



HM Government

Framework of European Growth Programme Priorities

Background Analysis

July 2013



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Introduction

- i. For the 2014-2020 European Structural and Investment Funds Growth Programme for England (the “European Growth Programme”), LEPs have been invited to develop and deliver strategies for use of their allocations of European Structural and Investment Funds. The EU Regulations define a very broad range of activities that can be supported using the European Structural and Investment Funds, while focusing investments on key areas for growth and jobs. In keeping with its commitment to devolve resource and responsibility to places, the Government has sought to allow LEPs as much flexibility as possible to decide on their priorities for EU funding within a framework defined by:
 - the broad priorities established by spending minima against some groups of activities in the EU Regulations governing use of the European Structural and Investment Funds;
 - Europe 2020¹ goals (In its National Reform Programme², the Government sets out its policies contributing to the Europe 2020 strategy and its response to specific recommendations addressed to the UK by the European Council);
 - the priorities of the European Commission for the UK, as set out in discussions so far with the Government; and
 - the priorities of the Government, where there is obviously strong alignment with the priorities of the European Commission, priorities in the EU regulation, and/ or Europe 2020 goals.
- ii. The framework of European Growth Programme priorities and activities is set out in “*The development and delivery of European Structural and Investment Funds Strategies: Supplementary Guidance to Local Enterprise Partnerships* (July 2013)”.³ The Government asks LEPs to use this framework to help them select priorities for investment at local level.
- iii. This document sets out the full background analysis underpinning the framework of European Growth Programme priorities. For each of the 11 “thematic objectives” defined in the EU regulation, this analysis document includes:
 - details of the Europe 2020 goals at UK level;
 - alignment of Europe 2020 goals with national policies and an account of progress in the UK;
 - links to sources of data so that LEPs can benchmark their areas’ own performance levels with other areas in England;
 - the full list of activities which Government feels can be supported by each Fund under each thematic objective;
 - a list of output indicators;
 - a list of result indicators; and

¹ See for more information: http://ec.europa.eu/europe2020/index_en.htm

² See for more information: <https://www.gov.uk/government/publications/europe-2020-uk-national-reform-programme-2013>

³ The framework of European Growth Programme priorities and activities was first set out in *Structural and Investment Funds Strategies: Preliminary guidance to Local Enterprise Partnerships* (April 2013). The framework presented in *Structural and Investment Funds Strategies: Supplementary Guidance to Local Enterprise Partnerships* has been slightly revised following discussion between the UK Government and the European Commission.

- suggestions to LEPs around potential sources of match funding.
- iv. It is likely that the framework of European Growth Programme priorities and activities will continue to be refined as the EU Regulations governing use of the Funds are finalised, and as discussions around priorities continue between the UK Government and the European Commission.

1. Strengthening Research, Technological Development & Innovation

Europe 2020⁴ and National Government Priorities

- 1.1. Clear and specific performance measures were set out in the UK Government's Innovation & Research Strategy for Growth. Our ambition is to improve the framework conditions for research and innovation to facilitate greater private sector investment over the period. We are basing our proposals for use of the European Structural and Investment Funds on that strategy and the more detailed proposals for proposed actions also take into full account the Government's Industrial Strategy⁵ and the proposals in Innovation in Health & Wellbeing⁶.
- 1.2. Meanwhile, the Europe 2020 ambition is to improve the conditions for research and development, in particular with the aim of raising combined public and private investment levels in innovation in the EU to 3 per cent of GDP. The European Commission will expect the use of European Structural and Investment Funds for innovation in England to align with this policy.

The National Policy Context

Innovation & Research Strategy for Growth

- 1.3. The UK Government's Innovation & Research Strategy for Growth⁷ was published in December 2011. It is supported by an authoritative economics paper⁸. It provides a robust and detailed evidence for national innovation and research priorities and how European Structural and Investment Funds and other EU funds could support research, development and innovation.
- 1.4. The national strategy notes that the UK has the potential to be a world leader in innovation. The strength of UK universities and the wider knowledge base is seen as a strong national asset. Our knowledge base is the most productive in the G8, with a depth and breadth of expertise across over 400 areas of distinctive research strength. Our Higher Education Institutions generate over £3 billion in external income each year. The strategy confirmed that it is committed to invest in maintaining and strengthening the research base, and to continue to fund a balance of blue skies and applied research projects.

⁴ See for more information: http://ec.europa.eu/europe2020/index_en.htm

⁵ See for more information: <https://www.gov.uk/government/policies/using-industrial-strategy-to-help-the-uk-economy-and-business-compete-and-grow>

⁶ See for more information: <https://www.gov.uk/government/news/accelerating-adoption-of-innovation-in-the-nhs>

⁷ See for more information: www.gov.uk/government/publications/government-innovation-and-research-strategy

⁸ See for more information: www.gov.uk/government/publications/innovation-and-research-strategy-for-growth

- 1.5. The Innovation & Research Strategy for Growth also recognises that the challenges we face in innovation are as big as those elsewhere. Some of these are long-standing, such as ensuring we make the most of the UK's inventions and discoveries. It notes that other countries are spending more on research and working to develop clusters of knowledge and innovation hotspots. It recognises that the costs of cutting-edge research and the latest high-tech processes are greater than ever before, and are often too large for any one company. It notes that we need to do more to support the development of technician-level skills and higher level skills.
- 1.6. Importantly, the national strategy emphasises that we must strengthen our ability to accelerate the commercialisation of emerging technologies, and to capture the value chains linked to these. The private sector will always be central to innovation but government and its agencies can play a key role in ensuring entrepreneurs, financiers and innovators have the best possible environment in which to operate through improving the interface between Higher Education Institutions (HEIs) and business, and delivering a better environment for the commercialisation of research.
- 1.7. The national strategy recognises that competition is important in driving the quality of research and business innovation. However, it stresses also that there is overwhelming evidence to show that multi-partner collaborations can add more than the sum of their parts.

The Industrial Strategy

- 1.8. The Government set out in September 2012 its approach towards a new industrial strategy. Technologies and the broader research which underpins their development is a fundamental part the approach of government to the industrial strategy. The Government is working in partnership with business to develop 10 sector strategies. The update to the Life Science strategy was published in December 2012 and new strategies for the sectors of Aerospace, Nuclear, Oil & Gas, Information Economy, Construction, Automotive and Professional Business Services have also been published. Sector strategies are also due to be published for Offshore Wind, Agri-tech and Education.
- 1.9. The Government has set out the 'eight great technologies' that are key to the Industrial Strategy and growth, with real potential for economic and societal benefits, in which the UK can gain a competitive advantage. They are:
 - The Data Revolution and energy-efficient computing;
 - Synthetic Biology;
 - Regenerative Medicine;
 - Agri-Science;
 - Energy Storage and the stockpiling of electricity;
 - Advanced Materials and Nano-technology;
 - Robotics and Autonomous Systems; and
 - Satellites and commercial applications of Space technology.

Innovation in Health & Wellbeing

- 1.10. The report Innovation, Health and Wealth, published by the NHS Chief Executive in December 2011, outlined the contribution the service can make to the Government's Plan for Growth, setting out the strategic approach to

innovation in the reformed NHS. Part of the Prime Minister's UK strategy for Health Innovation and Life Sciences, it focuses on the NHS as a major investor and wealth creator in the UK, whose success in adopting innovation enables industries to invest in developing the technology and other products the NHS needs for its development. The aim of Innovation, Health and Wealth is to support the NHS in achieving systemic change in the way it operates; in pursuing innovations that add value for the service but not cost and in enabling the consistent and widespread adoption and diffusion across the NHS. This involves both the supply of, but also critically the demand for, new and existing ideas, services and products. Central to this agenda is the relationship between the NHS, academia and industry. Innovation, Health and Wealth outlined several actions necessary to position industry as a strategic service partner to the NHS, rather than a transactional supplier of goods and services.

Progress against EU and National Priorities

- 1.11. The strong evidence base set out in 2011⁹ and the 2012 Innovation Report (November 2012) shows that, compared to other leading economies, our innovation system has many strengths. Our research base is among the best in the world, producing high-quality output with unmatched efficiency. The UK also performs well on international collaboration ranking second in the world for university-industry collaboration and having high levels of overseas investment. The UK is a world leader in social innovation, (including the emerging social investment market) with a market value estimated to be worth £1 billion in 5 years.
- 1.12. However, the economic downturn continues to highlight challenges to the UK's long run growth prospects. Business investment in R&D is low compared to leading countries and we still have work to do to catch up with leading competitors such as Germany and the US in terms of UK's overall investment in R&D. Levels of investment in R & D differs significantly across the various parts of England.

Headlines

- 1.13. The 2012 Annual Innovation Report¹⁰ shows:
- in terms of traditional forms of innovation metrics, such as Gross Expenditure on Research & Development as a proportion of GDP, the UK does still trail behind most of our main competitors;
 - on the other hand, much of the gap between the UK's R&D intensity relative to comparator countries can be explained by the UK's sectoral mix, which includes a relatively high proportion of industries which are, by nature, of a lower R&D intensity;
 - the UK stands among the top performing countries when all intangible investment¹¹ is taken into account. Nesta's 2012 Innovation Index

⁹ See for more information: www.gov.uk/government/publications/innovation-and-research-strategy-for-growth

¹⁰ See for more information: www.gov.uk/government/publications/annual-innovation-report-2012-innovation-research-and-growth

¹¹ This wider definition of investment in innovation captures expenditure on intangibles including R&D, training, marketing, software and design, rather than the more traditionally accounted tangible assets (such as buildings, vehicles etc.)

calculated total investment in intangible assets as £124 billion in 2009, down £4.2 billion (3.3%) in nominal terms from the year before, but up 1.5% in terms of share of private sector gross value added (GVA);

- the 2011 UK Innovation Survey (UKIS) show that a total of 37% per cent of firms were active in innovation¹² in the three year period from 2008 to 2010;
- innovative firms in the UK are far more likely to be active in foreign markets than their counterparts in France, Italy or Sweden;
- the UK is well behind the leaders in Finland and Canada in terms of higher education R&D intensity, but reasonably well positioned in terms of the main group of comparator countries, in line with Germany and France;
- the proportion of the UK labour force that is trained in science and technology has increased over time, and the UK has a high proportion of engineering and doctoral graduates in comparison to other countries; and
- the UK performs well on international collaboration and international investment measures, with the highest proportion amongst the OECD of R&D funded from abroad countries at 16% of total R&D.

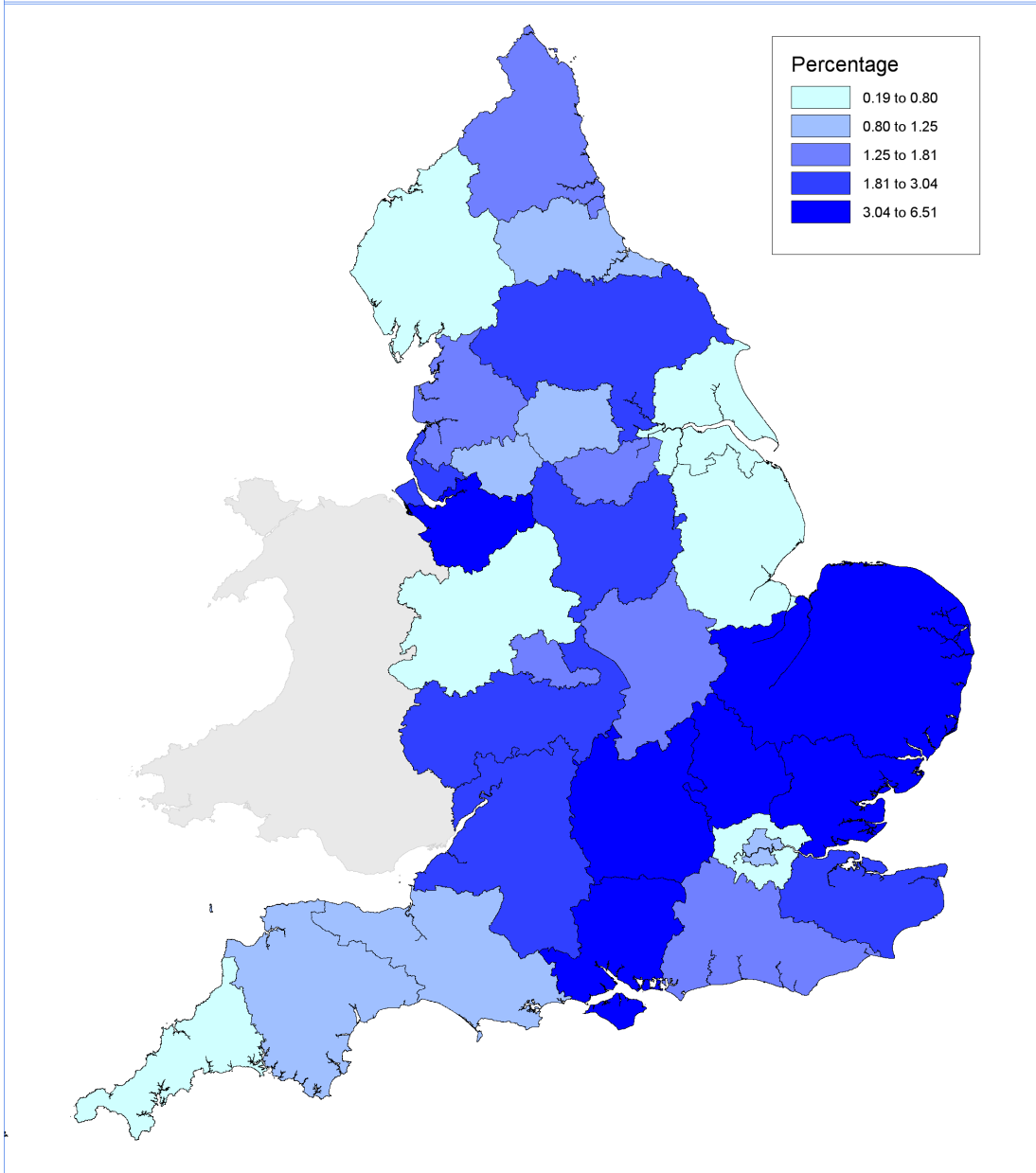
EU and National Priorities: Sub-national patterns

1.14. Information to help monitoring of performance of innovation at the sub national level is generally not readily available. Indicators, where they do exist, tend to measure the volume of investments (as inputs) rather than overall performance. Data is sometimes skewed by a difference between the location at which the innovation takes place and the registered location of the business and/ or the research institution. Statistical boundaries do not often reflect the boundaries of functional economic areas and/ or LEP boundaries. The two most statistically robust indicators are Gross Expenditure on R & D and Higher Education Expenditure on R & D both expressed as a percentage of GDP at level of statistical geography called NUTS2 (very broadly closest to LEP boundaries). These indicators show variations in the level of investment (inputs) across England. Some parts of England are well ahead of the Europe 2020 goal; others trail significantly.

¹² A firm is considered innovation active if it engaged in any of the following three activities: The introduction of new or significantly improved products or processes; engagement in innovation projects not yet complete or abandoned; new and significantly improved forms of organisation, business structure or practices and marketing concepts or strategies.



Gross Expenditure on R&D (as % of GDP)



Produced by Statistical Analysis Directorate
Data from Eurostat: Database rd e gerdreg

Contains Ordnance Survey data © Crown copyright
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Figure 1: Gross Expenditure on R&D (as % of GDP)



Higher Education Expenditure on R&D (as % of GDP)

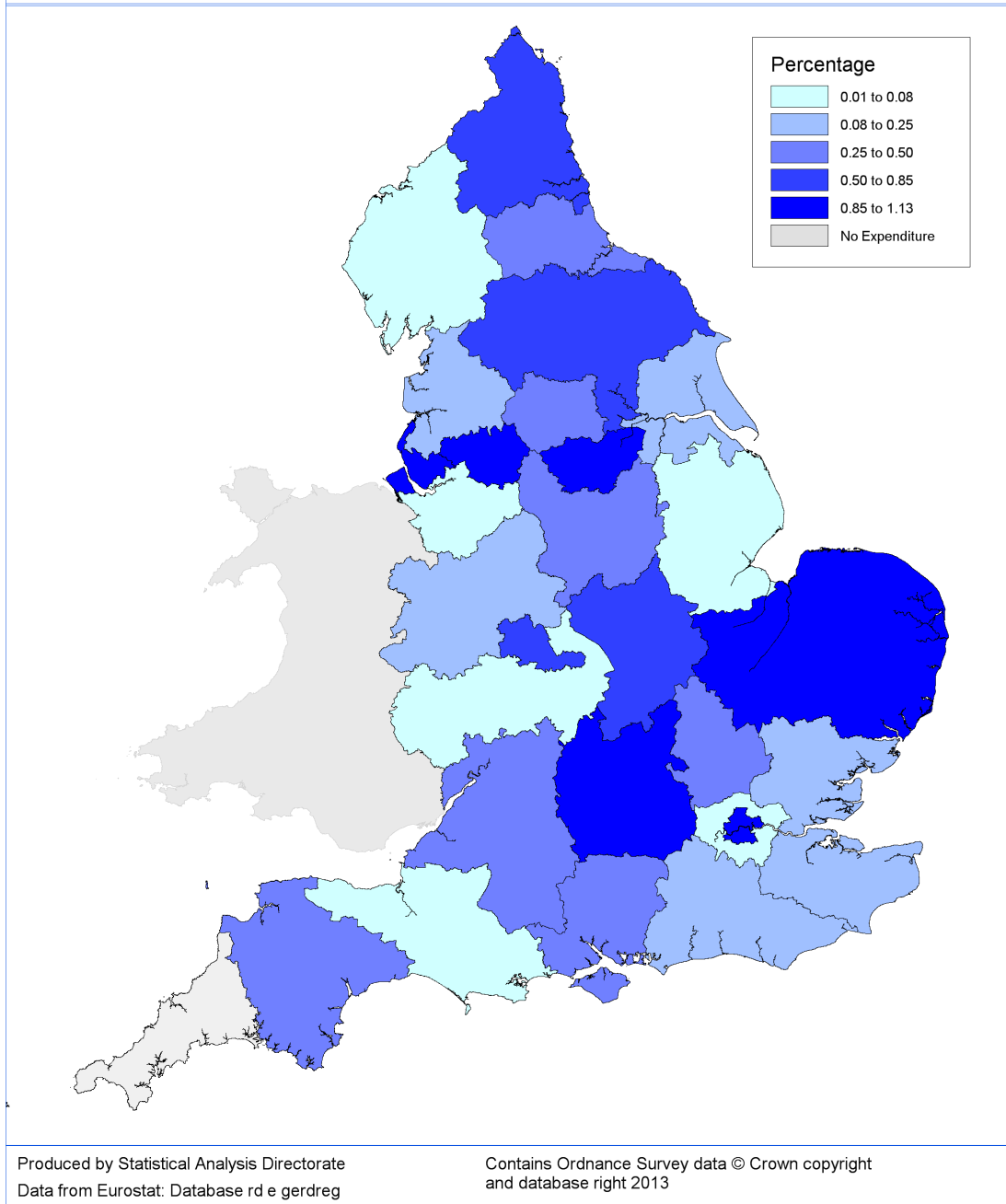


Figure 2: Higher Education Expenditure on R&D (as % of GDP)

LEPs and Smart Specialisation

1.15. Smart Specialisation seeks to ensure that proposed actions are based upon sound evidence that properly reflects the comparative advantages of the physical and human assets of particular places in the global economy. It emphasises the need to ensure that activities are fully integrated in the local economy and its supply and value chains. It helps to build connections of ideas, finance and trade with similar activities elsewhere. It promotes also the

use of enabling technologies that can transfer and add value between related sectors.

- 1.16. The Regulations which govern the European Structural and Investment Funds require the United Kingdom to demonstrate that we have in place a strategic policy framework for Smart Specialisation before any funds for Research, Development & Innovation can be released. LEPs and their partners are strongly encouraged to be part of the strategic policy framework for Smart Specialisation.
- 1.17. LEPs and partners are free to choose if they wish to develop a 'stand-alone' strategy of Smart Specialisation and to have it submitted for formal peer review and assessment by the European Commission's Joint Research Centre (JRC) Support Platform. This will provide for a high level of rigour and international authority. The ongoing process of Smart Specialisation will help also to provide a sound basis upon which to make revised proposals as the programme develops but there is no longer any requirement in the revised draft Regulations for such stand-alone strategies at any stage.
- 1.18. LEPs are particularly encouraged to use the process outlined in the RIS3 Guide published by the JRC Platform¹³. The Guide sets out a number of steps that can be taken by LEPs to ensure that plans for innovation are both coherent and fit within the framework for Smart Specialisation. Many LEPs will have already used these steps as part of the work they are already doing in the preparation of their wider Growth Plans.

Analysing the Local Potential for Innovation – the 'SWOT or similar'

- 1.19. Local investment plans for innovation need a strong and objective analysis of the local context and genuine potential for innovation; ensuring this analysis includes; lessons learned from previous investments, a strong evidence base; the role of existing assets, such as technological infrastructures and systems; linkages of finance, trade and information with similar sectors in the rest of the world, and a realistic assessment of the position of those sectors in the locality within the European and global economy. The true and relative potential of a local area can be presented within a SWOT (or similar) analysis.
- 1.20. The SWOT analysis needs to be informed heavily by the views of businesses in the local area, especially those who have (or who are seeking to build) connections with similar or related sectors in other parts of the UK and beyond. Local universities will often have specialist and independent knowledge that can help calibrate the analysis within the SWOT. The depth of that analysis can be proportionate to the scale of the European Structural and Investment Funds to be invested.

Local Leadership for Innovation

- 1.21. Leadership at the local level is pivotal to the development of strong cultures of innovation and the design of the productive innovation actions. LEPs are encouraged to work with a wide range of partners that contribute to innovation at local level. The partnership will be very dependent upon local circumstances, but it will often contain; local businesses that are already (or are seeking to

¹³ See for more information: <http://s3platform.jrc.ec.europa.eu/s3pguide>

become) active in innovation, especially SMEs and including those based on science parks and innovation campuses; local universities and other research centres; Catapult Centres where they are relevant to local plans for innovation wherever they exist, locally or elsewhere in England; Academic Health Science Networks¹⁴; and, importantly, strong leadership and support from other public bodies.

Potential European Structural and Investment Funds priorities

1.22. Priorities under this thematic objective which compliment both EU and national priorities would be:

- building collaborative research between enterprises, research institutions & public institutions; and
- supporting Small and Medium Sized Enterprises including social enterprises to commercialise Research & Development.

1.23. Activities under this thematic objective should be pursued in a way that is consistent with such a smart specialisation. In addition, while maintaining the focus on business investment in research and innovation, activities could also support the ambitions of other thematic objectives, for example low carbon economy, resource efficiency and protecting the environment, particularly where these activities align with high growth areas as identified in the Industrial Strategy.

1.24. The detail on Social Innovation is set out in paragraphs A9.11- A9.16 of the Supplementary Guidance. Social innovation under this thematic objective would be applicable where the project involves:

- a focus on at least one of the priority themes for social innovation;
- the active leadership or involvement of civil society at all stages of project design, delivery, and wider adoption;
- the exchange of knowledge from and to a research centre to develop, adopt and spread the use of new products and services that have demonstrable social impact;
- a final beneficiary that is a business or any other undertaking that acts in a business-like manner; and
- the intention is that the beneficiary can continue after the project is complete on a sustainable basis through the wider adoption of those new products and services.

¹⁴ See for more information: <http://www.england.nhs.uk/2013/05/23/acc-health-sci-ntwrk/>

Table 1: Activities Table for Thematic Objective 1

EU Growth Programme Framework priorities ^{15 16}	Potential European Regional Development Fund activities	Related European Social Fund activities ¹⁷	Potential European Agricultural Fund for Rural Development activities
Building collaborative research between enterprises, research institutions & public institutions.	<ul style="list-style-type: none"> • Building collaborative research between enterprises, research institutions & public institutions. This can include: <ul style="list-style-type: none"> ○ graduate start-up schemes & support for other Higher Education Institution spin-outs delivering innovation, including social enterprises; and ○ supporting the ongoing identification and development of new opportunities to exploit innovation as markets continue to develop over the course of the programme period. 	<ul style="list-style-type: none"> • Intermediate, technical and higher level workforce and management skills in support of the priorities for this thematic objective. 	<ul style="list-style-type: none"> • Provide support, advice and funding to businesses and entrepreneurs to support the creation and development of SMEs and Micro Businesses. • Development of general and, potentially, industry specific business skills.^{18 19} • Provide funding to businesses and entrepreneurs to support the creation and development of SMEs and Micro Businesses, including the uptake of new/ improved business processes and technology.
Supporting businesses including social enterprises to commercialise Research & Development.	<ul style="list-style-type: none"> • Bringing new products and business processes to the market, including those linked to 'key enabling', the 'eight great' and health science technologies. This can include: <ul style="list-style-type: none"> ○ stimulating the demand for new (or improved) services, processes and products; and ○ business-led and public procurement programmes designed to drive innovation, and increasing business demand for, and absorption of Research & Development. • Limited support to facilitate the involvement of SMEs in networks of innovative firms, where these networks are an integral complementary action to support other European Structural and Investment Fund funded activities. 		
Physical infrastructure.	<ul style="list-style-type: none"> • Incubation space and other equipment (e.g. demonstration and user-test facility space, and open access to equipment/ technical facilities) which leads directly to the delivery of other proposed activities in this Thematic Objective. 		

¹⁵ These activities should be pursued in a way that is consistent with a Smart Specialisation approach. In addition, while maintaining the focus on business investment in research and innovation, activities should also support the ambitions of other thematic objectives, for example low carbon economy, resource efficiency and protecting the environment, particularly where these activities align with high growth areas as identified in the Industrial Strategy.

¹⁶ Social innovation under this thematic objective will be where the project involves:

- the active leadership or involvement of civil society at all stages of project design, delivery, and wider adoption;
- the exchange of knowledge from and to a research centre to develop, adopt and spread the use of new products and services that have demonstrable social impact;
- a final beneficiary that is a business or any other undertaking that acts in a business-like manner; and
- the intention is that the beneficiary can continue after the project is complete on a sustainable basis through the wider adoption of those new products and services.

