated with implementation.

The revision to the Programme did not alter the overall objectives or the focus of the priority axes and, as such, the assessment of the direct, indirect, interactive and cumulative effects of the Programme did not change as a result of the revisions to the draft OP.

As such, the conclusion of the draft assessment regarding the potential environmental effect resulting from the implementation of priority axis 1 has not changed given the revision to the indicative activities.

The full SEA report is appended at Annex 5. The following sub-section sets out the Article 9 Statement and responding Declaration.

3.8 SEA Statement[1]

3.8.1 Introduction

This document is the final report of the SEA process undertaken as part of the development of the European Regional Development Fund (ERDF) Operational Programme (OP) for the South East region during 2006 and 2007. This statement outlines how environmental considerations, and the opinions expressed by stakeholders during the SEA process, have been taken into account in the drafting of the Operational Programme. It also outlines the choice of programme given the strategic alternatives (options) identified; the measures decided concerning monitoring of the environmental effects of the Programme are also discussed.

[1] Provided by ARUPS, who produced the SEA, in accordance with the requirements of Article 9

The SEA process informed the development of the Operational Programme in the following areas:

- The baseline environmental information presented in the Scoping report assisted in focusing the issues presented in the environmental profile of the Programme
- The strategic alternatives (options) comprising the 'do-nothing' and 'business-as-usual scenarios together with the option for a separate priority axis that contained environmentally-focused activities, strengthened the argument to develop a Programme where environmental issues are delivered as an integral part, rather than as a subsidiary element, of the Programme
- The screening of the revised activities contained in the priority axes after the consultation process on the draft Operational Programme, against the SEA objectives, confirmed that the revision to the activities had effectively sharpened that focus of the activities without detracting from the potential environmental benefits of the Programme

In addition, environmental issues were incorporated into the Programme via:

- The inclusion of environmental sustainability as one of the cross-cutting themes of the Programme; integrating environmental issues and the economic development goals that are the primary focus for the Programme. This is fundamental to supporting the achievement of sustainable development as promoted by the draft UK National Strategic Reference Framework (NSRF) and the EU's Structural Fund Regulations, Community Strategic Guidelines and the Lisbon Agenda, and the South East Integrated Regional Framework (the sustainable development strategy for the South East)
- The priority axes of the OP incorporates vertical and horizontal environmental activities creating a focus to stimulate innovation in the development and utilisation of environmental products, processes and services; and as part of the process to support SME's in improving their environmental performance
- The integration of environmental aspects into the monitoring of vertical and horizontal environmental deliverables

3.8.2 Stakeholder Consultation

The consultation process was initiated with the pre-consultation workshop held on 6 October 2006 at Arup. The purpose of the workshop was to present and discuss the proposed baseline data, the document review and the framework for the assessment and Environmental Report.

3.8.3 Summary of Comment on Scoping Report

Comments received on the Scoping Report are collated in Appendix B of the Environmental Report and the table also includes a note of how the comments have been addressed in the context of the Environmental Report. In general, the comments referred to:

- A proposal to alter the SEA objectives and utilise the appropriate objectives and indicators from the Integrated Regional Framework (IRF) to integrate the SEA with the overall sustainability framework for the SE region
- Specific elements of the baseline data that needed to be updated
- Additions to the list of documents reviewed
- The importance of a statement as to how the SEA process had informed the development of the OP

3.8.4 Summary of Comment on Environmental Report

The draft Environmental Report together with the draft OP was circulated to stakeholders for consultation over a 12 week period commencing in March 2007 and closing in June 2007. Comments were received from the Environment Agency and this, together with a response and a cross-reference to the appropriate section of the Environmental Report, is provided in Appendix B of the SEA.

In summary the comment highlighted:

- The indicative activities of the priority axis should be more focused on supporting the reduction of the ecological footprint of the region; although the extent to which the Programme can achieve a reduction in the ecological footprint will be difficult to quantify
- The identification of the alternatives (strategic options) needed to be made clearer
- The assessment of the effects of the Programme needs to include environmental aspects
- The screening criteria for activities will be important as a mitigation measure to ensure activities to not have an adverse effect on the environment; criteria should be used to proactively influence the choice of projects funded

3.8.5 Integration of Environmental Considerations into the OP

A detailed description of the changes made to the Operational Programme in response to comment provided regarding environmental issues is provided below.

In general, environmental aspects have been incorporated into the OP mainly through the requirement of the EU that all Structural Fund activity is carried out while protecting and improving the environment. This is also a requirement of the UK NSRF that the

environmental sustainability theme is implemented both horizontally and vertically into Structural Funds by ensuring that all projects incorporate the principles of sustainable development and that all projects include actions concerned with improving the environment respectively.

From the outset, the use of sustainability as an overall organising principle for the purpose of the OP was agreed at the first meeting of stakeholders regarding the OP development process.

Draft OP – Version 1

The first draft of the OP was received in October 2006 and comment was given on the environmental evidence base together with comment from the ex-ante evaluation team. The notes of the pre-consultation workshop held on 6 October 2006 and the draft Scoping document was circulated to the leader of the OP drafting team for comment before it was released for public consultation in November 2006 for the statutory 5 week period.

Draft OP – Version 2

The next round of discussion regarding the OP took place in January 2007 following the internal circulation of the second draft OP document, and focused on the alignment of the environmental baseline data provided in the Scoping report, and the environmental issues presented in the evidence base of the OP.

Draft OP – Version 3

The third version of the draft OP document was received mid January 2007, and was discussed at a meeting held on 19 January 2007, specifically on how environmental aspects could be monitored at a project level and the need for monitoring indicators to be proportionate to the scale of the projects supported.

Draft Operational Programme (Consultation Document)

The draft OP document was received early February 2007 and circulated from comment together with the draft Environmental Report in March 20071.

Operational Programme (Draft for Negotiation)

The draft OP was comprehensively revised following the consultation process to ensure that the final OP contained all the material, in an appropriate format, required by EU and UK Guidance and Regulations. The draft strategy had already contained a strong coherence between the strategy and the wider European, national and regional policy

context and elements that supported the delivery of positive environmental benefits. In the amendments made to the text it was important to retain these positive features however, it was also recognised that there were a number of common themes underpinning the responses to the original draft and that these should be adopted in order to strengthen the Programme as a whole.

The main developments of the OP can be summarised as follows:

- The baseline and socio-economic analysis was extended where possible
- The strategic focus of the Programme was fine-tuned to:
  - ► Retain two priority axes
  - ► Integrate more closely the proposed support for innovation and sustainable production and consumption under priority axis 1
  - ► Concentrate on promoting sustainable production and consumption practices
  - ► Explicitly adopt a pan-regional approach but to build in strong support for meeting 'smart growth' (or 'territorial cohesion') objectives
- The cross-cutting themes, particularly that addressing equal opportunities, have been developed more strongly and integrated more fully into the Programme as a whole
- Indicators and targets have been developed
- The Contribution of the Programme to wider policy objectives, particularly the Lisbon targets, have been set out

3.8.6 Operational Programme: Priority Axes

The focus of the Programme is on innovation and knowledge transfer particularly as it relates to sustainable development, production and consumption, together with an emphasis on targeting underperformance.

Draft Operational Programme Priority Axes

The vision for the draft OP stated:

“To promote the south East economy in a way which focuses on improving competitiveness and job creation in line with the goals of the Lisbon Agenda, and to contribute to reducing the regions ecological foot print, in line with the Gothenburg Agenda”

The focus of the draft Programme was on innovation and knowledge transfer particularly as it relates to sustainable development, production and consumption, together with an emphasis on targeting underperformance.

Operational Programme Priority Axis

Two priority axes were identified for the Programme, and are described below.

Priority Axis 1

Priority Axis 1 is “Innovation, knowledge transfer and sustainable productivity”. Two themes emerge from this:

- Promoting the knowledge economy
- Promoting sustainable production and consumption

Each of these themes has two strands that correspond to either market or policy failure or to clear opportunities identified in the Regional Economic Strategy, and which can derive particular benefit from the targeted OP:

Theme 1 – Promoting the knowledge economy

- Raising levels and application of “knowledge” in the non-high-tech sectors
- Promoting ICT take-up for commercial exploitation among disadvantages in the region

Theme 2 – Promoting sustainable production and consumption

- Increasing the prosperity of communities in a way which decreases the carbon footprint of the community and thus of the region as a whole (production)
- Reducing the region’s carbon footprint through the greater use of energy-efficient applications (consumption)

Priority Axis 2

In accordance with Articles 45 and 46 of the EC Regulations No 1083/2006, the OP is permitted to include Technical Assistance (TA) as one of the priority axes. In compliance with the regulations, a maximum of 4% of the total budget allocated to the SE will be allocated to this priority. TA is used to build and support the development and implementation of the SE OP. It will do this by supporting the development, monitoring and implementation of the ERDF programme.

Cross-cutting Themes

Cross-cutting themes of Environmental Sustainability and Equality will be incorporated into the delivery of the OP both horizontally and vertically; environmental sustainability requires

that all projects incorporate the principles of sustainable development and that all projects include actions concerned with improving the environment, respectively.

It is envisaged that the environmental and equality cross cutting themes are incorporated into the Programme by incorporating pertinent questions into the project evaluation procedure.

Revised Operational Programme Priority Axes

The redrafting of the OP emphasised that the OP is intended to support the delivery of the South East's wider vision, and in doing so the particular aim for the OP is to:

"Promote competitiveness in South east England whilst contributing to reducing the region's ecological footprint."

In support of this, three objectives have been identified for the Programme, namely:

- Raise levels of knowledge and innovation across all business sectors inn order to support more resource efficient business practices, boosting profitability and long-term competitiveness
- Stimulate innovation and job creation in new and emerging ecologically-driven market sectors
- Reduce the rate of growth of the region's ecological footprint

The re-wording of priority axis 1, from "Innovation, Knowledge Transfer and Sustainable Productivity" to "Promoting Sustainable Production and Consumption" reflects a closer integration with the policy framework, especially the National Strategic Reference Framework and the Integrated Regional Framework (the sustainable development strategy for the South East), and the need to focus the Programme given the limited funding available.

The change to the priority axis also involves a reorganisation of the indicative activities around the three principal areas, namely:

- Promoting resource efficiency
- Stimulating innovation in key environmental sectors
- Encouraging sustainable consumption.

Although the number of indicative activities was reduced, a comparison of the draft and the revised indicative activities indicates that, overall, no activities have been eliminated and the categorisation of the revised activities is in keeping with the more focused strategy.

In conclusion, the screening of the activities indicates that, with no substantial change to the intent or focus of the revised indicative activities, it is unlikely that they will have a significantly different environmental effect than that of the draft indicative activities, and therefore no further assessment of the potential environmental effect is required.

Section 3.1 of the Guide states "…the Consultation Bodies should be consulted on screening determinations". In this instance, a screening process has been applied only to modifications made to the Operational Programme on which an SEA has already been applied, and as such it is considered that no further consultation is required with the statutory consultees given that they have already provided comment during the 12-week consultation process.

3.8.7 Consideration of Alternatives

In the context of the SE OP, the following criteria have been used to identify 'reasonable' alternatives to the proposed OP:

- Activities allowed by Structural Funds regulations
- Activities compatible with the goals of the Lisbon agenda
- Activities achievable within the constraints of the available funds

Alternative 1 - The 'Do-nothing' Alternative

The discontinuation of the OP within the South East region was considered and comprises the 'do-nothing' alternative for the OP. However the allocation of Structural Funds to the regions within England has made this alternative redundant and it is not considered reasonable and has not been assessed.

Alternative 2 – The 'Business-as-Usual' Alternative

The continuation of the 2001-2006 Objective 2 Programme was considered and comprises the 'business-as-usual' alternative for the OP. The focus of the 2001-2006 Programme was on tackling barriers to economic opportunity in key areas suffering industrial decline, urban deprivation, low economic activity and social exclusion; wards within the Thanet and Hastings areas benefited from the regeneration and economic development supported by this funding.

Sustainable Development was initially one of the cross-cutting themes for the 2001-2006 Programme before it was changed in the second half of the Programme to Environmental Sustainability, as part of the process of strengthening the contributions made by projects to the programme's cross-cutting themes.

The focus of the Structural Fund has now shifted to respond more closely to the Gothenburg agenda (to respond to the EU sustainable development strategy), and this has resulted in the need to integrate the cross-cutting theme of environmental sustainability throughout the OP. The incorporation of environmental issues and activities in the OP responds to the general recognition that sustainable economic development needs to fully recognise and integrate activities that address the environmental impacts and opportunities associated with economic development. The previous Objective 2 Programme did not have this level of integration at the strategic development process and for this reason a continuation of the approach adopted by the Objective 2 Programme could not be justified as it would not be compliant with the requirement for this round of the Programme to address the Gothenburg agenda. As such it is not a reasonable alternative and has not been assessed in the SEA.

Alternative 3 - Inclusion of Priority Axis for Environmental Activities

The inclusion of another priority axis in the OP that specifically focused on environmental aspects was considered. The advantage of this alternative lies with highlighting the need to address specific environmental problems identified for the SE. The disadvantage of this alternative is that it would have the effect of introducing a very prescriptive element to the OP that would separate environmental opportunities from 'mainstream' economic activities, something the OP aims to overcome.

For this reason this alternative is deemed to be unnecessary given the incorporation of environmentally-focused activities within priority axis 1, as well as the integration of environmental sustainability as a cross-cutting theme of the OP.

Choice of Alternative

The Programme identifies activities to be supported that focus on delivering improvements to the natural environment, and to quality of life in the region. The mix of activities focus on the development of innovative products and services that could deliver the 'smart' growth required in the SE to maintain its competitive position and not degrade the environmental resources of the region further, while realising that all areas within the region need to benefit through sharing of expertise and knowledge.

For this reason, the Programme as proposed has been assessed in this SEA.

Given that the indicative activities presented in the revision to the OP are not substantially different from the draft activities; the rationale for the choice of alternative that was assessed has not changed.

3.8.8 Programme Monitoring Indicators

The revision to the Programme included the identification of monitoring indicators and targets and these are presented in the table below:

Output Expected from Priority Axis 1	Target
Number of businesses assisted to improve their performance	750
Number of additional firms involved in business networks	800
Number of businesses within the region engaged in new collaboration with UK knowledge base	270
Number of businesses in the region developing R&D links with other businesses	70
Number of businesses engaged in developing sustainable mobility strategies	240
Number of energy efficiency demonstrator projects	10
Results Expected from Priority Axis 1	
Number of businesses improving performance	1250
Gross new jobs created	180
Number of businesses making financial savings from improved energy and resource efficiency	550
Number of SME's reducing energy, waste or water usage by 10%	550
Number of businesses achieving independent environmental accreditation	100
Number of businesses increasing percentage of turnover attributable to new and improved products by 5%	110
Reduction in road congestion and pollution levels	Qualitative
Number of businesses tendering for public sector contracts	75
Number of businesses integrating new products,processes or services	2
Impacts Expected from Priority Axis 1	
Net additional employment	109
Net increase in GVA	Qualitative
Reduction in rate of growth of region's CO2 emissions	Qualitative

Monitoring will be facilitated by the establishment of mid-point targets; these will be determined once the Programme is approved.]

3.8.9 Conclusions

Following the consultation on the draft OP, the Programme was revised as described in Section 3.2. The changes to priority axis 1 and the indicative activities were screened to check that the alterations would not have a significant environmental effect. The results of the screening indicated that the priority axis had not changed substantially and the focus of the Programme to ensure that environmental benefits are delivered as an integral part of the Programme while adverse effects associated with implementation are prevented or minimised had not changed.

As such, the conclusion of the draft assessment regarding the potential environmental effect resulting from the implementation of priority axis 1 has not changed given the revision to the indicative activities.

3.9 Declaration

3.9.1 Use of the SEA

The SEA process and the Assessment itself formed an important influence in the iterative development of the Operational Programme. In particular:

- The baseline developed for the SEA Scoping report assisted in developing the focus of the programme and forms a positive contribution to the evidence base underpinning the Operational Programme
- The strategic alternatives developed strengthened the argument for making environmental concerns a core focus of the programme, rather than a subsidiary element as in the previous Objective 2 programme
- The focus of the programme was sharpened with a better integration for the delivery of environmental benefits along with economic growth and better jobs
- Priority Axis 1 was sharpened to explicitly support a reduction in the ecological footprint of the region.
- Learning actions were included in the programme to develop and disseminate good practice

3.9.2 Validity of the findings

The regional programme partnership is fully in agreement with the findings of the SEA. We note that the programme has sharpened its focus and no longer contains actions

explicitly relating to tourism, although, where relevant, tourism-related activities would be eligible for support under Priority Axis 1.

3.9.3 Further actions

Most of the issues raised by the SEA have been addressed through the revision of the Operational Programme. As the SEA Summary recognises, this has resulted in a sharper and more integrated focus on environmental benefits. The remaining issues raised in the SEA largely relate to implementation matters and will be addressed in the following manner:

- Environmental screening criteria will be used to proactively influence the choice of projects commissioned and funded.
- At a project level a programme of evaluation will be undertaken to address the environmental performance of specific activities.
- A concerted effort will be made to ensure that, overall, supported activities will reduce the need to travel by private vehicle and that individual projects do not significantly increase private vehicle journeys in the region.
- Appropriate initiatives will be developed to disseminate best practice and lessons learnt. An explicit commitment to this is built into both Priority Axis 1 and 2.
- All measures adopted by this programme will be appropriate to the scale of the businesses involved.

3.10 Summary of main findings of ex-ante evaluation[1]

Independent consultants were commissioned to undertake the ex-ante evaluation of the SEEOP. The Programme drafting team have taken into consideration the comments of the ex ante evaluators when refining the programme strategy and priority axis.

3.10.1 Main findings

3.10.1.1 *Introduction*

Arup were appointed by Government Office for South East (GOSE) and the South east Development Agency (SEEDA) to undertake the ex-ante evaluation of the South East ERDF Operational Programme 2007-2013. The ex-ante process is an evaluation of the Operational Programme according to a set of criteria set out by the European Commission1. This document sets out the findings of the ex-ante evaluation of the

[1] Provided by ARUPS, who undertook the Ex-ante Evaluation

Operational Programme. These findings include evaluation of the process of the ex ante assessment as well as the content of the Operational Programme. The report begins with a chapter on the process of the evaluation and development of the Operational Programme and is subsequently structured around the key components of the ex-ante evaluation

3.10.1.2 *The ex-ante process*

The ex ante evaluators have sought to meet the criteria for the evaluation set out by the European Commission from the start of the process. Both the ex ante team and Operational Programme team have embraced the spirit of the ex ante evaluation, working together, but independently, in an iterative and interactive way.

There has been some clarity throughout the process on the respective roles of the evaluator and the authorities responsible for programme preparation, although responsibility for leading the drafting of the Operational Programme has altered between the South East Development Agency, Government Office South East, and external consultants.

Comments and recommendations have been provided at every stage of development of the Operational Programme in order to improve content. Feedback was also provided at regularly held meetings which also provided a vehicle for effective co-ordination.

The ex ante evaluators were included in the consultation process and were able to ensure that comments from stakeholders and partners were included in development of the Operational Programme. In general comments from the evaluators and from partners have been incorporated where appropriate.

3.10.1.3 *Appraisal of Socio-Economic Analysis*

Overall, it is felt that the socio-economic evidence base presented within the Operational Programme is sound and succinct, with a clear, robust SWOT analysis. The evidence included within the baseline has improved greatly from previous iterations, and includes some robust and well referenced data sources. The socio-economic analysis provides a general overview of the situation in the South East and covers the scope, and provides support for the thematic, rather than spatially targeted approach. This appraisal broadly confirms the implicit and explicit priority needs and opportunities covered by the vision and strategy of the Operational Programme.

The alignment between both the Operational Programme and the RES is seen to be positive in terms of ensuring that the complementarity and catalytic potential for funding and funding outputs can be maximised is seen to be positive. The baseline provides a

good starting point for programme development, and has evolved over iterations and has now become 'internally complete' within the Operational Programme document.

3.10.1.4 *Evaluation of the rationale and consistency of the strategy*

Rationale: The Operational Programme is based on a sound rationale. In response to ex ante comments on earlier drafts, and consultation responses there has been refinement of the socio-economic baseline and greater clarity in drafting in order to demonstrate this rationale. It is clear how Programme Objectives have been derived from the baseline and that it is clear that they link to the challenge for the South East regarding how best to address both the type and pattern of growth that it currently experiences in order to remain competitive and environmentally sustainable

Consistency: The policy components of the Operational Programme are generally consistent and complementary. In response to ex ante comments and those from partners, redrafting has resulted in more focus amongst indicative activities one main Priority Axis which is thematically based.

Policy risk: In general, the Operational Programme is relatively robust without undue policy risk. Outcomes will be dependent upon management and on the monitoring regime, which seem robust and practicable.

Financial Allocations: Allocations appear sensible in view of the content of the strategy and the costs associated with different interventions. The appropriateness of these will partly depend on demand and take up of services provided which is difficult to assess over a seven year period.

3.10.1.5 *Appraisal of coherence of the strategy with regional and national policies and Community Strategic Guidelines*

Coherence: In general, there is good alignment of the policy objectives of the Operational Programme with the European, national and regional policy framework. If projects are delivered successfully, outcomes will contribute to the Lisbon Agenda.

The Programme Objectives are fully aligned with suggested activities and actions.

Cross-cutting themes: The cross-cutting themes are thoroughly integrated in to the Operational Programme. Delivery will depend on the approach to management and structure of the monitoring regime, including development of the core indicators. The Operational Programme recognises the requirements of effective management, providing a sound basis for implementation.

3.10.1.6 *Evaluation of the expected results and impacts*

Within the limited scope of the evaluation that can be carried out on the indicators provided by CLG, the ex ante evaluators conclude that the proposed framework is appropriate to the programme.

Structure and hierarchy of indicators: The structure and hierarchy of indicators is appropriate to the objectives set out in the programme.

Quantification: These are considered to be the minimum measurable effects of the activity undertaken. Other outputs and results are anticipated and will be measured and monitored as part of the programme's implementation.

Causality between outputs, results and impacts: The causality between the different levels of indicators is robust.

Manageability and usability of the system of indicators: The indicators identified are all relatively traditional, suggesting usability. Development of regional indicators should enable a more tailored system that will inform day-to-day management and overall programme monitoring and development by the Programme Monitoring Committee.

Coherence of indicators with higher level objectives at national and Community level: It is assumed that CLG have developed the list of core indicatives mindful of the national and European policy framework. Moreover, the coherence of both the indicators identified and the Operational Programme itself should ensure that investment helps to deliver higher level objectives.

3.10.1.7 *Appraisal of the proposed implementation systems*

Although there are no findings from this evaluation on the appropriateness of implementation provisions, the positive role of partnership in developing the Operational Programme bodes well for effective delivery of the process. Moreover, there are numerous references in the text to lessons learnt in delivery of the previous programme which, if incorporated in to project management and monitoring arrangements, should also strengthen delivery and ensure ERDF investment secures its objectives.

3.10.1.8 *Conclusion*

The ex ante evaluators support the content of the final version of the Operational Programme. The strategy reflects needs and opportunities in the South East and includes a principal policy axes and indicative activities that are aligned with European, national and regional policy objectives. If effective management and monitoring processes are put in place, the Operational Programme should result in investment that is catalytic, adds value and helps to deliver aims of the Lisbon Agenda.

The ex ante evaluators also support the partnership approach to development of the Operational Programme. The process has been iterative and interactive, incorporating the comments and recommendations of partners, stakeholders and the ex ante and SEA teams.

The full text of the final report of the Ex-Ante Evaluators is appended at Annex 6.

3.10.2 Response to ex-ante evaluation

We welcome the thorough ex-ante evaluation exercise undertaken by the independent evaluators. The development of the programme has benefited from the ongoing work of the evaluation team and this is reflected in the quality of the present document. In Section 3.11 we set out how the programme has developed to reflect the comments of the evaluation team on the Consultation Draft of this Operational Programme. We welcome the recognition of the changes made and the positive endorsement of the contents of the present Operational Programme. That said, the ex-ante evaluation report contains some remaining recommendations and observations that merit a detailed response. This is set out below:

1 We have strengthened the material relating to Black Asian and Minority Ethnic issues contained in the Socio-economic analysis in response to the observation that little detail had been included relating to this, in particular around BAME groups in employment, for example section 2.2.2.

2 Whilst we do not disagree that a more explicit justification "as to whether a spatial dimension (to the programme) was considered and discarded" might be "useful", we feel that the rationale and justification of the approach adopted by the programme, both in terms of thematic concentration and addressing spatial issues, is adequately expressed in section 3.2 and that the Strategy context would be overly long if extensive justification were given to all options considered and discarded.

3 We agree that a suitable monitoring framework will need to be developed to ensure that weaker parts of the region do fully benefit from the Operational Programme and there is a commitment to ensure this will occur, as described in the selection criteria information in chapter 8 part 5.

4 Evidence as to the rate of growth in the ecological footprint of the region has been explicitly referenced throughout the Operational Programme in response to the evaluator's comments, for example in section 2.9.

5 We acknowledge that there is a risk that appropriate projects may not come forward. However, on the basis of our experience we believe that this risk is minimal. Furthermore,

we will adopt a commissioning approach to ensure that strong terms of reference are established to guide project development and will work with appropriate parties to assist in the development of appropriate projects in order to minimise these risks further. In relation to this point we would also simply note that the OP does not specify particular projects, as the ex ante report suggests, it does however include some indicative project activities in section 4.1.2.

6 We acknowledge that the cross-cutting themes will need to be incorporated into the design, development and delivery of projects, and will ensure that this occurs as part of proposed implementation arrangements. We have developed specific proposals in both PA1 and PA2 to assist in this process as described in section 4.1.1.