¹⁷ European Social Fund activity will be funded under different thematic objectives (employment, social inclusion and skills), but it is important to consider European Social Fund activity alongside European Regional Development Fund activity. These examples are not prescriptive or exclusive. The extent to which European Social Fund contributes to this thematic objective will be subject to decisions on which European Social Fund investment priorities are selected for support. There may be variations across Local Enterprise Partnership areas depending on priorities and needs.

¹⁸ Business skills specifically for the agricultural and forestry industry may be supported through the next rural development programme: Defra will confirm in due course.

¹⁹ This activity to be primarily supported under the Skills Thematic Objective (TO10)

Proposed Indicators

ERDF Result Indicators

1.25. The result indicators that have been identified for this thematic objective draw from the performance measures outlined in the national Innovation & Research Strategy, together with an additional indicator included as part of strategic policy framework to embed the concept of Smart Specialisation.:

- increased number of businesses that are actively innovating to bring new products to the market; and
- further embedding innovation and building greater value chain connections within and across relevant functional economies, especially with the use of those enabling technologies that transfer across sectors (smart specialisation indicator).

1.26. As mentioned above the second indicator forms part of our strategic policy framework to embed Smart Specialisation within the European Growth Programme. We will work with LEPs to agree how these result indicators will be defined in detail and the method by which progress towards them will be monitored.

ERDF Output Indicators

Common output indicators

- number of enterprises receiving support (only where this is additional to other outputs);
- number of enterprises cooperating with research entities;
- number of enterprises supported to introduce new to the market products; and
- number of enterprises supported to introduce new to the firm products.

Programme Specific Indicator

- private investment matching public support to enterprises.

Potential Sources of Match Funding

Research Councils and HEFCE

1.27. Working with Universities UK, the Research Councils and HEFCE have written jointly to funded universities, encouraging them to engage with LEPs to identify opportunities to co-invest in projects of mutual interest. Depending on the way that universities shape these projects, they may be able to use Research Council or HEFCE funding as match funding so that the projects qualify for EU SIF support.

Academic Health Science Networks

1.28. Fifteen Academic Health Science Networks (AHSNs) are being established to cover England and will operate on a sub national basis. They will be an entirely new form of working and will bring together the NHS, academia and industry -

covering the areas of education, clinical research, informatics, innovation, training and healthcare delivery. Their goals will explicitly cover both health improvement and wealth creation. AHSNs will receive central funding from the NHS through the NHS Commissioning Board, complemented by member subscriptions and other funding from public and private.

- 1.29. To find out more please contact Lisa Butland the Innovation lead for AHSN Engagement. Email: lisa.butland@nhs.net or telephone: 079007 15261

Technology Strategy Board

- 1.30. The Technology Strategy Board aims to maximise the impact of its programmes by increasing the take-up by businesses throughout the UK. Its UK-wide competitions cannot automatically be assumed to be match funding for European Structural and Investment Funds but in some circumstances the Technology Strategy Board will engage strategically where it is investing, or could invest, significant amounts in infrastructure and facilities. For example, LEPs and their partners could collaborate with existing thematic programmes such as Catapult Centres and demonstrators provided that does not constrain the nation wide scope of those programmes' core activities.
- 1.31. Catapult Centres and Demonstrator programmes are significant innovation assets for any area with strength in one of the sectors they focus on and may offer additional opportunities for collaboration in the areas in which they are based. Where research or innovation expertise are concentrated in a particular area Launchpads could support some of the UK's most outstanding clusters and there may be opportunities for the Small Business Research Initiative (SBRI) to direct other public R&D expenditure as match.
- 1.32. LEPs and their partners could support applications for new programmes when such opportunities are announced by the Technology Strategy Board, again recognising their core nationwide remit. Where a company or organisation has won Technology Strategy Board funding, those funds could be used to lever European Structural and Investment Funds provided that the activity is consistent with the aims and conditions of that Technology Strategy Board funding.
- 1.33. To find out more or contact the Technology Strategy Board visit: www.innovateuk.org, telephone: 01793 442700, or email: support@innovateuk.org

2. Enhancing access to, and use and quality of, Information and Communication Technologies

Europe 2020²⁰ and National Government Priorities

- 2.1. EU goals have been set as part of the Digital Agenda for Europe agenda, part of the European Strategy for Growth. This aims to create a single digital market based on fast/ ultrafast internet and interoperable applications. Within this context EU ambitions are:
- by 2013: broadband access for all;
 - by 2020: access for all to much higher internet speeds (30 Mbps or above); and
 - by 2020: 50% or more of European households with internet connections above 100 Mbps.²¹
- 2.2. The UK Government is committed to delivering the best superfast broadband network in Europe by 2015²². This means providing universal access to broadband (of at least 2 Mbps) in the UK, with at least 90 per cent of premises covered by superfast broadband²³ networks by 2015. It also has an objective of having the best superfast broadband in Europe by 2015 (measured using metrics regarding speed, coverage and take-up, choice and price).
- 2.3. The Information Economy Strategy²⁴ sets out the critical role for the software, IT services and telecommunications services sectors to play in bringing growth opportunities to fruition.

The National Policy Context

Information Economy Strategy

- 2.4. The Government's recently published Information Economy Strategy sets out a plan for government and industry to continue to work together to promote the success of the UK information economy sector.
- 2.5. The strategy sets out how the information economy businesses, and the digital technologies they provide, have the potential to impact and transform companies and organisations across the whole economy. The benefits from digital technologies come from their adoption by all companies and organisations, particularly those where adoption of technology and best practice has been weakest to date. The ambition set out in the strategy is that all organisations, especially SMEs, can be confident and

²⁰ See for more information: http://ec.europa.eu/europe2020/index_en.htm

²¹ Text drawn from Cion website: http://ec.europa.eu/europe2020/priorities/smart-growth/index_en.htm

²² See for more information: http://www.culture.gov.uk/what_we_do/telecommunications_and_online/7763.aspx

²³ BDUK has defined Superfast Broadband as having a potential headline access speed of greater than 24Mbps, with no upper limit. Typically, at a wholesale level, the underlying capability can be measured in gigabits. The retail market then takes this capability and delivers affordable propositions.

²⁴ See for more information:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/206944/13-901-information-economy-strategy.pdf

successful consumers of digital technologies – able to trade online, seize new technological opportunities, and increase their revenues in both domestic and international markets.

Broadband

- 2.6. Broadband Delivery UK (BDUK) in DCMS is currently responsible for delivery of the Government's broadband programmes. There are four programmes in the broadband portfolio:
- **The Rural Broadband Delivery Programme**, which currently has £530m of funding and aims to ensure coverage of superfast broadband (>24 Mbps) to 90% of the UK and universal availability of standard broadband (2 Mbps);
 - **The Urban Broadband Fund**, which has £150m of funding and will support the development of super-connected cities with very high speed broadband and widespread mobile connectivity;
 - **The Mobile Infrastructure Project**, which has £150m of funding and aims to provide voice and basic data coverage in current mobile not-spots (note: this programme does not have broadband coverage as an explicit objective); and
 - **The Rural Community Broadband Fund**²⁵, jointly funded by Defra and BDUK, is aimed at the 10% hardest-to-reach areas which risk only receiving standard 2Mbps broadband.
- 2.7. These programmes are scheduled to complete delivery by 2015 (with the exception of the rural programme which is due to be completed by 2016). They add to commercial delivery of superfast broadband, which is expected to see coverage of two-thirds of the country by the middle of 2014. In addition, the forthcoming 4G mobile spectrum auction is targeted at providing 4G coverage to 98% of premises in the UK and at least 95% in each of the nations.

Progress against EU and National Priorities

Information Economy

- 2.8. Some business sectors have already been transformed by information economy tools, from news and media gathering, to retailers using real time analysis of customers' shopping habits to transform the services they offer; through to transport and logistics companies monitoring shipments. Other sectors are beginning to embrace the opportunities, for example, the construction sector improving quality and efficiency through building information modelling software. Opportunities for the information economy sector to impact still more deeply include healthcare, financial technology (the space that finance (transactions, investments, payments, etc) meets the Internet), the creative industries, smart energy and cyber security.
- 2.9. The UK online economy is one of the most sophisticated and fastest growing in the world. While e-commerce is the biggest part, estimated to make up 55% of the total value, the internet value chain e.g. content rights and other online services, enabling technology and connectivity, makes a significant contribution (45%). A recent Boston Consulting Group (BCG) report values the UK online economy at £121bn with AT Kearney valuing it at £82bn. The BCG report estimates 10% growth per year to 2015.

²⁵ See for more information: <http://rdpenetwork.defra.gov.uk/funding-sources/rural-community-broadband-fund>

2.10. However, many businesses still do not trade online and fewer still trade internationally. For small firms it is estimated that a 10% productivity increase is achieved from internet usage, as SMEs with significant internet usage grow and export twice as fast as others. Part of the reason for this will be lack of awareness of the opportunities and how to exploit them but in other cases it may just be an inability access high speed communication networks or their insufficient bandwidth to meet the business need.

Broadband

2.11. The Government is confident that its current domestic programme will ensure Europe 2020 objectives will be met in this area with the exception of superfast broadband in the “final 10%”, which are currently projected to be provided with standard broadband only. Further intervention will be required in order to achieve the EU’s Digital Agenda for Europe 2020 goals.

2.12. In the recently published “Investing in Britain’s future”²⁶ the Government set out its ambition to enable more of the UK to benefit from high speed digital connectivity and announced investment of up to £250 million, locally match funded, to extend superfast broadband provision from current coverage plans so that 95 per cent of UK premises will have access to superfast broadband by 2017.

EU and National Priorities: Sub-national patterns

2.13. Ofcom’s 2012 infrastructure report²⁷ sets out that in England the percentage of premises with access to super-fast broadband (SFBB) services is 68%. By territory the breakdown is as follows:

Table 2: Super-fast broadband availability by territory type

Urban Areas ²⁸	Semi-urban areas ²⁹	Rural areas ³⁰
85%	69%	17%

2.14. A more detailed breakdown of speed, take-up and superfast availability by local authority is available through the data sets used by Ofcom to inform their 2012 report. These can be found through the following [link](#). The county data available through this link is drawn from to produce the map on the following page:

²⁶ See for more information: <https://www.gov.uk/government/publications/investing-in-britains-future>

²⁷ See for more information: <http://stakeholders.ofcom.org.uk/binaries/research/telecoms-research/infrastructure-report/Infrastructure-report2012.pdf>

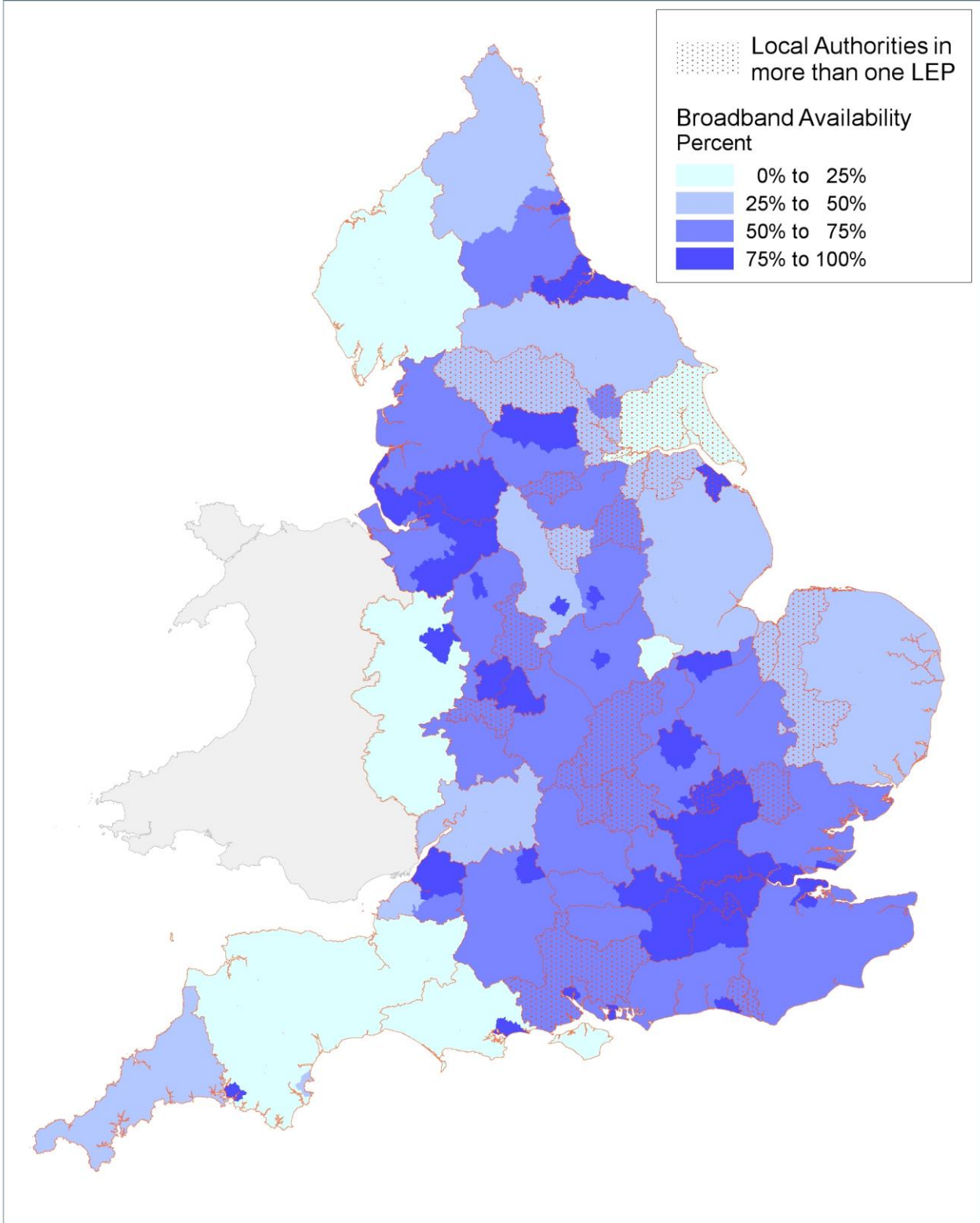
²⁸ Large city, small city, large town

²⁹ Medium town, small town with <15,000 population

³⁰ Rural area with <2,000 population



Access to Superfast Broadband



Produced by Statistical Analysis Directorate
Source: Ofcom

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and database right 2013

Figure 3: Access to Superfast Broadband by County

Potential European Structural and Investment Funds priorities

- 2.15. As set out above domestic funding is already contributing considerably to the meeting EU ambitions in the area of broadband. In the Government's view ERDF investments on Broadband would be best focussed on facilitating SME Competitiveness. In the case of EAFRD there is also scope to extend this to helping bring Broadband to hard to reach areas.
- 2.16. Priorities under this thematic objective which compliment both EU and national priorities would be:
- extend the roll-out and take up of high-speed communications networks where the market is failing particularly where this is proving a barrier to SME growth; and
 - support SMEs and social enterprises in their development of ICT products and services including improving their ability to exploit e-commerce opportunities.
- 2.17. It is important to note that before any broadband project involving state aid goes ahead, it is a requirement to undertake a market consultation and produce intervention maps which show that the only areas to be covered by the project will not otherwise get coverage through commercial or other publicly-funded programmes.

Table 3: Activities Table for Thematic Objective 2

EU Growth Programme Framework priorities	Potential European Regional Development Fund activities	Related European Social Fund activities ³¹	Potential European Agricultural Fund for Rural Development activities
Extend the roll-out and take up of high-speed communications networks where the market is failing ³² particularly where this is proving a barrier to SME growth.	<ul style="list-style-type: none"> • Extend the roll-out of high-speed communications networks where the market is failing particularly where this is proving a barrier to SME growth. • Enhancing demand for high-speed communication networks. 	<ul style="list-style-type: none"> • Intermediate, technical and higher level workforce and management skills in support of the priorities for this thematic objective. 	<ul style="list-style-type: none"> • Funding for Superfast Broadband in hard-to-reach locations.
Support SMEs and social enterprises in their development of ICT products.	<ul style="list-style-type: none"> • Support SMEs and social enterprises in their development of ICT products and services and improve their ability to exploit e-commerce opportunities. • Support SMEs and social enterprises in their development of ICT products and services, particularly where this relates to the high growth areas cited in the Information Economy Industrial Strategy. 		<ul style="list-style-type: none"> • We do not anticipate any support for activities to be supported by European Agricultural Fund for Rural Development under this thematic objective priority.

³¹ European Social Fund activity will be funded under different thematic objectives (employment, social inclusion and skills), but it is important to consider European Social Fund activity alongside European Regional Development Fund activity. These examples are not prescriptive or exclusive. The extent to which European Social Fund contributes to this thematic objective will be subject to decisions on which European Social Fund investment priorities are selected for support. There may be variations across Local Enterprise Partnership areas depending on priorities and needs.

³² Before any broadband project involving state aid goes ahead, it is a requirement to undertake a market consultation and produce intervention maps which show that the only areas to be covered by the project will not otherwise get coverage through commercial or other publicly-funded programmes.

Proposed Indicators

ERDF Result Indicators

- support enterprises in their development of ICT products and services including broadband.

ERDF Output Indicators

Common output indicators

- number of enterprises receiving support;
- number of new enterprises supported; and
- employment increase in supported enterprises.

Programme specific indicator

- additional enterprises accessing ICT products and services including broadband.

EAFRD Result Indicators

- enhancing Access to ICT.

EAFRD Output indicators

- jobs created in supported projects.

Potential Sources of Match Funding

2.18. The majority of existing national funding has already been committed. Although additional funds were announced in the Spending Review the Government has yet to decide the delivery model for the additional money made available for Broadband.

3. Enhancing the Competitiveness of Small and Medium Enterprises

Europe 2020³³ and National Government Priorities

- 3.1. The 'Plan for Growth'³⁴ aims to make the UK the best place in Europe to start, finance and grow a business. The Rural Statement set out the Government's ambition that rural business should make a sustainable contribution to national growth.
- 3.2. In 2011 the Government launched the National Export Challenge which aims to double UK exports to £1 trillion by 2020 and create 100,000 new exporters. SMEs account for approximately half the value of UK exports of goods. The parallel challenge is to double the stock of Foreign Direct Investment (FDI) by 2020, 40% of UK exports of manufactured goods come from UK based foreign owned companies.
- 3.3. This is in line with the wider Europe 2020 priorities to: update worker skills, take advantage of the digital society, support entrepreneurship, encourage exports and get access to finance to return to normal lending to the economy. In addition the European Council has recommended that the UK improves the availability of bank and non-bank financing to SMEs and explore with the market ways to improve access to nonbank financing such as venture and risk capital.

The National Policy Context

- 3.4. The Government is seeking to grow a dynamic entrepreneurial nation where more people have the ambition, confidence, opportunity and skills to start and grow a business, driving social and economic growth.
- 3.5. Key objectives for Government are:
 - i) Where Government investment is justified, focusing it on the smaller number of SMEs with greatest potential to contribute disproportionately to economic growth;
 - ii) To build growth capability among SMEs more generally, focusing on the market failures that can hold SMEs back; and
 - iii) To foster a more entrepreneurial society in the UK, by reducing barriers to entrepreneurship and supporting entrepreneurs.

Progress against EU and National Priorities

- 3.6. UK SMEs operate in one of the best business environments in the world with some of the lowest barriers to entrepreneurship of all OECD countries, third in Europe, seventh globally, in terms of ease of doing business and first in Europe for attracting FDI.
- 3.7. SMEs deliver a combined turnover of just under £1,500 billion representing almost half of all private sector turnover. Overall SMEs have experienced faster growth in their productivity and are narrowing the gap with large firms³⁵. In 2011 GVA per employee

³³ See for more information: http://ec.europa.eu/europe2020/index_en.htm

³⁴ See for more information: <https://www.gov.uk/government/organisations/hm-treasury/series/hmt-plan-for-growth-implementation-updates>

³⁵ Special analysis of ONS Annual Business Inquiry 2008

for large firms was just under £50, 000, whilst for SMEs it was around £45,500. There is, however, variation across sectors; with SMEs in manufacturing on average 35% less productive than larger firms.

SME growth

- 3.8. High growth business' are defined by the OECD as those with at least 10 employees and who have experienced growth at an annual average of 20% over a three year period. While small in number, they remain key to driving productivity across the board and in increasing jobs. The UK compares well internationally in its percentage of high growth businesses, 5.8%³⁶ against US – c. 5% and Italy 3%³⁷.
- 3.9. However, actual SME growth continues to be significantly lower than the level of growth ambition. 68% of SME employers have an aspiration to grow over the next 2-3 years, but only about a third of those, that survive a three-year period, grow in terms of turnover and about a fifth in terms of employment³⁸.
- 3.10. Research³⁹ suggests that in order to grow, success is very much dependent on a business' internal capabilities concerning: people management; strategy formulation and execution; formalising systems; new market entry; obtaining finance; and operational improvement. SMEs demonstrating these characteristics are more likely to become high growth business

SME Skills

- 3.11. Owner-managers tend not to recognise fully the importance of leadership and management skills⁴⁰ - despite CBI employers citing it as the most significant factor contributing to competitiveness. Consequently, many SMEs leaders and managers lack the ability to⁴¹ by plan strategically for growth, improve productivity⁴² or develop skills within their business. As set out in Thematic Objective 10, there is also some evidence to suggest a lack of responsiveness of the skills system in the past to the needs of the economy and a mismatch between supply and demand. Anecdotal feedback from employers is that the current skills system does not always meet their needs.

Access to finance

- 3.12. The financial crisis has resulted in tightening of credit conditions for SMEs. SME lending in real terms has shrunk dramatically: it has fallen 25% since its peak in 2009 and is now almost 10% lower than in 2006⁴³.

³⁶ NESTA 2009

³⁷ ONS Business Structure Database; OECD Business Demography Statistics

³⁸ BIS Small Business Survey 2012

³⁹ Bessant et al (2005) "A review of the literature addressing the role of external knowledge and expertise at key stages of business growth and development"

⁴⁰ Devins D., Johnson S., Gold J. and R. Holden (2002) *Management Development and Learning in Micro Businesses: a 'missing link' in research and policy*. London, Small Business Service.

<http://www.berr.gov.uk/files/file38307.pdf>

⁴¹ Bessant et al (2005) "A review of the literature addressing the role of external knowledge and expertise at key stages of business growth and development"

⁴² Homkes, Centre of Economic Performance, 'Why Management Practices Matter for Productivity and Competitiveness'.

⁴³ SME lending nominal figures are adjusted using the GDP deflator. The time series is not consistent due to changes in the methodology. The series has been adjusted to take account of these differences. Figures are indicative and should be interpreted with caution. <https://www.gov.uk/government/publications/building-the-business-bank-strategy-update>

- 3.13. Ensuring that firms can access finance as the economy recovers is vital for the UK's future and success. Whilst demand is muted, many businesses are still seeking finance for investment and expansion capital. 7% of all SMEs in Q1 2013 were 'Would-be seekers' of finance, who felt that something had stopped them applying for a loan or overdraft facility. The key barrier that had stopped them was discouragement (much of it indirect, assuming the bank would say no) and the process of borrowing (the time, hassle, expense etc.)⁴⁴.
- 3.14. For those firms seeking or requiring equity finance, there has been a long recognised finance gap, whereby the high costs of due diligence, relative to deal size, make smaller equity investments (around £250k to £5m of investment) uneconomic. This is a long term structural gap that has been exacerbated by the financial crisis.

Market development

- 3.15. Critical to SME growth is market development⁴⁵ but SMEs rate themselves as weak in entering new markets⁴⁶ with only one in five SMEs exporting (the EU average is one in four) and evidence suggesting this can be accidental and reactive in nature. This lack of pro-activity is a major contributory factor to keeping overall SME exports below the EU average and leads to a failure to exploit opportunities in developed but especially emerging economies. This is compounded by the fact that even though the majority of UK businesses with 10 or more employees have a website (79% in 2010), approximately 85% do not use a website for selling their goods or services⁴⁷.

Innovative SMEs

- 3.16. Just under half of SMEs have innovated over the past twelve months by implementing new products or services⁴⁸. Innovators are more likely to grow, and become high-growth. However, high-tech firms do not represent the majority of innovators or indeed the high growth SME category.
- 3.17. In research intensive sectors most high growth SMEs are likely to rely on larger firms at the top of supply chains for opportunities to exploit an innovation. Larger firms are also critical for many in the commercialisation of their ideas.
- 3.18. Also, SMEs moving to a more sustainable resource use model (such as through reducing materials intensity of manufacture) will reduce their risks and costs, create new market opportunities as well as reduce further environmental pressure. Research commissioned by Defra⁴⁹ and published in March 2011 indicated that £23bn per annum could be saved by British Businesses through no/ low cost actions to reduce waste and by using energy and resources more efficiently.

⁴⁴ SME Finance Monitor, Q1 2013

⁴⁵ Porter, Michael (1987). "From Competitive Advantage to Corporate Strategy". Harvard Business Review May-June (3): 43-59.

⁴⁶ BIS Small Business Survey, 2012.

⁴⁷ Table: ONS data on adoption of E-commerce and ICT Activity by size of business (%), 2010.

⁴⁸ BIS Small Business Survey 2012

⁴⁹ See for more information: <https://www.gov.uk/government/news/research-shows-companies-can-save-money-by-helping-the-environment>

Entrepreneurism

3.19. Despite the proportion of adults in the process of setting up or running a new business has increased from 6.5% to 7.3%⁵⁰, there remains distinct psychological barriers to starting up a business, with too many people thinking that enterprise is not for people like them. There are particularly low levels of entrepreneurial ambition in some parts of the country and some groups are particularly under-represented in enterprise, relative to their share of the overall population, notably women and black ethnic groups.

The Rural Perspective

3.20. The OECD Rural Policy Review, England 2011 suggests that many smaller rural firms struggle to access funding and the various types of management and technical support needed to increase innovation and productivity.

3.21. Jobs and growth need to be stimulated in a more diverse rural economy. - Total income from diversification into non-agricultural activity was £360 million in 2009-10 with around 50% of farms having already diversified – a fairly constant figure since 2003-04. .

Social Enterprise

3.22. Social enterprises operate business models that enable them to operate in areas which both private and public sector providers fail to do so. This can be due to a range of reasons from their use of volunteers, communities feeling greater ownership of the service or where the main source of motivation is not for profit.

3.23. Social enterprises are making a growing contribution to the rural and urban economies. Recent research⁵¹, found the main motivation for virtually all rural social enterprises to set up is market failure, where the public or private sectors have withdrawn a service (e.g. transport), are unable to provide a service (e.g. shops) or are unwilling to provide a service (e.g. broadband).

EU and National Priorities: Sub-national patterns

3.24. In 2011 the number of births⁵² as a percentage of stock of enterprise saw London, Thames Valley Berkshire, Tees Valley, Enterprise M3, West of England, Hertfordshire and Swindon and Wiltshire LEPs areas all above the English average of 11.1%. These areas are also seeing a positive net difference, above the English average, in terms of the number of registrations and number of deaths as a percentage of their stock of enterprise.

3.25. At the same time particularly low levels the number of births as a percentage of stock of enterprise could be seen in Cumbria, Lancashire, Cornwall and New Anglia LEP areas. These areas saw a negative difference in terms of the number of registrations and number of deaths as a percentage of the stock of enterprise.

3.26. Across England the percentage of business surviving more than three years has fallen since 2006 with 66.2% of business born in 2006 surviving, dropping to 57.9% for those

⁵⁰ See for more information: <http://www.gemconsortium.org/docs/download/2198>

⁵¹ Review of Rural Social Enterprise in England – Plunkett Foundation (2011)

⁵² The ONS Business Demography provides information on the number of registered business births and deaths. It excludes the smallest, nonemploying businesses that are not VAT or PAYE registered.

born in 2008. Sheffield City Region, Greater Birmingham and Solihull, Black Country, Greater Manchester, London, Liverpool City Region, Humber and Greater Lincolnshire LEP areas are those that have survival rates consistently below the English average.⁵³

High Growth Businesses

3.27. As Table 1 demonstrates, high growth businesses can be found in any location. 40% of UK high growth businesses are outside cities, in towns or more rural areas showing that high growth firms can emerge in both cities and small villages. On the 15th July the ONS will make available on its website up to date data on the percentage of high business by local authority.

Table 4: High Growth Businesses % by Region, NESTA (2009)

Region	% of high growth businesses
UK	5.8%
West Midlands	4.8%
East Midlands	5.1%
Y&H	5.3%
North West	5.5%
East of England	5.6%
South West	5.8%
South East	5.9%
North East	6.1%
London	6.9%

Exports

3.28. The table below sets out the value of exports of goods across the regions from 2009-2012. It does not include exports of services and covers both SME and non-SME exporters of goods. (Figures are in £millions)⁵⁴

⁵³ See for more information: <http://www.ons.gov.uk/ons/rel/ness/local-enterprise-partnership-profiles/may-2013-update/index.html>

⁵⁴ Regional Trade Statistics www.uktradeinfo.com

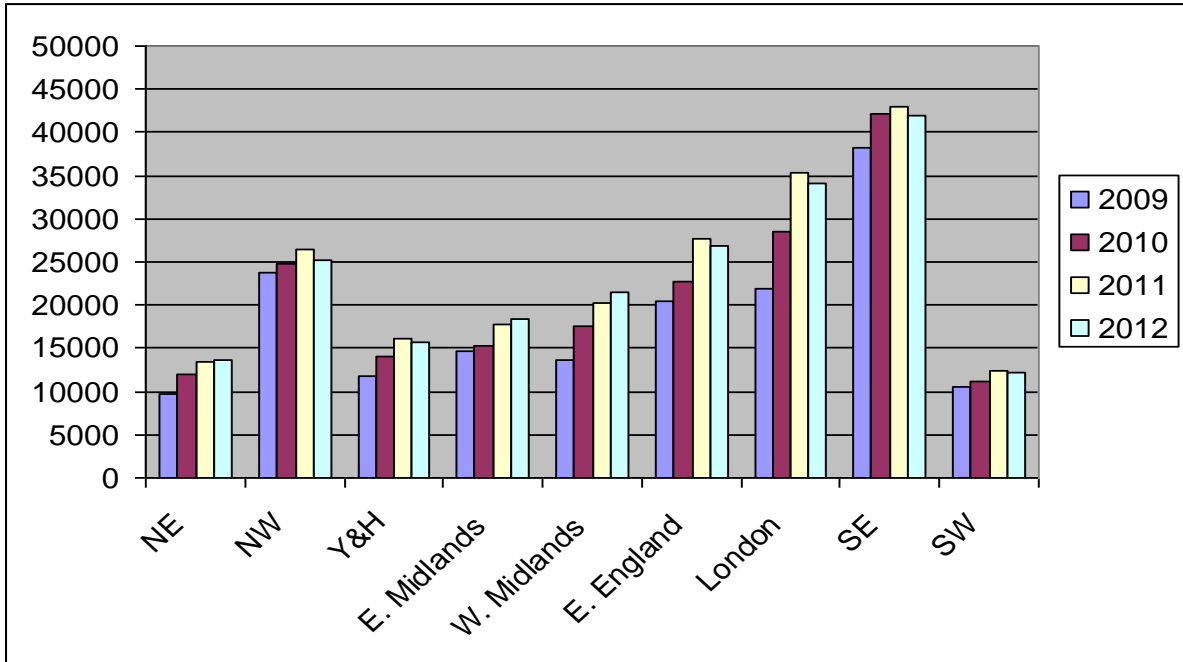


Figure 4: Exports of Goods by region 2009-12

Potential European Structural and Investment Funds priorities

3.29. Priorities under this thematic objective which compliment both EU and national priorities would be to focus on increasing the productivity of SMEs and/ or the number of SME jobs. Increasing the stock of high growth business is an important way to achieve these objectives. As such, and in line with national objectives set out above the Funds should look to:

- i) build the growth capability of SMEs; and
- ii) foster a more entrepreneurial culture by reducing barriers to entrepreneurship and supporting entrepreneurs.

3.30. It is has been widely noted that the business support landscape is fragmented. LEPS are asked to consider what steps are required to ensure accessibility of business support in their area. Growth Hubs are one mechanism for establishing simpler signposting for SMEs to business support and to align national and local provision. In the autumn, the Government will publish a small business strategy and business support will be a key part of this.

Table 5: Activities Table for Thematic Objective 3

EU Growth Programme Framework priorities	Potential European Regional Development Fund activities	Related European Social Fund activities ⁵⁵	Potential European Agricultural Fund for Rural Development activities
Build the growth capability of SMEs.	<ul style="list-style-type: none"> • Take steps to raise business growth ambition. • Help more SMEs develop a focused growth business strategy which will drive business performance. • Encourage and support more SMEs to enter new domestic and international markets. • Strengthen local and national supply chains. • Improve productivity and resource efficiency performance. • To increase the provision of finance to so that business can access finance at each stage of business development. • Investment readiness support. • Ensure there is an adequate supply of incubation, especially for high growth potential firms, grow on space and support services where there is market failure. 	<ul style="list-style-type: none"> • Leadership and management training to help management identify and resolve problems in setting direction and strategy, including internationalisation. • Support for collaborative projects, placements, internships or other activities with SMEs that enable students and graduates to gain industry relevant experience and skills. • Building capacity in SMEs to provide project/ placement/ internships opportunities and enhance the contribution of higher level skills to SME growth. This could include programmes to specifically engage the most disadvantaged groups or those who face particular local disadvantages in higher level skills. • Support for apprenticeships (but not direct funding of training or wage costs) including improvements to the recruitment, assessment and facilities for training. • Promotion of the use of Higher Level Apprenticeships (HLA) (especially in manufacturing and industrial strategy priority sectors) by developing a supportive environment for new HLAs. 	<ul style="list-style-type: none"> • Development of general and, potentially, industry⁵⁶ specific business skills.⁵⁷ • Provide support, advice and funding to businesses and entrepreneurs to support the development of SMEs and Micro Businesses, including the uptake of new/ improved business processes and technology.
Foster a more entrepreneurial culture by reducing barriers to entrepreneurship and supporting entrepreneurs.	<ul style="list-style-type: none"> • Promote entrepreneurship and self-employment in particular amongst groups which may not see enterprise as for them. • Provide support to start a business. • Provision of start up finance early stage equity/ venture capital/ proof of concept. • Investment readiness support. 	<ul style="list-style-type: none"> • Developing better links between business and educators, Further Education providers and other education partners to equip students with the skills to start and grow businesses to meet local needs and to compete in UK and international markets. • Leadership and management training to help management identify and resolve problems in setting direction and strategy, including internationalisation. 	<ul style="list-style-type: none"> • Provide support, advice and funding to businesses and entrepreneurs to support the creation and development of SMEs and Micro Businesses, including the uptake of new/ improved business processes and technology.

⁵⁵ European Social Fund activity will be funded under different thematic objectives (employment, social inclusion and skills), but it is important to consider European Social Fund activity alongside European Regional Development Fund activity. These examples are not prescriptive or exclusive. The extent to which European Social Fund contributes to this thematic objective will be subject to decisions on which European Social Fund investment priorities are selected for support. There may be variations across Local Enterprise Partnership areas depending on priorities and needs.

⁵⁶ Business skills specifically for the agricultural and forestry industry may be supported through the next rural development programme: Defra will confirm in due course.

⁵⁷ This activity to be primarily supported under the Skills Thematic Objective (TO10)

Proposed Indicators

ERDF Result Indicators

- increase in SME productivity;
- increase in SME jobs created; and
- Increase in business start ups.

ERDF Output indicators

Common output indicators

- number of enterprises receiving support;
- number of new enterprises supported;
- employment increase in supported enterprises;
- number of enterprises supported to introduce new to the market products; and
- number of enterprises supported to introduce new to the firm products.

Programme Specific Indicator

- private investment matching public support to enterprises.

EAFRD Result Indicator

- encouraging the Competitiveness of SMEs.

EAFRD Output indicators

- total participants trained; and
- jobs created in supported projects.

Potential Sources of Match Funding

3.31. Potential sources of match could include: UKTI, Manufacturing Advisory Service, Growth Accelerator, Waste and Resources Action Programme loans, Adult Skills Budget, Universities, Local Authorities, Private Sector and Voluntary Sector.

4. Supporting the Shift towards a Low Carbon Economy in All Sectors

Europe 2020⁵⁸ and National Government Priorities

- 4.1. Driving jobs and growth is vital within the economy. Decarbonising the economy plays a key part in the Government's aim to achieve sustainable and balanced growth, with a focus on maximising the opportunities and minimising the costs of the green economy transition⁵⁹. This approach complements the Europe 2020 strategy for smart, sustainable and inclusive growth⁶⁰ specifically the priority to promote a more resource efficient, greener and more competitive economy.
- 4.2. In the area of Low Carbon relevant EU goals by 2020 are⁶¹:
- reducing Green House Gas (GHG) emissions by 20% compared to 1990 levels;
 - increasing the share of renewables in final energy consumption to 20%; and
 - moving towards a 20% increase in energy efficiency.
- 4.3. The UK has targets in each of these three areas by 2020, relevant to the EU Programmes in the period 2014-2020 as follows⁶²:
- reducing GHG emissions by 34% compared to 1990 levels;
 - increasing the share of renewable energy to 15%; and
 - enhancing the energy efficiency of homes, business and transport.
- 4.4. These sit within the wider context of achieving an 80% reduction of GHG emissions compared to 1990 levels by 2050 via a series of five year statutory carbon budgets. In this context the Government also has objectives to⁶³:
- reduce emissions from buildings (predominantly in form of heating) to near zero by 2050;
 - reduce industrial emissions (predominantly in form of heat for industrial processes) by up to 70% by 2050 compared to 1990 levels; and
 - reduce emissions from the agriculture and waste sectors by 16% between 2008 and 2027.

The National Policy Context

- 4.5. To support the achievement of the targets above, the Government has set out a comprehensive suite of policies and legislative measures. These include:

⁵⁸ See for more information: http://ec.europa.eu/europe2020/index_en.htm

⁵⁹ See for more information:

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

⁶⁰ See for more information: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2010:2020:FIN:EN:PDF>

⁶¹ See for more information: http://www.hm-treasury.gov.uk/d/national_reform_programme_2012.PDF

⁶² See for more information: http://www.hm-treasury.gov.uk/d/national_reform_programme_2012.PDF

⁶³ See for more information: <https://www.gov.uk/government/publications/the-carbon-plan-reducing-greenhouse-gas-emissions--2>

- in relation to the **GHG emissions target** key policies are: the Climate Change Act 2008⁶⁴; the UK Carbon Plan⁶⁵; the Carbon Price Floor⁶⁶, the Heat Strategy⁶⁷; the Forestry & Woodlands Policy Statement⁶⁸; and the Greenhouse Gas Action Plan for Agriculture⁶⁹;
- in relation to the **Renewable Energy target** key policies are: Renewables obligation⁷⁰ and feed-in tariff for electricity⁷¹, Renewable Heat Incentive⁷², Renewable Transport Fuel Obligation⁷³; Electricity Market Reform (EMR)⁷⁴ via the Energy Bill; and the Gas Generation Strategy⁷⁵;
- in relation to the **Energy Efficiency target** key policies are: Enabling the Transition to a Green Economy and the accompanying Policy Timeline⁷⁶; the establishment of the UK Green Investment Bank; Green Deal; The Energy Efficiency Strategy⁷⁷ (including Electricity Demand Reduction); the Plan for Growth⁷⁸; the Climate Change Levy & Climate Change Agreements⁷⁹, and the CRC energy efficiency Scheme⁸⁰; and
- in relation to **heating for buildings and industrial decarbonisation** key areas of policy development are detailed within: The Future of Heating: A strategic framework for low carbon heat in the UK⁸¹, and The Future of Heating: Meeting the Challenge⁸².

4.6. All these policies are based on a comprehensive and sound evidence base, particularly the UK 2050 Pathways analysis⁸³, which provides an excellent tool to support the delivery of the UK's goals and measures, and the Technology & Innovation Needs Assessments for the key technologies in the Renewables Roadmap.

4.7. Government estimates that through socially cost-effective investment in energy efficiency we could be saving 196TWh in 2020, equivalent to 22 power stations. Were

⁶⁴ See for more information: <http://www.legislation.gov.uk/ukpga/2008/27/contents>

⁶⁵ See for more information:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/47621/1358-the-carbon-plan.pdf

⁶⁶ See for more information: <http://www.hmrc.gov.uk/climate-change-levy/carbon-pf.htm>

⁶⁷ See for more information: <https://www.gov.uk/government/publications/the-future-of-heating-meeting-the-challenge>

⁶⁸ See for more information: <https://www.gov.uk/government/publications/government-forestry-policy-statement>

⁶⁹ See for more information: <http://www.ahdb.org.uk/projects/documents/GHGAPDeliveryPlan04April2011.pdf>

⁷⁰ See for more information: <https://www.gov.uk/government/policies/increasing-the-use-of-low-carbon-technologies/supporting-pages/the-renewables-obligation-ro>

⁷¹ See for more information: <https://www.gov.uk/government/policies/increasing-the-use-of-low-carbon-technologies/supporting-pages/feed-in-tariffs-scheme>

⁷² See for more information: <https://www.gov.uk/government/policies/increasing-the-use-of-low-carbon-technologies/supporting-pages/renewable-heat-incentive-rhi>

⁷³ See for more information: <https://www.gov.uk/renewable-transport-fuels-obligation>

⁷⁴ See for more information: <https://www.gov.uk/government/policies/maintaining-uk-energy-security--2/supporting-pages/electricity-market-reform>

⁷⁵ See for more information: <https://www.gov.uk/government/publications/gas-generation-strategy>

⁷⁶ See for more information:

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

⁷⁷ See for more information: <https://www.gov.uk/government/publications/energy-efficiency-opportunities-in-the-uk>

⁷⁸ See for more information: http://www.hm-treasury.gov.uk/ukecon_growth_index.htm

⁷⁹ See for more information: <https://www.gov.uk/government/policies/reducing-demand-for-energy-from-industry-businesses-and-the-public-sector--2/supporting-pages/climate-change-agreements-ccas>

⁸⁰ See for more information: <https://www.gov.uk/crc-energy-efficiency-scheme>

⁸¹ See for more information: <https://www.gov.uk/government/publications/the-future-of-heating-a-strategic-framework-for-low-carbon-heat>

⁸² See for more information: <https://www.gov.uk/government/publications/the-future-of-heating-meeting-the-challenge>

⁸³ See for more information: <https://www.gov.uk/2050-pathways-analysis>

all this potential to be realised, final energy consumption in 2020 could be 11% lower than the business as usual baseline.⁸⁴

- 4.8. *Promoting sustainable transport* - The Government believes that a modern transport infrastructure is central to improving wellbeing and quality of life. The vision is for an inclusive, integrated and innovative transport system that works for everyone, and where making door-to-door journeys by sustainable means is an attractive and convenient option. The aim is to make the transport sector greener and more sustainable, to promote growth and reduce carbon emissions. Central to this is encouraging and enabling more people to make more of their door-to-door journeys by sustainable means: public transport, supported by walking and cycling.
- 4.9. The Government is taking forward a number of initiatives⁸⁵ to make these modes of transport more attractive to encourage people to leave the car at home. These initiatives reduce people's carbon footprint and contributes to attaining climate change goals.

Progress against EU and National Priorities

4.10. The UK is currently performing against these headline targets as follows⁸⁶:

- **the UK GHG emissions are currently 23% lower than 1990 levels** (3 percentage points higher than the EU goal for 2020 but 11 percentage points below the UK target for 2020);
- **the UK is currently only producing 3.8% of all energy from renewables⁸⁷** (well short of both the UK target and EU goal). However, renewables now generates just under 10% of the UK's electricity requirements in terms of terawatt hours (TWhrs) of electricity, and wind has become the sole largest contributor to the renewables mix⁸⁸;
- the UK currently has 10.6m homes with cavity wall insulation and 12.9m homes with loft insulation of at least 125mm, out of about 25m homes; and
- UK industry reduced total emissions by 111 MtCO₂e since 1990 – a reduction of around 46% over 20 years as well as reducing total energy consumption by 44% since 1970 and by 9% since 1990.

4.11. In 2011, the UK had an installed Combined Heat and Power (CHP) capacity of 6,111 MWe. The electricity produced from good quality CHP sites was just over 27 TWh in 2011. This corresponds to about 7.4 per cent of all electricity produced in the UK.⁸⁹ In 2012 there was recorded operationally installed onshore wind capacity of 4.5GW in the UK; there was a further 1.4GW under construction, 4.0GW that had been approved but not yet built and connected, and a further 7.7GW of onshore projects in the planning

⁸⁴ See for more information:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/65602/6927-energy-efficiency-strategy--the-energy-efficiency.pdf

⁸⁵ See for more information: <https://www.gov.uk/government/policies/improving-local-transport>

⁸⁶ See for more information: <https://www.gov.uk/government/publications/europe-2020-uk-national-reform-programme-2013>

⁸⁷ See for more information:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/65850/5956-dukes-2012-chapter-6-renewable.pdf

⁸⁸ See for more information: <http://www.renewableuk.com/en/publications/reports.cfm/SOI2012> Wind: the state of the Industry 2012 (Renewables UK, 2012)

⁸⁹ See for more information:

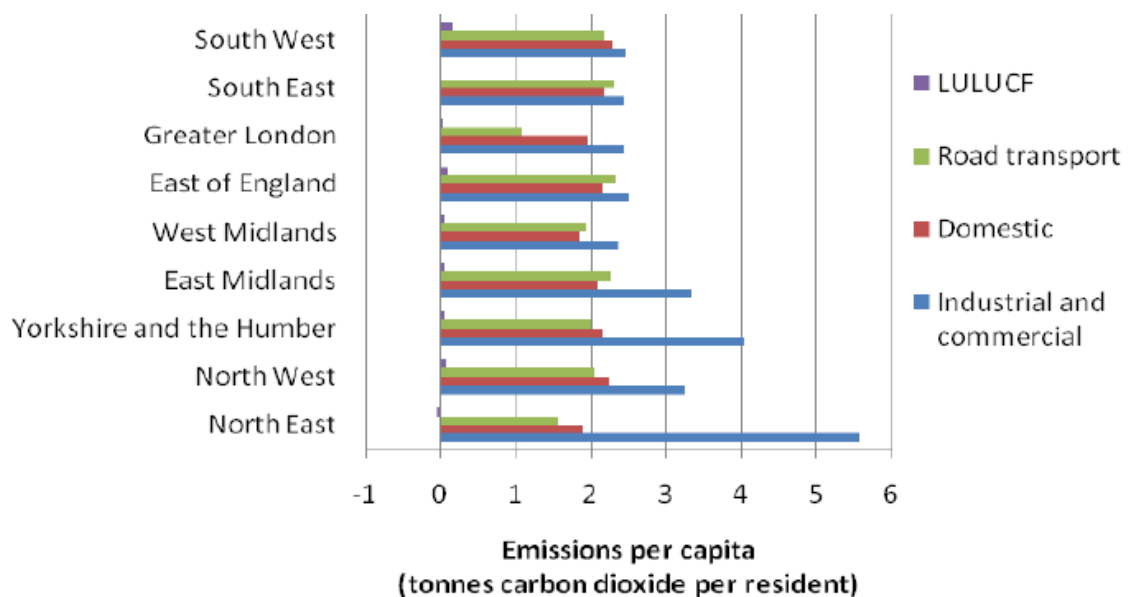
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/65865/5957-dukes-2012-chapter-7-chp.pdf

process⁹⁰. In addition, the proportion of heat that is renewable is less than 5%⁹¹ (compared to the EU27 average of about 14%). This shows the vast opportunity in both large scale and small scale renewable developments.

4.12. The Low Carbon Environmental Goods and Services sector is large – the global market is worth £3.3trillion of which the UK share is £122bn. From 2009-10 to 2010-11 it grew at 4.7% in the UK and employs nearly 1million people in 51,000 companies and by 2014-15 it is expected to halve the UK's trade deficit⁹².

EU and National Priorities: Sub-national patterns

4.13. As the chart below shows⁹³, there are some regional differences within the UK in carbon emissions per capita from transport and domestic sources, but the major differences are in emissions from industrial and commercial sources which are significantly higher in the North East, Wales and Yorkshire & the Humber (in order) than elsewhere in the UK. This is to be expected, due to the concentrations of industry in these areas.



*LULUCF stands for Land Use, Land Use Change, and Forestry.

Figure 5: Emissions per capita

4.14. The following links also provide LEPs with local data on the current performance of their locality in relation to a number of Low Carbon datasets:

- carbon emissions: <https://www.gov.uk/government/publications/local-authority-emissions-estimates>;
- final energy consumption: <https://www.gov.uk/government/organisations/department-of-energy-climate-change/series/total-final-energy-consumption-at-sub-national-level>;

⁹⁰ See for more information: <http://www.renewableuk.com/en/publications/reports.cfm/BiGGAR>

⁹¹ EUROSTAT 2010, quoted in The Future of Heating, DECC March 2013

⁹² See for more information: <http://www.bis.gov.uk/assets/biscore/business-sectors/docs/l12-p143-low-carbon-environmental-goods-and-services-2010-11.pdf>

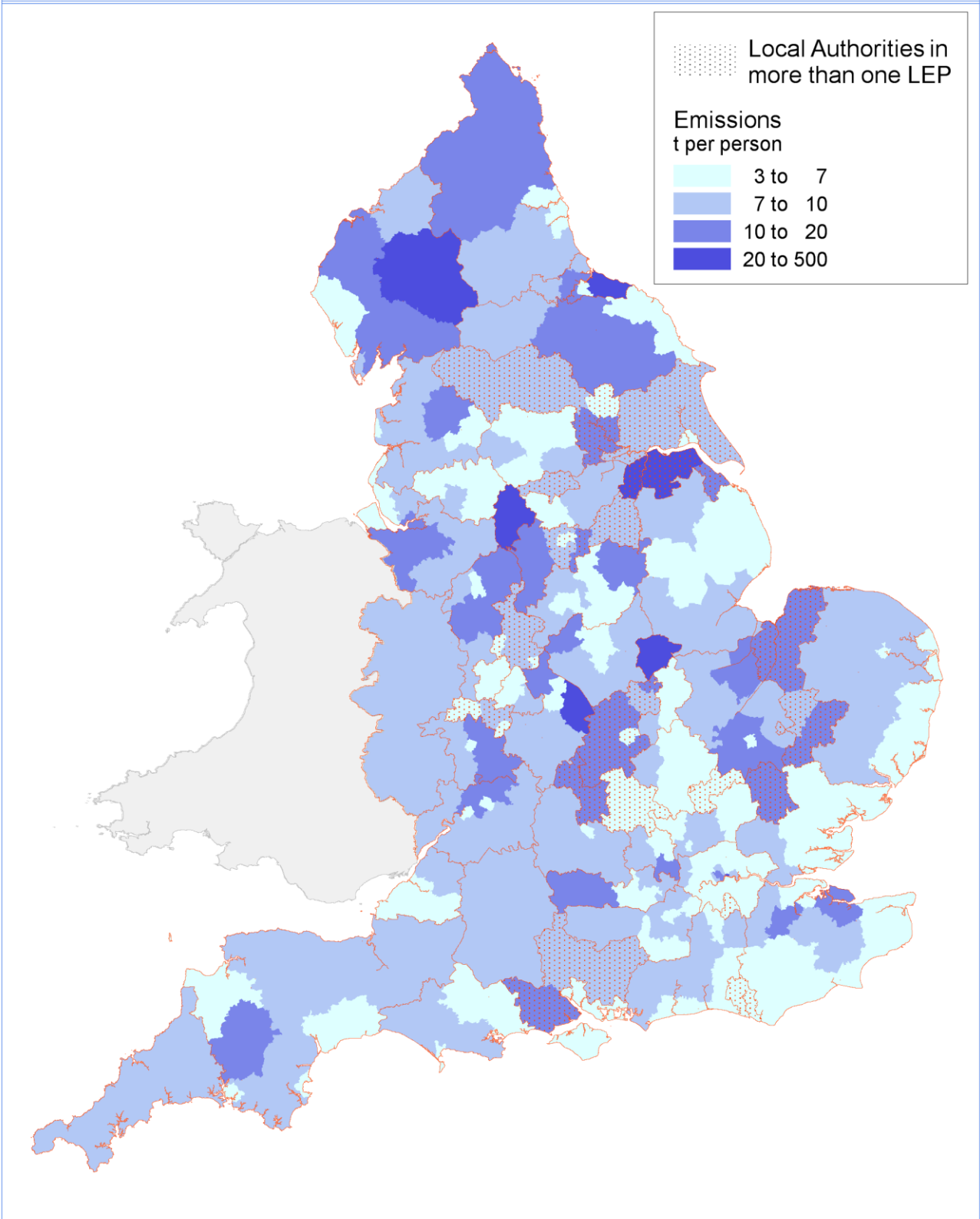
⁹³ See for more information: [2010 Local Authority CO2 emissions estimates: Statistical summary](#), Figure 2 on page 10

- interactive maps for: cavity wall/loft insulation; fuel poverty; domestic solar PV installations; gas & electricity consumption: <https://www.gov.uk/government/organisations/department-of-energy-climate-change/series/interactive-maps-trends-in-fuel-poverty-energy-use-and-energy-efficiency-measures>;
- heat map: <http://chp.decc.gov.uk/developmentmap/>; and
- transport consumption statistics: http://www.decc.gov.uk/en/content/cms/statistics/energy_stats/regional/road_transport/road_transport.aspx.