7 We have addressed the identified lack of indicators addressing the catalytic impact of the programme in table 4.3 in section 4.

8 Targets have been developed for the proposed impact indicators, as assumed by the ex ante evaluator, see tables 4.1, 4.2 and 4.3. We do not intend to include a gross target as part of the impact framework as we regard this as a 'result' indicator not an 'impact' indicator (which should take into account deadweight and substitution effects etc).

9 We agree that the current indicator set should be complemented by a more detailed set of programme management indicators and we commit to undertake this as part of the implementation of the programme, building on the indicators set out in tables 4.1, 4.2 and 4.3.

10 The management and control framework relating to the A59(2) body has been fully worked up and is included in this version of the Operational Programme, see chapter 8 part 2.

3.11 Programme Development

The South East England Development Agency (SEEDA) is designated as the Managing Agent for the region's new Competitiveness and Employment Programme, funded from the ERDF. SEEDA and the Government Office for the South East (GOSE), along with regional partners, have been engaged in developing the new South East of England Competitiveness programme. There has been an intensive level of consultation with regional partners in South East England to aid the development of the Operational Plan. This began with a consultation event on the National Strategic Reference Framework, held at Kingston, on 25 April 2006. This was a joint ERDF and ESF event focusing on the new Competitiveness programme with some 50 people in attendance. There was a subsequent joint ERDF/ESF event held at Reading on 11 December 2006 to provide an

update on progress and to outline the likely direction of the Competitiveness programme. An opportunity was then provided for attendees to discuss the emerging issues and feed back their views.

Five meetings have been held specifically relating to the ERDF element of the Competitiveness programme, with between 12 and 24 attendees at each meeting. Other meetings, not specifically related to the development of the SEEOP, have also helped to inform the development of the Programme, such as a high level seminar, held in Brussels in November 2006, on Driving Innovation in the South East – Challenges & Opportunities of Future EU Funding, 2007-2013.

A Regional Reference Group was established to help inform the development of the OP. 18 organisations are represented on the Reference Group. In addition to SEEDA and GOSE this included a range of regional representatives from local authorities, the regional assembly and the Environment Agency. The Reference Group has met on five occasions, the last time in July 2007 as an update on progress and to feedback comments received from the Commission and DCLG in respect of the draft OP. It is planned that an additional meeting will be held in September 2007 to prepare for the implementation of the Programme. In addition to the Regional Reference Group there has also been a wider group of stakeholders who have been involved in a wider consultation process.

The draft OP was submitted for a formal 12-week consultation exercise which ended on 30 May 2007. A summary of the main outcomes of this exercise is included below.

The drafting team have worked closely with the ex-ante evaluators throughout the development of the strategy, enabling key points to be discussed and incorporated into the document, resulting in a more cohesive and robust strategy for delivering ERDF resources in the Region. Summaries of the initial findings of the ex-ante evaluation on the public consultation draft of the Programme are presented section by section below:

Interim findings of the ex-ante evaluation

Socio-economic Analysis

- Overall, the socio-economic base presented within the SEEOP is sound. Since the baseline is based upon work undertaken within the Regional Economic Strategy, there is a potential danger that in not taking a fresh look at the relevant socio-economic data, the OP might not identify any recent or emerging trends. However, in the light of the recent adoption of the RES following consultation, this risk was though to be minimal;
- Drawing the baseline from the RES evidence base has allowed good alignment between the RES and the SEEOP. This alignment is positive in that it allows complementarity and catalytic potential for funding outputs to be maximised;

- The baseline provides a solid starting point for programme development, but could be improved making it 'internally complete' within the Operational Plan document.

Rationale and Consistency

- Rationale: The SEEOP is based on a sound rationale. There is potential for greater clarity in drafting in order to demonstrate this rationale;
- Consistency: The policy components of the SEEOP are generally consistent and complementary;
- Policy Risk: The programme seems relatively robust but does not adequately detail its provisions for and understanding risk, or, indeed, any implementation issues.

Coherence

- In general, there is a good alignment of the policy objectives of the SEEOP with the European, national and regional policy framework.

Cross-cutting themes

- The cross cutting themes have been included in the SEEOP. They do not adequately explain the rationale for their inclusion, the specific regional issues which they will address, the priorities to which reference will be made when assessing projects for ERDF funding, or the means by which they will be monitored or managed.

Summary of Interim findings of SEA

- Although the financial allocation to the SE region is limited, the Programme will support initiatives aimed at promoting the knowledge economy. These can contribute to improving health and environmental quality within the SE region given the focus on non-high-technology sectors that have potential to facilitate job creation through development of innovative products and technologies.
- Support for activities that promote sustainable production and consumption and social inclusion, development of alternative energy sources and energy efficiency techniques; improve security of resource supply (energy and water) and improved techniques for waste management and self-sufficiency in the provision of aggregates and other materials, will effectively secure the ‘smart growth' the region seeks to achieve. With appropriate initiatives to disseminate best practice and lessons learnt, this could have the effect of decreasing disparities between areas within the region which is another desired outcome of the Programme.
- Mitigation measures most appropriate to the Programme will focus on avoidance of adverse environmental effects by means of screening criteria, and the implementation

of systematic monitoring and reporting systems that are suited to the scale of the business

- Given the limited funding of the OP and the types of initiatives to be supported, it is deemed unlikely that the economic development resulting from the Programme's implementation will lead to increased pressure upon the region's natural assets and biodiversity or that the Programme will have a significant adverse effect on the region's designated areas.
- On the cross cutting theme of environmental sustainability, the SEA comments that this should "have the effect of ensuring that activities of the OP have a limited adverse impact on the environment; where these activities are not specifically focused on improving environmental quality or health. By providing support to business in terms of improving business performance through environmental management programmes, benefits to both economic competitiveness and the environment can be achieved".

Summary of main findings of consultation process

The principal conclusions of the consultation exercise were that:

- Innovation was endorsed as a thread running through all elements of the programme, with relevance to the private, public and third sectors. Within this, environmental sustainability was regarded as a 'binding theme'. Whilst it was argued that the programme should be business-led, there was support for using local authority supply chains to drive sustainable consumption patterns.
- There was wide-spread support for a focus on sustainable consumption and production, with a plea not to restrict this to sustainable productivity. As one respondent commented "sustainable production and consumption are critical issues for the region". There was also recognition that developing a sustainable economy in the South East cannot be separated from the need to develop a knowledge-based economy as they "should be developed hand in hand". The need to continue to strive to improve the competitive performance of the region, and not to seek to stand still, was regarded as a priority for the programme as was the need to create higher value employment. All respondees stressed their support for the knowledge economy focus of the programme.
- A common message of the consultation was the need to link the two themes under sustainable production and consumption more closely, with some arguing that consideration should be given to having just the one theme. It was also pointed out that the two 'actions' under theme 2 looked very similar. The importance of domestic carbon emissions was remarked upon by one consultee, whilst another pointed out that sustainable production and consumption should be about more than just carbon.
- There was common agreement that the programme should be tightly focused owing to the scale of the resources available. The majority of respondents supported a pan-

regional approach, although in one case a focus on the disadvantaged areas of Thanet and Hastings was preferred and in another it was argued that the region's 'growth diamonds' should form the focus. Where a pan-regional approach was supported, many agreed that there needed to be mechanisms to link weaker and stronger parts of the region, preferably through 'networks of mutual learning'. In this respect there were calls for consideration to be given as to how high productivity companies might be involved in order to spread good practice. Furthermore, it was argued, the programme should focus on the needs of SMEs or specific business sectors because the programme is too small to implement large-scale public behavioural change campaigns.

- Finally, and most appropriately, it was pointed out very forcefully that the SEEOP, as it stood, failed to adequately consider questions of equality inclusion.

Between June and July 2007 the draft OP was revised to take into account the findings of the consultation exercise, the interim ex ante evaluation and the Strategic Environmental Assessment. The revised approach was presented to a meeting of the Region's Joint Europe Committee, in Brussels, on the 13th June 2007. With the endorsement of this group the refinement of the SEEOP was completed by the end of June and circulated to the Regional Reference Group in a final consultation exercise. Copies were simultaneously submitted to the ex ante evaluators and the Strategic Environmental Assessors, for their final comment. Drawing upon the views expressed in this exercise a final draft of the SEEOP was completed by the 12th July 2007 and submitted to the European Commission and the DCLG on this date.

Development of the OP in response to ex-ante evaluation, SEA and consultation findings

In response to the findings of the above exercises, and other comments received, the draft OP was comprehensively redrafted. This was necessary to ensure that the final OP contained all the material, in an appropriate format, required by EU and UK Guidance and Regulations. In redrafting the OP it was recognised that there was strong support for the strategy (and Priority Axes) as set out; that this was regarded as having positive environmental benefits (and few anticipated disbenefits), and that there was a strong coherence between the strategy and the wider European, national and regional policy context. In the amendments made to the text it was important to retain these positive features. At the same time, it was recognised that there were a number of common themes underpinning the responses to the original draft and that these should be adopted in order to strengthen the Programme as a whole.

The main developments of the OP can be summarised as follows:

- The baseline and socio-economic analysis was extended where possible

- The strategic focus of the Programme was fine-tuned to:
  - ► Retain two Priority Axes
  - ► Integrate more closely the proposed support for innovation and sustainable production and consumption under Priority Axis 1
  - ► Concentrate on promoting sustainable production and consumption practices
  - ► Explicitly adopt a pan-regional approach but to build in strong support for meeting 'smart growth' (or 'territorial cohesion') objectives
- The cross-cutting themes, particularly that addressing equal opportunities, have been developed more strongly and integrated more fully into the Programme as a whole
- Indicators and targets have been developed
- The Contribution of the Programme to wider policy objectives, particularly the Lisbon targets, have been set out

3.12 Additionality

All Structural Fund programmes shall take into account the principle of additionality. Within South East England this means that contributions from the Structural Funds shall not replace public or equivalent expenditure by the Member State. The SEEOP will observe the current procedure for additionality as set out in Article 15 of the General Regulations 1083/2006. The proposed actions all represent additional activity in the region.

3.13 Complementary actions

Regions for Economic Change

Regions for Economic Change is an initiative by the European Commission that supports the development of networks of regions around a series of identified themes. The main aim is for the regions involved to exchange information and engage in best practices. South East England has an interest in participating in this initiative, particularly where this is relevant to the strategy of promoting sustainable production and consumption practices. In the framework of the Regions For Economic Change initiative the Managing Authority commits itself to:

a. Make the necessary arrangements to welcome into the mainstream programming process innovative operations related to the results of the networks in which the region is involved;

b. Allow in the Monitoring Committee (or programming committee) the presence of a representative (as an observer) of the network(s) where the Region is involved, to report on the progress of the network's activities;
c. Foresee a point in the agenda of the Monitoring Committee (or programming committee) at least once a year to take note of the network's activities and to discuss relevant suggestions for the mainstream programme concerned.
d. Inform in the Annual Report on the implementation of the regional actions included in the Regions for Economic Change initiative.

JESSICA

JESSICA is a new financial instrument that supports urban renewal and development actions. It requires integrated urban development and renewal plans and actions within the OP. It is not anticipated that the SEEOP will incorporate actions in this area, although they could form an important aspect for regeneration and renewal actions planned in particular parts of the Region but which are not part of this strategy.

JEREMIE

JEREMIE is a new financial instrument that is intended to provide improved access to finance for micro, small and medium-sized enterprises and the development of micro-credit facilities. Prior to the development of new instruments an evaluation of gaps in financial engineering products should be undertaken. Following the identification of gaps in existing products the Managing Authority must select a suitable Holding Fund and a Funding Agreement must be negotiated. The Holding Fund provides equity, loans and other products to local financial intermediaries. JEREMIE is acknowledged as a potentially positive addition to the suite of financial instruments available to support investments in pursuit of sustainable production and consumption objectives. Where suitable opportunities are identified the potential of JEREMIE will be explored.

Risk Sharing Finance Facility (RSFF)

One of the key developments in the new 7th Framework Programme is the diversification of the available financing mechanisms, with an increase in the availability of loan finance, in particular. The latter will be provided by the EIB and guaranteed by the Commission, using funds from the “Cooperation” and “Capacities” Specific Programmes. This is known as the RSFF. Whilst this is not funded through the ERDF it is appropriate at this point to signal that South East England regards this as an important potential opportunity for strengthening levels of research and innovation activity in the region, particularly in support of developing and commercialising sustainable production and consumption technologies.

4.0 Priority Axes

This section builds on the SEEOP strategy set out in the previous section, providing a detailed description of the focus and activities of the two main Priority Axes. The first Priority Axis will support actions promoting Sustainable Production and Consumption. The second Priority Axis will provide Technical Assistance for the successful delivery of the SEEOP. The cross cutting themes of environmental sustainability and equality and diversity underpin the approach adopted. It is based around a series of principles that all partners are signed up to:

- Innovation must run through all elements of the programme
- Competitiveness and sustainability should apply to all sectors and not just to business
- A proliferation of projects is to be avoided, it should be focused to provide maximum impact and direction
- Activities must not lead to a proliferation of new delivery mechanisms
- The Programme should be pan-regional and not spatially pre-determined
- The Programme should support new ways of linking good practice between weak and strong areas

4.1 Priority 1: Promoting Sustainable Production and Consumption

4.1.1 Description of Activities to be supported

The Priority Axis will support activity in three principal areas:

- Promoting Resource Efficient Business Practices;
- Stimulating Innovation for a Sustainable Economy; and
- Encouraging Sustainable Consumption Practices.

Taken together, actions under this Priority will serve to:

- Increase the competitiveness of manufacturing and service-orientated businesses in the region, through encouraging more resource efficient production techniques;
- Increase the level of economic activity in the Region based on technologies contributing to sustainable development objectives; and
- Reduce the rate of growth of the region's ecological footprint.

Evidence of the mutual benefits to be gained from actions in this area is strong. From the family brewery which reduced its water consumption by 40%, generating annual savings of £100,000 and an investment payback period of just 13 months, to a food coatings manufacturer which reduced the amount of waste it sent to landfill by 85% and generated annual savings of £10,000. Support for innovation around sustainable product markets will also build on the strengths of the region, including in more disadvantaged areas, such as the Centre of Excellence developed in East Kent focusing on the development of marine, environmental and renewable energy technologies.

Owing to the limited resources available to this SEEOP, regional partners have agreed that it should take a targeted approach. The broad focus of the SEEOP will be as follows:

Activities directed at Promoting Resource Efficient Business Practices can involve firms in any sector but should address:

- Reducing inputs to the production system, through minimisation strategies or
- Promoting the adoption of one or more of the following:
  - ► energy efficient production techniques
  - ► waste minimisation techniques
  - ► water efficiency
  - ► recycling and reuse strategies

Activities directed at Stimulating Innovation for a Sustainable Economy will involve stimulating innovation in firms operating in emerging market areas, particularly the following:

- Energy technology businesses and applications
- Waste technology businesses and applications
- Water technology businesses and applications
- Climate change technology businesses and applications
- Sustainable construction technology businesses and applications.

Activities directed at Encouraging Sustainable Consumption Practices will primarily focus on:

- Developing sustainable mobility approaches to reduce congestion costs and emissions from transport.
- Support the development and introduction of effective sustainable procurement strategies, whilst equipping regional SMEs to compete in such markets.

All actions will be delivered with consideration to existing delivery mechanisms and will complement and add value to schemes which are currently in operation at a national or European level, such as the Competitiveness and Innovation Framework Programme in the EU. In particular, due regard will be given to deriving positive synergies with the UK's Technology Strategy Board (TSB) and it is anticipated that there will be strong collaboration with the TSB when drawing up and delivering specific activities in Priority Axis 1[1].

Business support services supported through this Programme will fit within existing frameworks in South East England for their delivery, marketing and access - in line with the UK Government's Business Support Simplification Programme.

The UK Government expects ERDF to be aligned with and support the emerging strategy for the simplification of business support - the Business Support Simplification Programme (BSSP).

The BSSP has agreed a broad definition of business support:

Any publicly funded activity that benefits a business or potential business through grant, subsidy, advice or other service.

The definition includes support to businesses designed to achieve wider economic, environmental, regulatory, social or cultural objectives.

All levels of government are working together to develop a flexible, comprehensive and shared portfolio of business support products deployable across the public sector, to meet business needs and deliver policy aims. Standard descriptions will provide assurance of the quality of a product's design and rationale. ERDF funding can be used to extend the scope of these products and improve access to priority groups. Genuinely innovative products will eventually become part of the shared portfolio. A standard approach to branding these products will allow for shared branding across funding streams.

The BSSP development is aware of the obligations to publicise ERDF and other European funding streams. These requirements will inform the development of the guidance. Business support which forms part of the ERDF programme will be badged as ERDF and publicised accordingly. This will ensure that the added value which ERDF brings to the region can be demonstrated. For example the programme evaluation will demonstrate the impact and results of the programme and could be supported by a significant regional event to publicise the added value which the funding has delivered.

[1] See also Section 3.5.2

Where ERDF proposals impact on business, they must be clear how they plan to use the Business Link information, diagnosis and brokerage model to best effect, simply duplicating this activity may not represent an effective use of funds. ERDF activity will add value to domestic funding and procurement will comply with EU and national guidelines on open and competitive tendering arrangements.

Activities supported through the SEEOP are expected to provide advantage to less prosperous parts of the Region, for example the Coastal South East. It is expected that this will occur both through projects directly benefiting SMEs located in these areas and through taking opportunities to establish intra-regional linkages connecting stronger and weaker areas and so helping to promote sustainable patterns of development through spreading the benefits of growth.

Project selection criteria will encourage the formation of networks which include less prosperous parts of the Region. For example, a project proposal which links an area of the Coastal South East with a high performing area within the Thames Valley would, in that section, be rated more highly than one which linked two prosperous areas of the Thames Valley. The aim is for more prosperous areas to raise the performance of less prosperous areas through sharing best practice. This will be more effective than simply providing additional funding.

This approach will build on the participation in the 2000-2006 programme and current experience of the innovation strategy. This approach will be supported by the growing importance of place as demonstrated by the ways in which SEEDA and GOSE work through local networks. Encouraging the involvement of Business Link Providers will help to engage with and forge links between businesses based in diverse areas of the region. The region will explore the option of incorporating a role within the ERDF secretariat which is, at least partly, focused around building links between different parts of the region to enhance the intra-regional elements of proposals.

Activities supported through the SEEOP must also actively integrate considerations of equal opportunities and environmental sustainability, as set out in Section 5. Projects that actively tackle identified issues in these areas are to be positively encouraged. For example, where ethnic minorities are currently under-represented in the target business areas or where women's enterprise can be promoted in the context of the aims and objectives of the Operational Programme. Projects which seek to support new migrant communities into relevant enterprise activities could also be developed.

It is recognised that the ambitions of this Operational Programme are strong. It is advocating ground-breaking, innovative approaches to complex issues where the solutions are unclear. This is the reason that we have adopted a 'learning' approach designed to

develop, demonstrate and disseminate best practice through our own actions and through working with others, including drawing on inter-regional and international experience. It is expected that a proportion of the programme will be dedicated to the pursuit of these aims. In particular we see four key areas where strong opportunities are present:

1 To work with key organisations, such as the Commission for Equality and Human Rights, and regional partners to develop practical approaches to ensure that the delivery of sustainable production and consumption strategies, through working with SMEs, fully address issues of equal opportunities. This will include the development and dissemination of best practice as well as defining and addressing the particular problems faced in South East England.

2 To work with regional partners and other organisations to identify effective and efficient approaches to linking weaker and stronger parts of the region, through mutual learning networks and other practical actions, in ways that provide mutual benefit and contribute to greater levels of territorial cohesion and economic growth.

3 To work with a wide range of parties to fully explore the behavioural dimensions to securing durable changes in production and consumption practices, particularly amongst SMEs, in ways that result in more sustainable patterns of production and consumption activity. Activities in this area will build on the good experience already in development in the Region and will help to deliver on the cross-cutting theme of environmental sustainability.

4 To work with all parties concerned to explore the practical challenges of lowering the 'policy threshold' for securing the take-up of more resource efficient business practices amongst SMEs and the development of 'eco-innovations'. This could explore effective communication strategies as well as practical mechanisms for further exploiting the powerful research base that is present in the region - to assist the development of SMEs located in the region and the sustainable development objectives of the Region[1].

These different focuses associated with the innovative new approaches which will result from the SEEOP will create the unique selling point which can be used to highlight the visibility and added value which this ERDF programme is providing.

[1] In doing so, this OP is cognisant of the recent work by the CREST working group (see Annex 3) examining synergies between the Structural Funds and the Framework Programmes (FP) as well as recent work by EURABS examining RTD in the Structural Funds (Reference in Annex 3). In this respect it is anticipated that actions that develop strategies for the more coordinated use of FP and Structural Funds in the region particularly through the exploitation and commercialisation of research results in the area of sustainable production and consumption are of relevance here.

4.1.2 Indicative List of Actions

In support of this Priority Axis a range of actions will be undertaken. These will aim to overcome the perceived barriers to innovation amongst SMEs including cost concerns, access to finance, perceived economic risk, a lack of capacity and of knowledge. Actions will be delivered through networks of SMEs and through identified centres across the region. Wherever possible, actions will seek to connect agents in weaker and stronger parts of the region through mutual learning networks. This will be an element in the project selection process. An indicative list of possible actions is set out below.

Theme	Indicative Actions	Illustrative examples
Promoting Resource Efficient Business Practices;	The development of learning networks of SMEs and other organisations, such as 'green clubs'	Research to better understand what aspects of resource efficiency and sustainable business support SMEs believe are most likely to add value to their business. This will guide the focusing of subsequent activities. Funding of business networks between more and less prosperous areas of the region to share best practice and expertise. An “action” based campaign to promote sustainability to specific sectors of the SME market, including promotional events and creation of case studies illustrating the potential benefits for SMEs.
	Support for the development of green travel plans and sustainable mobility strategies.	
	Support for strengthening capacity of regional 'relay' points to develop pan-regional capacity in the regional enterprise hub and enterprise gateway networks, and other specialised centres, to stimulate resource efficiency actions in SMEs.	
	Events and pilot actions promoting greater resource efficiency amongst SMEs	

Theme	Indicative Actions	Illustrative examples
	Actions promoting behavioural change amongst businesses and industry in areas such as green procurement and supply chains, sustainable production patterns, resource efficiency, waste management and use of environmental management systems	
Stimulating Innovation for a Sustainable Economy	Facilitating innovation networks and technology platforms	Creation of a demonstration centre linked to the Regional Resource Centre for Environmental Technology to showcase new technologies and the benefits they can bring to SMEs. These will also provide a focal point for advice and support for school leavers interested in setting up businesses in this area. Programme of business support activities specifically targeted towards SMEs in relation to sustainable production and consumption and supporting access to finance and in-depth support for knowledge transfer activities.
	Support for knowledge transfer activities by • Building appropriate connections between HEIs, research centres and SMEs in the region • Assisting SMEs to access ideas generated from outside of the region • Provision of specialist advisory and facilitation services	

Theme	Indicative Actions	Illustrative examples
	Support to build the capacity for innovation in SMEs by: - The promotion of innovative products, process and ideas for environmental improvements and sustainability - Support for identifying, accessing and implementing suitable technical solutions - Support to build the capacity in SMEs for innovation - Provision of specialist advisory and facilitation services - Support for eco-audits and advice services - Support for identifying, accessing and implementing suitable technical solutions ii. Fostering enabling and emerging technologies	
	Measures to assist the integration of innovation good practice through: • Actions that integrate the experience of good practice from other EU or national programmes • Development of strategies and implementation plans	

Theme	Indicative Actions	Illustrative examples
	Signposting, and developing, innovative financial to support SMEs to find appropriate access to finance	
	Support for the commercialisation of innovative ideas by: • Assisting the commercialisation of new products and processes • Support for research into the commercial feasibility of new ideas • Support for the development of new companies	

Theme	Indicative Actions	Illustrative examples
Encouraging Sustainable Consumption Practices	SMEs with public procurement bodies to inform the development of sustainable procurement strategies	Develop a comprehensive sustainability assessment tool and auditable accreditation standard specifically designed for SMEs, which facilitates sustainable public and private sector procurement and enables SMEs to demonstrate their sustainable credentials to their customers and realise the growth potential offered by climate change. Develop and pilot new business models for sustainability, for example Product Service System, where a product is not bought but provided as part of an overall service, this ensure efficient products and enhances recycling of old ones.
	Support for strengthening capacity of regional 'relay' points to support for SMEs to develop the capacity to enter markets created by sustainable procurement strategies	
	Events and pilot actions to facilitate the development of more effective sustainable procurement strategies	

w, the groupings are illustrative only.