4.15. This data has been draw from to produce the 2 maps set out below:



CO₂ Emissions Estimates per Capita



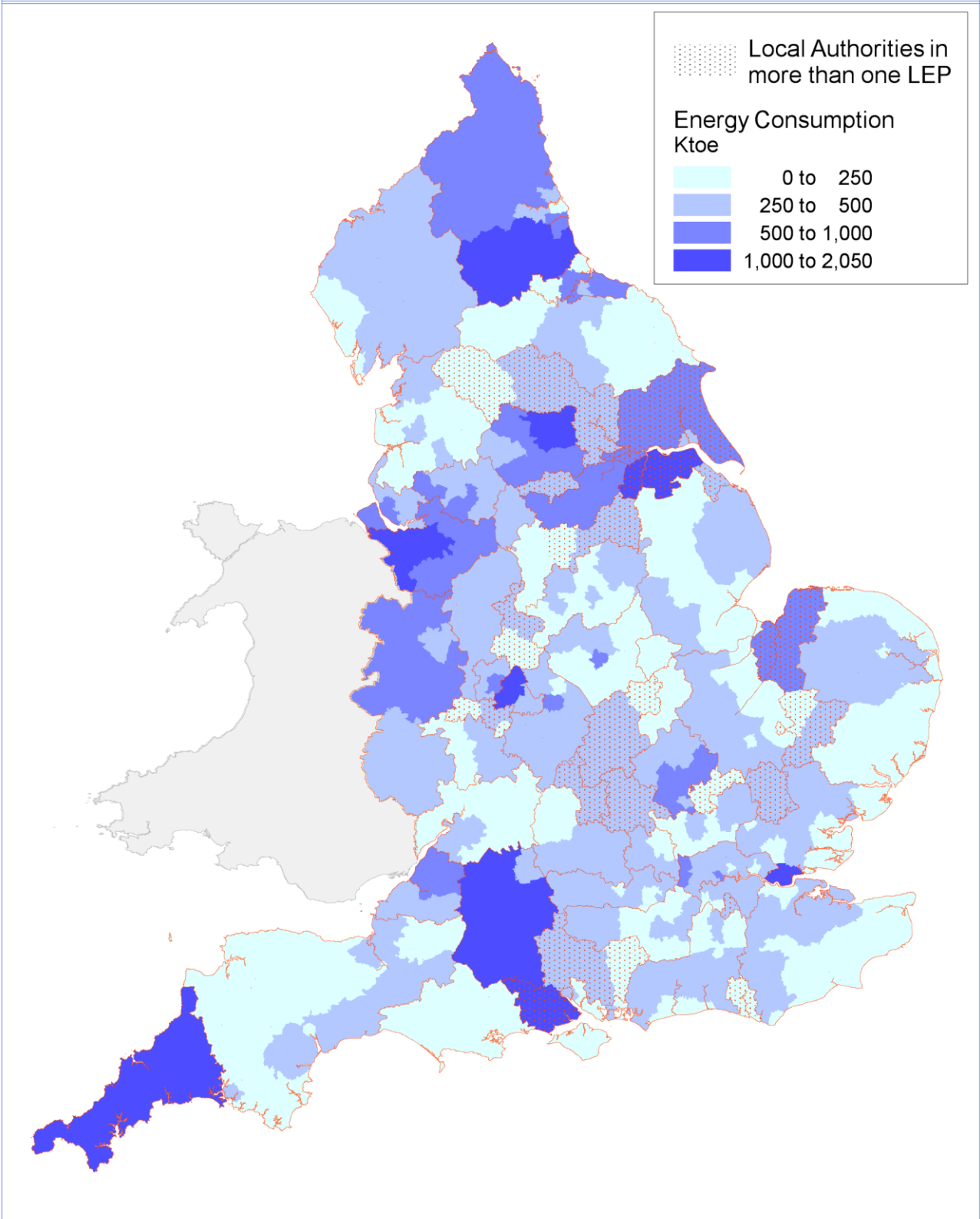
Produced by Statistical Analysis Directorate
Source: AEA August 2012

Contains Ordnance Survey data © Crown copyright
and database right 2013

Figure 6: CO₂ Emissions Estimates per Capita



Total Sub-National Final Energy Consumption, 2010



Produced by Statistical Analysis Directorate
Source: Department for Energy & Climate Change

Contains Ordnance Survey data © Crown copyright
and database right 2013

Figure 7: Total Sub-National Final Energy Consumption, 2010

Potential European Structural and Investment Funds priorities

4.16. The Government's view is that the policies and measures it has in place will help to ensure substantial progress towards meeting the Green House Gas goal and Renewable Energy goal by 2020 and that it would not be practical to use EU funds to focus on large scale energy generation investments. It therefore proposes that EU funds in England in this thematic objective should be focused on activities that deliver the Energy Efficiency target and create jobs/ growth in low carbon technologies, whilst also contributing to GHG emission reductions and decentralised renewable energy production. Those activities that need to be implemented now to achieve longer term goals could also be supported. As such priorities under this thematic objective which compliment both EU and national priorities would be:

- build the market in low carbon environmental technologies, goods and services including via domestic retrofit;
- support the non-domestic sector to deploy low carbon technologies and focus on energy efficiency;
- development of "whole place" low carbon solutions (including heat and cooling networks, urban design, sustainable urban mobility, decentralised energy systems such as local heat or electricity grids and off grid energy systems such as biomass heating, community energy solutions, climate change adaptation measures and demand management); and
- activities that accelerate the development, innovation, adoption and deployment of low carbon technologies and related supply chains/ infrastructure.

4.17. The Government encourages LEPs to collaborate with each other as appropriate on elements of Low Carbon activity, especially where activity is replicable from one LEP area to another.

4.18. The table below sets out a range of potential actions that could be funded via EU funding, in support of these priorities. These actions are examples and not prescriptive or exhaustive. Obviously individual projects would need to fit under one or more of the activities that are eligible for EU funding from the relevant fund and these are listed at the end of the table. Individual projects will also need to secure "clean" non EU match funding and comply with State Aid rules/ Regulations.

4.19. Thematic Objective (TO) 4 (Low Carbon), 5 (Climate Change) and 6 (Protecting the Environment and Promoting Resource Efficiency) are closely linked. All three have an element of being seen as constraints to growth and development but actually offer opportunities to deliver more resilient growth. It is likely that there will be one sub-committee of the EU Growth Board that will focus on these three objectives. However they are also different in important ways, as set out below, and to ensure consistency with the EU Regulations it is essential the LEPs recognise these differences in preparing their EU investment plans:

- TO4 is focused on Moving to a Low Carbon Economy with particular emphasis on building the market in low carbon environmental goods and services, non-domestic sector deployment of low carbon technologies, whole place low carbon solutions and low carbon innovation. There is also a requirement to spend a minimum amount of ERDF on TO4 (20% in more developed regions, 15% in transition regions and 12% in less developed regions);
- TO5 is focused on adapting to all the risks of a changing climate (flood, drought and extreme weather events) with a particular emphasis within this TO on enabling appropriate new scheme development and sustainable growth for business communities at flood and coastal risk; and

- TO6 is focused on protecting the natural environment (including biodiversity) and business resource efficiency. The latter is focused on helping businesses move to a more sustainable resource use model.

4.20. It is accepted that there may be some projects which could potentially deliver a more sustainable use of resources, deploy low carbon technologies and protect against climate change. The appropriate TO for such projects will have to be considered on a case-by-case basis. Projects delivering multiple benefits are encouraged.

Table 6: Activities Table for Thematic Objective 4

EU Growth Programme Framework priorities	Potential European Regional Development Fund activities	Related European Social Fund activities ⁹⁴	Potential European Agricultural Fund for Rural Development activities
Build the market in low carbon environmental technologies, goods and services.	<ul style="list-style-type: none"> • Adoption of domestic energy efficiency and low carbon construction techniques, including ultra-low carbon exemplar demonstrator buildings. • Adoption of low carbon technologies to build the market in the LCEGS sector supply chain (including support to SMEs to deploy local carbon solutions and support to diversify technologies from one sector to another).⁹⁵ • Assist the market to develop, design and manufacture materials, goods and services with embedded low carbon technologies. • Deployment of localised Carbon Capture and Utilisation, Energy Storage and Waste to Energy projects and infrastructure. • Support business to engage in knowledge transfer with HEIs and FEIs to encourage commercialisation of Low Carbon technologies. 	<ul style="list-style-type: none"> • Skills/ employment development for low carbon including via Higher Apprenticeships, University Technical Colleges and placements/ working with industry. • Help those without jobs and labour market entrants gain accredited low carbon skills/ employment. • Sustainable Land management and forestry skills. • Skills/ employment for retrofitting and low carbon heating. • Skills to enable knowledge transfer. 	<ul style="list-style-type: none"> • We do not anticipate any support for activities to be supported by European Agricultural Fund for Rural Development under this thematic objective priority.
Non domestic low carbon technologies and energy efficiency.	<ul style="list-style-type: none"> • Energy efficiency⁹⁶ in enterprises including industrial processes, designing out waste, recovery of ‘waste’ heat energy and CHP. • Moving to renewable and low carbon fuels to generate heat and power • Actions aligned to the Government’s Waste Prevention Programme which drive low carbon innovation in relation to waste and re-use. • Building retrofit and energy efficiency especially whole building solutions exemplifying next phase technologies which are near to market. 	<ul style="list-style-type: none"> • Adaptation skills for all sectors to support low carbon transition including eco-innovation and skills to drive change. 	<ul style="list-style-type: none"> • Provide support or access to finance for local projects to support renewable energy initiatives.

⁹⁴ European Social Fund activity will be funded under different thematic objectives (employment, social inclusion and skills), but it is important to consider European Social Fund activity alongside European Regional Development Fund activity. These examples are not prescriptive or exclusive. The extent to which European Social Fund contributes to this thematic objective will be subject to decisions on which European Social Fund investment priorities are selected for support. There may be variations across Local Enterprise Partnership areas depending on priorities and needs.

⁹⁵ This has links to the SME Competitiveness Thematic Objective.

⁹⁶ To include advice, guidance and investment where this delivers eligible outputs and results.

EU Growth Programme Framework priorities	Potential European Regional Development Fund activities	Related European Social Fund activities ⁹⁴	Potential European Agricultural Fund for Rural Development activities
Whole place low carbon solutions.	<p>N.B. Actions under this priority should deliver LC best practice as part of an integrated whole place approach:</p> <ul style="list-style-type: none"> • Whole place⁹⁷ low carbon initiatives such as smart cities including low carbon transport, urban design/ land use, energy efficiency, low carbon energy, smart meter/ smart grid programmes, waste infrastructure and demand management. • Decentralised and off grid renewable energy schemes⁹⁸ such as district heating & cooling networks, deep geothermal heat, renewable heat, CHP, micro-generation, biomass. • Resilient energy infrastructure. • Green and blue infrastructure to reduce whole place energy requirements. • ICT applications that contribute to reducing carbon emissions and energy efficiency. • Low carbon modal shift/ smarter choices, smart systems, electric/ ultra-low carbon vehicle infrastructure and supply chain development. • Low Carbon financial instruments to deliver whole place solutions. 	<ul style="list-style-type: none"> • Low carbon power and heat skills. • Low carbon transport and network management skills. • Urban design/ construction/ planning skills. • Low carbon land use skills. 	<ul style="list-style-type: none"> • We do not anticipate any support for activities to be supported by European Agricultural Fund for Rural Development under this thematic objective priority.
Innovation and adoption of low carbon technologies	<ul style="list-style-type: none"> • R&D, innovation⁹⁹ and supply chain development for low carbon technologies and materials¹⁰⁰ (including small scale pilot programmes that test the market with new low carbon solutions). • Development of technology centres of excellence, manufacturing clusters and the development of appropriate test facilities and deployment infrastructure. • Demonstration and deployment of renewable technologies in the UK renewable energy roadmap (onshore wind, offshore wind, marine energy, biomass electricity and heat, ground and air source heat pumps and renewable transport). • Development of mitigation related adaptation technologies, such as cooling, and low carbon water management. • Research, development, demonstration and adoption of low carbon vehicles and fuels. • Support business to engage in knowledge transfer with HEIs and FEIs to encourage commercialisation of Low Carbon technologies. 	<ul style="list-style-type: none"> • Skills for low carbon new build and alternative construction methods. • Offshore engineering skills • Skills centres for renewable energy training. • Innovation skills in low carbon transport technologies. • Skills to enable knowledge transfer. 	<ul style="list-style-type: none"> • We do not anticipate any support for activities to be supported by European Agricultural Fund for Rural Development under this thematic objective priority.

⁹⁷ To include advice, guidance and investment where this delivers eligible outputs and results.

⁹⁸ *Ibid.*

⁹⁹ Including social innovation.

¹⁰⁰ To include products, processes and services.

4.21. In considering European Growth Programme investments LEPs are encouraged to have regard to delivery of the sustainable development cross cutting theme. In the case of Low Carbon the following specific issues are also of relevance:

- construction projects should achieve a minimum of BREEAM 'Excellent' or Passivhaus equivalent for new build, or BREEAM 'Very Good' for refurbishments and infrastructure projects should achieve CEEQUAL 'Very Good';
- GHG reduction projects should have a transparent methodology for calculation and monitoring, to provide actual and auditable GHG reductions consistent with the Climate Change Act. Defra guidelines on reporting are available at <https://www.gov.uk/measuring-and-reporting-environmental-impacts-guidance-for-businesses>.
- where appropriate project applicants should have an appropriate accredited Environmental Management System (EMS) in place such as ISO14001 or EMAS, or a commitment to achieving this during the lifetime of the project (such as through BS8555). The equivalent of the Carbon Trust Standard or CEMARS may be used by applicants for projects focussed on carbon reduction. This requirement may be discharged by SME's or the third sector through the adoption of an Environmental Policy.
- projects should seek to utilise accredited and voluntary environmental and low carbon standards in procurement. Further information is available at <https://www.gov.uk/environmental-claims-and-labels-guidance-for-businesses> or <http://ec.europa.eu/environment/ecolabel/>

Proposed Indicators

ERDF Result Indicators

4.22. Each project will need to demonstrate a logic chain as to how it will contribute towards some or all of the following result indicators which, taken together, will help to ensure the overall targets of this thematic objective are met¹⁰¹:

- an increase in the energy efficiency of companies, buildings and transport; and
- an increase in companies deploying low carbon practices, processes, services or products.

ERDF Output indicators

4.23. The activities set out above will enable the UK to meet its headline low carbon targets set out in this document, especially in relation to energy efficiency and driving jobs/ growth in the low carbon economy. Each project will need to set out the specific outputs it will achieve that can be directly attributed to the project (for example x businesses supported with energy efficiency). In relation to the activities above the likely relevant output measures from the common ERDF indicators would include:

- enterprises – number supported; new enterprises supported; private investment; employment increase;
- R&D – enterprises co-operating with research institutions; enterprises supported to introduce new to market or new to firm products/ services; and
- energy/ climate change – estimated GHG reduction.

¹⁰¹ Carbon is a proxy for the basket of greenhouse gases covered by the Climate Change Act as measured by CO₂e.

4.24. Skills outputs relevant to the Low Carbon Thematic Objective will be included within the Employment, Social Inclusion and Education/ Skills Thematic Objectives.

EAFRD Result Indicators

- supporting the move to a Low Carbon economy.

EAFRD Output indicators

- jobs created in supported projects.

Potential Sources of Match Funding

4.25. Potential sources of match funding for building the market in low carbon environmental technologies, goods and services priority could include:

- Regional Growth Fund (RGF);
- Advanced Manufacturing Supply Chain initiative;
- Renewables obligation;
- Micro-feed-in tariffs;
- Contracts for Difference and transitional arrangements under EMR¹⁰²;
- Green Deal;
- Local Authorities;
- HEI/ FEI;
- pension funds;
- private sector;
- voluntary sector;
- European Investment Bank (EIB);
- Growing Places Fund; and
- Energy Companies Obligation (ECO)¹⁰³.

4.26. Potential sources of match funding for the non-domestic low carbon technologies and energy efficiency priority could include:

- UK Green Investment Bank (GIB)¹⁰⁴ – £100m allocated to funds for small non-domestic energy efficiency projects. Non-domestic, energy efficiency also a priority area for larger investments;
- UK GIB¹⁰⁵ – £80m allocated to funds for small-scale waste projects. Waste processing and waste to energy also priority areas for larger investments;
- Green Deal;
- Local Authorities;
- private sector;
- voluntary sector; and
- EIB.

¹⁰² These sources would need to justify the additional EU investment over the normal support via these mechanisms and projects using established technologies in normal circumstances may find it difficult to make this case.

¹⁰³ See for more information: <https://www.gov.uk/government/policies/helping-households-to-cut-their-energy-bills/supporting-pages/energy-companies-obligation-eco>

¹⁰⁴ It should be noted that GIB only invests in projects which offer a commercial rate of return – this is usually, but not necessarily, demonstrated by match funding from the private sector on identical terms.

¹⁰⁵ *Ibid.*

4.27. Potential sources of match funding for the whole place low carbon solutions priority could include:

- RGF;
- Local Authorities;
- Local Sustainable Transport Fund;
- private sector;
- OfGEM funding;
- UK GIB;
- voluntary sector;
- EIB;
- Local Growth Fund post 2015;
- Community Infrastructure Levy;
- energy companies;
- European Research Funds (where eligible);
- Research Councils and other public research institutions;
- programmes of the Technology Strategy Board;
- Energy Technologies Institute; and
- Growing Places Fund.

4.28. Potential sources of match funding for the innovation, adoption and cost reduction of low carbon technologies priority could include:

- programmes of the Technology Strategy Board (TSB);
- Research Councils (£560m 2011-15) and other public sector research institutions;
- Universities and funding provided to them (eg. by HEFC);
- Ports Infrastructure Fund (£60m 2011-15);
- DECC Low Carbon Innovation funding (£150m 2011-15);
- Sustainable pathways to Low Carbon Energy (£1m per annum);
- DECC CCS commercialisation (£1bn);
- Offshore Wind Technologies Development/ Demonstration Scheme (£15m);
- Ultra-low and low emission vehicles (provision for over £400m up to 2015);
- Offshore wind up to £30m (the DECC-TSB Offshore Wind Component; Technologies scheme and the Offshore Wind Accelerator);
- Marine Energy Array Demonstrator (MEAD) – up to £20m (aims to demonstrate the capability of the technology to operate at array scale to reduce the cost of marine energy and increase investors' confidence);
- Non-domestic buildings competition - up to £10m procurement competition (The scheme is to focus on technologies that will optimise energy performance to drive significant energy efficiency in the building fabric);
- Carbon Capture Storage – up to £20m (DECC competition including feasibility studies, better and cheaper CCS components and systems for pilot scale demonstration);
- Advanced heat storage competition - up to £3m competition (fully funded feasibility studies and prototype demonstrations of compact heat storage products);
- Energy Storage – Up to £20m (pre-commercial procurement competition focused on feasibility studies, component development and full scale demonstration);
- Hydrogen Systems Demonstration – Up to £1.5m scheme;
- nuclear – collaboration programme with TSB, NDA and EPSRC to support innovative projects that will strengthen the UK nuclear power supply chain. To invest up to £15m (up to £3M from DECC) in feasibility projects, collaborative research and development and Knowledge Transfer Partnerships (KTPs) to

stimulate innovation in the civil nuclear power sector and to strengthen its UK supply chain;

- bioenergy - DECC are collaborating with TSB and BBSRC to lead a joint initiative with other EU member states. A key objective is to enable commercial availability of advanced bio-energy at large scale by 2020. DECC will invest up to £6m with a combined public sector investment of up to €43m that will need to be matched with private sector funding for proposals to attract support. DECC has also launched a £2m competition to develop and demonstrate a bioenergy process that optimises wetland management activities and utilises the biomass arisings;
- Entrepreneurs Fund - The Entrepreneurs Fund is an up to £35m technology cross cutting scheme to support the development and deployment of novel low carbon technologies;
- future low carbon road research (current programmes include over £11m UK government funding under the Low carbon heavy goods vehicle trial to demonstrate and promote uptake of low carbon technologies and to develop embryonic gas refuelling network);
- private sector;
- voluntary sector; and
- EIB.

The detail regarding several of these Funds can be found online through the following link: <https://www.gov.uk/innovation-funding-for-low-carbon-technologies-opportunities-for-bidders>.

5. Promoting Climate Change Adaptation, Risk Prevention and Management

- 5.1. Climate change adaptation must be dealt with as a cross cutting theme, the detail of which is set out under Annex I of the Supplementary Guidance to Local Enterprise Partnerships. One specific issue that should be supported under this thematic objective is the Management of Flood and Coastal Risks.

Europe 2020¹⁰⁶ and National Government Priorities

- 5.2. Increased flood risk poses the most significant and specific climate change challenge to the UK economy. Flood damages in England have risen by around 60% over the past 25 years and already exceed £1 billion p.a. in direct costs to communities and business. The Government's overarching aim is to ensure that flooding and coastal erosion risks are managed and co-ordinated, so that impacts are minimised.

The National Policy Context

- 5.3. The National Flood and Coastal Erosion Risk Management Strategy for England – *Understanding the risks, empowering communities, building resilience*¹⁰⁷, which is pursuant to the Floods and Waste Management Act 2010, provides a framework for domestic policy as well as delivery of the Flood Directive in England. Its overarching aim is to ensure that flooding and coastal erosion risks are managed and co-ordinated, so that impacts are minimised.
- 5.4. In terms of flooding, since May 2011, domestic flood and coastal risk management government capital funding (in England) has been targeted via an outcome-focused, partnership approach. Flood and Coastal Resilience Partnership Funding policy (partnership funding), allocates grant payment rates to the following eligible outcomes (to address all types of flood and coastal erosion); protecting households; statutory environmental obligations; & other economic damages avoided. Only existing households and direct damages to existing economic assets can be counted.¹⁰⁸
- 5.5. Where appropriate and consistent with relevant strategies and planning policies, balanced and adaptive risk management measures may also help to accommodate increases in populations in a manner that minimises pressures on resources and sustains and enhances the environmental quality of places.
- 5.6. Excluding future development avoids the risk of dissipating limited Flood Defence Grant in Aid (FDGiA), while providing a clear framework to enable and encourage the development of local funding partnerships. Partnership funding enables local choice about funding flood and coastal risk management. It allows and encourages combined investment to deliver both flood and coastal risk management, and sustainable economic development benefits.
- 5.7. An increase in the quantity and breadth of investment and outcomes is being achieved under the partnership funding policy. The economic growth potential of investment in

¹⁰⁶ See for more information: http://ec.europa.eu/europe2020/index_en.htm

¹⁰⁷ See for more information: <http://www.official-documents.gov.uk/document/other/9780108510366/9780108510366.pdf>

¹⁰⁸ See for more information: <https://www.gov.uk/government/publications/flood-and-coastal-resilience-partnership-funding>

flood and coastal risk management is evidenced by the economic growth outcomes identified in the one-off £60m flood and coastal risk management GiA Growth Fund programme (2012).

Progress against EU and National Priorities

- 5.8. Investing for the future, flood and coastal risk management in England, a long-term investment strategy, the Environment Agency 2009 - identifies that around 5.2 million properties in England are at risk of flooding.¹⁰⁹

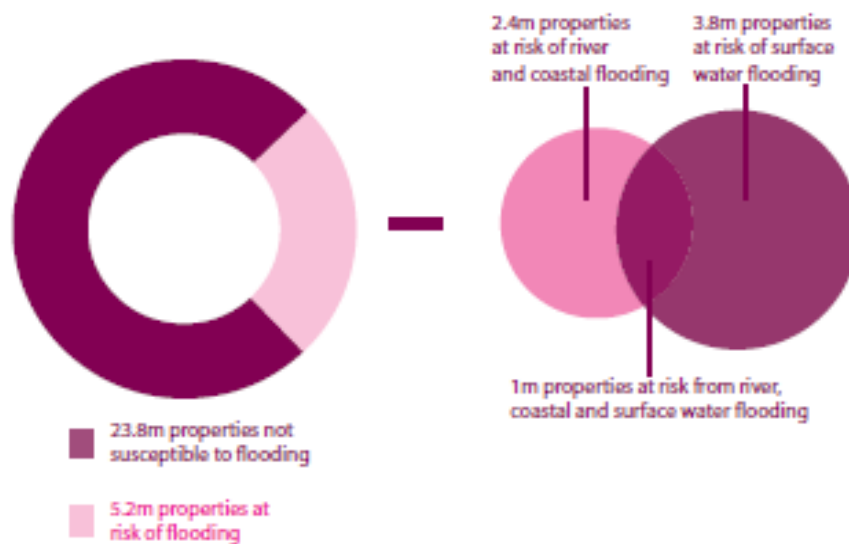


Figure 8: Number of properties in England at risk of flooding

- 5.9. Flood damages in England have risen by around 60% over the past 25 years and already exceed £1 billion p.a. in direct costs to communities and business. At least a further £3.4 billion of estimated damage avoidance is being achieved as a result of existing domestic investment in flood and coastal risk management (FCRM) measures (these include regulation and land use planning, flood and coastal defences, flood warning systems and emergency responses). The Government's Foresight programme identified that additional investment in such measures of between £300m and £1.1 billion (England and Wales) will be required to combat the effects of Climate Change
- 5.10. Specifically Unilever estimated that the impacts of climate change led to an additional €200 million (\$260 million) of losses in 2011 alone.¹¹⁰ The total financial uninsured costs of the 2007 floods were estimated to be £4 billion.¹¹¹ The heatwave of 2003 was estimated to have cost £500 million to the economy.¹¹² The Climate Change Risk Assessment suggests that the combined annual average domestic and commercial flood insurance claims could increase to between £700 million to £1 billion by the 2080s.¹¹³

¹⁰⁹ See for more information: <http://www.environment-agency.gov.uk/research/library/publications/108673.aspx>

¹¹⁰ Thomsen Reuters at 12th April 2013. See [link](#).

¹¹¹ Review of summer floods 2007, Environment Agency (2007). See [link](#).

¹¹² The sensitivity of UK manufacturing firms to extreme weather events. Martin, Muuls and Ward, Centre for Economic Performance (CEP/LSE) & Grantham Research Institute on Climate Change 2011. See [link](#).

¹¹³ CCRA – Business Theme See [link](#).

EU and National Priorities: Sub-national patterns

5.11. The Figure 9 below sets out a general picture of flood risk across the country. To get a more detailed picture for your area the Environment Agency (EA) produces flood maps at a fine scale to set out the risk of flooding from rivers and the sea. They are available through the EA website through the following link: <http://maps.environment-agency.gov.uk/wiyby/wiybyController?ep=maptopics&lang=e>

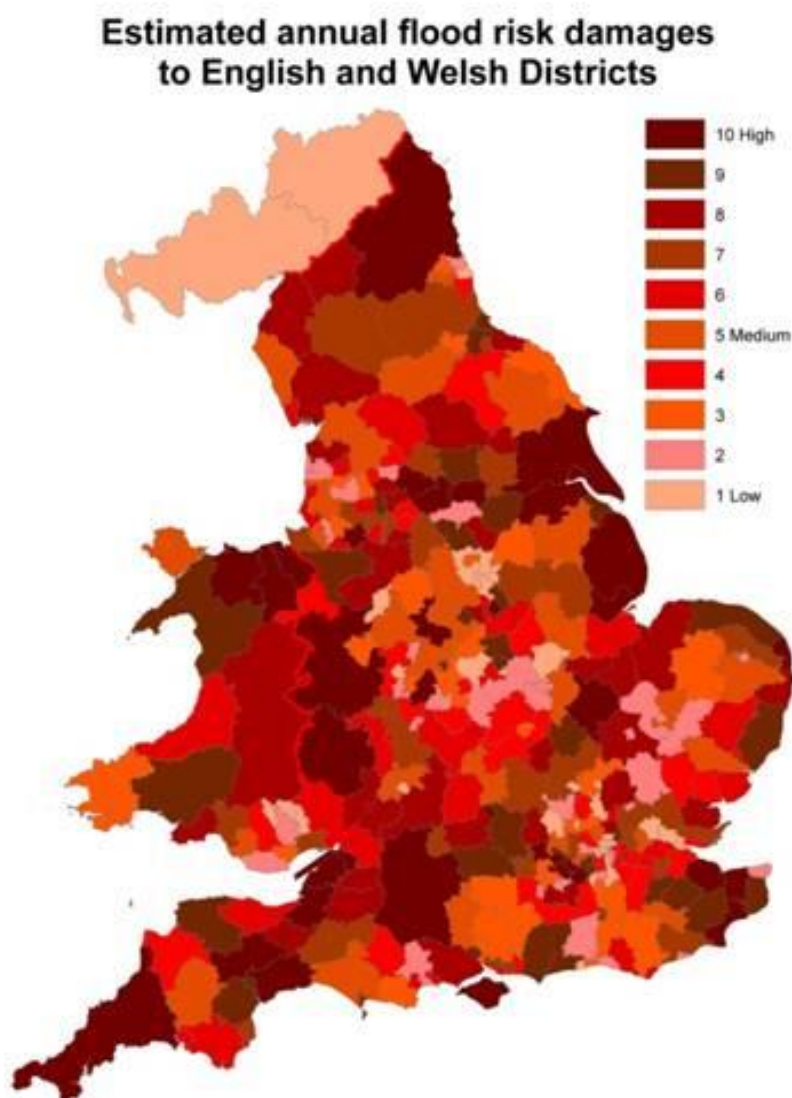


Figure 9: Estimated Flood Risk Damages to English and Welsh Districts

5.12. The maps show the area that could be affected by flooding, either from rivers (1 in 100 year flood) or the sea (1 in 200 year flood), if there were no flood defences. They also show the extent of an extreme (1 in 1000 year) flood from rivers or the sea. Additionally, the maps show flood defences and the areas that benefit from the flood defences.

5.13. The website also contains coastal erosion risk maps, showing predictions of the extent to which the shoreline on England and Wales may change up to around 2025, are now available on the EA website.

- 5.14. Mapping will also be available to identify areas susceptible to surface water flooding but these will not be available until December 2013.
- 5.15. A dataset of the estimated annual economic damages (residual) from river and coastal flooding, for each 2nd tier District, which takes account of the damage avoidance benefits of existing FCRM asset systems, can be made available. This set also has an estimated breakdown into residential and the other main non-residential sectors. The main data has been made available to Local Authorities but has not been published. The Local Authority members of the LEP should be able to share this information for analytical purposes but not for public publication.

Potential European Structural and Investment Funds priorities

- 5.16. Thematic Objective (TO) 4 (Low Carbon), 5 (Climate Change) and 6 (Protecting the Environment and Promoting Resource Efficiency) are closely linked. All three have an element of being seen as constraints to growth and development but actually offer opportunities to deliver more resilient growth. It is likely that there will be one sub-committee of the EU Growth Board that will focus on these three objectives. However they are also different in important ways, as set out below, and to ensure consistency with the EU Regulations it is essential the LEPs recognise these differences in preparing their EU investment plans:
- TO4 is focused on Moving to a Low Carbon Economy with particular emphasis on building the market in low carbon environmental goods and services, non-domestic sector deployment of low carbon technologies, whole place low carbon solutions and low carbon innovation. There is also a requirement to spend a minimum amount of ERDF on TO4 (20% in more developed regions, 15% in transition regions and 12% in less developed regions);
 - TO5 is focused on adapting to all the risks of a changing climate (flood, drought and extreme weather events) with a particular emphasis within this TO on enabling appropriate new scheme development and sustainable growth for business communities at flood and coastal risk; and
 - TO6 is focused on protecting the natural environment (including biodiversity) and business resource efficiency. The latter is focused on helping businesses move to a more sustainable resource use model.
- 5.17. It is accepted that there may be some projects which could potentially deliver a more sustainable use of resources, deploy low carbon technologies and protect against climate change. The appropriate TO for such projects will have to be considered on a case by case basis. Projects delivering multiple benefits are encouraged.
- 5.18. In the Government's view in the main Climate Change Adaptation is best addressed across the European Growth Programme as a whole as such it will be included within the sustainable development cross-cutting theme. However, increased flood risk, from more increased rainfall and sea-level rise, poses the most significant and specific Climate Change adaptation challenge. As such LEPs may wish to pursue investments to enable appropriate (and National Planning Policy Framework compliant) economic growth outcomes particularly where such investments would help ensure that:
- economic growth is robust to existing and increasing flood risks, especially flood and coastal impacts and does not transfer or defer risks to others;
 - sustainable growth is not constrained by increasing flood risks and costs; and
 - Flood risk investment enables and stimulates sustainable economic growth.

Table 7: Activities Table for Thematic Objective 5

EU Growth Programme Framework priorities	Potential European Regional Development Fund activities	Related European Social Fund activities¹¹⁴	Potential European Agricultural Fund for Rural Development activities
<p>Enable economic development through investment in flood and coastal risk management.</p>	<p>Investment in aspects of emerging local authority Flood Risk Management Plans (including shoreline and catchment management actions) that deliver emerging local Economic Strategies, Local Plans and appropriate developments that stimulate sustainable growth for communities affected by increasing flood and coastal risks.</p> <p>Support innovative approaches to management of coastal squeeze that:</p> <ul style="list-style-type: none"> • Maximise sustainable growth for local coastal communities and the tourism economy. • Mitigate harbour development impacts • Deliver flood and coastal risk management as well as habitat and place-making outcomes. <p>Support natural process driven and community-led initiatives that address coastal and surface water flood risk in rural, coastal and urban areas that are most in need of environmental regeneration to deliver sustainable growth.</p> <p>Sponsor knowledge transfer and inter-regional co-operation initiatives between communities who are at increasing flood and coastal risk.</p> <p>Devise an investment programme to deliver sustainable economic futures for communities at risk that complement and match FCRM capital programme (which focus on protection of existing households, infra-structure and businesses).</p>	<p>Develop training and intermediate pathways to community volunteering and employment opportunities in:</p> <ul style="list-style-type: none"> • The construction, specification and installation of property-level protection. • Deployment, operation, maintenance and management of existing and new community flood risk management systems. • Operational watercourse maintenance to deliver land drainage, environmental and flood risk outcomes. • Supporting the highly vulnerable as aspect of incident management. <p>Training opportunities and activities will be targeted at communities in marginalised areas with high levels of flood and coastal risk vulnerability.</p> <p>Capacity building to enable local stakeholders to develop, adopt, resource and maintain FCRM assets when these are critical to sustaining or growing the economy of local communities (but unaffordable from domestic FCRM grant in aid, alone).</p>	<p>We do not anticipate any support for activities to be supported by European Agricultural Fund for Rural Development under this thematic objective.</p>

¹¹⁴ European Social Fund activity will be funded under different thematic objectives (employment, social inclusion and skills), but it is important to consider European Social Fund activity alongside European Regional Development Fund activity. These examples are not prescriptive or exclusive. The extent to which European Social Fund contributes to this thematic objective will be subject to decisions on which European Social Fund investment priorities are selected for support. There may be variations across Local Enterprise Partnership areas depending on priorities and needs.

Proposed Indicators

ERDF Result Indicators

- improving the economic viability of areas through infrastructure investments.

ERDF Output Indicators

Common output indicators

- number of enterprises receiving support;
- number of new enterprises supported; and
- employment increase in supported enterprises.

Programme specific output indicator

- infrastructure site development (hectares).

Potential Sources of Match Funding

5.19. Sources of investment and potential match funding specific to flood and coastal risk management:

- **Flood & Coastal Risk Management Grant-in-Aid** – central government funding for Environment Agency, local authorities and internal drainage boards led capital schemes that reduce the risk of flood and coastal erosion damages to households, infrastructure, existing business capital & habitats. Administered by the Environment Agency. Currently valued at approx. £800m annually;
- **Partnership Funding** into flood and coastal risk management capital schemes implemented as policy since May 2011 has succeeded in attracting £148 million of extra public and private sector investment (2012-13); and
- **Regional Flood & Coastal Risk Levy** – approximately £33 million p.a. of Council Tax that is invested in locally prioritised flood and coastal risk management measures by Regional Flood and Coastal Committees.

5.20. More information can be found on all these sources of match funding at <http://www.environment-agency.gov.uk/research/planning/135234.aspx>

5.21. Please also contact Environment Agency Area Flood Risk Managers (& their local Partnership and Strategic Overview Teams as well as Lead officers at Lead Local Flood Authorities (2st tier Local Authorities). They can help with:

- understanding the local distribution of flood and coastal risks;
- identify opportunities to reduce risks for communities and the economy;
- identify alignment with evolving economic strategies and local plans;
- Chairs and Members of Regional Flood and Coastal Committees; and
- developing local investment partnerships.

5.22. There are also several useful websites to support identifying suitable funds for flood risk management actions, e.g. http://www.local.gov.uk/web/guest/paying-for-flood-and-coastal-erosion-risk/-/journal_content/56/10171/3600375/ARTICLE-TEMPLATE

5.23. In addition, a document entitled “Securing alternative sources of funding for flood and coastal erosion risk management” is also available to the public sector at the FlowNet Local Government Community of Practice website:
<http://www.communities.idea.gov.uk/c/2050378/home.do>

6. Protecting the Environment and Promoting Resource Efficiency

Europe 2020¹¹⁵ and National Government Priorities

6.1. Government has two main aims under this thematic objective.

Aim 1 - To enhance and protect the natural environment, including biodiversity and the marine environment, by reducing pollution and greenhouse gas emissions and preventing habitat loss and degradation.

6.2. The living network of green spaces, water and other environmental features that make up the natural environment, in both urban and rural areas, is referred to as **Green and Blue Infrastructure**. Investment in Green and Blue Infrastructure benefits biodiversity and the provision of a range of **ecosystem services**: these are the benefits we get from nature including food, the raw materials for industry and consumption and, the processes that purify air and water and sequester or breakdown wastes. **Natural Capital** describes the stock of these physical natural assets and the flows of services that benefit people.

6.3. The Government's Natural Environment White Paper (NEWP) "*The Natural Choice: securing the value of nature*"¹¹⁶ sets out an ambition to put a stop to decades of environmental degradation and to start rebuilding our natural capital.

6.4. Investments in green infrastructure can deliver a wide range of benefits that outweigh costs, even when considering opportunity costs. For example, evidence shows that the South West Coast Path generates around £300 million a year for the economy of the region, supporting over 7,500 jobs.¹¹⁷

6.5. A number of goals, when considered together rather than in isolation, contribute to enhancing and protecting the natural environment.

6.6. *Biodiversity* - To halt the loss of biodiversity and the degradation of ecosystem services in the EU by 2020, and restore them in so far as feasible, while stepping up the EU contribution to averting global biodiversity loss: *The EU Biodiversity Strategy*¹¹⁸. Also, to halt overall biodiversity loss, support healthy well-functioning ecosystems and establish coherent ecological networks, with more and better places for nature for the benefit of wildlife and people: *Biodiversity 2020: A strategy for England's wildlife and ecosystem services*.¹¹⁹

6.7. *Landscape* - Landscapes and the natural and historic environment are conserved, enhanced and managed for the benefit, wellbeing and enjoyment of present and future generations, thereby contributing to sustainable development and a better quality of life for all: *European Landscape Convention*¹²⁰, ratified by Defra in 2006

¹¹⁵ See for more information: http://ec.europa.eu/europe2020/index_en.htm

¹¹⁶ See for more information: <http://www.official-documents.gov.uk/document/cm80/8082/8082.pdf>

¹¹⁷ Countryside Agency (25 September 2003).

¹¹⁸ See for more information: <http://ec.europa.eu/environment/nature/biodiversity/comm2006/2020.htm>

¹¹⁹ See for more information: www.gov.uk/government/publications/biodiversity-2020-a-strategy-for-england-s-wildlife-and-ecosystem-services

¹²⁰ See for more information: http://www.coe.int/t/dg4/cultureheritage/heritage/Landscape/default_en.asp

- 6.8. *Air quality* - To reduce health and ecosystem damage caused by a number of pollutants in the air, by 2020: *The 2005 Thematic Strategy on Air Pollution*.¹²¹
- 6.9. *Water quality* - Member States to reach good chemical and ecological status in inland and coastal waters by 2015 subject to certain limited exceptions: the EU Water Framework Directive.¹²²

Aim 2 - To improve resource efficiency.

- 6.10. Optimising the use of resources through reducing, reusing and recycling more generally improves business performance in terms of resilience, profitability and/ or competitiveness. Research commissioned by Defra¹²³ estimates that £23bn could be saved annually through no or low cost actions to reduce waste and use energy resources more efficiently. Eco Innovation provides opportunities to achieve smart, sustainable economic growth, delivering new products and services with lower impacts on the environment and improved resource efficiency: there is value in supporting new uptake and transfer of knowledge and experience of eco-innovation between businesses and communities.
- 6.11. Investments to support resource efficiency are key to delivering the *European Roadmap on resource efficiency*,¹²⁴ which provides milestones for waste, air, land, water to achieve sustainable growth and a shift towards a resource-efficient, low-carbon economy.

The National Policy Context

- 6.12. In support of enhancing and protecting the natural environment (aim 1 above) the Government has set out a number of policies and legislation and incentive measures:
- 6.13. *Biodiversity* - The Natural Environment White Paper (NEWP) outlines a vision for the natural environment of England over the next 50 years and Biodiversity 2020: A strategy for England's wildlife and ecosystem services builds on this and provides a comprehensive picture of how Government is implementing international and EU commitments.
- 6.14. *Landscape* - In England, the Government has published a *National Planning Policy Statement (NPPF)*¹²⁵ which sets out national planning policies on a wide range of issues that have a relevance to landscape.
- 6.15. *Air quality* - The ambient *air quality directives* (2004/107/EC and 2008/50/EC)¹²⁶ set legally binding limits for concentrations in outdoor air of major air pollutants that impact public health (and ecosystems). Where limits are not yet met, the Government has published air quality plans. Separate legislation exists for emissions of air pollutants with the main legislation being the *National Emission Ceilings Directive*¹²⁷ (2001/81/EC) and the UNECE *Gothenburg Protocol*¹²⁸ which sets national emission limits (ceilings) for SO₂, NO_x, NH₃ and volatile organic compounds for countries to meet from 2010

¹²¹ See for more information: http://europa.eu/legislation_summaries/environment/air_pollution/l28159_en.htm

¹²² See for more information: <http://ec.europa.eu/environment/water/water-framework/>

¹²³ See for more information: www.gov.uk/government/news/research-shows-companies-can-save-money-by-helping-the-environment

¹²⁴ See for more information: <http://ec.europa.eu/resource-efficient-europe/>

¹²⁵ See for more information:

www.gov.uk/government/uploads/system/uploads/attachment_data/file/6077/2116950.pdf

¹²⁶ See for more information: http://ec.europa.eu/environment/air/quality/legislation/existing_leg.htm

¹²⁷ See for more information: <http://ec.europa.eu/environment/air/pollutants/ceilings.htm>

¹²⁸ See for more information: http://www.unece.org/env/lrtap/multi_h1.html

onwards The Gothenburg Protocol was revised in 2012 and new emission reduction targets were agreed for 2020, including for fine particulate matter (PM_{2.5})

- 6.16. *Water quality and quantity - Water for Life*¹²⁹ sets out the future challenges the sector faces from climate change and a growing population, and a vision for future water management in which the water sector is resilient, water companies are more efficient and customer focused, and water is valued as a precious and finite resource.
- 6.17. In support of improving resource efficiency (aim 2 above) the Government has produced *Our Resource Security Action Plan*¹³⁰ which aims to develop better coordination between government and industry and to make sure businesses are armed with good information about the availability of resources to make the right choices. Defra's '*zero waste*' *economy for England*¹³¹ sets out a comprehensive review of waste policies and ambitious waste goals for 2014–20. Defra's *Anaerobic Digestion strategy and action plan*¹³² is aimed at enabling this industry to thrive in England over the next few years.

Progress against EU and National Priorities

- 6.18. If we are to achieve the goals set out in the Natural Environment White Paper, much more attention needs to be paid to tracking the state of **natural capital** in England (and the UK and internationally). But as things stand, we do not yet directly measure changes in the extent or quality of natural capital. Government is currently developing a framework within which to define and measure natural capital.
- 6.19. The targets and outcomes above are being met (as per the 2011-2012 reporting year unless otherwise stated) as follows:
- 6.20. *Biodiversity* - The UK Government publishes a set of 24 indicators, showing progress with the outcomes and commitments of the strategy for England's wildlife and ecosystem services. The indicators show improvement in some areas, for instance the extent of protected areas on land and at sea, and the area of agricultural land and forest managed under environmental schemes. However, the indicators also show areas of ongoing deterioration, for example for populations of farmland birds or the extent of invasive species in the natural environment. Overall there are 45 individually assessed measures making up the 24 indicators, and since 2000: 17 measures (38 per cent) show an improvement; and 8 (18 per cent) show a deterioration¹³³.
- 6.21. *Biodiversity 2020: A strategy for England's wildlife and ecosystem services* provides an estimate of the scale of habitat change needed to achieve the overall objectives: in total there needs to be an increase of 200,000 ha in the area of priority habitats in England, and 90% of all priority habitats should be in favourable or recovering condition.
- 6.22. *Landscape* - There are no UK-wide or England specific targets for landscape. Informal monitoring of UK-wide delivery against the *European Landscape Convention* takes

¹²⁹ See for more information: www.official-documents.gov.uk/document/cm82/8230/8230.pdf

¹³⁰ See for more information: www.gov.uk/government/publications/resource-security-action-plan-making-the-most-of-valuable-materials

¹³¹ See for more information: <https://www.gov.uk/government/publications/government-review-of-waste-policy-in-england-2011>

¹³² See for more information: <https://www.gov.uk/government/publications/anaerobic-digestion-strategy-and-action-plan>

¹³³ See for more information: <https://www.gov.uk/government/publications/england-biodiversity-indicators>

place triennially in consultation with the devolved administrations of Northern Ireland, Scotland and Wales, in order to inform a report on progress to the Council of Europe. The most recent report was submitted in November 2012.

- 6.23. *Air quality* - The UK currently meets the 2010 national emission ceilings for all pollutants, though there is a risk that the 2010 ceiling for ammonia emissions may be exceeded in the next few years unless further action is taken; ambient air quality limits for particulate matter are largely met though there is concern about increased emissions from woodburning; there is no safe level of exposure for particulate matter and growing evidence that current standards should be tightened; in our towns and cities there are widespread instances of nitrogen dioxide air quality limits being exceeded; emissions of NOx from diesel vehicles are a particular issue.
- 6.24. *Water quality and quantity* - Currently 27% of water bodies are in good status and this will improve to 31% by 2015 – similar levels of improvements are envisaged by densely populated and industrial countries in the EU. There are variations between the current status of water bodies and the expected level of improvement by 2015 and 2027 across the country in each river basin district. Data is collected for every waterbody – there are 6166 in England.¹³⁴
- 6.25. *Resource efficiency* - Information to help monitor the uptake by businesses of resource efficiency measures as a whole is generally not readily available. Re-use activities are carried out by a range of organisations in the economy and further work is required to identify appropriate indicators.
- 6.26. Statistics are available on waste management which is one element that helps describe the efficiency with which resources are used. The most recent waste statistics show an increase in the Commercial and Industrial recycling rate (including reuse) to 52 per cent in 2009, compared with 42 per cent in 2002-03. This is coupled with a decrease in waste sent to landfill, from 41 per cent in 2002-03 to 24 per cent in 2009. Reuse has fallen by 78 per cent, however, this is likely to be due to the declassification of blast furnace slags as non-wastes (See figure 9 below).
- 6.27. Working largely through voluntary agreements (a collaborative and non-regulatory toll to deliver desired outcomes), during the period 2008 to 2011 the Waste Resources Action Programme helped to deliver:
- 11 million tonnes a year of waste diverted from landfill;
 - 5.5 million tonnes CO2 equivalent emissions avoided; and
 - £2 billion of economic benefits, including £1.8 billion in cost savings¹³⁵
- 6.28. The UK is a good performer¹³⁶ for eco-innovation due to a fast growing clean technology business sector with good investment and a strong renewable energy operation programme to drive innovation. Our leading eco-innovation areas are renewable energy, energy efficiency, and waste recycling. We need to further promote this growth opportunity through supporting further development and uptake of new and existing technologies to tackle key environmental challenges.

¹³⁴ See for more information: http://www.environment-agency.gov.uk/static/documents/Research/Water_FINAL.pdf

¹³⁵ See for more information: http://www.wrap.org.uk/sites/files/wrap/WRAP%20Business%20Plan%20Review_0.pdf

¹³⁶ ³ Eco-Innovation Observatory (EIO) initiative funded by EC DG-Env from the Competitiveness and Innovation framework Programme (CIP). Eco-Innovation Scoreboard (Eco-IS) tool to assess and illustrate eco-innovation performance across the 27 EU Member States. 2012 data.

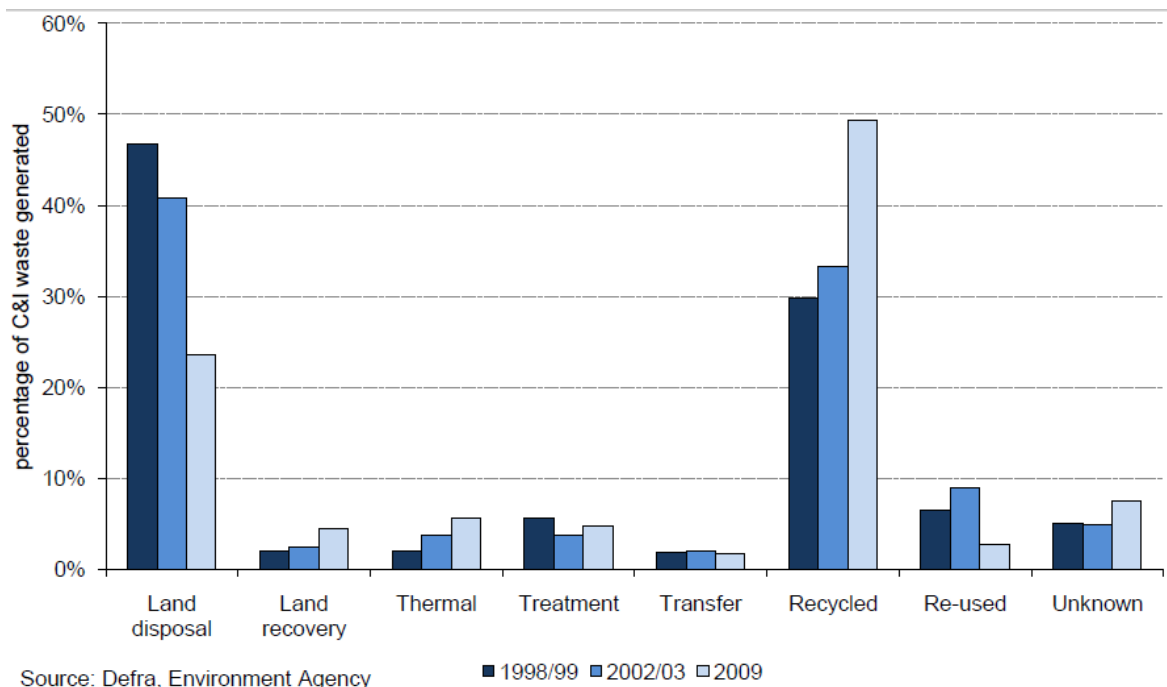


Figure 10: Environmental method as percentage of total waste, England 1998-99, 2002-03 and 2009¹³⁷

EU and National Priorities: Sub-national patterns

6.29. A lot of information exists at the sub national level to help monitor the many elements that make up the natural environment (although as set out above Government is currently developing a framework to measure natural capital). Local environmental partners such as Local Nature Partnerships may be able to advise you on what data might be the most relevant.