Theme	Indicative Actions	Illustrative examples
Promoting Resource Efficient Business Practices;	The development of learning networks of SMEs and other organisations, such as 'green clubs'	
	Support for the development of green travel plans and sustainable mobility strategies.	
	Support for strengthening capacity of regional 'relay' points to develop pan-regional capacity in the regional enterprise hub and enterprise gateway networks, and other specialised centres, to stimulate resource efficiency actions in SMEs.	
	Events and pilot actions promoting greater resource efficiency amongst SMEs	
	Actions promoting behavioural change amongst businesses and industry in areas such as green procurement and supply chains, sustainable production patterns, resource efficiency, waste management and use of environmental management systems	
Stimulating Innovation for a Sustainable	Facilitating innovation networks and technology platforms	

Theme	Indicative Actions	Illustrative examples
Economy	Support for knowledge transfer activities by • Building appropriate connections between HEIs, research centres and SMEs in the region • Assisting SMEs to access ideas generated from outside of the region • Provision of specialist advisory and facilitation services	
	Support to build the capacity for innovation in SMEs by: - The promotion of innovative products, process and ideas for environmental improvements and sustainability - Support for identifying, accessing and implementing suitable technical solutions - Support to build the capacity in SMEs for innovation - Provision of specialist advisory and facilitation services - Support for eco-audits and advice services - Support for identifying, accessing and implementing suitable technical solutions Fostering enabling and emerging technologies	

Theme	Indicative Actions	Illustrative examples
	Measures to assist the integration of innovation good practice through: • Actions that integrate the experience of good practice from other EU or national programmes • Development of strategies and implementation plans	
	Signposting, and developing, innovative financial to support SMEs to find appropriate access to finance	
	Support for the commercialisation of innovative ideas by: • Assisting the commercialisation of new products and processes • Support for research into the commercial feasibility of new ideas • Support for the development of new companies	
Encouraging Sustainable Consumption Practices	Support to engage SMEs with public procurement bodies to inform the development of sustainable procurement strategies	

Theme	Indicative Actions	Illustrative examples
	Support for strengthening capacity of regional 'relay' points to support for SMEs to develop the capacity to enter markets created by sustainable procurement strategies	
	Events and pilot actions to facilitate the development of more effective sustainable procurement strategies	

4.1.3 Outputs and Results Indicators

The outputs and results that are anticipated from this programme are set out below. These are considered to be the minimum measurable effects of the activity undertaken. Other outputs and results are anticipated and will be measured and monitored as part of the programme's implementation. In recognition of the risks associated with a programme dedicated to promoting innovation in the field of sustainable production and consumption a portfolio approach will be adopted, whereby not all projects will be expected to deliver each and every indicator set out below. These are the results anticipated for the programme as whole. Overall, it is expected that the results will make a significant contribution to the programme objectives set out in Section 3, and so to the Region's wider objectives. The impact of this activity will be important, although admittedly difficult to quantify given the limited resources available to the programme.

The quantification of the programme in respect of the output and results of the programme were built up from estimates of the allocation of resources for specific indicative actions under Priority Axis 1.

The new programme has a greater emphasis on the quality of jobs and improvements in productivity rather than the volume of jobs per se. The lack of nationally recognised benchmarks for assessing targets for new RDA indicators and the increased emphasis on Lisbon related targets means that it was necessary to moderate unit cost evidence from the 2000-2006 programmes by evaluation evidence of current RDA business support programmes.

Table 4.1: Outputs Expected from Priority Axis 1[1]

ut	Definition	Target	Rationale
l number of nesses involved in rogramme		**2,130**	
ber of businesses ted to improve their rmance	Minimum support of 2 days consultancy advice or other non-financial assistance or grant, or equivalent, of at least £1,000	750	Based on a unit cost of 36,200 euros per business assisted and judgement on proportion of overall programme activity focused on this activity.
ber of additional firms ved in business orks		800	Based on a unit cost of 10,000 euros per business engaged in networks.
ber of businesses n the region engaged in collaboration with UK vledge base	Minimum support of 2 days consultancy advice or other non-financial assistance or grant, or equivalent, of at least £1,000	270	Based on a unit cost of 26,350 euros per business engaged in new collaborations and judgement on proportion of overall programme activity focused on this activity.
ber of businesses in the n developing R&D links other businesses		70	Assumes a quarter of businesses engaged in new collaborations will also develop R&D links with business.
ber of businesses ged in developing ainable mobility egies		240	Based on a unit cost of 10,000 euros per business engaged in developing sustainable mobility strategies and judgement on proportion of overall programme activity focused on this activity.
ber of energy efficiency onstrator projects		10	

Table 4.2: Results Expected from Priority Axis 1

ut	Definition	Target	Rationale
ber of businesses oving performance	Number of participating businesses whose performance has increased following the project intervention(s) measured through GVA	1250	Based on a unit cost of 36,200 euros per business assisted and assumption that 80% of businesses assisted improve performance and make financial savings.

[1] Further background and definition on the outputs and results indicators can be found in the OffPAT document, Combined Technical Note for RDA Core Outputs and ERDF Programme 2007-13 Indicators (October 2007).

s new jobs created	Number of new, permanent, FTE or equivalent, paid jobs created or attracted to the region and filled.	180	Based on a unit cost of 52,200 euros per new job created and assumption that 50% of activity focused on assisting businesses and collaboration leads to new jobs.
ber of businesses ng financial savings mproved energy and rce efficiency	Number of businesses making a significant financial saving from improved energy and resource efficiency as a result of programme support	550	Based on a unit cost of 36,200 euros per business assisted and assumption that 80% of businesses assisted improve performance and make financial savings.
ber of SME's reducing gy, waste or water e by 10%	Number of SMEs which have reduced energy, waste or water usage by 10% against baseline established at the start of their involvement as a result of programme activity	550	Lack of baseline data and need for additional research planned under the early stages of the programme.
ber of businesses ving independent onmental accreditation	Number of businesses achieving independent environmental accreditation developed under the programme	100	Lack of baseline data and need for additional research planned under the early stages of the programme. Number will depend on the accreditation which is developed.
ber of businesses asing percentage of ver attributable to new mproved products by	Number of businesses increasing percentage of turnover attributable to new and improved products by 5% against baseline established at the start of their involvement as a result of programme activity	110	Based on judgement on the proportion of businesses engaged in new collaborations and those receiving direct support to build the capacity for innovation that are expected to introduce new and improved products and increase turnover as a result.
ction in road estion and pollution s		10% reduction on existing levels	Lack of baseline data and need for additional research planned under the early stages of the programme.
ber of businesses ering for public sector acts	Number of businesses, which have not previously tendered for public sector contracts, submitting a tender for a public sector contract	75	This represents 10% of the businesses improving their performance as a result of the programme, or 3.5% of the programme total businesses. This does not include businesses which have previously submitted tenders for public sector contracts.
lopment and mination of good ce expertise	Creation and dissemination of best practice experience and case studies to promote benefits available to SMEs and provide guidance to implement changes	Qualitative assessment	

ber of businesses rating new products, processes or services		2	

Table 4.3: Impacts Expected from Priority Axis 1

ut	Definition	Target	Rationale
dditional employment	Net additional number of new, permanent, FTE or equivalent, paid jobs created or attracted to the region and filled	110	Based on nationally recognised coefficients of gross to net adjustments from regional and sub-regional evaluations for gross jobs created to net additional employment.
ncrease in GVA		€32,000,000	Estimate for overall programme because of need for additional research to identify certain targets, as outlined above.
ction in rate of growth gion's CO2 emissions		85,000 tonnes	Estimate for overall programme because of lack of baseline data and need for additional research planned under the early stages of the programme.

*A catalyst effect

The data necessary to provide a comprehensive breakdown of companies by gender is not available for the sectors which the SEEOP will be focusing upon. It is intended that this is addressed as an early part of the programme and monitoring of outputs and results will help to build up a baseline. It is accepted that the gender balance may be difficult given the nature of the business target market

The targets established are to be achieved by the end of programme expenditure. Monitoring will be facilitated by the establishment of mid-point targets. These will be determined once the programme is approved.

As part of this process a comprehensive baseline of existing activity will also be developed in partnership with key delivery bodies and other relevant parties. This will form part of the initial process of developing new programme activities and will determine where added value can best be achieved. The baseline will enable the impact of the programme to be established more fully and will also form a crucial input into the process of developing new approaches through this Programme. Measuring the impact of sustainable production and consumption activities on the triple pillars of sustainable development is no easy task, as spillover effects, behavioural change and second and third order responses to new market signals all have to be taken into consideration. An on-going programme of evaluation activity will not only seek to monitor the effects of the Operational Programme but will also seek to contribute to developing and disseminating, best practice.

4.1.4 Major project investment

No major project investments are anticipated under this Programme.

4.1.5 Categories of Assistance and Financial Allocations by Category

The following categories of assistance are anticipated along with the indicative financial allocation by Category of Assistance.:

The Commission requires that ERDF Competitiveness Programmes deliver a minimum of 75% of expenditure against the Lisbon categories. The SEEOP is striving for a target of 92% expenditure being directed towards Lisbon categories. Of the 8% non-Lisbon activity, 4% of this will be Technical Assistance and 4% will be classed as Non-Lisbon Activity. All figures are indicative and include total programme activity i.e. ERDF contribution plus anticipated public sector match funding. The Non-Lisbon target activity includes expenditure proposed under Categories 49 and 54.

Applicable for both "Convergence" and "Regional Competitiveness and Employment" Objectives

Applicable for "Convergence" Objective only [and regions referred to in Article 7b is(2) without prejudice of the decision taken in accordance with Article 5(3, last subparagraph) of the ERDF Regulation] therefore not applicable for the SEEOP

Code	Lisbon categories of expenditure (referred to in Article 8(2bis)) Priority themes	Proportion of SEEOP expenditure earmarked %	Amount of ERDF expenditure earmarked €
	Research and technological development (R&TD), innovation and entrepreneurship		
01	R&TD activities in research centres	5	1,137,906
02	R&TD infrastructure *(including physical plant, instrumentation and high-speed computer networks linking research centres)* and centres of competence in a specific technology	0	0
03	Technology transfer and improvement of cooperation networks between small businesses (SMEs), between these and other businesses and universities, post-secondary education establishments of all kinds, regional authorities, research centres and scientific and technological poles (*scientific and technological parks, technopoles, etc.*)	5	1,137,906
04	Assistance to R&TD, particularly in SMEs *(including access to R&TD services in research centres)*	5	1,137,906
05	Advanced support services for firms and groups of firms	15	3,413,718
06	Assistance to SMEs for the promotion of environmentally-friendly products and production processes *(introduction of effective environment managing system, adoption and use of pollution prevention technologies, integration of clean technologies into firm production*)	30	6,827,436

07	Investment in firms directly linked to research and innovation *(innovative technologies, establishment of new firms by universities, existing R&TD centres and firms, etc.)*	15	3,413,718
08	Other investment in firms	2.5	568,953
09	Other measures to stimulate research and innovation and entrepreneurship in SMEs	2.5	568,953
	Information society		
10	~~Telephone infrastructures *(including broadband networks)*~~	N/A	N/A
11	Information and communication technologies *(access, security, interoperability, risk-prevention, research, innovation, e-content, etc.)*	3	682,744
12	Information and communication technologies (TEN-ICT)	3	682,744
13	Services and applications for the citizen *(e-health, e-government, e-learning, e-inclusion, etc.)*	0	0
14	Services and applications for SMEs *(e-commerce, education and training, networking, etc.)*	0	0
15	Other measures for improving access to and efficient use of ICT by SMEs	0	0
	Transports		
16	~~Railways~~	N/A	N/A
17	~~Railways (TEN-T)~~	N/A	N/A
20	~~Motorways~~	N/A	N/A
21	~~Motorways (TEN-T)~~	N/A	N/A
26	~~Multimodal transport~~	N/A	N/A
27	~~Multimodal transport (TEN-T)~~	N/A	N/A
28	~~Intelligent transport systems~~	N/A	N/A
29	~~Airports~~	N/A	N/A
30	~~Ports~~	N/A	N/A
32	~~Inland waterways (TEN-T)~~	N/A	N/A
	Energy		
34	~~Electricity (TEN-E)~~	N/A	N/A
36	~~Natural gas (TEN-E)~~	N/A	N/A
38	~~Petroleum products (TEN-E)~~	N/A	N/A
39	Renewable energy: wind	0	0
40	Renewable energy: solar	0	0
41	Renewable energy: biomass	0	0
42	Renewable energy: hydroelectric, geothermal and other	0	0
43	Energy efficiency, co-generation, energy management	5	1,137,906
49	Mitigation and adaptation to climate change	2	455,162
	Environmental protection and risk prevention		
52	Promotion of clean urban transport	5	1,137,906
54	Other actions aiming at the safeguarding of the environment	2	455,162

	and the prevention of risks		
	Increasing the adaptability of workers and firms, enterprises and entrepreneurs		
62	Development of life-long learning systems and strategies in firms; training and services for employees to step up their adaptability to change; promoting entrepreneurship and innovation	0	0
63	Design and dissemination of innovative and more productive ways of organising work	0	0
64	Development of specific services for employment, training and support in connection with restructuring of sectors and firms, and development of systems for anticipating economic changes and future requirements in terms of jobs and skills	0	0
	Improving access to employment and sustainability		
65	Modernisation and strengthening labour market institutions	0	0
66	Implementing active and preventive measures on the labour market	0	0
67	Measures encouraging active ageing and prolonging working lives	0	0
68	Support for self-employment and business start-up	0	0
69	Measures to improve access to employment and increase sustainable participation and progress of women in employment to reduce gender-based segregation in the labour market, and to reconcile work and private life, such as facilitating access to childcare and care for dependent persons	0	0
70	Specific action to increase migrants' participation in employment and thereby strengthen their social integration	0	0
	Improving the social inclusion of less-favoured persons		
71	Pathways to integration and re-entry into employment for disadvantaged people; combating discrimination in accessing and progressing in the labour market and promoting acceptance of diversity at the workplace	0	0
	Improving human capital		
72	Design, introduction and implementation of reforms in education and training systems in order to develop employability, improving the labour market relevance of initial and vocational education and training, updating skills of training personnel with a view to innovation and a knowledge based economy.	0	0
73	Measures to increase participation in education and training throughout the life-cycle, including through action to achieve	0	0

	a reduction in early school leaving, gender-based segregation of subjects and increased access to and quality of initial vocational and tertiary education and training		
74	Developing human potential in the field of research and innovation, in particular through post-graduate studies and training of researchers, and networking activities between universities, research centres and businesses	0	0

4.1.6 Final Beneficiaries

Final beneficiaries refers to a wider group of organisations which will indirectly benefit as a result of the best practice developed under the programme and through their involvement in delivering the programme, rather than as a result of direct support. This group would include business development agencies, higher and further education institutions, local authorities and other bodies in the public, private and third sectors.

4.1.7 Target Beneficiaries

Target beneficiaries are the beneficiaries which will be directly supported by the programme. The companies receiving support from the programme will all be SMEs, as defined by the Commission, and will include the following groups: new and existing SMEs, inward locating SMEs, prospective entrepreneurs, and sector interest organisations in South East England. This will not include multi-nationals or other large companies.

4.1.8 State Aids

Any public support under this Programme must comply with the procedural and material rules applicable at the point of time when public support is granted. The Executive is fully responsible for compliance of the Structural Funds operations within the Programme with State aid rules.

4.2 Priority Axis 2: Technical Assistance

4.2.1 Description of Activity to be Supported

Effective management and administration of the programme will be crucial to the achievement of its objectives. Technical Assistance funds will be available to finance the management, monitoring, evaluation, information and control activities of the SEEOP, together with activities to reinforce the administrative capacity for implementing the funds.

It will support the work of the Programme Monitoring Committee through support of its Secretariat in managing, implementing, monitoring and evaluating the Programme. Any use of Technical Assistance will be within the context of Article 45 and Article 46 of the EC Regulation 1083/2006.

Throughout the life of the Programme Technical Assistance funds will ensure effective management and accountability through:

- Securing high quality project activity by supporting an effective and efficient appraisal and approval process.
- Provision of high quality management information.
- Investment in appropriate monitoring and evaluation, including audit and compliance checks.
- On-going evaluation of 'learning programme' components.
- Effective and wide-ranging communication of what is being achieved with EU support through publicity and marketing activity
- Stimulating learning and improvement through support for Programme evaluation and studies
- Support for secondees in the ERDF administration authority or partner organizations
- Support and development of the ERDF cross-cutting themes
- Installation, operation and interconnection of computerized ERDF-management and monitoring systems

Technical Assistance will be able to support identified groups to build their capability and capacity to access the programme where this is deemed beneficial by the Programme Monitoring Committee.

Technical Assistance resources will also be available to implement the recommendation of the Equalities Impact Assessment to carry out additional analysis of the potential problems that could be faced by the different equality groups. In keeping with our catalytic outlook we would seek to engage with these groups in practical ways to explore these issues through action-research projects.

The types of activities to be supported under this Priority Axis include:

- Programme development and capacity building
- The provision of management and monitoring information
- Programme related analysis, monitoring and evaluation
- Activity to support collaborative and joint working
- Publicity and communications, including the dissemination of best practice activities

A detailed Technical Assistance Plan will be developed and approved by the PMC. This will be subject to annual review and monitoring. It will include detailed indicators by which to measure progress against established objectives.

At present, the following indicators are proposed to monitor the progress of the Technical Assistance Priority Axis at a programme level:

Table 4.5 Progress Indicators

Indicator	*Target*
Events organised	20
Electronic newsletters published per annum	4
TA projects supported	8
Thematic evaluations undertaken	4

4.2.2 Financial Allocation

Technical Assistance will be limited to 4% of the total amount allocated to the programme.

4.2.3 Codes

Technical assistance

85 Preparation, implementation, monitoring and inspection

86 Evaluation and studies; information and communication

Code	Category of expenditure	**Amount of ERDF expenditure earmarked €**
85	Preparation, implementation, monitoring and inspection	711,191
86	Evaluation and studies; information and communication	237,064

5.0 Cross Cutting Themes

5.1 Introduction

The SEEOP has two cross-cutting themes that will underpin all the actions undertaken as well as the approach to programme management and implementation:

- Environmental sustainability whereby actions should provide demonstrable positive environmental benefits
- Equality of opportunity whereby actions should promote equal opportunities for all and counter discriminatory practices.

These cross-cutting themes are a central part of the SEEOP and have been reflected in the actions and targets set out in Section 4. They do not form a separate dimension to the delivery of the SEEOP. The Cross Cutting Themes (CCTs) are to be considered at every stage of the life of a project, from its development, application and delivery, to how it is monitored and evaluated. In order to ensure that progress towards agreed objectives in this area can clearly be monitored and to clearly specify the aspirations of the programme partners in this area, the specific attributes for each are set out below.

5.2 Environmental Sustainability

5.2.1 Overview

Environmental Sustainability is a key dimension to sustainable development. This cross-cutting theme is concerned with ensuring that as well as achieving economic objectives, the Programme and individual projects should aim to minimise their environmental impacts and, where possible, enhance potential environmental benefits. The Programme has a strong focus on environmental sustainability, concentrating as it does on promoting sustainable production and consumption. Nevertheless, we believe that the inclusion of this cross-cutting theme sends an important signal for the management and implementation of the programme as a whole.

The nature, extent and quality of the environment and associated opportunities and challenges within the South East are described in Section 2 Socio-Economic Context. Further detailed consideration of the environmental baseline is contained in the Strategic

Environmental Assessment (SEA). This evidence base has informed the issues identified in the SWOT and the strategic priority and actions that flow from this.

5.2.2 Environmental Sustainability Objectives

Environmental Sustainability is a key theme in the regional development strategies for South East England, as reviewed in Section 3. The Regional Economic Strategy identifies the need to ensure that competitiveness is consistent with the principles of sustainable development ("sustainable prosperity") as one of three over-arching challenges relating to the future development of the regional economy. The Integrated Regional Framework acknowledges the prosperity of the region but highlights a number of issues and conflicts to be addressed to reduce the negative effects of economic growth, including:

- tackling growth in car traffic by reducing the need to travel;
- using natural resources more prudently;
- reducing pollution and waste;
- enhancing the region's biodiversity;
- managing and mitigating the likely impacts of climate change such as increases in flooding;
- maintaining and improving the overall quality of the environment, including biodiversity and important landscapes.

The UK Government has made a commitment in the NSRF to treating environmental sustainability as across-cutting theme for all future Structural Funds Programmes. This is both a challenge and, given the priority attached to this agenda in the South East, an opportunity to develop new solutions and respond to new and expanding markets for environmental products and services. In line with the Government's sustainable development strategy, the SEEOP will address this cross cutting theme through two perspectives:

- Recognising the potential economic benefits that the environment can bring - the environment represents a significant potential driver of the economy as demand for efficient products, processes and services grows and environmental assets are viewed increasingly as important economic assets.
- Improving the impact of economic activity on the environment - In the context of the Structural Funds Programmes, environmental sustainability means that, at the same time as achieving their social and economic goals, projects should minimise their environmental impact and enhance environmental opportunities and benefits.

The ambition for the 2007-13 programme is to pursue a wholly integrated approach to securing economic and environmental benefits. The effective integration of environmental sustainability will help deliver a more competitive, dynamic and innovative regional economy by embracing and responding to the economic opportunities that environmental integration provides.

The objective of the environmental sustainability CCT is:

To maximise the potential for the environment as an economic driver, minimise environmental impacts and maximise environmental benefits.

The main Priority Axis **Promoting Sustainable Consumption and Production** directly supports this objective since it is focused on supporting actions which will improve long term economic performance while at the same time seeking to secure increased resource efficiency and adjust the relationship between energy and resource use and increased economic prosperity. Complementing the specific indicative activities under this key Priority Axis will be mainstreaming actions designed to raise awareness of, promote and embed wider environmental sustainability principles into the design of delivery of projects engaging with and providing advice and support to small enterprises. In doing so, the programme will draw on best practice from the 2000-2006 structural fund programmes and make use of expertise of environmental agencies and other existing environmental partners.

5.2.3 Lessons from the 2000-06 Period

Research by DEFRA[1] and a review of the experience of the 2000-06 South East Objective 2 programme demonstrate that a proactive and systematic approach to embedding environmental sustainability through Structural Fund programmes can be broadly successful. In particular, lessons from the 2000-06 programming period point to the following valuable lessons:

- Approaches to integrating environmental sustainability benefit in particular from strong strategic leadership by the Programme Management Committee and Cross Cutting Theme champions;
- Significant progress in environmental integration was made in cases where cross cutting theme champions supported staff within a systematic framework of project and programme development and appraisal;

[1] The Effectiveness of EU Structural Funds in Delivering the Government's Environmental Objectives; Fraser Associates for DEFRA, October 2005.

- Support should be made available to project delivery organisations (beneficiary organisations) on integrating environmental sustainability principles but such support should be used selectively and effectively by being focussed on organisations / sectors where capacity is weaker.
- The potential exists for enhanced capacity and a more proactive approach to integrating environmental sustainability.

The DEFRA study highlighted transferable lessons, both in terms of specific project examples and programme implementation and delivery arrangements which will be drawn upon in developing programme management systems and in informing implementation.

5.2.4 Opportunities for Integration

There are opportunities to ensure that the theme of environmental sustainability informs actions undertaken in both Priority Axis 1: Promoting sustainable production and consumption and Priority Axis 2: Technical Assistance.

The Programme will provide direct support for projects that support take-up of more resource efficient products and processes amongst businesses, as well as develop the capacity of the region to exploit the potential of new technologies by building on the region's high level of research expertise. Additionally, activities that encourage more sustainable patterns of consumption, including sustainable mobility, will be advanced.

As well as such actions, that have specific funding allocations, the principles embodied under this theme will be pursued systematically in delivering the programme. This will apply both to projects supported under Priority Axis 1 and to programme management actions. For example, events and meetings will be held, wherever possible, in a manner that encourages efficient resource use. Similarly, participating SMEs and advisory organisations will be signposted to sources of general and, where appropriate, specialist advice on improving resource efficiency and minimising environmental impacts.

The appraisal of projects will explicitly consider the extent to which environmental sustainability objectives are integrated into project design and implementation plans. An appraisal checklist will be developed to guide this process.

Delivery

The precise structures and processes for programme delivery are under development and will be finalised with reference to the lessons identified from previous programmes, as well as the wealth of available guidance. Key features to be considered include:

- Early identification of a Environmental Sustainability Champion at PMC level;
- Identification of an Environmental Sustainability Programme Expert to support the adoption of best practice at an operational level;
- Structures for organising the integration of this CCT into project selection processes, including the development of appropriate Environmental Sustainability Criteria and, where relevant, gateway criteria;
- Environmental Sustainability CCT, as an underpinning principle for the programme, will be outlined in all programme publicity and guidance documents, with signposting to sources of detailed information and guidance;
- Plans will be progressed to ensure that adequate training and support is available for programme management and administrative staff and potential beneficiaries, focused first of all on those organisations with the weakest capacity.

5.2.5 Monitoring and Evaluation

Progress and outcomes with respect to the integration of environmental sustainability will be the subject of monitoring and evaluation over the life of the Programme. The indicators that will be used to monitor performance form part of the core indicators for the programme and are not repeated here. Project visits will involve both quantitative and qualitative data capture to ensure satisfactory monitoring of environmental impacts and benefits. Additional indicators may be adopted at the discretion of the PMC.

5.3 Equal Opportunities

5.3.1 Overview

All Structural Funds programmes are required to place importance on the delivery of equality and social inclusion in their areas. The SEEOP takes a broad interpretation of equality, encompassing race, disability, age, sexual orientation, and religion/belief. Current UK legislation anti-discrimination legislation will apply to all actions undertaken through the SEEOP and the programme will ensure that positive steps are taken to gain their active involvement. Applicants and programme managers will be expected to demonstrate and promote the principles of equality, diversity and inclusion in their applications, services, activities and management and recruitment policies. In this respect equal opportunity considerations are expected to be taken into account in the design, development and delivery of all projects submitted to and supported by this Operational Programme.

Key issues for the programme in this field have been identified as part of the socio-economic analysis and SWOT, as set out in Section 2. These demonstrate that the

promotion of equality of opportunity must play a central role if the SEEOP is to be inclusive and effective across South East England as a whole.

In the UK, there has been equalities legislation for more than 30 years which has progressively been extended and refined. The legislation primarily deals with fair treatment of individuals in the labour market and in accessing public services.