6.30. Available datasets held on the natural environment include:

- [DataShare¹³⁸](#): this provides free direct access to spatial datasets from Defra and its agencies on issues such as designated sites, flooding, water management issues, grant schemes, regulated sites and wildlife surveys;
- [Geographic Information System \(GIS\) datasets¹³⁹](#) and <http://www.sssi.naturalengland.org.uk/Special/sssi/index.cfm>: these provide information on protected sites, habitats, and other information either as national datasets covering all of England or in 100km tiles for the larger datasets;
- The [MAGIC website¹⁴⁰](#): this provides interactive map-based information about the British natural environment from across government. covering rural, urban, coastal and marine environments across Great Britain; and
- [What's in your backyard¹⁴¹](#): this provides direct interactive maps to find out more about the local environment on issues such as farming, air pollution, waste and bathing waters.

¹³⁷ Source: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/85947/ci-statistics-release.pdf

¹³⁸ See for more information: <http://www.geostore.com/environment-agency/>

¹³⁹ See for more information: <http://www.naturalengland.org.uk/publications/data/default.aspx>

¹⁴⁰ See for more information: <http://magic.defra.gov.uk/>

¹⁴¹ See for more information: <http://www.environment-agency.gov.uk/homeandleisure/37793.aspx>

6.31. The following ‘real-time’ data is also available:

- The Environment Agency produces monthly water situation reports and weekly rainfall and river flow summary for England at the sub-national level. These are found at <http://www.environment-agency.gov.uk/research/library/publications/34015.aspx>; and
- Defra provides in-depth information on air quality and air pollution at a sub-national level (<http://uk-air.defra.gov.uk/latest/>) including the latest pollution levels, pollution forecast information, a data archive and library, and details of the various monitoring networks.

6.32. The trends in waste management seen nationally (increased recycling and a decrease in landfill) were also seen in recent sub national surveys, and may reflect the fact that awareness of waste and recycling issues has become increasingly important for business.

6.33. Datasets are available at <https://www.gov.uk/government/organisations/department-for-environment-food-rural-affairs/series/waste-and-recycling-statistics>.

Table 8: Waste arisings by region and management type (1000 tonnes), England 2009¹⁴²

	Management type										Total
	Land Disposal	Land Recovery	Thermal Treatment (Energy Recovery)	Thermal Treatment	Non Thermal Treatment	Transfer Station	Recycling	Composting	ReUse	Unknown	
Region											
North East	595	106	147	98	131	35	976	36	76	156	2357
Yorkshire and Humber	1997	238	107	205	332	78	3143	92	213	539	6944
East Midlands	1948	343	94	185	287	70	2775	106	193	308	6308
West Midlands	1202	161	100	195	287	94	2483	82	174	470	5247
East	858	373	94	194	275	85	2028	88	159	354	4507
Greater London	986	101	123	253	234	140	2260	85	154	474	4811
South East	1308	225	199	289	313	125	2991	86	202	512	6250
South West	801	145	88	198	256	79	1799	72	158	382	3977
North West	1584	466	54	124	206	135	4468	59	0	433	7527
Total	11280	2157	1006	1739	2321	841	22923	706	1329	3628	47928

¹⁴² Source: <https://www.gov.uk/government/uploads/...data/.../env20-ci-data-tables.xls>

Potential European Structural and Investment Funds priorities

6.34. Thematic Objective (TO) 4 (Low Carbon), 5 (Climate Change) and 6 (Protecting the Environment and Promoting Resource Efficiency) are closely linked. All three have an element of being seen as constraints to growth and development but actually offer opportunities to deliver more resilient growth. It is likely that there will be one sub-committee of the EU Growth Board that will focus on these three objectives. However they are also different in important ways, as set out below, and to ensure consistency with the EU Regulations it is essential the LEPs recognise these differences in preparing their EU investment plans:

- TO4 is focused on Moving to a Low Carbon Economy with particular emphasis on building the market in low carbon environmental goods and services, non-domestic sector deployment of low carbon technologies, whole place low carbon solutions and low carbon innovation. There is also a requirement to spend a minimum amount of ERDF on TO4 (20% in more developed regions, 15% in transition regions and 12% in less developed regions);
- TO5 is focused on adapting to all the risks of a changing climate (flood, drought and extreme weather events) with a particular emphasis within this TO on enabling appropriate new scheme development and sustainable growth for business communities at flood and coastal risk; and
- TO6 is focused on protecting the natural environment (including biodiversity) and business resource efficiency. The latter is focused on helping businesses move to a more sustainable resource use model.

6.35. It is accepted that there may be some projects which could potentially deliver a more sustainable use of resources, deploy low carbon technologies and protect against climate change. The appropriate TO for such projects will have to be considered on a case by case basis. Projects delivering multiple benefits are encouraged.

6.36. Priorities under this thematic objective which compliment both EU and national ambitions would be:

In support of aim 1: (To enhance and protect the natural environment)

- **Investments in Green and Blue Infrastructure and actions that support the provision of ecosystem services on which businesses and communities depend to increase local natural capital and support sustainable economic growth.**

In support of aim 2: (Increasing resource efficiency)

- **Investment in the uptake of innovative technologies and resource efficiency measures to increase environmental protection, resilience and performance of businesses and communities**

6.37. Possible activities and the Funds under which they can be pursued are set out in the table below:

Table 9: Activities Table for Thematic Objective 6

EC priorities	Potential ERDF activities	Related ESF activities ¹⁴³	Potential EAFRD activities
<p>Investments in Green and Blue infrastructure and actions that support the provision of ecosystem services on which businesses and communities depend to increase local natural capital and support sustainable economic growth</p>	<p>Investments in Green Infrastructure (which includes freshwater habitats), as part of integrated actions for sustainable development to support better places for people to live, work and do business, helping to secure:</p> <ul style="list-style-type: none"> • The rehabilitation of land and regeneration of brownfield sites • New and enhanced recreational routes and infrastructure that attract business through their contribution to coherent and resilient ecological networks. For example restored and safeguarded rivers, estuaries and coasts, and terrestrial habitats with improved ecological status, improved air quality, and economic value to an area 	<ul style="list-style-type: none"> • Training and support for unemployed and disadvantaged groups to engage in supporting actions, e.g. habitat restoration and enhancement schemes • Training tools to educate non-biodiversity decision-makers, general public and SMEs on environment issues for their work. • Adult Vocational Training and skill sets for all economic sectors • Educate residents on the importance of habitat and nature improvements for regional and coastal tourism • Support to engage and train NEETS in habitat and built heritage restoration and enhancement schemes that foster aesthetic, touristic and environmental value • Support for “Active Citizen” projects/ initiatives, (both vocational and non vocational) to stimulate social cohesion, reduce isolation and promote good physical and mental health • Support to engage and train priority groups in habitat and built heritage restoration and enhancement schemes that foster aesthetic, touristic and environmental value • Support for skills related to ‘Brownfield skills strategy’. 	<ul style="list-style-type: none"> • Support funding for strategically important tourist projects • Support and promote tourism, recreation and leisure • Support for destination development and marketing¹⁴⁴

¹⁴³ ESF activity will be funded under different thematic objectives (employment, social inclusion and skills), but it is important to consider ESF activity alongside ERDF activity. These examples are not prescriptive or exclusive. The extent to which ESF contributes to this thematic objective will be subject to decisions on which ESF investment priorities are selected for support. There may be variations across LEP areas depending on priorities and needs.

¹⁴⁴ These activities could be complemented with actions supported under the Employment Thematic Objective (TO8).

EC priorities	Potential ERDF activities	Related ESF activities ¹⁴³	Potential EAFRD activities
<p>Investment in the uptake of innovative technologies and resource efficiency measures to increase environmental protection, resilience and performance of businesses and communities</p>	<ul style="list-style-type: none"> • Potential exchange of new and existing solutions for water quality and quantity issues between users and other regions sharing these problems. • Investment to support regional assessment, networking and local water resource and materials use planning for SMEs in areas of resource stress, e.g. water where supply exceeds demand. This could generate export, match-making, exchange and reuse of materials and licenses and uptake of innovative approaches. • Develop and support materials reprocessing sector capacity in England. Also investment in the uptake of new products. Market analysis to identify growth opportunity areas • Increase awareness of waste as a resource, novel and innovative uses including the opportunity of recycling to enable cost savings • Sponsor regional knowledge transfer hubs in regions with key environmental challenges such as high flood or coastal erosion risk or water quality issues to develop innovative solutions that maximise sustainable outcomes to local environmental challenges. 	<ul style="list-style-type: none"> • Integrate resource efficiency into ESF Skills Training Programmes • There is often the 3rd sector that can make use of the reuse and waste activities. • Preparing for reuse and maintenance for reuse, etc programmes • More Sustainable Growth Parks with SME focus 	<ul style="list-style-type: none"> • We do not anticipate any support for activities to be supported by EAFRD under this thematic objective.

Proposed Indicators

ERDF Result Indicators

- improving the economic viability of areas through infrastructure investments including Green Infrastructure; and
- an increase in companies deploying low carbon practices, processes, services or products.

ERDF Output Indicators

Common output indicators

- number of enterprises receiving support; and
- number of enterprises supported to introduce new to the firm products.

Programme specific indicator

- infrastructure site development including Green Infrastructure (hectares); and
- number of companies supported with business resource efficiency.

Potential Sources of Match Funding

- 6.38. Regional Growth Fund grants and loans - English government fund providing grants and loans to businesses to part-fund projects for sustainable economic growth and employment. More information: <https://www.gov.uk/understanding-the-regional-growth-fund>
- 6.39. Local Growth fund – Central government funds for training, housing and transport devolved into competitive single payments for Local Enterprise Partnerships from 2015-16 that will also align EU structural fund awards
- 6.40. Flood Risk Management Grant-in-Aid – central government funding for Environment Agency, local authorities and internal drainage boards for activities that reduce the risk of flooding and coastal erosion. More Information: <http://www.environment-agency.gov.uk/research/planning/135234.aspx>
- 6.41. Defra's Air Quality Grant Programme - Local Authority Grant Scheme grants to improve local air quality in England. More information: <https://www.gov.uk/government/organisations/department-for-environment-food-rural-affairs/series/air-quality-grant-programme>
- 6.42. Local Transport Plan investment – Local Authority budget to develop local transport services transport initiatives. More information: <https://www.gov.uk/government/policies/improving-local-transport>
- 6.43. Defra Contaminated Land Capital Programme - funding to help English local authorities cover the capital cost of addressing contaminated sites. More information: <http://www.environment-agency.gov.uk/research/planning/121220.aspx>
- 6.44. Section 106 to improve urban areas – delivery mechanism to offset any adverse impacts of a development in addition to planning conditions via

enhancing the physical environment or contribution to local facilities. More information: <http://www.legislation.gov.uk/ukpga/1990/8/section/106> but note renegotiation consultation:

<https://www.gov.uk/government/consultations/renegotiation-of-section-106-planning-obligations>

- 6.45. Community Infrastructure Levy (CIL) - a new voluntary mechanism whereby local authorities can secure funds for infrastructure desired by council, local community and neighbourhoods want. More information: <https://www.gov.uk/government/policies/giving-communities-more-power-in-planning-local-development/supporting-pages/community-infrastructure-levy>
- 6.46. Research Council funded initiatives - investment in knowledge creation and transfer to support environmental protection and resource efficiency. Especially the Natural Environment Research Council (NERC), the Engineering and Physical Sciences Research Councils and Living with Environmental Change partnership that works across research councils. More information: <http://www.rcuk.ac.uk/Pages/Home.aspx> ; <http://www.lwec.org.uk/>
- 6.47. Technology Strategy Board programmes - funding and other support tools to meet the needs of companies to stimulate and support business-led innovation. More information: <https://www.innovateuk.org/funding-support>

Quasi-governmental funds

- 6.48. UK Green Investment Bank plc - government funding institution to attract private funds to finance private sector's investments for environmental preservation and improvement. More information: <http://www.greeninvestmentbank.com/>
- 6.49. Waste and Resources Action Programme loans - to help develop recycling capacity, anaerobic digestion capacity and more resource-efficient ways business practices. More information: <http://www.wrap.org.uk/category/what-we-offer/funding>
- 6.50. Energy Technology Institute - public-private partnership that makes targeted investments to accelerate development of affordable, clean, secure technologies needed to meet UK renewable energy targets. More information: <http://www.eti.co.uk/>
- 6.51. The Carbon Trust finance – leases, loans, finance and implementation support to develop and enable energy efficiency technologies and solutions. More information: <http://www.carbontrust.com/client-services/technology/implementation>

Private Funds

- 6.52. Lottery funds – several national grant programmes support environmental objectives: the Heritage Lottery Fund (HLF) and the BIG Lottery Fund (BIG) are two of the most popular. More information: <http://www.hlf.org.uk/Pages/Home.aspx> and <http://www.biglotteryfund.org.uk/funding>
- 6.53. Landfill Communities Fund – tax credit scheme enabling landfill site operators to fund enrolled Environmental Bodies (EBs) to carry out environmental projects. More Information: <http://www.entrust.org.uk/home/lcf>

- 6.54. Water and utility companies - Funds raised through the price review process. Water companies can invest in some surface water management, and increased resilience. Prices set in 2014 will apply to customers' bills and services 2015- 2020. More information: <http://ofwat.gov.uk/pricereview/setting/> and <http://www.water.org.uk/home/our-members/list-of-companies>
- 6.55. Charitable trusts – not-for-profit associations who provide grants to voluntary and community groups to support charitable goals of public benefit. More information: <http://www.dsc.org.uk/Publications/FundraisingSources/@54048> and; www.grantsonline.org.uk
- 6.56. There are also voluntary contributions from private beneficiaries of environmental improvement. This could include major, businesses, charities, landlords, etc.

7. Promoting Sustainable Transport and Removing Bottlenecks in Key Network Infrastructures

Europe 2020¹⁴⁵ and National Government Priorities

- 7.1. The UK has a specific Country Specific Recommendation in relation to infrastructure which is to “pursue a long-term strategy for improving the capacity and quality of the UK’s network infrastructure, including measures to address pressures in transport and energy networks by promoting more efficient and robust planning and decision-making processes, and harnessing appropriate public or private financing arrangements.”
- 7.2. The Government’s vision is for a transport system that is an engine for economic growth, but one that is also greener and safer and improves quality of life in our communities.

The National Policy Context

- 7.3. Transport infrastructure forms part of the backbone of the UK economy, and is fundamental for growth and productivity. The UK has extensive and sophisticated infrastructure but as demand pressures increase the Government is committed to taking decisive action to continue to improve the capacity and quality of its networks.
- 7.4. The Government’s comprehensive infrastructure strategy is detailed in the National Infrastructure Plan (NIP) which outlines major commitments to invest in critical infrastructure projects as well as steps to attract major new private sector investment and improve delivery.
- 7.5. It is the Government’s view that (aside from nationally strategic roads and railways) the decisions on how and where this investment should be targeted are best made at as local a level as possible. Local Enterprise Partnerships have already been instrumental in prioritising Pinch Point funding bids on the strategic and local road networks¹⁴⁶ and DfT already provides significant capital transport funding to Local Transport Authorities. It is now planning to devolve funding for larger investments – major roads and public transport schemes that can have a direct and decisive impact on economic growth.¹⁴⁷

Progress against EU and National Priorities

- 7.6. The Government has consistently prioritised capital investment over day-to-day spending. At Autumn Statement 2011 and Autumn Statement 2012, the Government increased its capital spending plans by £10 billion, funded through permanent reductions in wasteful spending. Following these changes, public

¹⁴⁵ See for more information: http://ec.europa.eu/europe2020/index_en.htm

¹⁴⁶ See for more information: <https://www.gov.uk/government/publications/growing-places-fund>

¹⁴⁷ See for more information: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/2658/next-steps.pdf

sector investment is set to rise by £3 billion to £47.2 billion in 2013-14 and by a further £3.2 billion to £50.4 billion in 2014-15.

- 7.7. The Government committed to maintaining this level of investment at Budget 2013, raising capital spending plans by £3 billion per annum, meaning £18 billion additional investment over the next Parliament. This was funded through further savings in current expenditure. Overall this means public investment will amount to over £300 billion over the next parliament. As a share of GDP public investment will be higher on average over this whole decade than under the whole period of the last government.
- 7.8. In the recently published “Investing in Britain’s future”¹⁴⁸ the Government recognised the need for continued investment and is now committing to publicly fund a pipeline of specific projects worth over £100 billion over the next parliament, including over £70 billion in transport, over £20 billion in schools, and over £10 billion in science, housing and flood defences. Such investments will complement and contribute towards the work being taken forward by the EU on forming a TEN-T network.¹⁴⁹

EU and National Priorities: Sub-national patterns

- 7.9. The map below sets out the major long-term capital investments that the Government is taking forward including those to improve the transport network:

¹⁴⁸ See for more information: <https://www.gov.uk/government/publications/investing-in-britains-future>

¹⁴⁹ See for more information: http://ec.europa.eu/transport/themes/infrastructure/index_en.htm

Figure 1.A: Long-term capital investment

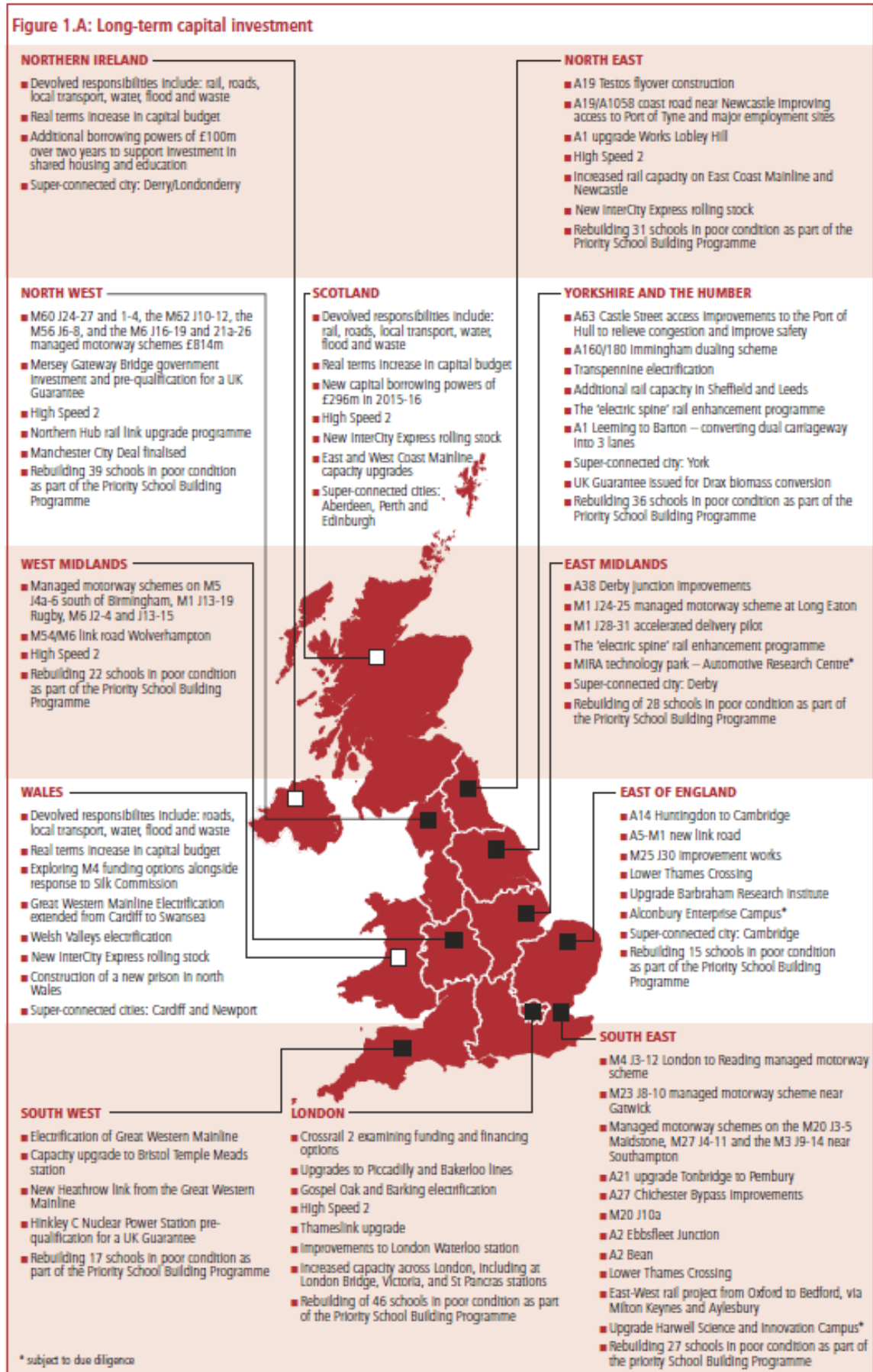


Figure 11: Long-term capital investment

Potential European Structural and Investment Funds priorities

- 7.10. As set out above there is already a comprehensive list of actions that the Government is taking forward to address infrastructure issues which includes devolving domestic budgets to local areas. As such it is the Government's initial view that in more developed regions there is insufficient European Structural and Investment Funding available to make a significant contribution to the funding of major infrastructure investments under this thematic objective.
- 7.11. In transition and less developed regions, and if budgets allow, there may be scope to fund road investments and contribute to rail schemes where to do so would make an area more economically viable and result in new businesses being able to establish themselves in the surrounding area. In the case of less developed regions there may also be scope for a wider range of sustainable transport infrastructure investments to enable them to address their severe economic challenges.
- 7.12. If local partners in transition and less developed regions wish to propose infrastructure projects in their investment plans then they need to clearly demonstrate how those investments support the local economy and facilitate economic development including clearly quantifying the outcomes and results expected.

Proposed Indicators

ERDF Result Indicators

- improving the economic viability of areas through infrastructure investments.

ERDF Output Indicators

Common output indicators

- number of enterprises receiving support;
- number of new enterprises supported; and
- employment increase in supported enterprises.

Programme specific indicators

- infrastructure site development (hectares)

Potential Sources of Match Funding

- 7.13. It is expected that the primary source of public sector match funding would be the Local Growth Fund, incorporating the devolved budgets for local major transport schemes.
- 7.14. For rail, Network Rail has funds which it can spend during the period 2014-2019 to improve connectivity, capacity and performance of the network. Where there is a strong business case for a scheme this Funding could potentially be available as match.

7.15. For many schemes, particularly those that improve access to or enable the construction or expansion of development sites for employment we would expect contributions from developers.

8. Promoting Employment and Supporting Labour Mobility

Europe 2020¹⁵⁰ and National Government Priorities

- 8.1. The Europe 2020 goal is to raise to 75% the employment rate for women and men aged 20-64, including through the greater participation of young people, older workers and low-skilled workers and the better integration of legal migrants.
- 8.2. In support of this goal, the Government is committed to increasing employment opportunities for all by providing support mechanisms and benefits systems that incentivise work and reduce worklessness, to ensure that individuals can fulfil their potential within the labour market. The overarching objective is to maintain the effective functioning of the labour market by maximising labour market attachment and active participation.
- 8.3. Overall, the Government aims create an environment that encourages enterprise and sustained economic growth to help create sustained jobs and businesses. This provides the conditions to get Britain working, by helping the unemployed quickly into work and addressing longer-term detachment from the labour market, tackling barriers to getting and keeping a job, including for older people who choose to work longer.

The National Policy Context

- 8.4. The Government aims to maintain a dynamic and resilient labour market. Low levels of taxation and a carefully balanced approach to labour market regulation mean that firms can adapt to change and have incentives to create new jobs alongside new business opportunities while protecting workers. In addition, employers can offer flexible working arrangements to workers, which help with recruitment, retention, productivity etc. The Government makes it easier to recruit unemployed people by using local labour market knowledge to improve claimants' readiness for work, and offering services to employers that satisfy their recruitment needs.
- 8.5. The Government is increasing participation and employability, significantly improving the opportunity for people without jobs to find work and to support themselves and their families. This includes doing more to encourage and support progression for those already in some work and helps to deliver the Government's aim to reduce poverty. There is now a greater focus on partnership working – Jobcentre Plus, providers, local authorities, employers, and jobseekers working together to find new solutions to unemployment.

Increasing participation and the job seeking regime

- 8.6. The employment support available has been increased and broadened, moving from a one-size-fits-all approach to one that is tailored and flexible. The Government is modernising service delivery by asking Jobcentre Plus staff to

¹⁵⁰ See for more information: http://ec.europa.eu/europe2020/index_en.htm

focus on results, thereby reducing bureaucracy and delivering outcomes rather than completing processes. Advisers at Jobcentre Plus are now able to offer a menu of help including skills provision and job search support, including access to a number of Get Britain Working measures. They have the flexibility to judge which interventions will help the individual claimant and around £120 million has been made available for a Flexible Support Fund to allow local resources to be aligned to the needs of the local labour market.

- 8.7. The Government's welfare reform programme is changing the way the UK's welfare systems incentivise work and encourage people off benefits and into the labour market. Universal Credit will provide a new single system of means-tested support for working-age people in and out of work and will replace the majority of working age means tested benefits and tax credits from 2013-14, simplifying the existing complex system of benefits and tax credits. The new system will improve work incentives and make it clearer to claimants how the move into work will benefit them.

Get Britain Working and the Work Programme

- 8.8. The Work Programme was launched in June 2011 and is a national programme to support people at risk of long-term unemployment. Work Programme providers are free to design support, based on individual and local need. They are paid primarily for supporting claimants into sustained employment and helping them stay there for longer than ever before, with higher payments for supporting the hardest to help. The Work Programme is expected to provide personalised support to 3.3 million claimants over the life of the contract. Since its launch in June 2011, the programme (data shows up to July 2012) is supporting around 840,000 people.
- 8.9. Get Britain Working measures can include Work Clubs to encourage people who are out of work to share experiences; Work Experience to help young unemployed people get work experience through local businesses to help them build their experience and make them more marketable; and the New Enterprise Allowance, to support those looking to start their own business by providing access to finance and support from local business mentors.

Measures to Tackle Youth Unemployment

- 8.10. In response to the challenge of youth employment, and the CSR on youth unemployment, extra help is being provided to young unemployed people to get a job.
- 8.11. The **Youth Contract**, launched in April 2012, provides extra help to young unemployed people and will support up to half a million young people into education and employment opportunities, including:
- 160,000 Wage Incentives of up to £2,275 for employers to recruit 18-24 year olds from the Work Programme;
 - 250,000 extra Voluntary Work Experience or sector-based work academies; and
 - up to 40,000 new Apprenticeship Grants to encourage new employers to take on 16 – 24 apprentices.

8.12. A new programme, **Traineeships**, is starting in August 2013 that will help unemployed young people into apprenticeships and other sustained jobs.¹⁵¹ This initiative will have three elements: a focused period of work preparation training; high quality work placement with an employer; and English and maths for those without a Level 2 in the subjects. Traineeships will last up to 6 months and for those aged 16-19, will be part of Study Programmes. It is envisaged that some existing activities may be subsumed under Traineeships, or be stopped altogether, if Traineeships are shown to be more effective, in order to present young people and their advisers with a clearer array of services.

Demand-side activity

8.13. This includes work to encourage local economic growth and job creation, particularly through Local Enterprise Partnerships, Employment Zones, and Core Cities; encouraging employers to recruit the unemployed; and building a balanced regulatory framework and ensuring that the UK is an attractive place to trade.

2007-2013 England European Social Fund (ESF) programme

8.14. The 2007-2013 ESF programme is adding value to these policies by supporting additional activities to extend employment opportunities and tackle barriers to work faced by unemployed and inactive people, with a particular focus on people at a disadvantage in the labour market. The final stage of the 2007-2013 England ESF programme, ESF is focusing on:

- employment related support for families with multiple problems (aligned with the cross-government Troubled Families initiative);
- voluntary places on the Work Programme for people on incapacity benefit and income support;
- a pilot of Day One Support for Young People aged between 18-24 years old who need additional support to make the transition from benefits in to sustained employment;
- support for young people not in education, employment or training;
- skills support for the unemployed; and
- support for very long term unemployed people.

Progress against EU and National Priorities

8.15. The UK employment rate (20-64 year olds) is 74.2% for 2012 compared with 68.5% in the EU and the EU2020 target of 75%, but below the rate of 75.2 for 2008.

8.16. Unemployment was 7.8% in England in February 2013 to April 2013. This is below the high of 8.6% at the end of 2011, but is well above the rate of 5.2% from before the recession in 2007. Unemployment in England compares favourably with the overall EU rate of 10.3%

8.17. The majority of people leave JSA quickly (90% in the first year of their claim). Long term unemployment, defined by a continuous period of over 12 months, is

¹⁵¹ See for more information: <https://www.gov.uk/government/publications/supporting-young-people-to-develop-the-skills-for-apprenticeships-and-sustainable-employment-framework-for-delivery>

900,000, more than a third of the total number of unemployed people, and the highest since 1996 but a relatively low level compared to the EU.

8.18. But there are some critical challenges:

8.19. **Youth Unemployment:** The level of youth unemployment is too high and England, like other countries, is affected by continuing problems and uncertainties in the global economy. Of the 816,000 ILO unemployed 16-24 year olds, around 250,000 are full-time students, leaving 566,000 ILO unemployed and not in full-time education. The number unemployed and not in full-time education is around 10% of all under 25s, lower than after previous recessions - 1993 [12% and 1984 [14%]. 80% of under 25s are either in full-time education (FTE) or work. 10% are not in FTE and unemployed and 10% are not in FTE and inactive. On average young people leave JSA more quickly than older age groups – 60% leave within 3 months and 80% within 6 months [overall JSA figures are 50% and 70% respectively).

8.20. The draft 2013 EU Country Specific Recommendations to the UK include; 'Continue to improve the employability of young people, in particular those not in education, employment or training, including by using the Youth Contract. Ensure that more young people take up apprenticeship schemes, have a sufficient focus on advanced and higher-level skills, and involve more small and medium-sized businesses. Take measures to reduce the high proportion of young people aged 18-24 with very poor basic skills'.

8.21. **Economic Inactivity:** Currently 7.5m (22.1%) people aged between 16 and 64 in England are not active in the labour market due to ill health, caring responsibilities, or full-time education. Not all inactivity is problematic as there are many reasons why an individual may need to be inactive in the labour market. However, increasing the number of people actively seeking work would help to boost the employment rate. Welfare reforms are designed to address this problem but whilst levels have not dropped thus far¹⁵², inactivity rates have not risen despite the large increase in the numbers of inactive students. This does show that the drive to decrease inactivity has had some effect but that any decrease has been offset by other factors.

8.22. **Underemployment:** between 2008 and 2012 the number of workers who wanted to work more hours has increased by 1 million (or by 47%) to stand at over 3 million in 2012. The burden of underemployment fall disproportionately on the youngest and lowest paid members of the workforce, with young people aged 16-24 twice as likely to be underemployed than the average. The highest underemployment rates are found in East Midlands, Yorkshire and the Humber, the North East and South West.¹⁵³

8.23. **Demand side challenges** - Whilst the ONS vacancy survey reported an average of 509,000 job vacancies in the three months to April 2013, this is significantly lower than the peak of 690,000 vacancies at the start of 2008. The number of unemployed people per vacancy rose from 2.4 in 2007 to 5.8 in 2011¹⁵⁴. Economic growth has been lower than the OBR forecasts at Budget 2011 and the projection for 2012 was revised downward in November. In

¹⁵² Labour Market Statistical Briefing, June 2013.

¹⁵³ ONS, November 2012.

¹⁵⁴ See for more information: [ONS, Labour Market Data Tables](#)

addition, there is the risk that the private sector cannot completely replace reductions in public sector employment in the short term.

- 8.24. **Progression in work** - Although getting people into work will continue to be the primary driver of labour market interventions, there are potential longer-term benefits (for the individual, government and economy) of breaking the no/low pay cycle and tackling in work poverty and income inequality, and achieving progression and independence through the workplace.

EU and National Priorities: Sub-national patterns

- 8.25. **Territorial variations** - The highest levels of unemployment are in the North of England (Tees Valley and Durham at 11.8% and South Yorkshire at 10.8%) and the West Midlands metropolitan area, at 11.3%. The remainder of the ten areas for highest unemployment are mostly in the North of England, with the exception of inner London, West Wales and the Valleys and South Western Scotland. Tees Valley and Durham, the West Midlands, and Merseyside have the lowest employment rates, at 63.7%, 62.3%, and 64.3% respectively. The differences between local authority areas within NUTS2 areas are often greater than the difference with other NUTS2 areas. East Yorkshire and Northern Lincolnshire includes Hull with an unemployment rate of 15% and East Riding, with 6%, at less than half that rate. Similarly Inner London includes Newham with an unemployment rate of 15% and Kensington & Chelsea at 7%. In general unemployment and inactivity is highest in inner city areas, former industrial areas and some coastal towns.

- 8.26. The relevant data sets will be from the [ONS Labour Market Survey](#) which measures, employment, unemployment and economic inactivity rates. This data is best accessed through [NOMIS](#) which allows the data to be manipulated by a number of different variables including by LEP and by Ward.

Potential European Structural and Investment Funds priorities

- 8.27. LEPs are encouraged to use the European Growth Programme to provide additional and/ or more intensive support to help people to move towards work, enter work or to progress in work – either within or alongside Government programmes. It is proposed that investments could help to tackle barriers to entering work, staying in work or making progress at work, including by providing skills training and other support; in particular paying attention to transitions between unemployment and work. Helping young people to engage and participate in learning particularly in strengthening literacy and numeracy skills, as well as in the labour market should also be considered.
- 8.28. Greater impact will be achieved using European Structural and Investment Funds and Government programmes in a combined and integrated way, for instance to:
- extend eligibility for Government programmes;
 - provide ‘top-up’ support within Government programmes or complementary additional support alongside Government programmes, including community based schemes;
 - pilot or rollout innovative approaches (either within or complementary to Government programmes); and
 - provide additional incentives for providers to help move disadvantage people into work.

8.29. The Youth Employment Initiative will provide additional funding to NUTS 2 regions with youth unemployment rates above 25% in 2012. A LEP that receives Youth Employment Initiative money will be required, in line with the EU Regulations, to add an equivalent amount of ESF funding, taken from its overall notional allocation, to the Youth Employment Initiative money. The Youth Employment Initiative money and equivalent ESF money must be used to support the sustainable integration into the labour market of young people (aged 15-24) not in employment, education or training. As part of its strategy, the LEP will need to identify effective interventions that complement or enhance existing provision to tackle youth unemployment. Further information is in the Supplementary Guidance to Local Enterprise Partnerships at Paragraph A3.7 in Annex C.

8.30. Due to the EU requirement for at least 80% of ESF to be focussed on 4 investment priorities LEPs are encouraged to focus on activities that would align with the following investment priorities:

- access to employment for job-seekers and inactive people, including local employment initiatives and support for labour mobility; and
- sustainable integration of young people, in particular those not in employment, education or training into the labour market.

8.31. The areas where the European Growth Programme can help complement the EU and national priorities; without duplicating or offering alternatives to Government policies and initiatives, are shown in the table below. All these activities are appropriate for less developed, transition and more developed regions.

Table 10: Activities Table for Thematic Objective 8

Promoting Employment and Supporting Labour Mobility Activities to consider	Potential European Funding		
	European Social Fund	European Regional Development Fund	European Agricultural Fund for Rural Development
Providing additional or more intensive support to help people to move towards work, enter work (including self-employment), and to progress in work.	✓		
Additional and innovative approaches to pre-employment training.	✓		
Additional support for long-term unemployed people, including those who have left the Work Programme, and including new approaches to work experience and training.	✓		
Providing additional support to specific target groups such as people with disabilities or health barriers (including mental health issues), people with caring responsibilities, lone parents, ethnic minorities, ex-service personnel, ex-offenders and those from households with inter-generational worklessness.	✓		
Helping older workers to re-train, re-enter or stay engaged in the labour market.	✓		
Training workless people and those facing redundancy who need to upgrade their skills or learn new skills (including basic skills and English for speakers of other languages) to compete in the local labour market and adapt to changes in the economy.	✓		

Promoting Employment and Supporting Labour Mobility Activities to consider	Potential European Funding		
	European Social Fund	European Regional Development Fund	European Agricultural Fund for Rural Development
Responding flexibly to employer demand in local labour markets where Local Enterprise Partnership and their partners identify specific needs. This may include demands highlighted by Universal Credit Local Support Service partnerships and health and wellbeing boards to help Universal Credit claimants progress into the labour market, support their career progression (better pay/ work/ hours), and move from the hidden economy to legitimate work.	✓	✓	
Using self -employment as a route out of worklessness.	✓	✓	
Reducing the number of young people not in employment, education, or training, and those at risk of disengaging (including through engagement and preparation activities, access to apprenticeships, and personal coaching).	✓	✓	
Additional literacy and numeracy provision for young people.	✓		
Additional and innovative approaches to support and motivate young people with no or few qualifications into training and the workplace such as additional support that harder to reach young people will require to successfully complete a traineeship or apprenticeship.	✓		
Innovative programmes for marginalised groups to help bring them to and support them in learning, such as new training programmes and support for young lone parents, carers, ex-offenders and people with disabilities or health barriers.	✓		
Providing support to embed programmes for young people not in employment, education or training, such as traineeships and apprenticeships.	✓	✓	
Brokering opportunities for young people and supporting local employers to take on young people who are not in employment, education, or training (including those with complex barriers), including through traineeships, apprenticeships, work experience and graduate placements.	✓	✓	
Overcoming the challenges brought about by the limited range of employment in some rural areas.	✓		
To create opportunities for jobs through funding to businesses and entrepreneurs to support the creation and development of SMEs and Micro Businesses, including the uptake of new/improved business processes and technology.			✓
To create opportunities for jobs through supporting funding for strategically important tourist projects and through supporting and promoting tourism, recreation and leisure			✓

Promoting Employment and Supporting Labour Mobility Activities to consider	Potential European Funding		
	European Social Fund	European Regional Development Fund	European Agricultural Fund for Rural Development
Specific targeted action to promote equality between men and women including to: increase the sustainable participation and progress of women in employment, including women at risk of poverty to reduce gender-based segregation in the labour market; combat gender stereotypes; and promote reconciliation of work and personal life for all and equal sharing of care responsibilities between men and women. ¹⁵⁵	✓		

8.32. There could also be specific activities to support equality between men and women and reconciliation between work and private life including activities to improve the participation of women in the labour market, and to improve access to childcare.

8.33. Some LEPs will receive additional funding from the Youth Employment Initiative (see paragraph 8.29 above for more information). The Youth Employment Initiative money, and an equivalent amount of ESF funding taken from the LEPs overall notional allocation, will need to be committed in 2014 and 2015 and a significant amount spent in these years. It must be used to support the sustainable integration into the labour market of young people (aged 15-24) not in employment, education or training. Initial LEP European Structural and Investment Funds Strategies must contain as much information as possible on how this money will be invested in 2014 and 2015. LEPs will need to identify effective interventions that complement or enhance existing provision to tackle youth unemployment.

Proposed Indicators

8.34. The key target for this thematic objective is the Europe 2020 goal to raise to 75% the employment rate for women and men aged 20-64, including through the greater participation of young people, older workers and low-skilled workers and the better integration of legal migrants. In support of this target the Government is committed to increasing employment opportunities for all by providing support mechanisms and benefits systems that incentivise work and reduce worklessness, to ensure that individuals can fulfil their potential within the labour market.

8.35. From an EU and national perspective the key outcome is therefore sustained employment. However given the distance some people will have to travel to become work ready there may be the need for intermediate progress measures which will differ according to target group but could include attainment of relevant qualifications or engaging in jobsearch activity.

¹⁵⁵ European Regulations require the Growth Programme to support some specific targeted actions to promote gender equality.

Core Indicators

8.36. The indicators shown in the table 11 are compulsory for all ESF employment, skills and social inclusion activities (although in some cases the value will be zero). A small number of indicators will have targets.

Table 11: ESF Core Indicators

		Core Indicators
	0	Total number of participants
Common output indicators on participants	1	Unemployed, including long-term unemployed
	2	Long-term unemployed
	3	Inactive
	4	Inactive, not in education or training
	5	Employed, including self-employed
	6	Below 25 years
	7	Above 54 years
	8	With primary (ISCED 1) or lower secondary education (ISCED 2)
	9	With upper secondary (ISCED 3) or post-secondary education (ISCED 4)
	10	With tertiary education (ISCED 5 to 8)
	11	Migrants, people with a foreign background, minorities
	12	Disabled
	13	Other disadvantaged
Common output indicators for entities	14	Number of projects fully or partially implemented by social partners or non-governmental organisations
	15	Number of projects targeting public administrations or public services
	16	Number of micro, small and medium-sized enterprises supported
Common immediate result indicators on participants	17	Inactive participants newly engaged in job searching upon leaving
	18	Participants in education/ training upon leaving
	19	Participants gaining a qualification upon leaving
	20	Participants in employment upon leaving
Common longer-term result indicators on participants	21	Participants in employment 6 months after leaving
	22	Participants in self-employment 6 months after leaving
	23	Participants with an improved labour market situation 6 months after leaving

Programme Specific Indicators

8.37. In addition to the core indicators, there may be a small number of additional indicators specific to the England ESF programme. Initial suggestions are set out below. These are subject to further consideration in terms of their policy

relevance, availability of data and feasibility of measurement. In the case of this thematic objective the following additional results indicators are being considered:

- Participants engaging in positive activities that address barriers to work or widen participation in training (for example, improving basic skills or life skills, volunteering in the community and undertaking work experience or further learning); and
- (From 2017) Participants from households no longer in receipt of UC 6 months after leaving.

Indicators for the Detailed Guidance

8.38. In the first iteration of European Structural and Investment Fund Investment Strategies LEPs and their partners will not be expected to provide the level of detail set out above. For the purpose of simplification the ESF output indicators that LEPs are encouraged to quantify are limited to the following:

- a. total number of participants (should be to equal b. + c. + d);
- b. number of unemployed (including long-term unemployed) participants;
- c. number of inactive participants;
- d. number of employed (including self-employed) participants; and
- e. number of participants aged 15-24.

8.39. And the ESF results indicators LEPs are encouraged to quantify are limited to:

- number of inactive participants newly engaged in job searching upon leaving;
- number of participants in education/ training upon leaving;
- number of participants gaining a qualification¹⁵⁶ upon leaving; and
- number of participants in employment upon leaving.

8.40. The absence of other indicators from the list above does not mean that they are not important or that they will not be measured (they will); but reflects the need to have a limited number of targets in the ESF Operational Programme.

Potential Sources of Match Funding

8.41. It is expected that public sector match funding will be available from: DWP contracted employment programmes; Skills Funding Agency/ Education Funding Agency education and skills programmes; and the BIG Lottery Fund. Further information is set out in the opt-in prospectuses from these organisations.

8.42. £170 million of match funding for European Social Fund skills activities from within the Adult Skills Budget has been made available to LEPs via the Local

¹⁵⁶ When completing the European Structural and Investment Funds Strategy table LEPs should interpret qualifications within the European Commission's definition "Qualification means a formal outcome of an assessment and validation process which is obtained when a competent body determines that an individual has achieved learning outcomes to given standards." In England, this means units and qualifications regulated by OFQUAL, and also units and qualifications with FHEQ, which are regulated by the QAA (Quality Assurance Agency).

Growth Fund. This match funding will not be allocated to LEPs in the same way as the rest of the Local Growth Fund. Instead, an amount will be earmarked for each LEP broadly in proportion to the LEP's total European Social Fund allocation. If a LEP wishes to access this match funding for skills activities, it will need to opt-in to the Skills Funding Agency's service offer.

9. Promoting Social Inclusion and Combating Poverty

Europe 2020¹⁵⁷ and National Government Priorities

- 9.1. The Europe 2020 strategy has a goal of promoting social inclusion, in particular through the reduction of poverty, by aiming to lift at least 20 million people across the EU out of the risk of poverty and social exclusion.
- 9.2. The Government is creating a new welfare system for the 21st Century, recognising work as the primary route out of poverty, and eradicating child poverty. The welfare system is being reformed to make it fairer, more affordable, and better able to tackle the causes of poverty, worklessness, and welfare dependency. Moreover, in tackling poverty, the Government's strategy takes an ambitious approach, aspiring to deliver Social Justice.
- 9.3. Poverty, as measured by a household's income relative to the national average, is often a symptom of deeper, more complex problems. Many of these problems are passed on from one generation to the next. The Government is aiming to help people change the course of their lives and make a real and lasting difference. To do this, we want to deal with the problems that cause people to end up living in poverty, rather than dealing with people's incomes in isolation. This will include actions to:
 - help troubled families turn their lives around;
 - improve mental health;
 - reduce child poverty and make sure that children are properly supported so that they complete their education;
 - make work pay, and help people to find and stay in work;
 - help people recover and become independent if things have gone wrong; and
 - work with the voluntary, public and private sectors to deal more effectively with complex problems.

The National Policy Context

- 9.4. The Government's strategy for **social justice** ' Social Justice: Transforming Lives' sets out the Government's commitment to giving individuals and families facing multiple disadvantages the support and tools they need to turn their lives around. A new set of principles inform this approach:
 - a focus on prevention and early intervention;
 - where problems arise, concentrating interventions on recovery and independence, not maintenance;
 - promoting work for those who can as the most sustainable route out of poverty, while offering unconditional support to those who are severely disabled and cannot work;

¹⁵⁷ See for more information: http://ec.europa.eu/europe2020/index_en.htm

- recognising that the most effective solutions will often be designed and delivered at a local level; and
 - ensuring that interventions provide a fair deal for the taxpayer.
- 9.5. This strategy is backed up by the Social Justice Outcomes Framework, which sets out specific priorities within the Social Justice Strategy. The strategy identifies those working at the local community level, from public, Voluntary and Community, and Social Enterprise sectors, as well placed to identify and drive forward the solutions that are needed.
- 9.6. The Government has an ambitious agenda of reform which will modernise the welfare system. It is committed to tackling poverty and welfare dependency; helping people without jobs to find work and support themselves and their families; and ensuring that the most vulnerable in society are protected. The Government considers that work is the best route out of poverty.
- 9.7. Tackling worklessness and in and out of work poverty by delivering **Universal Credit** and fostering a culture of advancement will also help improve levels of social inclusion. From 2013, Universal Credit will be key to making work pay by helping claimants and their families to become more independent and ensuring that being in work pays. It will simplify the benefits system by bringing together a range of working-age benefits into a single streamlined payment. The new Universal Credit system aims to: improve work incentives; smooth the transitions into and out of work, supporting a dynamic labour market; simplify the system, making it easier for people to understand, and easier and cheaper for staff to administer; and reduce in-work poverty.
- 9.8. Other benefit reform include, from April 2013, **the Government placing a cap on the total amount of benefit** that working-age people can receive so that, broadly, households on out-of-work benefits will no longer receive more in welfare payments than the average weekly wage for working households. The aim is to achieve long term positive behavioural effects through changed attitudes to welfare, responsible life choices, and strong work incentives. There will be exemptions but otherwise, initially, the cap will be applied through Housing Benefit and from October 2013 the cap will also be applied to new claimants to Universal Credit including those migrating from existing benefits. There will be robust monitoring from the outset and a full evaluation of the impacts, with a review after one year, to be published in autumn 2014.
- 9.9. The Government remains committed to tackling child poverty and to the Child Poverty Act, but it does not believe that targets based on income alone can capture the full picture. It is, therefore, considering better, multi-dimensional measures of child poverty which will capture the reality of poverty and ensure that its causes can be addressed better. A consultation¹⁵⁸ closed in February, responses are being analysed and the Government will respond later this year.
- 9.10. A **new scheme to offer tax free childcare to working families** was announced in the Budget 2013.¹⁵⁹ To be eligible each parent must be in work, earning less than £150,000 a year and not already receiving support through tax credits or Universal Credit. The scheme will be phased in from autumn 2015. Eligibility will be for children aged under 5 at the outset, extending over

¹⁵⁸ Measuring child poverty: a consultation on better measures of child poverty – <http://www.dwp.gov.uk/policy/child-poverty/>

¹⁵⁹ See for more information: http://cdn.hm-treasury.gov.uk/budget2013_complete.pdf , p.54

time to include children under 12, when support will be open to 2.5 million working families: some five times those that benefit from existing provision. The details are being consulted on.

- 9.11. Support for childcare is being increased to a level equivalent to covering 85% of childcare costs for households qualifying for the Universal Credit childcare element and where a lone parent or both earners in a couple pay income tax. It will be phased in as the childcare element of tax credit moves across to Universal Credit from April 2016.
- 9.12. In June 2012, the Prime Minister announced a **commission on childcare**¹⁶⁰ to look at how to reduce the costs of childcare for working families and the burdens on childcare providers. In January, the Government published 'More great childcare: Raising quality and giving parents more choice'¹⁶¹ with proposals to improve the workforce providing early years care, allow high quality providers to offer more places, and to give more choice to parents.
- 9.13. The Government continues to **support more lone parents into work** having moved onto Jobseekers Allowance those whose youngest child is five or over.
- 9.14. The **Social Mobility and Child Poverty Commission**¹⁶² is now fully operational. It monitors the Government's progress in improving social mobility and reducing child poverty. It will also monitor the implementation of the most recent UK, Scottish, and Welsh child poverty strategies, and challenge non-government institutions such as those in higher education, business, and elsewhere to improve their performance on social mobility.
- 9.15. The Prime Minister announced his intention **turn around the lives of 120,000 troubled families by the end of this Parliament**. A budget of £450 million has been created for this purpose, which has been reprioritised from across Government. The families are defined by there being no adult in the family working, children not being in school and family members being involved in crime and anti-social behaviour.
- 9.16. A number of the actions detailed in the thematic objectives on employment & labour mobility, and skills & education also contribute to the UK's efforts towards reducing worklessness, promoting social inclusion, and combating poverty.

ESF Contribution

- 9.17. The 2007-2013 England European Social Fund (ESF) programme is adding value to these policies by supporting additional activities to extend employment opportunities and tackle barriers to work faced by unemployed and inactive people, with a particular focus on people at a disadvantage in the labour market (including disabled people, lone parents, older workers, people from ethnic minorities, the low skilled, offenders and ex-offenders), including those

¹⁶⁰ See for more information:

<http://www.education.gov.uk/childrenandyoungpeople/earlylearningandchildcare/a00211918/childcare-commission>

¹⁶¹ See for more information:

<https://www.education.gov.uk/publications/standard/publicationDetail/Page1/DFE-00002-2013>

¹⁶² See for more information: <https://www.gov.uk/government/organisations/social-mobility-and-child-poverty-commission>

battling addiction, and young people not in education, employment, or training). The final stage of the 2007-2013 England ESF programme, ESF is focusing on:

- employment related support for families with multiple problems;
- voluntary places on the Work Programme for people on incapacity benefit and income support; and
- employment and skills support for offenders and ex-offenders in extremely hard to help groups.