Table 5.1: UK EQUALITIES LEGISLATIVE CONTEXT

Aspect	Key legislation
Gender	Sex Discrimination Act 1975 Equal Pay Act 1970 Equal Pay Act 1970 (Amendment) Regulation 2003
Age	Employment Equality (Age) Regulations 2006
Race	Race Relations Act 1976 Race Relations Amendment Act 2000
Disabilities	Disability Discrimination Act 1995 Disability Discrimination Act 2005
Sexual Orientation	Employment Equality (Sexual Orientation) Regulations 2003
Religion and Belief	Employment Equality (Religion and Belief) Regulations 2003

In preparing and delivering the SEEOP the principles of non-discrimination and equal opportunities enshrined in these acts will be respected and furthermore the programme will contribute to furthering best practice in the integration of equality of opportunity into the design of sustainable economic development initiatives. The SEEOP aims to ensure that:

- No beneficiaries are excluded from participation in the programme on the grounds of race, gender, ethnicity, belief, disability, age or sexual orientation
- The benefits of the Programme reach disadvantaged and hard to reach groups
- The Programme is responsive to, and inclusive of, under-represented groups in delivery and management.
- Positive efforts are made to increase levels of participation by under-represented groups.

In doing so the SEEOP fully respects the principles of non-discrimination and equal opportunities, as requested by the UK Government in the National Strategic Reference Framework. Projects will be encouraged to take account of the needs of the local communities they serve and, where appropriate, to take account of the good practice developed in the EQUAL Community Initiative. Guidance as to the expectations on projects, and how these might be met, will be provided early in the life of the programme.

5.3.2 Equal Opportunities Objectives

The policy of actively promoting an integrated approach to achieving equality of opportunity through the SEEOP aligns with the UK Government and South East England partners' commitment to social justice; there is also a strong economic imperative for building an inclusive economy in South East England, related to the need to utilise scare labour resources more effectively. The main considerations are illustrated in Table 5.2 below:

Table 5.2: Equal Opportunities and Inclusion - Key Evidence

Theme	Regional Issues
Age	South East population and labour force is aging. 77,000 economically inactive older people aged from 50 to retirement age want to work, but often face barriers to employment. Raising economic activity rates of older people will help counter the general decline in activity rates caused by an ageing population.
Ethnic Minorities	BME population is highly diverse with considerable intra-regional variation. Most BME groups suffer higher than average economic inactivity and unemployment rates, despite tight labour market conditions. Lower rate of enterprise start-up amongst BME owner-managers (3.4 per 1000 population compared with the average of 8.8 per 1000 population).
Gender	Whilst the national female inactivity rate continues to fall, in the SE the downward trend has stopped and the ratio of male to female employment remains below the UK average. Segregation occurs for women and men in non-traditional sectors and occupations and there are pay gaps for women. Potential to promote progression for around 12 per cent of women who are estimated to be under-employed. Women significantly under-represented in enterprise. Women make up 46% of working age population, however only 27% of the self-employed and only about 15% of business owners are women.
People with Disabilities	Disabled people have lower economic activity rates that the population as a whole.

Theme	Regional Issues
Small Enterprises	Start-up rates amongst BME groups and women are lower than average.

Source: RES Evidence Base and Evidence Base to Inform SE ESF Regional Framework, Worcester Research, 2007

The objective of the equal opportunities cross cutting theme responds to these issues. It is:

To ensure that the opportunities generated by the Programme are available to all, in order to deliver sustainable prosperity and spread the benefits of competitiveness.

5.3.3 Best Practice from 2000-06 Programmes

It is widely accepted that in the past equality objectives in Structural Fund programmes have been seen as aspirational rather than mainstream and that, as a consequence, the impact on diminishing inequalities has not been maximised. To avoid perpetuating these weaknesses the SEEOP has committed itself to:

- Using robust equality indicators.
- Ensuring that equal opportunities practice and impact is monitored and assessed.
- Ensuring that minority groups and communities are involved in planning and delivering services.

In particular, the Programme partners will explore the opportunities for utilising some of the Technical Assistance resource available in order to stimulate take-up and understanding of the SEEOP's aims and objectives amongst key target groups.

5.3.4 Approach to Integrating Equal Opportunities

The strategic approach to the equality theme is to ensure equality of access to opportunity regardless of race, gender, disability, age, sexual orientation or faith at all stages, by mainstreaming equalities objectives at all stages from programme design through to management, delivery, monitoring and evaluation.

There are strong opportunities to integrate equal opportunities objectives throughout the programme. Project applicants will be required to demonstrate that their activities are benefiting all sections of the population, and to take positive action where this is not the case. Projects that positively address issues of equal opportunities in the region, in the domain of sustainable production and consumption, will be encouraged. Amongst other things this may include:

- projects that can demonstrate that they are targeting support on under-represented communities, such as minority ethnic businesses, businesses owned or managed by female entrepreneurs, or persons with disability
- projects that seek to promote sustainable consumption patterns and which actively address the needs and interests of under-represented sections of the community
- projects that support the provision of goods and services that address the needs of particular under-represented sections of the community

The Appraisal of projects will explicitly consider the extent to which projects address these issues. An appraisal checklist will be developed to guide this process. Equal opportunity considerations will be integrated in project design and delivery arrangements and potential actions to ensure this occurs will include:

- Asking applicants to demonstrate how equality of opportunities objectives are taken into account in the design of initiatives.
- Asking applicants to consider how any barriers to involvement, or employment, for under-represented groups or individuals from deprived localities can be addressed.

The principles embodied under this theme will also be pursued through the systematically applied approach of awareness raising and signposting of SMEs and support providers to sources of general and, where appropriate, specialist advice on positive action to promote equal opportunities.

5.3.5 Delivery

The independent Equalities Impact Assessment undertaken of the Operational Programme concluded that the SEEOP has a strong commitment and understanding of equality issues at a strategic level. It identified the following risks and argued that these should be addressed through building the right operational delivery mechanisms to reduce, minimise or eliminate them:

- Race: lack of engagement from certain minority groups
- Disability: inaccessibility of processes that could potentially discriminate against disabled groups
- Gender: women may not fully benefit from the programme – potential lack of engagement
- Age: Lack of engagement from older workforce. Lack of understanding and awareness of age legislation
- Religion/belief: barriers for certain faith groups

The precise structures and processes for programme delivery are under development and will be finalised with reference to the lessons identified from previous programmes and discussions with regional partners. We will ensure that the above concerns are fully addressed in the development of these structures and processes. Key features to be considered include:

- Securing appropriate representation in programme management structures.
- Early identification of an Equal Opportunities Theme Champion at PMC level.
- Early identification of an Equal Opportunities Programme Expert to support the adoption of best practice at an operational level.
- Organising structures for the integration of equal opportunities into project selection processes, including the development of appropriate Criteria and, where relevant, gateway criteria.
- Outlining the importance of equal opportunities as an underpinning principle for the programme in all programme publicity and guidance documents, with signposting to sources of detailed information and guidance.
- Progressing plans to ensure that adequate training and support is available for programme management, administrative staff and potential beneficiaries.

5.3.6 Monitoring and Evaluation

The SEEOP will be subject to the legal requirements to monitor beneficiaries by gender, ethnicity and disability along with age. Regular monitoring and reporting on equal opportunities performance to the PMC will strengthen the delivery of this cross-cutting commitment. The SEEOP's contribution to equal opportunities will also feature in programme evaluation. Project visits will involve both quantitative and qualitative data capture to ensure satisfactory monitoring of equal opportunities impacts and benefits. Additional indicators may be adopted at the discretion of the PMC.

The SEEOP has been screened by the ex ante evaluators for its overall effect on equal opportunities issues; including an assessment of the potential for adverse impacts on equal opportunities and to propose mitigation where such effects have been identified. A statement of the opinion of the evaluators is contained in Annex 7 "Equalities Impact Assessment ".

6.0 Financial Allocations

The total funding allocated to the South East for the ERDF programme amounts to €23,706,375 (approx. £15.624m in 2006 prices).

Table 6.1: Financial Allocations by year

Year	ERDF (€)	National Public (€)	National Private (€)	Total (€)
2007	3,188,791	3,188,791	0	6,377,582
2008	3,252,567	3,252,567	0	6,505,134
2009	3,317,618	3,317,618	0	6,635,236
2010	3,383,970	3,383,970	0	6,767,940
2011	3,451,650	3,451,650	0	6,903,300
2012	3,520,683	3,520,683	0	7,041,366
2013	3,591,096	3,591,096	0	7,182,192
Grand Total 2007-2013	**23,706,375**	**23,706,375**	**0**	**47,412,750**

6.1 Programme Intervention Rates

The ERDF contribution to the SEEOP is €23,706,375 – at a programme intervention rate of 50 per cent. The total value of the programme including the public match funding is €47,412,750. A 50 per cent intervention rate represents the amount which SEEDA can commit to provide at the commencement of the programme. The objective is to generate additional national contributions, which cannot be accounted for at present.

6.2 Financial Allocation by Priority Axes

The allocation of ERDF resources by Priority Axes is as follows:

Priority Axis 1: Promoting Sustainable Production and Consumption – 96 per cent

Priority Axis 2: Technical Assistance – 4 per cent

The financial allocations for the whole programme are summarised in the table below. Annual breakdowns are outlined in Annex 8.

Table 6.2: Financial Allocations by Priority Axis (€ 2006 prices)

€'000s	Community Funding (a)	National Counterpart (b) (= c + d)	Indicative breakdown of national counterpart		Total funding (e) + a+b	Co-financing rate (f) = e/a	Other funding
			National Public Funding (c)	**National Private funding (d)**		**%**	
Priority Axis 1	22,758,120	22,758,120	22,758,120	0	45,516,240	50	0
TA	948,255	948,255	948,255	0	1,896,510	50	0
Total	**23,706,375**	**23,706,375**	**23,706,375**	**0**	**47,412,750**	**50**	**0**

We do not anticipate private sector match funding for Programme activities. However, one aspiration of the Programme is to increase levels of private sector expenditure on innovation, and R&D more generally, across the Region. Where appropriate, opportunities for encouraging private sector match funding arise these will be taken. In all other circumstances the programme will seek to leverage contributions from the private sector as appropriate.

7.0 Coordination

7.1 Overview

It is an EU regulatory requirement (Article 9 General Regulation 1083/2006) that there is demarcation between the following funds and how they are used in South East England:

- European Regional Development Fund (ERDF)
- European Social Fund (ESF)
- European Agricultural Fund for Rural Development (EAFRD)
- European Fisheries Fund (EFF)
- European Investment Bank (EIB)

The Regulations governing the use of these funds require that there should be complementarity and consistency between interventions financed by these funding streams. This is aligned to the Sustainable Development Strategy, adopted by the European Council 15-16.06.06, especially point 25 on co-ordination of EC co-financing.[1] The purpose of this section is to demonstrate how the SEEOP will coordinate the use of funds in order to ensure complementarity and consistency with respect to the ESF, EAFRD, EFF and EIB.

7.2 European Social Fund

The ESF element of the Competitiveness and Employment Programme will be administered through a national programme with regional management and delivery. The England ESF Regional Framework aims to contribute to sustainable economic growth and social inclusion by extending employment opportunity and by developing a skilled and adaptable workforce. It sets out national priorities for spending ESF as follows:

- Priority 1 - Extending employment opportunities; and
- Priority 2 - Developing a skilled and adaptable workforce.

[1] The text of point 25 is: "In order to ensure that EU funding is channelled and used in an optimum way to promote sustainable development, Member States and the Commission should co-ordinate to enhance complementarities and synergies between various strands of Community and other co-financing mechanisms, such as cohesion policy, rural development, LIFE+, research and development (RTD), the Competitiveness and Innovation Programme (CIP), and the European Fisheries Fund (EFF)."

In South East England, the ESF Regional Framework will guide the implementation of the programme and set the regional priorities for ESF Co-financing Plans.

Priority 1 of the ESF Regional Framework will improve the employability and skills of unemployed and inactive people and tackle barriers to work faced by people with disabilities or health conditions, lone parents, people over 50, ethnic minorities, young people Not in Employment, Education or Training (NEET), people with no or low qualifications, and other disadvantaged groups including those experiencing multiple disadvantage.

Priority 2 of the ESF Regional Framework will improve the qualification and skills of people without basic skills and re-skill and upskill the workforce to support the growth of priority sectors. It will also develop managers and workers in small enterprises including training and development in leadership, management, enterprise and technical skills needed for business development, business growth, innovation and productivity.

There is limited scope for linkages between the regional ERDF and ESF programmes. The only area for effective linkages would be Priority 2 where some actions will complement activities under the ERDF programme by contributing to developing the skills base, including in environmental technology sectors, and supporting the development of managers in SMEs. In order to ensure that a synergistic relationship between ESF and ERDF funded activity exists, relevant ESF funded activity and ERDF activity will be contractually required to develop close links to ensure that the skills offer is attuned to the ERDF activity. This mutually supportive approach will maximise the impact of both programmes on the region.

The South East Regional Skills for Productivity Alliance is well placed to advise on and identify appropriate synergies between the ERDF and ESF programmes given its remit with regards employment and skills, and productivity.

7.3 European Agricultural Fund for Rural Development (EAFRD)

In line with EU regulatory requirements, mechanisms are in place and will be developed further to ensure that actions supported by ERDF complement and do not overlap with those pursued through EAFRD.

The NSRF states that, as a general rule:

- EAFRD funding should be focussed on supporting diversification of rural economies at the local level. This would include interventions in agriculture, including supporting

innovative farm diversification and woodland enterprises. More widely, it would also include enabling growth of existing micro-enterprises and encouraging start-ups, and improving skills and employment opportunities for those individuals in the rural workforce on low pay where this support cannot be provided elsewhere.

- Structural Funds would then primarily address rural issues as part of wider regional and sub-regional activity contributing to improved regional economic performance or as part of national employment and skills programmes. This would include interventions that help to develop the knowledge based economy at a strategic level, enable small and medium sized enterprises to become more competitive and more efficient in their use of natural resources, building sustainable communities, and increasing employment by breaking down barriers to work and increasing skill levels for all.

This is the approach that has been adopted for this regional ERDF OP.

The EAFRD programme in the South East has the following regional priorities:

- Meeting Defra biodiversity PSA targets and enhancing landscapes
- Addressing climate change
- Quality food sales
- Adding value to forestry products
- Rural tourism
- Skills development
- Innovation, entrepreneurship and collaboration
- Assisting the livestock sector
- Leader approach

In South East England the ERDF programme will focus on increasing the level of commercialisation of innovative technologies to support improved resource efficiency and energy efficiency in growth sectors. It is envisaged that the two main areas for potential crossover with EAFRD may arise from activities to support renewable energy supply chains and intervention involving beneficiary businesses in the food and drink sector. The provisions for coordination will avoid overlap in this area.

7.4 European Fisheries Fund

The European Fisheries Fund will support the overall aim for fisheries management in the UK which is to achieve a fishing sector that is sustainable, profitable and supports strong

local communities, managed effectively as an integral part of coherent policies for the marine environment. It will focus on providing a long-term sustainable future for the fishing industry through promoting investment in innovation and technology, ensuring environmental best practice, developing efficient supply chains with strong links between fishermen, growers, processors and customers and improving port infrastructure and operations. It will also help to tackle social exclusion and promote long term prosperity in communities traditionally dependent on the fishing industry where this support cannot be provided elsewhere.

There are potential synergies between activities under EEF and ERDF in areas around environmental technologies and best practice. However, the SEEOP will not directly support fisheries.

7.5 Strategic and administrative arrangements to ensure on-going complementarity and coordination

To ensure the arrangements work coherently across the various EU funding streams, Central Government has aligned delivery of ERDF and priority axes EAFRD more closely through the Regional Development Agencies (RDAs). For rural development funding, socio-economic support under Axes 1 and 3 of the EAFRD programme will be delivered by SEEDA.

By bringing together essential elements of delivery for ERDF and EAFRD (and providing greater links to EFF), greater coherence in their day to day operation can be achieved. It will also ensure that there is a greater focus for all instruments in contributing to shared regional goals, in particular those set out in the Regional Economic Strategies. The Managing Authority for the England programme (DCLG) will be responsible for ensuring that these coordination mechanisms provide the required complementarity, and will report on the functioning of these arrangements in the annual progress report to the European Commission.

Arrangements for developing the necessary mechanisms to ensure complementarity between ERDF and EAFRD programmes will be developed at and managed at a regional level. These arrangements will clearly identify the strategic priorities of each funding stream and the mechanisms which will be established to allocate expenditure to each instrument and avoid double funding. There will also be a requirement for project sponsors to ensure demarcation and complementarity between funding streams.

Under EFF, the RDAs will have a key role in helping to facilitate project development under the programme to improve its ability to deliver local strategic priorities.

Annex 9 demonstrates demarcation between the SEEOP and the Rural Development Programme.

7.6 European Investment Bank Initiatives

The European Commission and the EIB have set out proposals for a number of instruments to support the implementation of the 2007-13 programmes. The two initiatives of potential interest to South East England are:

- **JEREMIE** (Joint European Resources for Micro to Medium Enterprises) – a micro-financing facility combining both Structural Funds and EIB resources. The UK Government, in conjunction with the European Investment Fund (EIF), is currently conducting a gap analysis to determine the applicability of JEREMIE for the English regions and a policy decision will be taken at a national level on this issue in 2007. Given the qualification thresholds for the deployment of JEREMIE and the limited funding available to the SEEOP, it is clear that the only basis for an application to the EIB would be in the form of a collaborative venture between a number of RDAs. The extent to which this represents a significant gap which could be addressed as part of the SEEOP is not fully clear. There are currently no plans to develop a collaborative venture, within the Greater South East one of the three regions will not be accessing JEREMIE, however as the PMC more clearly defines the activities which it wishes to commission micro-credit may move increasingly to the fore. Note will be taken of the Commission's communication on a European Action plan for the development of micro-credit in support of growth and employment which is due for adoption in autumn 2007.

- **JESSICA** (Joint European Support for Sustainable Investment in City Areas) – this is an optional facility offering Member States and Managing Authorities the possibility to allocate funds from OPs to Urban Development Funds or Holding Funds. It is not anticipated that the SEEOP will engage with JESSICA during the 2007-2013 period.

7.6 Seventh Research Framework programme (FP7)

The Seventh Framework Programme (FP7) bundles all research-related EU initiatives together under a common roof playing a crucial role in reaching the goals of growth, competitiveness and employment; along with a new Competitiveness and Innovation Framework Programme (CIP), Education and Training programmes, and Structural and Cohesion Funds for regional convergence and competitiveness. It is also a key pillar for the European Research Area (ERA).

The broad objectives of FP7 have been grouped into four categories: Cooperation, Ideas, People and Capacities. For each type of objective, there is a specific programme corresponding to the main areas of EU research policy. All specific programmes work together to promote and encourage the creation of European poles of (scientific) excellence.

The SEEOP will help to encourage the formation of groups which will submit applications under FP7 and will engage with successful applications where these are relevant to the areas of sustainable production and consumption.

7.7 Transnational programmes

For the European Territorial Cooperation objective, the ERDF focuses its aid on three main areas:

- development of economic and social cross-border activities;
- establishment and development of transnational cooperation, including bilateral cooperation between maritime regions;
- increasing the efficiency of regional policy through interregional promotion and cooperation, the networking and exchange of experiences between regional and local authorities.

The SEEOP will not include a specifically transnational element. However links will be sought with transnational programmes, where benefits from knowledge transfer and best practice can be identified.

8.0 Implementing Provisions

CONTENTS

1. REGULATORY CONTEXT

2. MANAGING AUTHORITY, CERTIFIYING AUTHORITY AND AUDIT AUTHORITY

Managing Authority: Roles and Functions

Certifying Authority: Roles and Functions

Audit Authority: Roles and Functions

Management and Control: description of systems

3. PARTNERSHIP AND COMMITTEE STRUCTURE

General

Local Management Committee

Duties of the Local Management Committee

Sub-committees and working-groups of the LMC

4. MANAGEMENT AND CONTROL SYSTEM

Proportionality

Global Grants and A42 Bodies

Selection of Operations

5. COMPUTERISED EXCHANGE OF DATA

6. MONITORING ARRANGEMENTS AND SYSTEMS

General

Annual reports and final reports

7. EVALUATION ARRANGMENTS AND SYSTEMS

Ex ante and Strategic Environmental Assessment; interim and ex post

8. FINANCIAL IMPLEMENTATION

Financial contributions by the Funds

Differentiation of rates of contribution

Technical Assistance

Community budget commitments

De-commitments

9. FINANCIAL FLOWS AND PAYMENTS

General

Financial Flows

Payments

Use of Euro and conversion rates

10. FINANCIAL MANAGEMENT AND CONTROL ARRANGEMENTS

General

Organisation

Accounting Systems

Documentation

Audit

Irregularities and Financial Corrections

11. INFORMATION AND PUBLICITY

12. SUPPLEMENTARY OBJECTIVES

Sustainable Development

Gender equality and equal opportunities

Major projects

Complementarity with other Funds

European Social Fund

European Agricultural Fund for Rural Development

13. USE OF RESERVES

National Performance Reserve

National Contingency Reserve

14. FINANCIAL ENGINEERING

15. STATE AID

SOUTH EAST ERDF REGIONAL COMPETITIVENESS AND EMPLOYMENT OPERATIONAL PROGRAMME - 2007/13

IMPLEMENTING PROVISIONS

1. REGULATORY CONTEXT

In accordance with the requirements of Article 37(1)(g) of Council Regulation (EC) No 1083/06 of 11 July 2006, this chapter sets out the implementation provisions for the South East European Regional Development Fund Regional Competitiveness and Employment Operational Programme ("the OP").

These have been developed taking into account the requirements of Council Regulation (EC) No 1083/06, which lays down general provisions about the Structural Funds; Council Regulation (EC) No 1080/06, which lays down specific provisions about the types of activity that may be financed by the European Regional Development Fund; and Commission Regulation (EC) No 1828/2006, which sets out rules for the implementation of the Council Regulations.

The implementing provisions will be subject to revision where necessary to reflect any subsequent regulations adopted by the Council or the Commission concerning the ERDF. All articles quoted in the text are those of Council Regulation (EC) No. 1083/06, except where otherwise stated. In the event that the implementing provisions are found on any point to be inconsistent with any provision of the Structural Funds Regulations, the meaning or effect of the Regulations shall prevail.

2. MANAGING AUTHORITY, CERTIFYING AUTHORITY AND AUDIT AUTHORITY

Managing Authority: Role and Functions

A system of management and control of the implementation of the OP will be set up in accordance with Article 58.

The Managing Authority (MA), whose functions are set out in Article 60, is responsible for managing and implementing the OP in accordance with the principle of sound financial management and the requirements of the Structural Funds Regulations.

The MA for the OP is the Secretary of State for Communities and Local Government (SSCLG). The address is Eland House, Bressenden Place, London SW1E 5DU, England, United Kingdom. The functions of the MA will be carried out by officials of the Department of State headed by SSCLG (the Department for Communities and Local Government) within the ERDF Programme Strategy and

Coordination (PSC) Division located in Eland House and within the ERDF Programme Delivery Team (PDT) based within the OP area. The MA is functionally independent from the Certifying Authority and the Audit Authority.

The specific tasks of the MA to be carried out by the PDT are as follows:

(a) ensuring that operations are selected for funding in accordance with the criteria applicable to the OP and that they comply with applicable Community and national rules for the whole of their implementation period;

(b) verifying that the co-financed products and services are delivered and that the expenditure declared by the beneficiaries for operations has actually been incurred and complies with Community and national rules; verifications on-the-spot of individual operations may be carried out on a sample basis in accordance with the detailed rules to be adopted by the Commission in accordance with the procedure referred to in Article 103(3);

(c) ensuring that there is a system for recording and storing in computerised form accounting records for each operation under the OP and that the data on implementation necessary for financial management, monitoring, verifications, audits and evaluation are collected;

(d) ensuring that beneficiaries and other bodies involved in the implementation of operations maintain either a separate accounting system or an adequate accounting code for all transactions relating to the operation without prejudice to national accounting rules;

(e) ensuring that the evaluations of OPs referred to in Article 48(3) are carried out in accordance with Article 47;

(f) setting up procedures to ensure that all documents regarding expenditure and audits required to ensure an adequate audit trail are held in accordance with the requirements of Article 90;

(g) ensuring that the certifying authority receives all necessary information on the procedures and verifications carried out in relation to expenditure for the purpose of certification;

(h) guiding the work of the Programme Monitoring Committee, now known as Local Management Committee (LMC) and providing It with the documents required to permit the quality of the implementation of the OP to be monitored in the light of its specific goals

(i) drawing up and, after approval by the monitoring committee, submitting to the Commission the annual and final reports on implementation;

(j) ensuring compliance with the information and publicity requirements laid down in Article 69;

(k) providing the Commission with information to allow it to appraise major projects.

The specific tasks to be carried out by the PSC include:-

i. providing guidance and instruction, as appropriate, on the interpretation of the rules and criteria contained in the Structural Funds Regulations and in documents issued by the Commission over the programming period in relation to the ERDF;

ii. providing the contractual terms on which ERDF support is to be given, including, where relevant, state aid and procurement advice;

iii. determining and issuing national eligibility rules;

iv. providing guidance and instruction, as appropriate, on the management and control framework, accountancy rules to be followed by grant beneficiaries and others involved in with the implementation of operations, systems to be used for the maintenance of accounts and the other records, information and publicity requirements, including monitoring, and any other matters relating to the management and of the OP as necessary;

v. establishing written standards and procedures for verifications undertaken by the PDT in compliance with Article 13.2 of Commission Regulation 1828/2006, and ensuring that the PDT keeps records for each verification, stating the work performed, the date and the results of the verification, and the measures taken in respect of the irregularities detected thereby, and obtaining assurance that the monitoring and verification activities are adequately carried out in accordance with that Regulation;

vi. prescribing the information to be provided to the Certifying Authority in relation to expenditure verification and verification procedures, the form in which this information is to be provided and how frequently it is to be provided;

vii. appointing the Chair of the Local Management Committee (LMC)

viii. receiving evaluations, annual and final implementation reports and submitting them to the Commission

ix. assisting as necessary with policy and technical support for the appraisal of major projects and the notification required for appraisal by the Commission;

x. laying down and operating a mechanism for the payment of ERDF resources;

Certifying Authority: Role and Functions

The Certifying Authority (CA) for the OP is the Secretary of State for Communities and Local Government. The address is Eland House, Bressenden Place, London SW1E 5DU, England, United

Kingdom. The functions of the CA will be carried out by officials of the Department of State headed by SSCLG (the Department for Communities and Local Government), who work in the Department's Finance Directorate. These administrative arrangements for the performance of the CA tasks will ensure that the principle of separation of functions is adhered to in accordance with Article 58(b).

The CA is responsible for certifying the accuracy of statements of expenditure and applications for payment presented to the Commission in accordance with the procedures set out in Article 78. The specific tasks of the CA are as follows:

a) drawing up and submitting to the Commission certified statements of expenditure and applications for payment;

b) certifying that:

   i) the statement of expenditure is accurate, results from reliable accounting systems and is based on verifiable supporting documents;

   ii) the expenditure declared complies with applicable Community and national rules and has been incurred in respect of operations selected for funding in accordance with the criteria applicable to the OP and complying with Community and National rules;

c) ensuring for the purposes of certification that it has received adequate information from the MA on the procedures and verifications carried in relation to expenditure included in statements of expenditure;

d) taking account for certification purposes of the results of all audits carried out by or under the responsibility of the Audit Authority;

e) maintaining accounting records in computerised form of expenditure declared to the Commission;

f) keeping an account of amounts recoverable and of amounts withdrawn following cancellation of all or part of the contribution for an operation. Amounts recovered will be repaid to the general budget of the EU, prior to closure of the OP by deducting them from the next statement of expenditure.

Audit Authority: Roles and Functions

The Audit Authority (AA) for the OP is the Secretary of State for Communities and Local Government. The address is Eland House, Bressenden Place, London SW1E 5DU, England, United Kingdom. The functions of the AA will be carried out by officials of the Department of State headed by SSCLG (the Department for Communities and Local Government) who audit the public

expenditure of the Department under the responsibility of SSCLG and who work in a separate unit within the Department's finance directorate from those performing CA tasks. The functional independence of the audit services will ensure that the principle of separation of functions is adhered to in accordance with Article 58(b).

The AA is responsible for verifying the effective functioning of the management and control system. The specific tasks of the AA are as follows:

a) ensuring that audits are carried out to verify the effective functioning of the management and control system of the OP;

b) ensuring audits are carried out on operations on the basis of an appropriate sample to verify expenditure declared;

c) presenting to the Commission within 9 months of the approval of the OP an audit strategy covering the bodies who will perform the audits referred to under points a) and b), the method to be used, the sampling method for audits on operations and the indicative planning of audits to ensure that the main bodies are audited and that audits are spread evenly throughout the programming period; [note: where a common system applies to several OPs, a single audit strategy may be submitted];

d) by 31 December each year from 2008 to 2015:

   i) submitting to the Commission an annual control report setting out the findings of audits carried out during the previous 12 month period ending on 30 June of the year concerned in accordance with the audit strategy of the OP and reporting any shortcomings found in the systems for management and control of the programme. The first report to be submitted by 31 December 2008 will cover the period from 1 January 2007 to 30 June 2008. The information concerning the audits carried out after 1 July 2015 will be included in the final control report supporting the closure declaration referred to in point (e);

   ii) issuing an opinion, on the basis of the controls and audits that have been carried out under its responsibility, as to whether the management and control system functions effectively, so as to provide a reasonable assurance that statements of expenditure presented to the Commission are correct and as a consequence reasonable assurances that the underlying transactions are legal and regular.

   iii) submitting, where applicable under Article 88, a declaration for partial closure assessing the legality and regularity of the expenditure concerned;

[Note: when a common system applies to several OPs, the information referred to in point (i) may be grouped in a single report, and the opinion and declaration issued under points (ii) and (iii) may cover all the OPs concerned];

e) submitting to the Commission at the latest by 31 March 2017 a closure declaration assessing the validity of the application for payment of the final balance and the legality and regularity of the underlying transactions covered by the final statement of expenditure, which will be supported by a final control report.

Where audits and controls are carried out by a body other than the AA, the AA will ensure that such bodies have the necessary functional independence from the Managing Authority. The AA may choose to employ private sector auditors to carry out system and operation audits under its responsibility.

Management and Control: description of systems

The AA will be responsible for drawing up the report and the opinion referred to in Article 71(2), describing and assessing the management and control systems and giving an opinion on their compliance with Article 58 to 62.

3. PARTNERSHIP AND COMMITTEE STRUCTURE

General

The OP has been developed and will be implemented in accordance with the principles of partnership set out in Article 11 and national rules and practice. The partnership principle will be operated throughout the lifetime of the OP.

The Secretary of State, for the UK Government, has organised a partnership to cover the preparation of the OP with a wide variety of national, regional and local authorities and bodies, which are competent to contribute towards the aims, objectives and contents of the OP. Competent authorities and bodies include:

(a) local, urban and other public authorities;

(b) economic and social partners;

(c) any other suitable bodies representing civil society, environmental partners, non-governmental organisations;

(d) bodies responsible for promoting equality between men and women.

Local Management Committee (LMC)

In accordance with Article 63, the Member State will set up an LMC within three months from the date of the notification to the Member State of the Commission decision approving the OP. The

membership and role of the LMC will reflect the strategic nature of the prescribed tasks of the LMC set out in Article 65.

Reflecting the principle of partnership, the membership of the LMC will be drawn from representatives of the bodies of the partnership organised under Article 11. It will, therefore, reflect national, local and sectoral interests in the OP, and will aim to be balanced in terms of gender. On its own initiative, or at the request of the LMC, the Commission may participate in an advisory capacity. Where the European Investment Bank or the European Investment Fund are contributing to the OP, they may be represented in an advisory capacity.

The chairperson of the LMC will be the Director of DCLG with responsibility for South East, representing the MA. The Deputy Chair of the LMC will be a local partner and will be appointed by the LMC partnership.

The Chair will approve all LMC minutes and papers before they are distributed to the LMC members for agreement.

Duties of the Local Management Committee

The LMC will draw up and agree its own Rules of Procedure. These procedures will be publicised and made available on the programme website. The MA representative, as a member of the LMC, will have a role in ensuring that the rules of procedure are robust, are designed to ensure delivery and contain all appropriate checks and balances.

At its first meeting the LMC will approve detailed provision for the proper and efficient discharge of the duties assigned to it, including, the frequency of its meetings and procedures to deal with conflicts of interest. This will be contained within the LMC's Rules of Procedure. The LMC will satisfy itself as to the effectiveness and the quality of the implementation of the OP. To this end the LMC will carry out the tasks set out in Article 65.

The MA will approve the rules of procedure in accordance with Article 63(2).

Sub-committees and working groups of the LMC

Reflecting its agreed terms of reference and rules of procedure, the LMC may at any time set up such sub-committees or working groups or other groups as it thinks appropriate to enable it to fulfil its responsibilities (e.g. geographically, sectorally or thematically based). The LMC may delegate any of its tasks to a sub-committee or working group. The membership of sub-committees and groups will be agreed by the LMC, reflecting the partnership principle set out in Article 11. The terms of reference and rules of regional sub-committees and groups will be approved by the LMC in accordance with Article 63(2). The use of sub-committees does not absolve the LMC from its responsibility for the proper performance of its tasks as set out in Article 65.

4. MANAGEMENT AND CONTROL SYSTEM

The Secretary of State, for the UK Government, will establish management and control arrangements for the OP in accordance with Article 58.

This will ensure that Community funds are used efficiently and correctly and that assistance is managed in accordance with all applicable Community rules and in accordance with the principles of sound financial management. The detailed requirements set out in the Structural Funds Regulations will be observed throughout the period of the OP. The AA will assess the system and give an opinion on compliance with Articles 58, 59 and 60 prior to its submission to the Commission in accordance with Article 71.

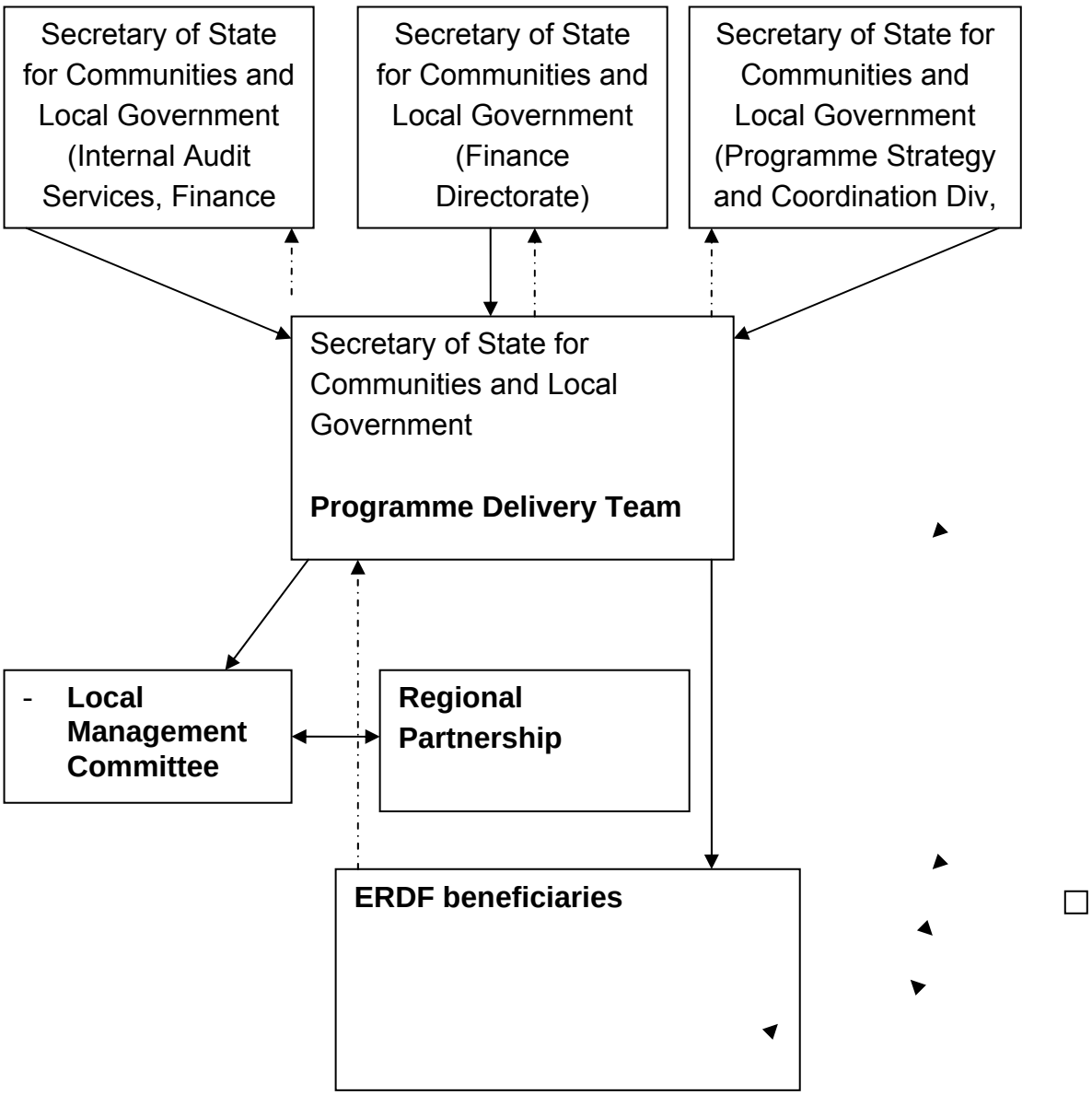
The organisation structures for ensuring sound management and control are set out below.

Diagram 1 illustrates the structure at a global level.

Diagram 2 illustrates the separation of functions with the Department for Communities and Local Government.

Diagram 3 illustrates the separation of functions within the Programme Delivery Team.

Diagram 1 - Global Management and Control System for ERDF Convergence and Regional Competitiveness Programmes in England.



The direction of the solid arrow denotes the direction of management and control. The dotted arrows denote the direction of accountability.

Diagram 2 - **Separation of functions with the Department for Communities and Local Government**

(The direction of the arrows denotes reporting lines)

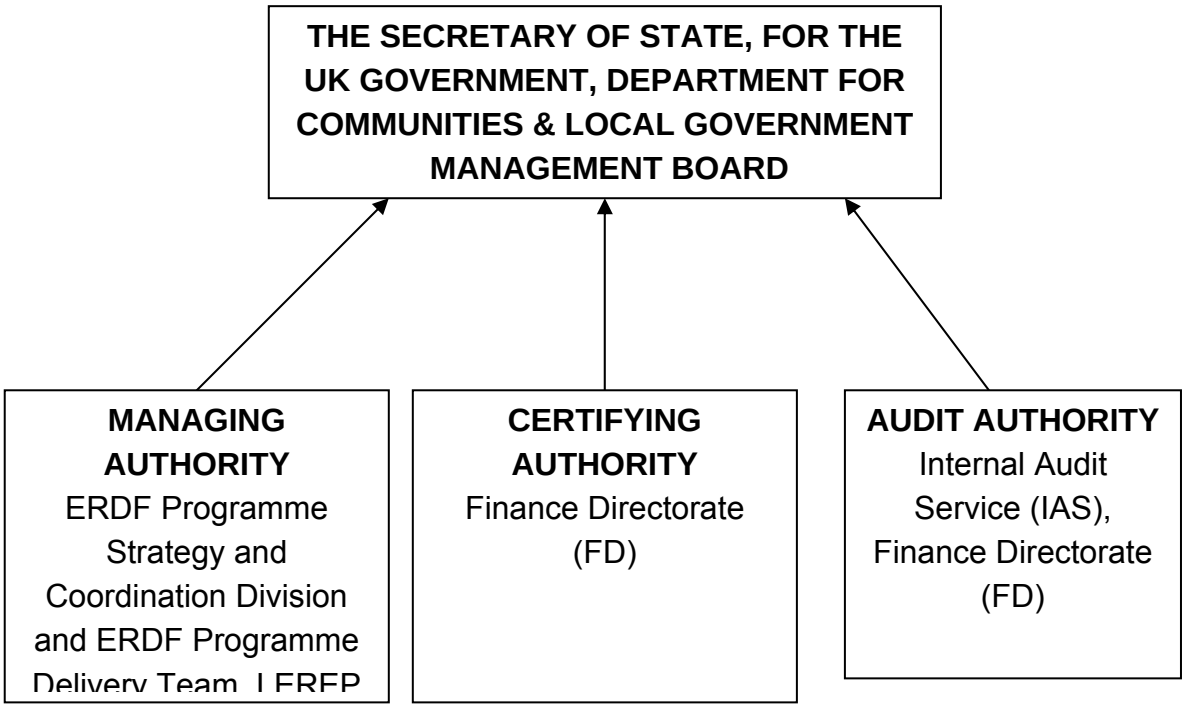
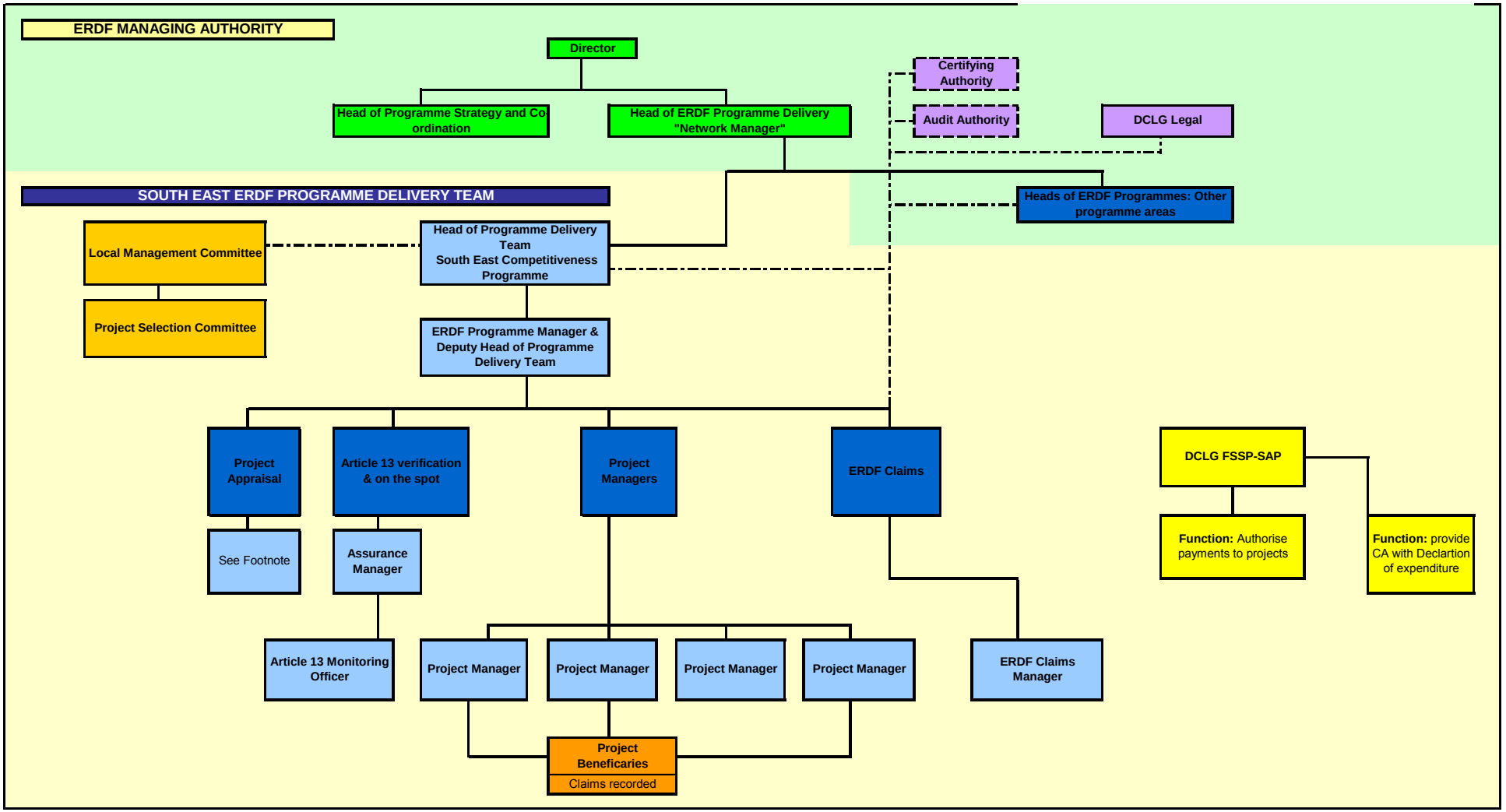


Diagram 3 - Separation of functions within the SE MA Programme Delivery Team.



Footnotes

1. **Function: Project Selection Committee**
Considers outline bids received in each bidding round and makes recommendations as to which projects can proceed to full application.

2. **Function: Project appraisal**
Appraisal of projects is carried out by staff across the other PDTs.

3. **Function: Article 13 verification & on the spot checks**
Article 13 audits, PAV's, Article 16 follow up work, Irregularities management

4. **Function: Project Managers**
Contract management and monitoring/ PEVs & project closure. Approve claims.

5. **Function: Claims recorded**
Project beneficiaries record their own claims on MCIS.

6. **Function: Project approval**
Manager, programme management

7. **Function: DCLG Legal**
Grant Funding Agreements are drafted and sealed by the DCLG lawyers. These are then sent to the Project Manager to send to the project for signature. Once this has been done, the Grant Funding Agreements are signed by the Head of the PDT and are then officially sealed by the DCLG lawyer.

8. Function: ERDF Claims
Claims are verified by the ERDF Claims Manager. A further check on the eligibility of the claim is carried out by the Project Manager. Both officers sign a claims check pro forma which is uploaded on to MCIS which records the checks that were

made. The ERDF Claims Manager approves the beneficiary claims for payment on MCIS. The ERDF beneficiary claims are then authorised for payment on MCIS by the ERDF Programme Manager, having examined the claim and the claims check pro forma.

Aggregated Claims to the Certifying Authority: The Aggregated Claims (which includes all the beneficiary claims paid in any given month) are compiled each month by one of the Project Managers. To ensure adequate separation of duties, the Aggregated Claims are signed off by the Head of the PDT before submission to the CA.

9. Other functions: Project Managers carry out a range of Programme management functions such as ERDF communications and publicity, compiling aggregate claims to the Certifying Authority, Technical Assistance, compiling Management Information, LMC and PSC Secretariat.

Proportionality

The proportional control arrangements set down in Article 74 will not apply to the OP.

Global Grants

The Member State or the MA may entrust the management and implementation of a part of an OP to one or more intermediate bodies (A 42 bodies), designated by the Member State or the MA, including local authorities, regional development bodies or non-governmental organisations, in accordance with the provisions of an agreement concluded between the Member State or the MA and that body.

The Secretary of State, for the UK Government, does not have any intention to designate any A 42 body for the OP.

Selection of operations for ERDF support

The LMC is responsible for considering and approving the criteria for selecting the operations financed under the OP. The MA will be responsible for putting forward proposals to the LMC for selection criteria. The role of the LMC is outlined in section 3 of these Implementing Provisions.

On behalf of the LMC, the MA may establish an Investment Framework which sets out the activities and operations that the LMC have agreed they wish to see delivered under the OP. The Investment Framework must be approved by the LMC. It may identify bodies or organisations that it believes are competent to deliver operations in line with the framework. Any framework will comply with Public Procurement Regulations (which implement EC public procurement directives), so far as they are applicable.

The procedure for selecting operations may take a variety of forms. For example:

Open bidding: where an open invitation is published for applications for the support of operations that meet a specified priority or objective of the OP;

Limited bidding: where a limited number of project sponsors is identified and invited to bid for the support of operations or sets of targets or outputs that meet a specified priority or objective of the OP;

Non-competitive selection: where a single project sponsor (or perhaps two or more) is either selected as appearing to be the only suitable and capable vehicle for delivering a specific operation or set of programme targets or outputs and invited to submit an application for financial assistance; or applies for financial assistance on its own initiative for the support of an operation or a set of targets or outputs that appears to meet a priority or objective of the OP.

The MA, in deciding in broad terms the nature and scope of the criteria and processes for the selection and appraisal of projects, and in putting forward proposals to the LMC for such criteria, will ensure that all processes and criteria take full account of the need to secure compliance with the requirements of the Public Procurement Regulations (which implement EC Public Procurement Directives) or the need for suitable competitive tendering where the Regulations do not apply.

Once the criteria and investment strategy have been adopted by the LMC, the MA will be responsible for managing the processes of developing operations, appraising proposals for operations, and making recommendations to the LMC or its appropriate sub-committees or groups.

5. COMPUTERISED EXCHANGE OF DATA

The MA will develop and maintain appropriate data exchange systems to support the provision of information to the Commission and the efficient and effective management of the OP. The MA will ensure that the system allows data to be exchanged electronically with the system used by the Commission. The system will be accessible for use by the MA, the CA and the AA. The system will record and monitor operation outputs and the results of monitoring, verifications and audits undertaken in relation to programme operations. Such systems will be in place for the OP before the MA makes the first interim application for payment.

6. MONITORING ARRANGEMENTS AND SYSTEMS

General

The Secretary of State, for the UK Government, will ensure that the management and control system for the OP sets up an efficient system for monitoring the programme and individual operations

supported by the programme, and requires the MA and the LMC to ensure the quality of the implementation of the programme.

Monitoring tasks of the MA both in relation to the OP as a whole and to individual operations will be carried out through the PDT arm of the MA, which will work with the LMC. In order to assist the LMC to discharge the tasks set out in Article 65, the MA will provide updates on the progress of the OP in meeting its targets

Monitoring by the MA under Article 60(b) will be carried out in accordance with Article 13 of Commission Regulation 1828/2006. Monitoring will be conducted by reference to the financial indicators and the indicators referred to in Article 37(1)(c) which are specified for the OP and set out in the Indicators section of the programme.

Monitoring will also cover the effectiveness of financial controls and compliance with the Structural Funds Regulations and national rules that regulate matters of finance or propriety. Monitoring will be conducted in line with any guidance or instructions issued by the Commission and any national guidance concerning monitoring and the performance of verification function set out in Article 60(b).

Annual reports and final reports

In accordance with Article 67(1), by 30 June 2008 and by 30 June in each subsequent year the MA will send the Commission an annual report. The MA will send the Commission a final report on the implementation of the OP by 31 March 2017.

Each report will be examined and approved in plenary by the LMC before it is sent to the Commission. The Managing Authority will review the report before it is sent to the Commission.

The reports will contain the information set out in Article 67(2).

In accordance with Article 68, every year, when the annual report on implementation referred to in Article 67 is submitted, the Commission and the MA will examine the progress in implementing the OP, the principal results achieved over the previous year, the financial implementation and other factors with a view to improving implementation.

The operation of the management and control system raised in the last annual control report, referred to in Article 62(1)(d)(i), may also be examined.

7. EVALUATION ARRANGEMENTS AND SYSTEMS

The Secretary of State, for the UK Government, will carry out evaluations in relation to the OP in accordance with Articles 47 and 48, and the MA will have a role under Article 60(e) in ensuring that evaluations are carried out.

An *ex ante* evaluation for the OP has been carried out in accordance with Article 48(2) by an independent consultant. Alongside the *ex ante* evaluation, a Strategic Environmental Assessment was carried out in accordance with the requirements of Directive 2001/42/EC, also by an independent consultant. Both documents are annexed to the OP.

In accordance with Article 48(3), during the programme period, the Secretary of State, for the UK Government, will carry out evaluations linked to the monitoring of the OP, in particular where that monitoring reveals a significant departure from the goals initially set or where proposals are made for the revision of OPs, as referred to in Article 33. The results will be sent to the LMC and to the Commission.

The Commission may carry out strategic evaluations. Under Article 49(2) the Commission may carry out, on its own initiative and in partnership with the UK Government evaluations linked to the monitoring of the OP where monitoring has revealed a significant departure from the goals initially set. The results will be sent to the LMC.

In accordance with Article 49(3), the Commission will carry out an *ex post* evaluation for each objective in close co-operation with the Secretary of State, for the UK Government, and the MA. The *ex post* evaluation will cover the elements required by Article 49(3). It will be carried out by independent assessors and will be completed not later than three years after the end of the programming period.

8. FINANCIAL IMPLEMENTATION

Financial contributions by the Funds

Article 34 provides that operational programmes shall receive financing from only one Fund, save as otherwise provided in paragraph 3 (which is not relevant for the UK). Accordingly, the OP will receive funding only from the European Regional Development Fund.

This programme will not be seeking to use the derogation set out in Article 34(2), whereby the ERDF and the ESF may finance, in a complementary manner and subject to a limit of 10% of community funding for each priority axis of an operational programme, actions falling within the scope of assistance from the other fund, provided that they are necessary for the satisfactory implementation of the operation and are directly linked to it.

The MA will carry out an ongoing assessment of risk that the OP will fail to meet its financial and other targets, in particular the N+2 spend targets.

The MA will regularly monitor, increasing in frequency towards the end of the year, on the progress of the OP in meeting its N+2 targets. It will take the necessary course of action where the achievement of these targets is under threat.

At project level, risk will be assessed on the track record of the applicant, the nature of the project, the amount of the ERDF intervention and the total cost of the operation.

Differentiation of rates of contribution

In accordance with Article 53(1), the contribution from the Fund at the level of the OP will be calculated with reference to:

(a) total eligible expenditure including public and private expenditure; or

(b) public eligible expenditure

and will be subject to the ceilings set out in Annex III to Council Regulation 1083/2006.

The ERDF contribution for the OP will be subject to a maximum of 50% of the total eligible cost of the OP. Co-financing of support given by the ERDF will come from both a variety of public and private sources and both will be reflected within the OP Financial Table.

It will be a requirement of the OP that the source of co-financing for operations is identified prior to the issue of the formal approval of the operation.

Technical Assistance

Under Article 46 the Fund may, at the initiative of the Secretary of State, for the UK Government, finance the preparatory, management, monitoring, evaluation, information and control activities of the OP, together with activities to reinforce the administrative capacity for implementing the Fund within the limit of 4% of the total amount allocated for the OP (the limit for the Convergence and Regional competitiveness and employment objectives). As a matter of best practice, co-financing of Technical Assistance operations will be secured prior to formal approval of the individual operation.

The LMC will be invited to approve a plan for the use of Technical Assistance during the lifetime of the OP. This will be sent to the Commission for information. The Technical Assistance plan will be kept under review and may be changed, subject to the agreement of the LMC. However, the amount allocated will not exceed the 4% limit set down in Article 46.

Community budget commitments

Article 75 provides that the Community budget commitments in respect of operational programmes shall be effected annually for each Fund and objective during the period between 1 January 2007 and 31 December 2013. The first budget commitment shall be made before the adoption by the Commission of the decision approving the OP. Each subsequent commitment shall be made, as a general rule, by 30 April each year.

De-commitments

Provisions and procedures relating to de-commitment are laid down in Articles 93, 94, 95 and 96.

9. FINANCIAL FLOWS AND PAYMENTS

General

In setting up the system for managing and controlling the payment and expenditure of the ERDF contribution, the Secretary of State, as Member State, will: (a) observe all relevant requirements of the Structural Funds Regulations and these Implementing Provisions; (b) apply the standards of management and control generally applicable to the handling and expenditure of UK public funds; and (c) follow such general guidance and instructions as the UK Government and the Commission may provide from time to time on the management of European Community funds. The MA and the CA will operate the system according to the same requirements and standards.

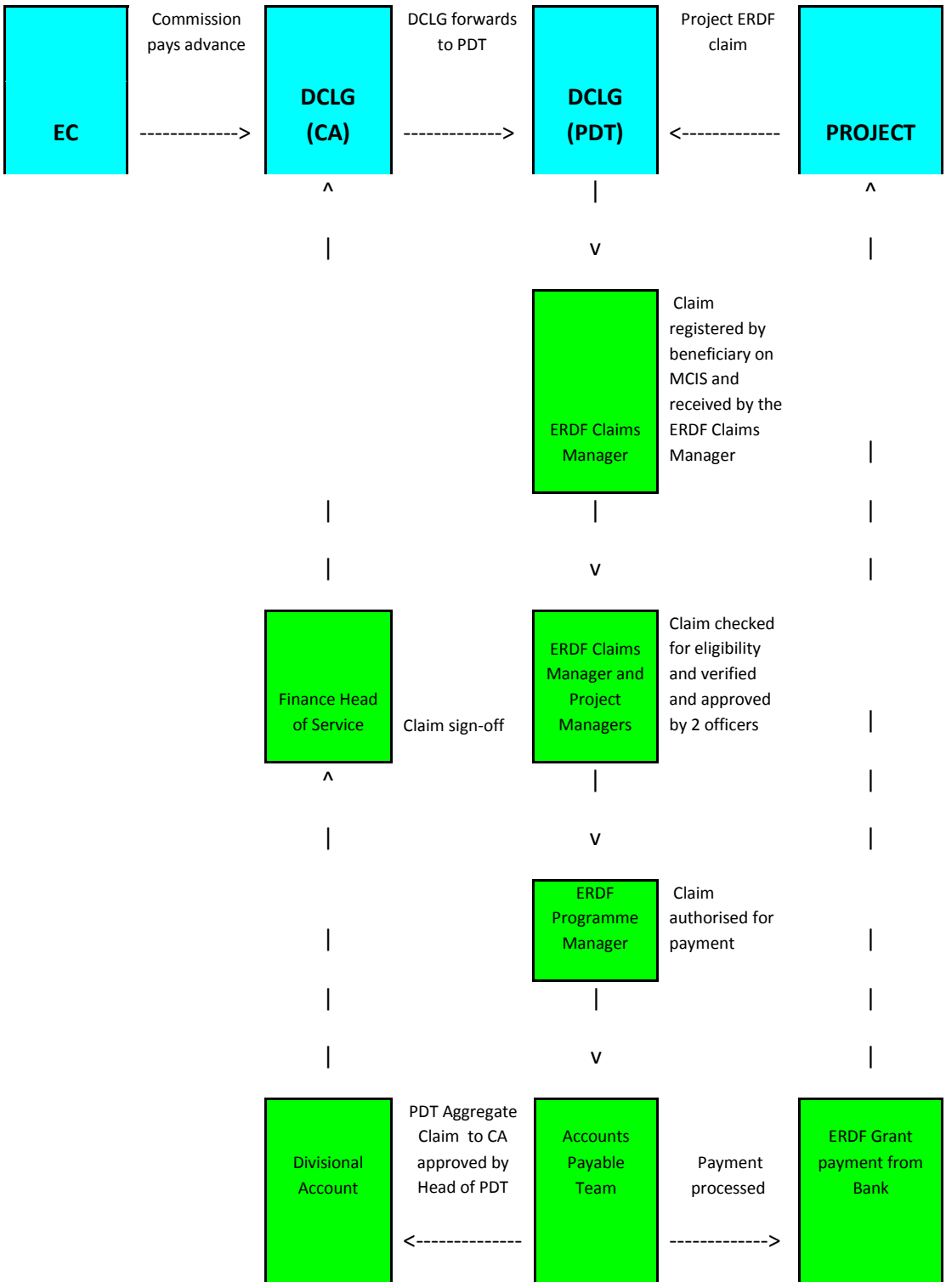
Financial Flows

Financial flows will operate in accordance with the Structural Funds Regulations and the following procedures:

The MA will be responsible for making offers of ERDF grant to persons responsible for selected operations. Offers of ERDF support will require grant recipients to comply with EC and national rules on eligibility of expenditure and with the requirements of the Public Procurement Regulations (which implement EC Directives on public procurement) or the need for suitable open selection procedure where the Directives do not apply. This also applies to applications for Technical Assistance support where the MA is the applicant. Operations will make declarations of interim claims expenditure to the MA. The MA will be responsible for verifying the validity of declared expenditure against the offer of grant and the eligibility conditions and other conditions set out in the grant offer.

The MA will make payments for operations subject to verifying declarations of eligible expenditure. No amount will be deducted or withheld; no charges will be levied.

Financial flows overview for 2007-13 ERDF OPs



The MA through the PDT will submit to the CA declarations of interim expenditure. These declarations will cover the aggregate of eligible payments claimed by operations, including global grant applications. Submissions will be accompanied by all the necessary supporting information required to demonstrate the eligibility of expenditure under the Structural Funds Regulations, national eligibility rules, UK financial management requirements and any additional requirements of the CA. The submission will be signed by the Head of the PDT.

The CA will draw up and submit to the Commission certificates of expenditure and applications for payment, in accordance with Article 78 and in the form prescribed in Annex X to Commission Regulation 1828/2006. The CA will review all information received from the MA under Article 61(c) (concerning procedures and verifications carried out in relation to expenditure) and from the AA under Article 61(d) (results of audits, including the annual control report). It will carry out such checks as it thinks are necessary and appropriate to satisfy itself as to the eligibility of expenditure claimed.

Payments

Payments from the Commission will take the form of: pre-financing; interim payments; and payments of the final balance. Payments will be made to the UK Government and received in a Treasury Account at the Bank of England. The MA will be authorised to draw down amounts from the account for the financing of the OP.

The UK Government will make appropriate arrangements to ensure that sufficient funds are available to meet the MA's declarations of eligible expenditure in advance of receiving interim payments from the Commission. Such arrangements will comply with UK Government Accounting and Budgeting requirements.

Use of Euro and conversion rates

In accordance with Article 81, all Statements of Expenditure and applications to the Commission for payment will be made in euros. Annual and final implementation reports will use the euro to report on expenditure. Amounts of expenditure incurred in sterling, in delivering operations, will be converted into euros using the monthly accounting exchange rate of the EC in the month during which the expenditure was registered in the accounts of the CA. This rate will be published electronically by the Commission each month.

10. FINANCIAL MANAGEMENT AND CONTROL ARRANGEMENTS

General provisions

Responsibility for providing an effective system of management and control of the OP lies with the Member State. The management and control system will comply with the requirements of Article 58 and will be subject to the reporting requirements laid down in Article 71.

Organisation

The MA will ensure that there is an appropriate separation of functions within its organisation between the units which are responsible for the functions of the MA falling within the flowing broad categories:

- appraising operations and issuing and varying offers of ERDF grant;
- verification of payment claims and monitoring operations; and
- financial matters, including making payments for operations and submitting declarations of expenditure to the CA.

The MA and CA will ensure that this separation of functions is maintained throughout the lifetime of the OP.

Accounting Systems

In order to facilitate the verification of expenditure by Community and national authorities, the MA, in exercising the function in Article 60(c), will ensure that all bodies involved in the management and implementation of the OP maintain either a separate accounting system or an adequate accounting codification capable of providing detailed and complete summaries of all transactions involving Community assistance.

Documentation

The MA will ensure that the requirements of Article 90 regarding the keeping of available documents are complied with.

Audit

Besides being subject to the activities of the AA, audit by the Commission and audit by the European Court of Auditors, the financial control and management system will be subject to audit by the UK domestic audit authorities (the National Audit Office)

Irregularities and financial corrections

The management and control system of the OP and steps taken by the MA to ensure that it is properly adhered to by all bodies concerned in the management and control of the programme will guard against irregularities while securing that any that do occur are detected, investigated and corrected. The MA will have a primary role in the detection, investigation and correction of irregularities (particularly by virtue of its responsibility for monitoring and verification), and will be responsible for recovering grant in appropriate cases.

The Secretary of State, as Member State, will be responsible under Article 98 for investigating irregularities and making financial corrections. The MA will notify irregularities to the Commission's OLAF service, through the Commission's Irregularities Management System.

The MA will report to the AA any cases involving fraud and will also report them to the Commission's OLAF service.

The MA will fulfil its responsibilities for the prevention, detection and investigation of irregularities and that it acts on reports prepared by the AA on any suspicion of irregularity.

11. INFORMATION AND PUBLICITY

The MA will ensure that information and publicity measures conform to the provisions of Article 69 of Council Regulation 1083/2006 and Articles 2 to 10 of Commission Regulation 1828/2006, to ensure the full visibility of the funds throughout the programming area.

Publicity forms an integral part of the programme strategy and the MA will ensure that the benefits of the ERDF is communicated to the wider public.

Innovative publicity activities and campaigns using print, broadcast and creative media will help the Managing Authority to clearly promote and position the ERDF brand. These activities will be developed proactively and implemented in collaboration with the European Commission in Brussels, the Representation Office in London and Information relays and networks in the UK, which will ensure the visibility and transparency of the funds at a local, regional and national level.

Potential project sponsors and final beneficiaries/fund recipients will be informed of funding opportunities and also the publicity requirements linked to receiving ERDF funding during the programming period.

To this end, the MA will draw up a budgeted communication plan, which must be agreed by the LMC and submitted to the Commission within four months of the adoption of the OP.

The Communication plan will set out:

- the objectives of the plan and the target groups;
- activities in support of publicity and information including events, seminars and project launches, for potential applicants, partners and the wider public
- bodies or persons responsible for the implementation of the plan;
- the budget for implementing the plan; and
- evaluation frameworks for the plan.

The MA will report on progress in implementing the plan (including examples of publicity activities) to the LMC and also in the annual implementation report. The communication plan will be easily accessible and will be published on the OP website.

Information will be provided by the MA to potential beneficiaries in accordance with Article 5 of Commission Regulation 1828/2006, including the publicity and information measures that they are required to undertake to comply with Articles 8 and 9 of that Regulation.

Project sponsors will be required to observe the publicity elements of Commission Regulation 1828/2006, especially with regard to signage, including billboards, plaques and promotional material.

Funding for publicity and communications will be provided through the Technical Assistance budget for the OP. The financial table for the OP will specify the amounts dedicated to the Technical Assistance Priority Axis.

12. SUPPLEMENTARY OBJECTIVES

Sustainable Development

The OP will promote the objectives of sustainable development as required by Article 17.

These objectives have been reflected in the programme strategy and objectives. The programme has been subject of a Strategic Environmental Assessment as required under Directive 2001/42/EC.

The Managing Authority will, in accordance with Article 10 of (EC) Directive 2001/42/EC, monitor the significant environmental effects of the OP in order, inter alia, to identify unforeseen adverse effects and be in a position to undertake appropriate remedial action. This monitoring will be undertaken at three levels:-

First, the Environmental Report has suggested a selection of tracking indicators that can be used to monitor the environmental performance of the area. The Managing Authority will monitor against these indicators, where appropriate, to determine changes that occur and potential relationships with programme activities. As stated in the SEA, data for the majority of these indicators can be obtained from readily available sources. Performance against these indicators will be reported in the Annual Implementation Reports.

Secondly, the effectiveness of mainstreaming Environmental Sustainability as a Cross Cutting Theme will be assessed through the relevant Priority level indicators. Progress against the Priority level indicators will be reported in the Annual Implementation Reports and discussed at meetings of the LMC.

Thirdly, the Environmental Report proposes checking criteria to appraise the appropriateness of individual supported activities where they would result in a physical development. These criteria will be used, where appropriate, at project development stage so that potential adverse effects of supported activities are appropriately managed. Projects that have significant negative effects that can not be mitigated and outweigh positive benefits will not be supported by the OP.

Procedures will be in place to detect any project with a potentially negative effect on Natura 2000 sites and other sites designated for nature conservation. These will be scrutinized by the MA in consultation with the Competent Environmental Authorities to ensure that no activities will be supported that will cause damage to designated sites. The appraisal process will also cover

opportunities to strengthen the environmental aspects of projects and the guidance that is being developed will advise on how this is to be done and how it will be monitored.

The MA and the LMC will be required to implement the OP having regard to the objectives of sustainable development. In particular, the selection criteria for operations, outputs and indicators will take account of the need to protect and promote environmental sustainability. This will also involve assessing the impact of operations on these objectives, on appraisal and during the course of project monitoring and evaluation.

Gender equality and equal opportunities

The OP will promote the objectives of equal opportunities and non-discrimination on the basis of race, ethnic origin, religion or belief, disability age or sexual orientation, as required by Article 16.

These objectives have been reflected in the programme strategy and priorities. The programme has been subject to an Equality Impact Screening as required by UK legislation, which are in Annex 7- to the OP. This programme has also carried out a full Equality Impact Assessment, which is in Annex 7 - to the OP.

The MA and the LMC will be required to implement the OP having regard to the objectives of equal opportunities and non-discrimination. This will involve assessing the impact of operations on these objectives, on appraisal and during the course of project monitoring and evaluation.

Major projects

Financial assistance may be given under the OP for the support of major projects. A major project is defined in Article 39 as an operation:

- which comprises an series of works, activities or services intended in itself to accomplish an indivisible task of a precise economic or technical nature;
- which has clearly identified goals; and
- whose total cost exceeds €50 million.

When the MA appraises a major project, it will inform the Commission before deciding to approve support under the OP and provide the information necessary for appraisal of the project by the Commission as set out in Article 40 using Annex XXI to Commission Regulation 1828/2006).

Complementarity with the European Social Fund

The MA will work with the MA for the national ESF programme (the Department for Work and Pensions) to ensure effective co-ordination of decisions taken in the implementation of the OP and the national ESF programme.

The MA will be responsible for advising the LMC on what co-ordination with the ESF programme is necessary for meeting the objectives of the OP. The MA will put in place appropriate communication and liaison arrangements with the MA for the ESF programme. The MA and local partners will consider whether a joint ERDF and ESF monitoring committee to aid co-ordination would benefit the OP.

The LMC may at any time meet jointly with any committee or group set up by the MA of the national ESF programme to discuss matters of mutual interest and to ensure effective co-ordination.

Complementarity with the European Agricultural Fund for Rural Development and the European Fisheries Fund

The MA will work with the MA for the EAFRD and EFF programmes (the Department for Environment, Food and Rural Affairs) to ensure effective co-ordination of decisions taken in the implementation of the OP and the national EAFRD and EFF programmes.

The MA will be responsible for advising the LMC what co-ordination with the EAFRD and EFF programmes is necessary for meeting the objectives of the OP. The MA will put in place appropriate communication and liaison arrangements with the MA for the EAFRD and EFF programmes.

The LMC may at any time meet jointly with any committee or group set up by the MA of the EAFRD and EFF programmes to discuss matters of mutual interest and to ensure effective co-ordination.

13. USE OF RESERVES

National Performance Reserve

A Member State may establish a National Performance Reserve for each of the Convergence or Regional Competitiveness objectives, consisting 3% of its total allocation for each objective. The UK Government has decided not to operate a national performance reserve for the OP.

National Contingency Reserve

A Member State may reserve an amount of 1% of the annual Convergence allocation and 3% of the annual Regional Competitiveness allocation to cover unforeseen local or sectoral crises linked to economic and social restructuring. The UK Government has decided not to operate a National Contingency Reserve for the OP.

14. FINANCIAL ENGINEERING

In accordance with Article 44 of 1083/06, the ERDF may be used to co-finance financial engineering schemes for enterprises, primarily small and medium enterprises. The MA will ensure that financial engineering operations supported by the ERDF are set up and implemented in compliance with Articles 43, 44 and 45 of Commission Regulation 1828/06.

Any proposal to set up financial engineering instruments will have to be agreed by the MA.

15. STATE AID

Any public support under this programme must comply with the procedural and material rules applicable at the point in time when the public support is granted. The Member State, and in particular the MA of each OP, is fully responsible for compliance of the Structural Funds operations within the programme with the EC state aid rules.

The Member State and the MA are responsible for ensuring that operations and activities supported under the OP are compatable with the common market.

9.0 Abbreviations

AA	Audit Authority
BBS	Business Birthrate Strategy
BREEAM	Building Research Establishments Environmental Assessment Method
CA	Certifying Authority
CDFI	Community Development Finance Instruments
CSG	Community Strategic Guidelines
DCLG	Department for Communities and Local Government
DEFRA	Department for Environment, Food and Rural Affairs
DTI	Department of Trade and Industry
DWP	Department for Work and Pensions
EAFRD	European Agricultural Fund for Rural Development
EC	European Commission
EFF	European Fisheries Fund
EIB	European Investment Bank
ERDF	European Regional Development Fund
ESF	European Social Fund
EU	European Union
GOSE	Government Office for the South East
IB	Intermediary Body
IRS	Integrated Regional Strategy
ISAP	Innovation Strategy and Action Plan

JEREMIE	Joint European Resources for Micro to Medium Enterprises
JESSICA	Joint European Support for Sustainable Investment in City Areas
MA	Managing Authority
NRP	National Reform Programme
NSRF	National Strategic Reference Framework
OP	Operational Programme
RDA	Regional Development Agency
RES	Regional Economic Strategy
RESPE	Regional Strategic Partnership
RIP	EAFRD Regional Implementation Plan
RSS	Regional Spatial Strategy
RSF	Regional Sustainability Framework
SCP	Sustainable Consumption and Production
SEA	Strategic Environmental Assessment
SEEDA	South East England Development Agency
SEERA	South East England Regional Assembly
SME	Small and Medium Sized Enterprise
SWOT	Strengths, Weaknesses, Opportunity and Threats analysis

10.0 Definitions

Ecological footprint: The Ecological Footprint measures the amount of biologically productive land and water area required to produce the resources an individual, population, or activity consumes and to absorb the waste they generate, given prevailing technology and resource management. This area is expressed in global hectares (gha), hectares with world-average biological productivity (1 hectare = 2.47 acres).

Operational Programme: document submitted by the Member State and adopted by the Commission. The Operational Programme sets out the strategy and priorities for spending Structural Funds in the region.

Strategic Programme Objective: is the identified need of the region and should be consistent with the priorities identified at the National Strategic Reference Framework (NSRF) and with the National Lisbon Reform Programme developed under the Lisbon process as a response to the Integrated Employment and Economic Guidelines.

Specific Programme Priorities: which the programme's priorities aim to achieve in line with the strategic programme objective. The link between the programme's specific objectives and the priority axes should be clearly established. The achievement of specific objectives should be measured by result and impact indicators as appropriate, when they lend themselves to quantification. The indicators must be achievable by the interventions carried out under the respective priority axis. The Lisbon indicators may be used for this purpose.

Priority Axes: The choice of priority axes should be justified in light of the NSRF thematic priorities and the specific objectives of the programme. The financial allocation priority axis should be justified by the programme strategy.

Output Indicators: relate to activity and are measured in physical or monetary units, for example, length of railway or motorway constructed, number of firms financially supported.

Result Indicators: relate to the direct and immediate effect on direct beneficiaries, such as improved performance, brought about by a programme. These can be physical (e.g. reduction in journey times) or financial leverage of private sector resources).

Impact Indicators: relate to longer term impacts of the programme, but directly linked to actions taken under the programme. There might also be global longer term impacts affecting a wider population.

Lisbon Agenda: In March 2000, European Heads of State and Government committed themselves to a ten-year strategy to become the 'most competitive and dynamic knowledge-based economy in the world, capable of creating sustainable economic growth with more and better jobs and greater social inclusion' by 2010. In March 2005, EU Heads of Government relaunched the Lisbon Strategy with a new focus on jobs and growth.

Lisbon National Reform Programme: sets out the UK Government's strategy for delivery long term sustainable growth through: macroeconomic policies for jobs and growth; promoting higher productivity; and increasing employment opportunity for all.

Lisbon Earmarking: The requirement that a proportion of the ERDF programme funds are dedicated to funding certain agreed actions that are judged to contribute to the targets of the Lisbon Agenda. For Competitiveness Programmes the minimum proportion is set at 75% of programme funds.

National Strategic Reference Framework: On 23 October 2006 the UK Government published the National Strategic Reference Framework which sets out the national priorities and regional funding allocations for the 2007-13 Structural Funds Programmes.

Technical Assistance: uses a percentage of the region's ERDF allocation to assist with programme preparation and administration, evaluation and publicity.

Mainstreaming: the intent to introduce a certain way of thinking or acting into routine activities. Typically this can involve using pilot actions or small innovative activities to bring about change and to introduce the new approach into 'mainstream' programmes.

Small and Medium Sized Enterprises (SMEs): The definition of an SME is any enterprise that has a head count equal to or less than 250 persons, a turnover equal to or less than €50m per year, or a balance sheet equal to or less than €43m per year. For the purposes of this Operational Programme the term Small and Medium Sized Enterprise (SME) should be taken to include micro–enterprises and social enterprises. A formal definition of an SME, including exemptions for research institutes, is to be found in the Official Journal L124 dated 20.5.2003

Policy threshold: the scale at which policies and policy objectives are able to be effectively implemented. For example, there is currently a widely-held view that it is more economic for larger companies to implement green travel plans or to adopt resource-efficient business practices than for SMEs to do so.

Theme	Indicative Actions	Illustrative examples
Promoting Resource Efficient Business Practices;	The development of learning networks of SMEs and other organisations, such as 'green clubs'	
	Support for the development of green travel plans and sustainable mobility strategies.	
	Support for strengthening capacity of regional 'relay' points to develop pan-regional capacity in the regional enterprise hub and enterprise gateway networks, and other specialised centres, to stimulate resource efficiency actions in SMEs.	
	Events and pilot actions promoting greater resource efficiency amongst SMEs	
	Actions promoting behavioural change amongst businesses and industry in areas such as green procurement and supply chains, sustainable production patterns, resource efficiency, waste management and use of environmental management systems	

Theme	Indicative Actions	Illustrative examples
Stimulating Innovation for a Sustainable Economy	Facilitating innovation networks and technology platforms	
	Support for knowledge transfer activities by • Building appropriate connections between HEIs, research centres and SMEs in the region • Assisting SMEs to access ideas generated from outside of the region • Provision of specialist advisory and facilitation services	

Theme	Indicative Actions	Illustrative examples
	Support to build the capacity for innovation in SMEs by: - The promotion of innovative products, process and ideas for environmental improvements and sustainability - Support for identifying, accessing and implementing suitable technical solutions - Support to build the capacity in SMEs for innovation - Provision of specialist advisory and facilitation services - Support for eco-audits and advice services - Support for identifying, accessing and implementing suitable technical solutions Fostering enabling and emerging technologies	
	Measures to assist the integration of innovation good practice through: • Actions that integrate the experience of good practice from other EU or national programmes • Development of strategies and implementation plans	

Theme	Indicative Actions	Illustrative examples
	Signposting, and developing, innovative financial to support SMEs to find appropriate access to finance	
	Support for the commercialisation of innovative ideas by: • Assisting the commercialisation of new products and processes • Support for research into the commercial feasibility of new ideas • Support for the development of new companies	
Encouraging Sustainable Consumption Practices	Support to engage SMEs with public procurement bodies to inform the development of sustainable procurement strategies	
	Support for strengthening capacity of regional 'relay' points to support for SMEs to develop the capacity to enter markets created by sustainable procurement strategies	
	Events and pilot actions to facilitate the development of more effective sustainable procurement strategies	

South East England 2007-13 ERDF Competitiveness Operational Programme

Annexes

June 2007

Contents

PAGE

Annex One: Socio-Economic Context – Additional Data 2

Annex Two: Policy Flow Diagram 19

Annex Three: Information Sources 21

Annex Four: Lisbon Earmarking Table 24

Annex Five: Strategy Environmental Assessment 29

Annex Six: Ex-Ante Evaluation 31

Annex Seven: Equalities Impact Assessment 33

Annex Eight: Financial Allocations Annual Breakdowns 35

Annex Nine: ERDF/EFARD Demarcation Table 37

* Please note Annex 5-7 sent under separate cover

Annex One: Socio-Economic Context – Additional Data

Table A1-1: Resident Based Gross Value Added at current basic prices (£ million)

	1991		2001		2002		2003		2004	
	£ m	Rank	£ m	Rank	£ m	Rank	£ m	Rank	£ m	Rank
London	79,358	1	140,366	1	150,655	1	159,442	1	164,961	1
South East	75,091	2	137,423	2	144,253	2	151,814	2	158,187	2
North West	55,695	3	87,914	3	92,163	3	97,096	3	101,996	3
East	50,181	4	86,179	4	90,721	4	95,906	4	100,307	4
Scotland	45,364	5	70,210	6	74,095	5	78,504	5	82,050	5
West Midlands	43,047	6	70,556	5	73,960	6	77,797	6	81,745	6
South West	38,976	8	67,335	7	71,095	7	75,086	7	78,650	7
Yorkshire and the Humber	39,968	7	63,732	8	67,456	8	71,553	8	75,219	8
East Midlands	34,124	9	55,828	9	58,908	9	62,434	9	65,770	9
Wales	21,407	10	33,512	10	35,277	10	37,359	10	39,243	10
North East	19,556	11	29,343	11	30,801	11	32,518	11	34,188	11
Northern Ireland	11,074	12	19,817	12	20,825	12	21,952	12	23,058	12
United Kingdom	523,786		883,412		930,796		981,732		1,033,324	
England	435,997		738,676		780,012		823,646		861,022	

Source: ONS, 2005

Table A1-2: Gross Value Added per Head

	1991		2001		2002		2003		2004	
	£	Rank	£	Rank	£	Rank	£	Rank	£	Rank
London	11,620	1	19,169	1	20,438	1	21,582	1	22,204	1
South East	9,843	2	17,128	2	17,933	2	18,788	2	19,505	2
East	9,799	3	15,958	3	16,731	3	17,556	3	18,267	3
Scotland	8,924	4	13,864	4	14,658	4	15,523	4	16,157	4
South West	8,314	6	13,621	5	14,312	5	15,019	5	15,611	5
East Midlands	8,507	5	13,325	7	13,950	6	14,682	6	15,368	6
West Midlands	8,231	7	13,361	6	13,944	7	14,624	7	15,325	7
North West	8,139	8	12,980	8	13,586	8	14,269	9	14,940	8
Yorkshire and the Humber	8,097	9	12,806	9	13,510	9	14,284	8	14,928	9
Northern Ireland	6,890	12	11,731	10	12,274	10	12,893	10	13,482	10
North East	7,560	10	11,552	11	12,136	11	12,805	11	13,433	11
Wales	7,451	11	11,515	12	12,067	12	12,716	12	13,292	12
England	9,107		14,938		15,711		16,521		17,188	
United Kingdom	9,119		14,944		15,691		16,485		17,258	

Source: ONS. 2005

Table A1-3: Gross Annual Pay for workers in full-time employment

	Workplace		Residence	
	Median	Mean	Median	Mean
United Kingdom	**23,580**	**29,331**	**23,580**	**29,331**
England	**23,945**	**30,097**	**23,982**	**30,171**
South East	**24,857**	**30,630**	**26,001**	**33,278**
Bracknell Forest	33,606	39,868	29,310	38,480
Windsor and Maidenhead	30,832	-	34,366	47,005
Wokingham	30,489	39,541	33,279	39,300
West Berkshire	29,838	33,468	28,961	35,468
Surrey	27,998	34,988	30,624	41,427
Reading	27,595	33,667	24,310	28,379
Slough	27,480	37,614	23,412	26,785
Buckinghamshire	25,479	31,643	28,000	-
Oxfordshire	25,086	28,874	25,890	32,835
Portsmouth	24,870	29,539	21,986	24,306
Hampshire	24,695	29,477	25,964	31,456
Southampton	24,515	30,831	22,267	24,711
Milton Keynes	24,498	29,682	24,015	30,772
Brighton and Hove	23,495	26,461	24,460	28,699
West Sussex	23,283	27,499	25,340	30,523
Kent	22,735	27,631	25,150	32,463
Medway	22,211	24,726	23,911	26,676
East Sussex	21,408	24,121	23,114	28,535
Isle of Wight	21,259	21,847	21,653	24,529

Source: ONS Crown Copyright, 'Annual Survey of Hours and Earnings 2006', gross annual pay- workplace based media tables 7.7 and 8.7

Table A1-4: South East Population Projections

Year	All	Male	Female	All			Male			Female		
				0-19	20-64	65+	0-19	20-64	65+	0-19	20-64	65+
2003	8,080,400	3,957,000	4,123,200	24.6	58.9	16.5	25.9	59.9	14.3	23.4	58.1	18.6
2004	8,122,100	3,980,600	4,141,500	24.6	58.9	16.5	25.8	59.8	14.4	23.4	58.1	18.5
2005	8,166,000	4,004,900	4,161,300	24.4	59.0	16.6	25.6	59.8	14.5	23.3	58.2	18.5
2006	8,210,300	4,029,400	4,181,100	24.3	59.1	16.6	25.5	59.9	14.6	23.2	58.4	18.4
2007	8,255,600	4,053,900	4,201,500	24.1	59.2	16.6	25.3	60.0	14.8	23.1	58.5	18.5
2008	8,299,900	4,078,400	4,221,400	23.9	59.2	16.8	25.0	60.0	15.0	22.9	58.5	18.6
2009	8,344,500	4,102,900	4,241,200	23.7	59.2	17.1	24.8	59.9	15.3	22.7	58.5	18.8
2010	8,389,400	4,127,400	4,261,900	23.5	59.2	17.3	24.5	59.8	15.6	22.5	58.5	19.0
2011	8,434,300	4,151,900	4,282,800	23.3	59.1	17.6	24.3	59.8	16.0	22.3	58.5	19.2
2012	8,480,500	4,176,700	4,303,800	23.1	58.8	18.2	24.0	59.4	16.5	22.1	58.2	19.7
2013	8,526,900	4,201,400	4,325,500	22.9	58.5	18.6	23.8	59.2	17.0	22.0	57.9	20.1
2014	8,574,100	4,226,200	4,347,800	22.7	58.4	18.9	23.6	59.0	17.4	21.8	57.8	20.4
2015	8,621,100	4,251,000	4,370,300	22.6	58.2	19.2	23.5	58.9	17.6	21.7	57.6	20.7
2016	8,669,200	4,275,600	4,393,100	22.5	58.1	19.4	23.4	58.8	17.9	21.6	57.5	20.9
2017	8,716,800	4,300,700	4,416,400	22.3	58.1	19.6	23.2	58.7	18.1	21.5	57.4	21.1
2018	8,765,100	4,325,400	4,439,700	22.3	57.9	19.8	23.1	58.6	18.3	21.4	57.3	21.3
2019	8,813,600	4,350,100	4,463,600	22.2	57.8	20.0	23.0	58.4	18.5	21.3	57.2	21.5
2020	8,862,200	4,374,500	4,487,400	22.1	57.7	20.2	23.0	58.3	18.7	21.3	57.0	21.7
2021	8,910,400	4,398,700	4,511,500	22.1	57.5	20.4	23.0	58.1	18.9	21.3	56.8	21.9
2022	8,958,200	4,422,600	4,535,800	22.1	57.2	20.7	23.0	57.9	19.2	21.3	56.6	22.1
2023	9,005,000	4,445,700	4,559,100	22.1	57.0	20.9	22.9	57.6	19.4	21.3	56.4	22.4
2024	9,050,600	4,468,400	4,582,100	22.0	56.8	21.2	22.9	57.4	19.7	21.2	56.2	22.7
2025	9,095,500	4,490,400	4,605,200	22.0	56.6	21.5	22.8	57.2	20.0	21.1	55.9	22.9
2026	9,139,300	4,512,000	4,627,300	21.9	56.3	21.8	22.7	56.9	20.3	21.1	55.7	23.3
2027	9,181,600	4,532,800	4,648,900	21.9	56.0	22.1	22.7	56.7	20.6	21.0	55.3	23.6
2028	9,222,200	4,552,600	4,669,400	21.8	55.7	22.5	22.7	56.4	21.0	21.0	55.0	24.0

Source: ONS, 2003 based population projections

Table A1-5: Household Projections for England and the South East (thousands)

Household types:	1991		2001		2003		2011		2021	
	SE	England	SE	England	SE	England	SE	England	SE	England
Married couple	1,738	10,528	1,660	9,709	1,644	9,608	1,584	9,170	1,563	8,935
Cohabiting couple	199	1,161	299	1,788	310	1,867	429	2,567	532	3,148
Lone parent	125	977	191	1,476	202	1,566	222	1,735	232	1,837
Other multi-person	208	1,407	205	1,387	208	1,416	223	1,531	245	1,698
One person	758	5,094	940	6,163	984	6,447	1,168	7,562	1,441	9,164
All households	**3,028**	**19,166**	**3,294**	**20,523**	**3,348**	**20,904**	**3,626**	**22,566**	**4,013**	**24,781**
Private household population	7,452	47,023	7,833	48,558	7,890	48,963	8,239	50,671	8,705	52,975
Average household size	2.46	2.45	2.38	2.37	2.36	2.34	2.27	2.25	2.17	2.14

Source: ODPM, 2006

Table A1-6: Sub-regional breakdown of Black and Minority Ethnic Communities as a Percentage of the 16+ population

Area	All ethnic minorities % of sub regional population	All ethnic minority population
Bracknell Forest	5.7	5,200
Brighton and Hove	6.9	14,500
Buckinghamshire	6.7	26,300
East Sussex	3.1	12,700
Hampshire	1.9	19,300
Isle of Wight	1.0	1,100
Kent	3.3	35,400
Medway	4.6	9,100
Milton Keynes	9.9	16,600
Oxfordshire	5.5	26,800
Portsmouth	5.9	9,100
Reading	15.7	18,300
Slough	43.0	40,500
Southampton	7.2	13,000
Surrey	6.7	57,100
West Berkshire	3.1	3,600
West Sussex	4.0	24,700
Windsor & Maidenhead	6.9	7,400
Wokingham	6.6	8,200
South East Region	5.4	348,900

Source: Annual Population Survey, 2006

Table A1-7: Employment and Economic Activity

	Employment rate - working age (Oct 2004-Sep 2005)	Employment rate - working age (Oct 2004-Sep 2005)	Economic activity rate - working age Oct 2004-Sep 2005* NI 2004	Economic activity rate - working age Oct 2004-Sep 2005* NI 2004
	%	Rank (of 432)		Rank (of 433)
UK / Great Britain	74.4		78.5	

	Employment rate - working age (Oct 2004-Sep 2005)	Employment rate - working age (Oct 2004-Sep 2005)	Economic activity rate - working age Oct 2004-Sep 2005* NI 2004	Economic activity rate - working age Oct 2004-Sep 2005* NI 2004
South East	79.0	1 (of 12)	81.6	3 (of 12)
West Oxfordshire	86.3	2	88.9	2
Fareham	85.2	5	87.6	4
Aylesbury Vale	84.5	12	86.4	13
Cherwell	84	15	86.3	14
Basingstoke and Deane	84	16	85.9	19
Surrey Heath	84	17	86	18
West Berkshire	83.6	18	86.2	15
East Hampshire	83.3	24	84.6	44
Mid Sussex	83.3	25	86.2	16
Vale of White Horse	83.2	27	85.5	24
Rushmoor	82.8	32	84.9	37
Epsom and Ewell	82.7	35	84.8	39
Horsham	82.7	36	84.8	38
Wycombe	82.7	37	85.4	26
Eastleigh	82.2	42	84.3	53
South Buckinghamshire	82.2	43	85.2	31
Winchester	82	48	84	63
Spelthorne	81.9	50	84.7	41
Wealden	81.8	52	83.9	65
Worthing	81.7	53	84.1	60
Hart	81.6	54	83.8	69
Runnymede	81.5	55	83.9	66
South Oxfordshire	81.4	57	82.8	93
Wokingham	81.3	59	83.8	67
Windsor and Maidenhead	81.3	61	83.1	84
Test Valley	81.1	65	83	86
Gosport	81	69	84.5	49
Rother	80.8	74	84.6	46
Waverley	80.8	77	84.2	58

	Employment rate - working age (Oct 2004-Sep 2005)	Employment rate - working age (Oct 2004-Sep 2005)	Economic activity rate - working age Oct 2004-Sep 2005* NI 2004	Economic activity rate - working age Oct 2004-Sep 2005* NI 2004
Tonbridge and Malling	80.8	78	83.4	78
Milton Keynes	80.2	91	84.3	54
Adur	80.1	92	83.1	83
Tandridge	79.9	98	82.4	107
Tunbridge Wells	79.9	99	83.6	75
New Forest	79.8	101	81.1	161
Guildford	79.7	105	82.6	103
Havant	79.7	108	82.8	96
Mole Valley	79.7	109	81.4	146
Elmbridge	79.5	115	82.9	91
Maidstone	78.9	130	83.2	81
Swale	78.7	137	81.9	130
Woking	78.2	157	82.7	101
Dartford	78.2	158	81.9	131
Sevenoaks	78.1	164	79.8	218
Ashford	77.8	172	81.6	142
Chichester	77.7	176	80.5	189
Reigate and Banstead	77.4	193	79.2	241
Chiltern	77.2	196	81.3	150
Isle of Wight	77.2	202	80.3	196
Lewes	77.1	204	80.2	197
Canterbury	77.1	206	78.4	266
Gravesham	76.8	212	78.8	249
Shepway	76.7	216	79.7	223
Crawley	76.2	232	81.3	151
Reading	75.4	254	79.3	235
Eastbourne	75.3	255	80.8	178
Arun	75.2	257	78.6	261
Slough	74.6	271	78	277
Medway Towns	74.5	272	79.3	236
Thanet	74	294	80	207

	Employment rate - working age (Oct 2004-Sep 2005)	Employment rate - working age (Oct 2004-Sep 2005)	Economic activity rate - working age Oct 2004-Sep 2005* NI 2004	Economic activity rate - working age Oct 2004-Sep 2005* NI 2004
Dover	73.1	306	77.9	281
Brighton & Hove	72.8	314	78.7	253
Hastings	72.7	317	75.7	341
Portsmouth	72.6	318	77.7	291
Southampton	71.8	331	75.9	334
Oxford	71.5	337	74.4	364

Sources: Annual Population Survey, 2005

Table A1-8: Worklessness by English Region

	Working-age people in workless households (%)		Children living in working-age workless households (%)	
London	14.4	1	25.6	1
North East	14.2	2	19.4	2
North West	12.8	3	17.0	3
Yorkshire and the Humber	12.7	4	15.9	5
West Midlands	11.0	5	16.5	4
East Midlands	10.5	6	12.5	6
South West	9.8	7	11.1	8
East of England	8.8	8	11.4	7
South East	8.1	9	9.7	9
England	11.2		15.6	

Source: Labour Force Survey, Spring Quarter 2006, ONS

Table A1-9 Employment by Sector

	GB		South East	
	number	%	number	%
A : Agriculture, hunting and forestry	179,626	0.8	39,945	1.1
B : Fishing	2,480	0.01	427	>0.1
C : Mining and quarrying	28,583	0.1	3,829	13.4
D : Manufacturing	2,545,920	11.1	330,186	8.8

	GB		South East	
	number	%	number	%
E : Electricity, gas and water supply	79,954	0.3	16,349	0.4
F : Construction	1,029,983	4.5	163,681	4.3
G : Wholesale and retail trade; repair of motor vehicles, motorcycles and personal and household goods	4,041,796	17.7	709,760	18.9
H : Hotels and restaurants	1,526,152	6.7	253,835	6.8
I : Transport, storage and communication	1,402,968	6.1	227,727	6.1
J : Financial intermediation	913,489	4.0	127,429	3.4
K : Real estate, renting and business activities	3,983,597	17.4	767,014	20.0
L : Public administration and defence; compulsory social security	1,192,977	5.2	157,278	4.2
M : Education	2,149,449	9.4	347,977	9.2
N : Health and social work	2,669,499	11.6	419,527	11.2
O : Other community, social and personal service activities	1,175,195	5.1	197,456	5.3
Total	22,921,669	100	3,762,418	100

Source: Annual Business Inquiry, 2005

Table A1-10 High Tech Manufacturing Industries in 2005

	South East		England	
Manufacturing Industry	No. of Employees	% of Total Employment	No. of Employees	% of Total Employment
Pharmaceuticals, medicinal chemicals and botanical products	14016	0.4	51088	0.2
Office machinery and computers	5280	0.1	19196	0.1
Electronic valves and tubes and other electronic components	3165	0.1	18345	0.1
Television and radio transmitters and apparatus for line telephony and line telegraph	3929	0.1	15798	0.1
Television and radio receivers, sound or video recording or reproducing apparatus and associated goods	3591	0.1	12604	0.1

Manufacturing Industry	South East No. of Employees	South East % of Total Employment	England No. of Employees	England % of Total Employment
Aircraft and spacecraft	9480	0.3	74127	0.3
Total	39461	1.0	191156	0.8

Source: Annual Business Inquiry, 2005

Table A1-11 High Tech Service Industries in 2005

Service Industry	South East No. of Employees	South East % of Total Employment	England No. of Employees	England % of Total Employment
Telecommunications	39,302	1.0	194,215	0.8
Hardware consultancy	4,848	0.1	18,151	0.1
Software consultancy and supply	88,483	2.4	291,748	1.3
Data processing	6,340	0.2	33,997	0.1
Data base activities	3,409	0.1	15,926	0.1
Other computer related activities	21,493	0.6	78,283	0.3
Research and Development: Natural sciences/engineering	27,048	0.7	90,248	0.4
Research and Development: Social sciences/humanities	699	0.0	3,167	0.0
Total	191,623	5.1	725,734	3.2

Source: Annual Business Inquiry, 2005

Table A1-12: VAT Registrations All Industries, as a percentage of VAT Registered Business Stock

	1998	1999	2000	2001	2002	2003	2004
London	15.0	13.8	13.4	12.0	11.8	12.7	12.4
South East	11.6	10.9	10.6	9.9	10.2	10.7	9.9
East Midlands	10.2	9.7	9.9	9.5	9.9	10.4	9.8
West Midlands	10.5	10.1	10.0	9.5	9.7	10.4	9.8
Wales	7.9	7.8	8.0	7.6	8.0	8.9	8.7
East of England	10.5	9.8	10.1	9.4	9.9	10.2	9.6
North East	9.6	9.7	9.8	9.3	9.8	10.7	9.4

North West	10.9	10.3	10.4	9.8	10.3	10.9	9.4
Yorkshire and Humber	9.7	9.5	9.6	9.3	9.8	10.7	9.8
East of England	10.5	9.8	10.1	9.4	9.9	10.2	9.6
South West	9.9	9.5	9.4	8.7	9.3	9.7	9.0
Scotland	9.7	9.3	9.0	8.7	8.8	9.3	9.3
Northern Ireland	6.7	6.4	6.0	6.1	6.1	6.1	6.4
UK	10.9	10.4	10.3	9.6	9.9	10.5	10.0

Source: DTI, Small Business Service, 2006

Table A1-13: Percentage of businesses still registered for VAT three years after registering

	1993		1994		1995		1996		1997		1998		1999	
	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank
Northern Ireland	68.5	1	73.7	1	76.1	1	75.0	1	75.0	1	72.4	1	72.4	1
South East	63.5	3	64.3	3	68.3	2	69.5	2	70.7	2	69.6	2	69.7	2
East of England	63.6	2	64.2	4	67.1	4	68.5	4	69.8	4	68.8	3	68.1	3
South West	63.4	4	64.6	2	68.1	3	68.6	3	70.2	3	68.7	4	68.0	4
Wales	61.3	8	63.6	5	65.5	5	66.5	5	67.7	5	66.5	6	68.0	4
East Midlands	62.7	6	61.9	7	65.0	6	65.2	6	67.1	6	66.6	5	67.7	6
West Midlands	60.9	9	61.9	7	63.1	9	64.7	7	65.9	10	66.4	7	66.5	7
Yorkshire and the Humber	60.6	10	61.3	9	64.3	8	64.3	9	66.7	7	65.1	9	66.1	8
North East	58.5	12	58.6	12	62.4	12	64.7	7	66.4	9	66.2	8	65.5	9
Scotland	63.0	5	62.2	6	64.9	7	64.0	10	66.5	8	64.5	11	65.3	10
North West	59.2	11	59.8	11	62.7	10	63.6	11	64.2	11	65.1	9	64.9	11
London	61.4	7	60.8	10	62.6	11	63.3	12	64.2	11	62.5	12	62.8	12
England	**61.9**		**62.2**		**65.0**		**66.0**		**67.3**		**66.3**		**66.4**	
United Kingdom	**62.1**		**62.5**		**65.3**		**66.0**		**67.4**		**66.3**		**66.5**	

Source: Inter-Departmental Business Register, ONS, and Small Business Service, DTI

Table A1-14: Total Entrepreneurial Activity

	I expect to start a business in the next 3 years	I know an entrepreneur	There are good start-up opportunities where I live	I have the skills to start a business	Fear of failure would prevent start-up
London	11.4	25.6	32.8	45.8	35.5
South East	8.6	26.8	39.3	52.7	34.9
East Midlands	7.8	24.2	36.1	51.6	34.3
West Midlands	7.6	26.1	34.6	49.6	37.1
Wales	6.9	24.6	31.0	45.9	33.8
East of England	6.6	27.1	38.6	49.5	35.3
North East	6.4	24.5	34.0	43.5	38.6
North West	6.4	23.5	34.6	44.7	37.0
Yorkshire & the Humber	6.3	26.1	33.5	44.5	34.6
Scotland	5.9	26.1	35.0	48.5	38.1
Northern Ireland	5.6	25.7	35.2	41.5	41.8
South West	5.3	30.2	38.8	55.7	31.9
UK	7.8	27.2	36.8	49.6	35.8

Source: Global Entrepreneurship Monitor, 2006

Table A1-15: Regions Innovation Performance

Region	Innovation Active	% of companies introducing new process/ product (2002-2004)
South East	60	32
East of England	55	31
South West	57	30
Wales	57	28
East Midlands	57	32
West Midlands	55	30
Yorkshire and the Humber	58	30
North East	57	30
Scotland	56	28
North West	58	28
Northern Ireland	56	30
London	57	33
UK	57	30

Source: Community Innovation Survey 4

Table A1-16: Total Investment by Foreign Owned Companies

	1998	1999	2000	2001	2002	2003	2004	Average (98-04)
London	1,548	2,403	2,464	3,118	2,530	*	*	-
South East	2,774	2,308	3,873	2,872	2,842	2,726	2,871	2895
Scotland	2,810	1,988	2,401	2,809	2,566	3,213	2,747	2648
West Midlands	1,082	789	1,179	1,452	962	*	*	-
East of England	1,607	1,187	1,863	1,210	1,124	1,137	1,238	1338
South West	647	552	952	1,109	1,007	870	1,125	895
North West	802	649	965	993	992	1,015	1,246	952
North East	859	721	716	985	1,101	985	1,079	921
East Midlands	726	526	683	747	702	*	1,023	-
Yorkshire and the Humber	375	473	901	742	738	1,046	1,017	756
Wales	527	436	443	468	*	*	575	-
Northern Ireland	243	227	243	257	*	*	143	-
England	10,420	9,607	13,597	13,229	11,997	12,662	12,770	12,040

Source: ABI, ONS

Table A1-17: Total Investment by UK Owned Firms

	1998	1999	2000	2001	2002	2003	2004	Average (98-04)
London	15,347	13,603	14,469	12,629	10,604	*	*	-
South East	9,120	10,961	10,162	9,958	10,766	9,559	9,537	10,009
North West	8,304	8,173	7,029	8,039	7,475	7,306	7,744	7,724
Scotland	7,441	6,675	6,046	6,078	6,307	5,736	6,499	6,397
West Midlands	5,830	5,017	5,358	5,534	5,128	*	*	-
South West	4,641	5,761	6,001	5,494	5,534	4,771	4,598	5,257
East of England	4,978	5,659	5,973	5,431	5,154	5,569	5,339	5,443
Yorkshire and the Humber	5,406	4,912	4,889	4,890	5,565	5,414	5,520	5,228
East Midlands	4,252	4,711	3,770	3,692	3,246	*	4,410	4,014
North East	2,765	3,008	2,636	2,575	1,998	1,498	1,794	2,325
Wales	2,835	2,728	2,056	2,368	*	*	2,241	-
Northern Ireland	1,637	1,705	1,695	1,827	*	*	1,708	-
England	60,643	61,804	60,288	58,241	55,468	54,073	54,491	57,858

Source: ABI, ONS

Table A1-18: Educational Attainment at NVQ levels 4 and 5

DataSet	% with NVQ4+ - working age (Jun 2004 - May 2005)	% with NVQ4+ - working age (Jun 2004 - May 2005)
	%	Rank (of 407)
Great Britain	26.1	
South East	29.2	3
Mole Valley	44	9
Chiltern	43	12
Elmbridge	42.3	13

DataSet	% with NVQ4+ - working age (Jun 2004 - May 2005)	% with NVQ4+ - working age (Jun 2004 - May 2005)
Brighton and Hove	41.9	14
Winchester	41.2	16
Woking	40.5	19
Guildford	39.9	23
Lewes	38.7	31
Windsor and Maidenhead	38.5	32
Oxford	37.6	34
Tandridge	37.5	35
South Oxfordshire	37.5	36
Reading	36.8	40
Wokingham	36.7	42
South Buckinghamshire	36	45
Reigate and Banstead	35.9	46
Waverley	35.8	47
Canterbury	35.8	49
Epsom and Ewell	35.7	50
West Berkshire	35.5	52
Vale of White Horse	35.3	53
Hart	34.6	61
Surrey Heath	33.8	69
Wycombe	33.6	72
East Hampshire	33.1	74
Rother	33.1	75
Mid Sussex	32.6	84
Tunbridge Wells	31.7	95
Horsham	30	119
Runnymede	29.8	122
Aylesbury Vale	29.4	125
Eastbourne	29.3	126
Wealden	29.3	128
Rushmoor	27.5	153
Basingstoke and Deane	27.5	154
Fareham	27	162
Maidstone	26.8	168

DataSet	% with NVQ4+ - working age (Jun 2004 - May 2005)	% with NVQ4+ - working age (Jun 2004 - May 2005)
West Oxfordshire	26.5	175
Sevenoaks	26.3	178
Ashford	26	182
Portsmouth	25.8	187
Tonbridge and Malling	25.6	192
Eastleigh	25.4	195
Chichester	25.3	199
Spelthorne	25.3	200
Southampton	24.8	213
Test Valley	24.5	219
Worthing	24.3	226
Milton Keynes	23.6	239
Havant	22.4	266
Cherwell	21.8	273
Arun	21.6	279
Adur	21.5	283
Slough	21.1	289
Swale	21.1	291
Gravesham	20.4	309
Thanet	20.4	312
Dover	20.4	313
New Forest	19.7	320
Shepway	18.5	347
Crawley	18.4	351
Gosport	17.3	367
Medway Towns	16.9	369
Hastings	16.6	372
Isle of Wight	16.1	378
Dartford	15.9	384

Source: Labour Force Survey, ONS

Table A1-19: Emissions per capita – Carbon equivalent per resident

	Industrial and commercial		Domestic		Road transport		Total	
	KG/Head	Rank	KG/Head	Rank	KG/Head	Rank	KG/Head	Rank
North East	2,300	1	700	7	590	8	3,580	1
Yorkshire and the Humber	1,520	2	740	1	710	6	2,980	2
East Midlands	1,230	3	710	4	820	1	2,800	3
North West	1,070	4	710	4	680	7	2,480	4
West Midlands	1,020	5	700	7	740	4	2,480	4
South West	920	6	730	2	730	5	2,420	6
East of England	850	8	710	4	790	2	2,390	7
South East	860	7	730	2	780	3	2,370	8
London	820	9	650	9	460	9	1,930	9
England	1,080		710		700		2,500	

Source: Defra, 2004

Table A1-20: Method of Travel to Work

	Car, van or minibus		Motorcycle		Bicycle		Bus, coach		National rail		Other rail		Walk		Taxi		Other method	
	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank
Northern Ireland	84.5	1	0.8	8	0.9	12	5.4	7	0.2	12	*	-	7.3	12	0.9	1	0.1	9
Wales	79.5	2	0.6	11	1.5	11	5.2	8	1.8	7	0.1	7	10.9	6	0.2	9	0.3	5
East of England	78.3	3	0.9	7	4.1	1	3.9	12	2.2	4	0.1	7	10.0	8	0.2	9	0.3	5
South East	78.1	4	0.8	8	3.3	3	4.0	11	2.8	3	0.1	7	10.4	7	0.2	9	0.4	3
East Midlands	77.5	5	1.0	4	3.3	3	5.2	8	0.6	11	0.3	4	11.6	5	0.3	4	0.2	7
North West	77.4	6	1.0	4	1.8	9	7.1	6	1.9	6	0.3	4	9.8	9	0.6	2	0.1	9
West Midlands	77.4	6	1.0	4	1.9	7	7.4	5	1.8	7	0.1	7	9.8	9	0.3	4	0.1	9
South West	75.0	8	1.6	1	3.5	2	4.8	10	1.2	9	0.1	7	13.3	1	0.3	4	0.2	7
Yorkshire and the Humber	73.3	9	1.1	3	2.6	6	8.5	4	2.0	5	0.3	4	11.9	4	0.4	3	0.0	12
North East	71.3	10	0.8	8	1.9	7	10.8	3	1.0	10	1.6	2	12.0	3	0.2	9	0.5	2
Scotland	68.0	11	0.6	11	1.8	9	12.0	2	3.6	2	0.4	3	12.6	2	0.3	4	0.6	1
London	39.6	12	1.6	1	3.1	5	13.8	1	19.7	1	14.1	1	7.5	11	0.3	4	0.4	3
England	70.8		1.1		2.9		7.2		4.6		2.4		10.4		0.3		0.2	
United Kingdom	**71.3**		**1.0**		**2.7**		**7.5**		**4.3**		**2.1**		**10.5**		**0.3**		**0.3**	

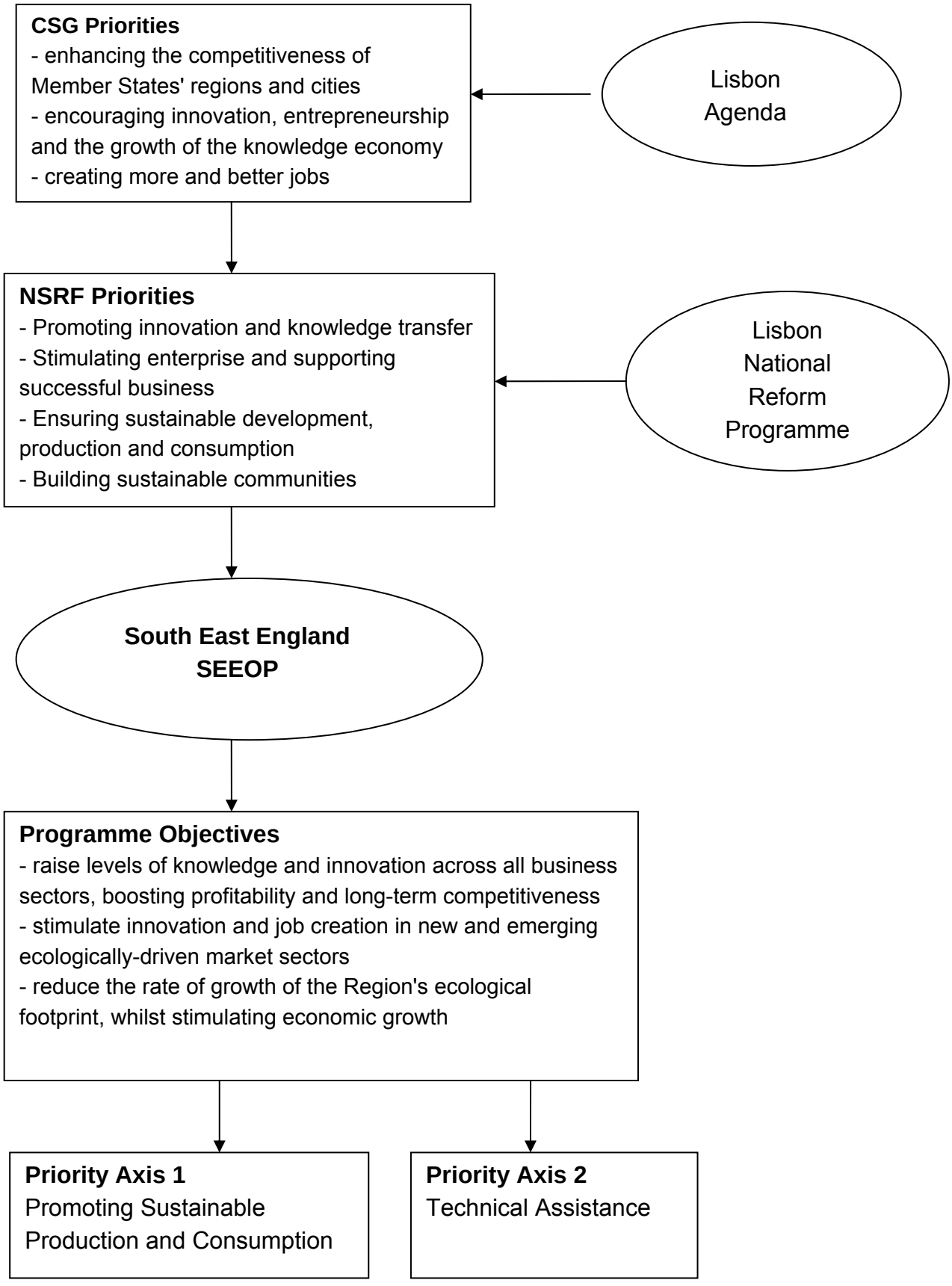
Source: ODPM, 2004

Table A1-21: Designated Areas (2005)

	National parks ('000 ha)	Areas of outstanding beauty ('000 ha)	Defined heritage coastline (kms)
South West	167	712	638
South East	54	636	74
North West	262	157	6
North East	111	146	138
West Midlands	20	123	0
East of England	30	112	121
Yorkshire and the Humber	315	92	80
East Midlands	89	52	0
England	1,048	2,035	1,057

Source: Forestry Commission, 2005

Annex Two: Policy Flow Diagram


CSG Priorities
- enhancing the competitiveness of Member States' regions and cities
- encouraging innovation, entrepreneurship and the growth of the knowledge economy
- creating more and better jobs
Lisbon Agenda
NSRF Priorities
- Promoting innovation and knowledge transfer
- Stimulating enterprise and supporting successful business
- Ensuring sustainable development, production and consumption
- Building sustainable communities
Lisbon National Reform Programme
South East England SEEOP
Programme Objectives
- raise levels of knowledge and innovation across all business sectors, boosting profitability and long-term competitiveness
- stimulate innovation and job creation in new and emerging ecologically-driven market sectors
- reduce the rate of growth of the Region's ecological footprint, whilst stimulating economic growth
Priority Axis 1
Promoting Sustainable Production and Consumption
Priority Axis 2
Technical Assistance

Annex Three: Information Sources

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Annex Four: Lisbon Earmarking Table

The Commission requires that ERDF Competitiveness Programmes deliver a minimum of 75% of expenditure against the Lisbon categories. The SEEOP is striving for a target of 92% expenditure being directed towards Lisbon categories. Of the 8% non-Lisbon activity, 4% of this will be Technical Assistance and 4% will be classed as Non-Lisbon Activity. All figures are indicative and include total programme activity ie ERDF contribution plus anticipated public sector match funding. The Non-Lisbon target activity includes expenditure proposed under Categories 49 and 54.

Applicable for both "Convergence" and "Regional Competitiveness and Employment" Objectives

Applicable for "Convergence" Objective only [and regions referred to in Article 7b is(2) without prejudice of the decision taken in accordance with Article 5(3, last subparagraph) of the ERDF Regulation] therefore not applicable for the SEEOP

Code	Lisbon categories of expenditure (referred to in Article 8(2bis)) Priority themes	Proportion of SEEOP expenditure earmarked %	Amount of ERDF expenditure earmarked €
	Research and technological development (R&TD), innovation and entrepreneurship		
01	R&TD activities in research centres	5	1,137,906
02	R&TD infrastructure *(including physical plant, instrumentation and high-speed computer networks linking research centres)* and centres of competence in a specific technology	0	0
03	Technology transfer and improvement of cooperation networks between small businesses (SMEs), between these and other businesses and universities, post-secondary education establishments of all kinds, regional authorities, research centres and scientific and technological poles (*scientific and technological parks, technopoles, etc.*)	5	1,137,906
04	Assistance to R&TD, particularly in SMEs *(including access to R&TD services in research centres)*	5	1,137,906
05	Advanced support services for firms and groups of firms	15	3,413,718
06	Assistance to SMEs for the promotion of environmentally-friendly products and production processes *(introduction of effective environment managing system, adoption and use of pollution prevention technologies, integration of clean technologies into firm production*)	30	6,827,436
07	Investment in firms directly linked to research and innovation *(innovative technologies, establishment of new*	15	3,413,718

	firms by universities, existing R&TD centres and firms, etc.)		
08	Other investment in firms	2.5	568,953
09	Other measures to stimulate research and innovation and entrepreneurship in SMEs	2.5	568,953
	Information society		
10	~~Telephone infrastructures *(including broadband networks)*~~	N/A	N/A
11	Information and communication technologies *(access, security, interoperability, risk-prevention, research, innovation, e-content, etc.)*	3	682,744
12	Information and communication technologies (TEN-ICT)	3	682,744
13	Services and applications for the citizen *(e-health, e-government, e-learning, e-inclusion, etc.)*	0	0
14	Services and applications for SMEs *(e-commerce, education and training, networking, etc.)*	0	0
15	Other measures for improving access to and efficient use of ICT by SMEs	0	0
	Transports		
16	~~Railways~~	N/A	N/A
17	~~Railways (TEN-T)~~	N/A	N/A
20	~~Motorways~~	N/A	N/A
21	~~Motorways (TEN-T)~~	N/A	N/A
26	~~Multimodal transport~~	N/A	N/A
27	~~Multimodal transport (TEN-T)~~	N/A	N/A
28	~~Intelligent transport systems~~	N/A	N/A
29	~~Airports~~	N/A	N/A
30	~~Ports~~	N/A	N/A
32	~~Inland waterways (TEN-T)~~	N/A	N/A
	Energy		
34	~~Electricity (TEN-E)~~	N/A	N/A
36	~~Natural gas (TEN-E)~~	N/A	N/A
38	~~Petroleum products (TEN-E)~~	N/A	N/A
39	Renewable energy: wind	0	0
40	Renewable energy: solar	0	0
41	Renewable energy: biomass	0	0
42	Renewable energy: hydroelectric, geothermal and other	0	0
43	Energy efficiency, co-generation, energy management	5	1,137,906
49	Mitigation and adaptation to climate change	2	455,162
	Environmental protection and risk prevention		
52	Promotion of clean urban transport	5	1,137,906
54	Other actions aiming at the safeguarding of the environment and the prevention of risks	2	455,162

	Increasing the adaptability of workers and firms, enterprises and entrepreneurs		
62	Development of life-long learning systems and strategies in firms; training and services for employees to step up their adaptability to change; promoting entrepreneurship and innovation	0	0
63	Design and dissemination of innovative and more productive ways of organising work	0	0
64	Development of specific services for employment, training and support in connection with restructuring of sectors and firms, and development of systems for anticipating economic changes and future requirements in terms of jobs and skills	0	0
	Improving access to employment and sustainability		
65	Modernisation and strengthening labour market institutions	0	0
66	Implementing active and preventive measures on the labour market	0	0
67	Measures encouraging active ageing and prolonging working lives	0	0
68	Support for self-employment and business start-up	0	0
69	Measures to improve access to employment and increase sustainable participation and progress of women in employment to reduce gender-based segregation in the labour market, and to reconcile work and private life, such as facilitating access to childcare and care for dependent persons	0	0
70	Specific action to increase migrants' participation in employment and thereby strengthen their social integration	0	0
	Improving the social inclusion of less-favoured persons		
71	Pathways to integration and re-entry into employment for disadvantaged people; combating discrimination in accessing and progressing in the labour market and promoting acceptance of diversity at the workplace	0	0
	Improving human capital		
72	Design, introduction and implementation of reforms in education and training systems in order to develop employability, improving the labour market relevance of initial and vocational education and training, updating skills of training personnel with a view to innovation and a knowledge based economy.	0	0
73	Measures to increase participation in education and training throughout the life-cycle, including through action to achieve a reduction in early school leaving, gender-based	0	0

	segregation of subjects and increased access to and quality of initial vocational and tertiary education and training		
74	Developing human potential in the field of research and innovation, in particular through post-graduate studies and training of researchers, and networking activities between universities, research centres and businesses	0	0

Annex Five: Strategy Environmental Assessment

Annex 5
environmental Report

Annex Six: Ex-Ante Evaluation

Annex 6 - Ex-Ante Assessment.doc

Annex Seven: Equalities Impact Assessment

Annex 7 Equalities Impact Assessment.d

Annex Eight: Financial Allocations Annual Breakdowns

Financial Table per yearly allocations (€, 2006 prices)

Year	Community Funding (a)	National Public Funding (b)	National Private Funding (c)	Total Funding (d) = (a)+(b)+(c)	Co-financing Rate (e) = (a)/(d)
2007	3,188,791	3,188,791	0	6,377,582	50%
2008	3,252,567	3,252,567	0	6,505,134	50%
2009	3,317,618	3,317,618	0	6,635,236	50%
2010	3,383,970	3,383,970	0	6,767,940	50%
2011	3,451,650	3,451,650	0	6,903,300	50%
2012	3,520,683	3,520,683	0	7,041,366	50%
2013	3,591,096	3,591,096	0	7,182,192	50%
2007-13 total	**23,706,375**	**23,706,375**	**0**	**47,412,750**	**50%**

Financial Table for each priority

Priority Axis 1 (€, 2006 prices)

	Community Funding (a)	National Public Funding (b)	National Private Funding (c)	EIB Contributions	Other	Total Funding (d) = (a)+(b)+(c)	Co-financing Rate (e) = (a)/(d)
Priority Axis 1	22,758,120	22,758,120	0	0	0	45,516,120	50%

Priority Axis 2 (€, 2006 prices)

	Community Funding (a)	National Public Funding (b)	National Private Funding (c)	EIB Contributions	Other	Total Funding (d) = (a)+(b)+(c)	Co-financing Rate (e) = (a)/(d)
Priority Axis 2	948,255	948,255	0	0	0	1,896,510	50%

Annex Nine: ERDF/EFARD/EFF Demarcation Table

ERDF/EAFRD/EFF Demarcation Table

The use of resources from the European Regional Development Funds in England will need to be carefully managed, to prevent any overlap or duplication of funding, and to ensure complementarity and optimal value for money. It is essential that we avoid any double funding. Equally, we must avoid a situation in which a high quality project is unable to attract funding. This applies both to other domestic funding streams, and to the closely linked European funding streams.

The following table summarises the priorities for the different European funding streams available in rural areas in England over the 2007-2013 Programming period:

ERDF	EAFRD	ESF	EFF
For Convergence regions: To promote innovation and knowledge transfer To stimulate enterprise and business development To improve accessibility and connectivity For competitiveness and employment regions: To promote innovation and knowledge transfer To stimulate enterprise and support successful business To ensure sustainable development, production and consumption To build sustainable communities	To build profitable, innovative and competitive farming, food and forestry sectors, that meet the needs of consumers and make a net positive contribution to the environment To improve the environment and countryside To enhance opportunity in rural areas, in a way that harnesses and builds upon environmental quality To mobilise the development potential of rural areas in a way that stimulates innovation to the benefit of the	Extending employment opportunities by tackling barriers to work faced by people who are unemployed or disadvantaged in the labour market Developing a skilled and adaptable workforce by training people who lack basic skills and good qualifications	To provide a long-term sustainable future for the fishing industry through promoting investment in innovation and technology To promote environmental best practice in the fisheries sector To tackle social exclusion and promote long-term prosperity in communities traditionally dependent on the fishing industry where this support cannot be provided elsewhere

local area

Complementarity and demarcation between ERDF, EAFRD and EFF

England's Regional Development Agencies will deliver the ERDF, and the socio-economic elements of the RDPE (with the exception of the Regional Development Agency for London, which does not receive any EAFRD support).

The Regional Development Agencies will ensure coherence in the day to day management of the socio-economic support under the RDPE and the ERDF. They will ensure that work carried out at the regional level under the two funds is complementary, and robust project development and selection processes will ensure that any duplication is avoided. Administrative arrangements are in place to ensure complementarity and co-ordination, for example, common secretariats; exchange of personnel on regional management committees; exchange of information from databases. The RDAs will also be required to work closely with the Leader groups to ensure demarcation on the ground. These processes begin with the clear establishment of demarcation criteria at the regional level.

The table below sets out the way in which this will be delivered in the South East:

Complementarities and Proposed Demarcation Criteria			
Field of activity – (list of measures eligible under another Community support instrument)	**Convergence or Competitiveness ERDF**	**EAFRD**	**European Fisheries Fund**

Support targeting the competitiveness of the agricultural and forestry sector (Including related training and advisory services)	Promoting Innovation and R&D and supporting and stimulating successful enterprise and on the development of *micro* enterprises in rural areas Targeted training and advisory service which are integral to the success of a wider project that delivers ERDF objectives.	Adding value to agricultural and forestry products through micro and SME investment in facilities (capital) and marketing Encouraging greater collaboration and co-operation Supporting farm and forestry producers in supply chains Specialist advisory services for the farming and forestry sector Provision of training, non-accredited, bespoke technical, business efficiency, agricultural/forestry coaching, facilitation for persons engaged in the agricultural, food and forestry sectors Provision of training and knowledge transfer activity aimed at the farming and forestry sector	Not possible

Renewable Energy As “infrastructure” for energy supply under Article 30.	Support for research and development activity in the environmental technologies sector Advanced business support services for firms operating in the environmental technologies sector Support for the installation of environmentally friendly technologies in businesses excluding the agricultural sector		Provision of start-up support to rural sector enterprises, where these contribute to the development of new environmental technologies, or are involved in renewable energy supply chains in producing, processing or end uses. Agri-Food products and Agri/forestry non food products for renewable energy (revenue) with a local market Small scale farm renewable energy investments	Engine and gear replacement for less fuel consumption Pilot projects to test less fuel-consuming fishing methods Investment support for aquaculture, production and marketing in environmental technology
Support targeting the Fisheries industries	Not possible		Not possible	Promotion of investment in innovation and technology for the fishing industry Fish processing Development of efficient supply chains in the fishing industry, with strong links between fishermen, growers, processors and customers New markets for fish products

Encouragement of tourism activities	Support for tourism infrastructure – particularly small scale – that contributes directly to economic growth.	Farm diversification into tourism and service industries adding value to the tourist product Assistance for sustainable rural tourism activity including the development and upgrading of tourism facilities, promotion, and training in quality management systems as well as the development of marketing activity	Small-scale local tourism initiatives, including eco-tourism, focusing on the fisheries heritage without increasing fishing effort
Basic services for the economy and rural population in rural areas	Support for tackling social and economic exclusion and overcoming barriers to work for those furthest away from the labour market, particularly those in the poorest communities and specific communities of interest Strengthening public transport and access related links between targeted communities and economic opportunities Support for delivery of services that overcome barriers to work Access to finance for key social enterprises	Support for rural community partnerships Support for the provision of key services within small, local geographic areas, such as rural communities Provision of rural services through social enterprise to improve quality of life for rural residents	Tackling social exclusion and promoting long term prosperity in communities traditionally dependant on the fishing industry, where this cannot be provided elsewhere

Village renewal and development	Support for operations covering more than one location or ensuring links between them.	Support for small scale activities in single villages	Small scale local tourism initiatives, including eco-tourism focusing on the fisheries heritage without increasing fishing effort
Conservation and upgrading of the rural heritage	Promotion and marketing of regional assets, including natural and cultural heritage assets. Excludes conservation and upgrading activities.	Support for maintenance, restoration and interpretation (i.e. information signs) of rural and heritage features. NB Through the LEADER approach: grants to improve and capitalise on heritage and cultural assets, in limited rural parts of the region.	Small scale local tourism initiatives, including eco-tourism focusing on the fisheries heritage without increasing fishing effort.