Progress against EU and National Priorities

9.18. The number of people at risk of poverty or social exclusion in the UK was 14.2 million in 2010 and 14.0 million in 2011.

9.19. There are also various estimates of the numbers of individuals and families facing multiple disadvantages at any one time, which are derived from data held by Government, local authorities and support organisations. For instance, the Government estimates that there are 120,000 families living particularly troubled and chaotic lives. These families are the subject of significant government intervention – with some £9 billion spent on this particular group in 2010 alone – and can cause serious problems for their local communities through crime and antisocial behaviour.

9.20. The number of people in households in England where no-one works stands at around 4.5 million of which about 1.5 million are children¹⁶³. Excluding student households, it is estimated there are 300,000 households where nobody has ever worked¹⁶⁴. A higher proportion of children are living in workless homes than in almost any other European Union country¹⁶⁵. Workless households are more likely to be in poverty and be dependent on benefit and research suggests that growing up in a workless household has a negative effect on children's future labour market outcomes.¹⁶⁶

9.21. The draft 2013 EU Country Specific Recommendations to the UK include: 'Step up measures to facilitate the labour market integration of people from jobless households. Ensure that planned welfare reforms do not translate into increased child poverty. Fully implement measures aiming to facilitate access to childcare services.'

9.22. On a wider definition, analysis from household survey data found that 11% of adults experience, at any one time, three or more of six areas of disadvantage (education, health, employment, income, social support, housing and local environment). In addition they may also fall into other groups experiencing relative disadvantage such as older people (50+), ethnic minorities, people with English as a second language, and carers. This population is constantly changing, with people moving in and out of disadvantage and poverty according to the impact of these economic, social, and environmental factors.

¹⁶³ See for more information: ['Working and Workless Households Q2 2011' Office for National Statistics Release](#)

¹⁶⁴ *Ibid.*

¹⁶⁵ See for more information: [Eurostat, 2010](#)

¹⁶⁶ See for more information: [NAO \(2007\) 'Helping people from workless households into work'](#)

- 9.23. In the UK the relationship between parental and child income is among the strongest in the OECD: just one in nine from the lowest income backgrounds reach the top income quartile, compared to almost half of those from the highest income backgrounds. Levels of intra-generational mobility are also low, with just over one in ten of those that start out in the bottom quintile able to improve substantially their earnings relative to their peers.
- 9.24. **In-work poverty** has also been on the increase over the last decade. Although the risk of poverty for working families is much lower than for those without work, the number of working families in the UK means that working poverty is accounting for a growing share of poverty across the country. Whether poverty is measured before and after housing costs is crucial, because housing costs vary so much across England. On a before-housing-costs basis, the rate of in-work poverty in London is similar to other regions; measured after housing costs, in-work poverty in the capital is much higher than elsewhere. This reflects the much higher cost of housing in London. In-work poverty is particularly low in the South East, and higher in the West Midlands and the North East. Two-thirds of working-poor families are couple families, and 60% of working-poor families have children¹⁶⁷.
- 9.25. Currently 22.1% of people aged between 16 and 64 in England are not active in the labour market due to ill health, caring responsibilities, or full-time education. Not all inactivity is problematic as there are many reasons why an individual may need to be inactive in the labour market. However, increasing the number of people actively seeking work would help to boost the employment rate. Welfare reforms are designed to address this problem but inactivity rates are hard to reduce and the levels have not dropped thus far¹⁶⁸. However, inactivity rates have not risen despite the large increase in the numbers of inactive students. This does show that the drive to decrease inactivity has had some effect but that any decrease has been offset by other factors.
- 9.26. Reliable data on social exclusion levels in different parts of the UK are not available as measured by the indicator on 'people at risk of poverty or severe material deprivation'. One proxy we can use is economic activity. This shows that the NUTS2 areas in 2011 with the highest economic inactivity rates are the West Midlands metropolitan area (29.6%), Northern Ireland (28.7 %) and Merseyside (28.5%). Other areas with high levels include West Wales and the Valleys, Cornwall and urban areas in Northern England. The lowest levels are in North East Scotland and the South and East of England (with the notable exception of London).
- 9.27. People at risk of social inclusion also includes offenders, ex-offenders, and problem drug users. Two years after being released from prison in 2008, 47% of offenders were on out-of-work benefits. During the two year period overall, 75% of offenders made a new claim to an out-of-work benefit at some point. On average, offenders leaving prison in 2008 spent 48% of the next two years on out-of-work benefits. There are an estimated 306,000 - 330,000 'problem drug users' (for example on heroin or crack) in England and an estimated 80% of these individuals are also on benefit.

¹⁶⁷ See for more information: <http://www.ippr.org/publication/55/1796/in-work-poverty-in-the-recession>

¹⁶⁸ Labour Market Statistical Briefing, November 2011.

EU and National Priorities: Sub-national patterns

9.28. The relevant data sets will be from the [ONS Labour Market Survey](#) which measures, employment, unemployment and economic inactivity rates. This data is best accessed through [NOMIS](#) which allows the data to be manipulated by a number of different variables including by LEP and by Ward.

Potential European Structural and Investment Funds priorities

9.29. Under this thematic objective LEPs are encouraged to focus on tackling **high inactivity rates** by providing additional and/ or more intensive and flexible support tailored to the multiple needs of people at most disadvantage in the labour market on their journey to work– either within or alongside Government programmes. These people are furthest from the labour market and are likely to need more focussed and targeted help, perhaps over a longer period to help them into work.

9.30. Greater impact will be delivered by integrated and continued investments to support the journey to work for those at most disadvantage in the labour market by:

- providing local programmes to reach and motivate those at risk of becoming socially excluded, that aim to help those people reconnect with work through learning and skills;
- extending eligibility for Government programmes;
- providing ‘top-up’ support within Government programmes or complementary additional support alongside Government programmes;
- piloting innovative approaches (either within or complementary to Government programmes) that bring those with multiple disadvantage closer to the labour market; and
- providing additional incentives for providers to help move those at most disadvantage into work.

9.31. Due to the EU requirement for at least 80% of ESF to be focussed on 4 investment priorities LEPs are encouraged to focus on activities that would align with the following investment priority:

- active inclusion in particular with a view to improving employability.

9.32. The areas where the European Growth Programme can help complement EU and national priorities are shown in table below. All these activities are appropriate for lesser developed, transition and more developed regions.

Table 12: Activities Table for Thematic Objective 9

Promoting Social Inclusion and Combating Poverty Activities to consider	Potential European Funding		
	European Social Fund	European Regional Development Fund	European Agricultural Fund for Rural Development
Tackling barriers to work in troubled families.	✓		

Promoting Social Inclusion and Combating Poverty Activities to consider	Potential European Funding		
	European Social Fund	European Regional Development Fund	European Agricultural Fund for Rural Development
Complementing and adding value to other services and funds locally, especially helping those with more complex barriers (and in greatest need of a more consistent service offer and who may require extra support to transfer to Universal Credit) closer to employment.	✓		
Tackling barriers to work in a holistic and integrated way, including through supporting early action before problems become entrenched, outreach activities and access to locally provided services. This may include addressing issues such as: caring responsibilities; debt and money management; digital inclusion; reducing drug and alcohol dependency; educational attainment (particularly lack of basic literacy and numeracy and English for speakers of other languages skills); family, parenting and relationship intervention; access to flexible and affordable childcare, health problems (including mental health); homelessness; learning difficulties and disabilities; life skills; offending; and access to transport.	✓		
Providing additional and/ or more intensive and flexible support identified by Universal Credit Local Support Service partnerships and health and wellbeing boards. This may include actions to help Universal Credit claimants progress into the labour market, support their career progression (better pay/ work/ hours), and move from the hidden economy to legitimate work.	✓		
Providing additional support to offenders and ex-offenders without work, especially from very hard to help groups.	✓		
Supporting early interventions for young people, especially those with multiple barriers to their participation, for example care leavers, ex-offenders, lone parents and those with special needs.	✓		
Supporting specific activities to combat discrimination of groups with protected characteristics in the labour market. and promote equal opportunities, which may include actions to: improve accessibility for persons with disabilities, with a view to improve their integration into employment, education and training, thereby enhancing their social inclusion; and reduce inequalities in terms of educational attainment and health status and facilitating the transition from institutional to community-based care in particular for those who face multiple discrimination. ¹⁶⁹	✓		
Targeting specific communities or ethnic minorities with high levels of poverty and social exclusion (for example, spatial targeting in key neighbourhoods where worklessness is persistent, high and inter-generational to raise aspirations and tackle core economic barriers).	✓	✓	
Helping grow the social investment market to support social enterprises and the social economy.	✓	✓	
Developing the capacity of social entrepreneurs to address the needs of their local communities.	✓	✓	

¹⁶⁹ European Regulations require the Growth Programme to support some specific actions to promote non-discrimination and equal opportunities.

Promoting Social Inclusion and Combating Poverty Activities to consider	Potential European Funding		
	European Social Fund	European Regional Development Fund	European Agricultural Fund for Rural Development
Supporting bottom-up active inclusion activity in particular geographic locations, for example, through Community Led Local Development.	✓	✓	✓ ¹⁷⁰
Supporting local 'Community Grant' type activity.	✓	✓	✓ ¹⁷¹
Supporting activities that are designed to promote social inclusion whilst also tackling environmental issues such as environmental protection, waste recycling, energy efficiency, and renewable energy.	✓	✓	✓
Promote a dynamic and inclusive rural economy with fair access to services and basic amenities.	✓	✓	✓
Developing the capacity of community groups to participate in the delivery of services to those furthest from the labour market.	✓		
Encouraging Social Investment models by providing (matched) outcome funding that enables payment by results programmes to be established in support the Government's agenda on Social Justice and encourage innovative delivery models within local communities. The focus would be <u>on disadvantaged individuals and families, in areas such as NEETs, employment and training, drug addiction and other issues which are usually part of the cycle of deprivation.</u> DWP is particularly interested in exploring how this might work with Local Enterprise Partnerships covering the most deprived areas.	✓		
Capacity-building for non-governmental organisations (i.e. Civil Society), to encourage adequate participation of and access by non-governmental organisations to actions supported by the European Social Fund, notably in the fields of social inclusion, gender equality and equal opportunities. ¹⁷²	✓		

Proposed Indicators

9.33. The Europe 2020 strategy has a goal of promoting social inclusion, in particular through the reduction of poverty, by aiming to lift at least 20 million people across the EU out of the risk of poverty and social exclusion.

9.34. To support this goal the Government is aiming to help people change the course of their lives and make a real and lasting difference. To do this, we want to deal with the problems that cause people to end up living in poverty, rather than dealing with people's incomes in isolation.

9.35. Under this thematic objective an aim to move people in the target groups towards work by improving their employability, with the ultimate outcome being sustained employment would be consistent with EU and national priorities.

¹⁷⁰ If in support of the four types of activities that EAFRD will fund through the EU Growth Programme, set out in the Supplementary Guidance to Local Enterprise Partnerships, Annex B paragraph A2.12.

¹⁷¹ *Ibid.*

¹⁷² European Regulations require some European Social Fund funding to be allocated to this activity only in less developed and transition regions.

Given the distance some people will have to travel to become work ready other intermediate progress measures may also be relevant which may differ according to target group. This could include engagement in the programme and overcoming barriers to work such as drug and alcohol dependency, health problems, homelessness, indebtedness and lack of key work or personal skills. It may also include helping participants to move on to education or training and other types of positive engagement such as volunteering and informal learning.

Core Indicators

9.36. The output and results indicators shown in the table below are compulsory for all ESF employment, skills and social inclusion activities (although in some cases the value will be zero). A small number of indicators will have targets.

Table 13: ESF Core Indicators

		Core Indicators
	0	Total number of participants
Common output indicators on participants	1	Unemployed, including long-term unemployed
	2	Long-term unemployed
	3	Inactive
	4	Inactive, not in education or training
	5	Employed, including self-employed
	6	Below 25 years
	7	Above 54 years
	8	With primary (ISCED 1) or lower secondary education (ISCED 2)
	9	With upper secondary (ISCED 3) or post-secondary education (ISCED 4)
	10	With tertiary education (ISCED 5 to 8)
	11	Migrants, people with a foreign background, minorities
	12	Disabled
	13	Other disadvantaged
Common output indicators for entities	14	Number of projects fully or partially implemented by social partners or non-governmental organisations
	15	Number of projects targeting public administrations or public services
	16	Number of micro, small and medium-sized enterprises supported
Common immediate result indicators on participants	17	Inactive participants newly engaged in job searching upon leaving
	18	Participants in education/ training upon leaving
	19	Participants gaining a qualification upon leaving
	20	Participants in employment upon leaving
Common longer-term result indicator	21	Participants in employment 6 months after leaving
	22	Participants in self-employment 6 months after leaving

Core Indicators	
23	Participants with an improved labour market situation 6 months after leaving

Programme Specific Indicators

9.37. In addition to the core indicators, we may choose a small number of additional indicators specific to the England ESF programme. Initial suggestions are set out below. These are subject to further consideration in terms of their policy relevance, availability of data and feasibility of measurement. In the case of this thematic objective the following additional results indicators are being considered:

- participants engaging in positive activities that address barriers to work or widen participation in training (for example, improving basic skills or life skills, volunteering in the community and undertaking work experience or further learning); and
- (from 2017) participants from households no longer in receipt of UC 6 months after leaving.

Indicators for the Detailed Guidance

9.38. In the first iteration of European Structural and Investment Funds Investment Strategies LEPs and their partners will not be expected to provide the level of detail set out above. For the purpose of simplification the ESF output indicators that LEPs are encouraged to quantify are limited to the following:

- a. total number of participants (should be to equal b. + c. + d);
- b. number of unemployed (including long-term unemployed) participants;
- c. number of inactive participants;
- d. number of employed (including self-employed) participants; and
- e. number of participants aged 15-24.

9.39. And the ESF results indicators LEPs are encouraged to quantify are limited to:

- number of inactive participants newly engaged in job searching upon leaving;
- number of participants in education/ training upon leaving;
- number of participants gaining a qualification¹⁷³ upon leaving; and
- number of participants in employment upon leaving.

9.40. Plus a potential programme specific ESF result indicator:

- number of participants engaging in positive activities that address barriers to work or widen participation in training (for example, improving basic skills or life skills, volunteering in the community, undertaking work experience).

¹⁷³ When completing the European Structural and Investment Funds Strategy table LEPs should interpret qualifications within the European Commission's definition "Qualification means a formal outcome of an assessment and validation process which is obtained when a competent body determines that an individual has achieved learning outcomes to given standards." In England this means units and qualifications regulated by OFQUAL, and also units and qualifications with FHEQ, which are regulated by the QAA (Quality Assurance Agency).

9.41. The absence of other indicators from the list above does not mean that they are not important or that they will not be measured (they will); but reflects the need to have a limited number of targets in the ESF Operational Programme.

Potential Sources of Match Funding

9.42. It is expected that public sector match funding will be available from: DWP contracted employment programmes; Skills Funding Agency/ Education Funding Agency education and skills programmes; and the BIG Lottery Fund. Further information is set out in the opt-in prospectuses from these organisations.

9.43. £170 million of match funding for European Social Fund skills activities from within the Adult Skills Budget has been made available to LEPs via the Local Growth Fund. This match funding will not be allocated to LEPs in the same way as the rest of the Local Growth Fund. Instead, an amount will be earmarked for each LEP broadly in proportion to the LEP's total European Social Fund allocation. If a LEP wishes to access this match funding for skills activities, it will need to opt-in to the Skills Funding Agency's service offer.

10. Investing in Education, Skills and Lifelong Learning

Europe 2020¹⁷⁴ and National Government Priorities

- 10.1. The Europe 2020 strategy has a goal to improve education levels, in particular, by aiming to reduce school drop-out rates to less than 10 per cent and by increasing the share of 30-34 years old having completed tertiary or equivalent education to at least 40 per cent.
- 10.2. The UK also has a specific EU recommendation to continue to improve the employability of young people, in particular those not in education, employment or training, including by using the Youth Contract; ensure that apprenticeship schemes are taken up by more young people, have a sufficient focus on advanced and higher-level skills, and involve more small and medium-sized businesses and to take measures to reduce the high proportion of young people aged 18-24 with very poor basic skills.
- 10.3. The Government's vision is for a highly educated society with the key priorities being to improve choice and quality as part of building an internationally competitive skills base with a dynamic and efficient skills system that fulfils its potential and which helps individuals achieve theirs. This includes ensuring that all young people gain the knowledge they need to prepare them for adult life and for work and that employers have the skilled workforce that they need.
- 10.4. One of the four overarching ambitions in the UK Government's 'Plan for Growth' is to 'create a more educated workforce that is the most flexible in Europe'. The Government has a broad range of initiatives in this area and the ambition is that the European Growth Programme be used to complement them securing a high quality, rigorous and diverse range of provision that responds to the needs of individuals and businesses.

The National Policy Context

- 10.5. The UK education system has important strengths but is being improved still to make opportunity more equal and to contribute more to growth, including by making up ground lost in global comparisons of workforce skills. Developing human capital in the UK is integral also to the performance of the UK labour market so as to increase and sustain employment opportunities. The Government is, therefore, continuing its reforms to improve attainment and raising the level of youth participation in continued education or training. Changes to the system should allow students to achieve their full potential, while enabling high quality assessment of attainment at all levels with qualifications that are the ones best recognised by employers and universities. The Government wants learners at all ages to be informed and empowered.
- 10.6. The Governments strategy to maximise the participation of 16-24 year olds in education, training, and work: **Building Engagement, Building Futures**,¹⁷⁵

¹⁷⁴ See for more information: http://ec.europa.eu/europe2020/index_en.htm

sets out the range of policies that the Government is implementing to raise educational attainment and ensure that young people are prepared to progress successfully into higher education and sustainable employment. Compulsory participation in education and training up to the age of 17 comes into force this year. By 2015, this will be extended to 18 year olds. £7.5 billion in funding is available for 16-19 education and training places including apprenticeships.

10.7. **Vocational training** is recognised as the route to enable people to progress into skilled, higher-paid employment. A new Further Education (FE) and skills system was launched in autumn 2010 and full implementation began in 2011. Reform of the system has included the removal of government targets and freed providers to work with local employers and communities to determine the appropriate training. In addition funding now follows the learner. The Government has also consulted on the future of apprenticeships following the Richards Review which set out a compelling vision for the future of the programme, putting the relationship between the individual and the employer at the heart of the Apprenticeship. The Skills Funding Statement published in December 2012 confirmed the priorities for funding: apprenticeships, young people, those with English and maths skills below level 2 and the unemployed. Currently funding¹⁷⁶ is available for adults¹⁷⁷ to gain:

- english and maths skills up to level 2;
- skills training up to level 2 to help them into work, if in receipt of agreed benefits;
- a first full level 2 qualification (aged 19 – 24), and Foundation Learning if needed;
- a first full level 3 qualification (aged 19 -24);
- apprenticeships; and
- retraining at level 2, and/ or classroom training at level 3 or 4.

10.8. Since the new skills system was launched further reforms have built on the approach:

- the launch of the Employer Ownership Pilot (EOP) promotes the development of bespoke training courses and bids for government support (37 bids were accepted last year worth £95m government funding and leveraging £115m employer investment); and
- giving older learners (24+) the ability to purchase the skills they need, supported through a loan scheme, mirroring the High Education market.

10.9. The reform programme is now moving to the next stage. This means driving up both rigour and responsiveness in the system. In April 2013 the Government announced in its Paper 'Rigour and Responsiveness in Skills' its aims to create a rigorous Skills system ensures that provision responds to the individual and the employer. The areas where changes will be made to achieve this objective are:

¹⁷⁵ See for more information:

<http://www.education.gov.uk/childrenandyoungpeople/youngpeople/participation/a00200853/building-engagement-building-futures>

¹⁷⁶ Full details of whether full or co-funding is available is detailed in the [Skills Funding Statement December 2012](#), page 7.

¹⁷⁷ Adults in this context to be those aged 19 and over unless otherwise stated.

- *raising standards*: improving the quality and professionalism of teaching, dealing with poor quality teaching and giving learners and employers greater power to choose training and better information about the quality of provision and routes to employment;
- *reforming Apprenticeships*: to give employers greater flexibility in deciding what training individuals need to reach the required standard;
- *pathways into work*: to include a framework for skills and unemployed learners to ensure better interaction of skills and benefits and to develop a traineeships programme to respond to the concerns of employers about the readiness for work of young unemployed people;
- *meaningful qualifications*: introducing a new New Technical Baccalaureate Standard and ensuring the number of qualifications we continue to fund meet employer needs and are developed with strong employer input; and
- *underpinned by funding reform and greater access to Government data*: to provide sharper incentives for colleges and training providers to respond to what learners want to study and what employers need. By 2014 the full range of Government data on FE and skills will be available on data.gov.uk for dissemination via apps.

10.10. In terms of **Higher Education** (HE) the UK system has an excellent reputation for overall quality, and attracts large numbers of international students and researchers, who bring revenue and expertise. Our strongest universities are among the best in the world, and retaining and building on that strength is a Government priority. The highly skilled graduates that the HE system delivers are crucial to the UK's economic growth.

10.11. The Government's strategy for HE has student choice and provider opportunity at its core. A sustainable funding system has been introduced which means that the costs of Higher Education are shared between Government and graduates who gain a range of benefits from a university education – most notably the higher salaries they earn. The funding system means that no student is prevented from gaining the high level skills and opportunities associated with an HE qualification because of cost. Eligible students can access tuition fee loans and loans to help with living costs. They do not need to repay their loans until they are in well paid jobs.

10.12. Because more HE teaching funding is now in the hands of students via student loans, their choices will shape higher education. Universities and colleges will have to persuade prospective students that their teaching, facilities and support are worth their investment. This will help drive quality improvement.

10.13. The Government recognises the importance of promoting opportunities for successful participation in higher education and the development of higher level skills to everyone who can benefit from it. The Government is establishing a new framework, with increased responsibility placed on universities to widen participation. We have also asked HEFCE and OFFA to develop a national strategy for access and student success which will include advice to ensure we achieve the maximum impact from spending by Government, HEFCE and institutions.

10.14. The Government wants more students to be able to go to the university of their choice, and a more dynamic system which will enable popular institutions to grow. The central controls placed on the number of students each university can take have been reduced, so that universities can now choose to expand

through unconstrained recruitment of high performing A level (or equivalent) students.

- 10.15. Better information to support student choice is a key strand of the current HE strategy. The Key Information Set (KIS) enables students to compare data for each course. Information provided includes student satisfaction, graduate outcomes, learning and teaching activities, assessment methods, tuition fees and accommodation.
- 10.16. Skilled graduates are central to the UK's economic growth, and the Government has encouraged universities and business to work in partnership to ensure that supply meets demand. The 2012 Wilson Review of Business-University collaboration highlighted the importance of universities working closely with the business community in their local area, and in April 2013 the Government launched the National Centre for Universities and Business. HEFCE will ask the new Centre to provide strategic advice periodically on industry's needs and perceptions of graduates and postgraduates (drawing on established evidence from bodies such as CBI and UKCES) across all disciplines including STEM.
- 10.17. Working with Universities UK, the Research Councils and HEFCE have written jointly to funded universities, encouraging them to engage with LEPs to identify opportunities to co-invest in projects of mutual interest.

Progress against EU and National Priorities

- 10.18. There have been improvements in skills levels in recent years, but compared to other leading economies the UK could be said to be treading water – particularly at the intermediate level. The UK is currently ranked 19th out of 33 OECD countries for the proportion of 25-64 year-olds qualified to at least Level 2 (upper secondary)¹⁷⁸. Some experts also claim that the UK is in a low skills equilibrium e.g. according to the European Social Survey, only in Belgium, Estonia or Russia is there a smaller proportion of jobs requiring 6 years or more of post-compulsory education than in the UK¹⁷⁹. This is having a serious impact on the economy and potential for growth - it is estimated that one fifth of the UK's productivity gap with competitors such as Germany and the US is caused by a lack of higher level skills.
- 10.19. There is also some evidence to suggest a lack of responsiveness of the skills system in the past to the needs of the economy and a mismatch between supply and demand. For example the number of jobs per vocational achievement suggests an undersupply of skills in occupations such as rail builders, electroplaters, smith & forge workers and civil engineers – with over 20 jobs per vocational achievement, compared to the average of 5.7¹⁸⁰.
- 10.20. Although there has been substantial growth in apprenticeship numbers over recent years (86% since 2009-10 and 114% in advanced apprenticeships), only around 5% of employers currently have apprentices, with a further 4% offering them and 8% planning to offer them in the future¹⁸¹. This is low by international standards – with fewer apprentices per thousand workers compared to

¹⁷⁸ OECD Education at a Glance 2012.

¹⁷⁹ European Social Survey.

¹⁸⁰ Internal BIS analysis based on the Individualised Learner Record and Labour Force Survey.

¹⁸¹ UK Employer Perspectives Survey 2010.

countries such as Germany (although public funding is greater in those countries)¹⁸².

- 10.21. Anecdotal feedback from employers is that the current skills system does not always meet their needs e.g. basic or employability skills. However, in the UK, employers' training expenditure as a proportion of labour costs is lower than the EU-25 average. This reflects average participation in training, but the training which takes place is of low duration and intensity, compared to other EU countries¹⁸³: Looking at the vocational education system more generally, 60% of employers arrange training for their staff, but only 45% of these lead towards vocational qualifications. In addition, SMEs tend not to recognise fully the importance of leadership and management skills¹⁸⁴ - despite CBI employers citing it as the most significant factor contributing to competitiveness. Consequently, many managers lack the ability to plan strategically for growth and improve productivity¹⁸⁵ or develop skills within businesses. Many also lack higher level skills in internationalisation processes, a major barrier to company growth and success in international markets.
- 10.22. Skills challenges vary between local areas and there are also substantial variations in skills levels of different English regions. For example in 2010 only 53% of adults in the West Midlands aged 19 to 64 held qualifications at level 3 or above compared to 67% in London¹⁸⁶. At a unitary authority level there is even greater variation. In 2011 in Oxford 77% of the population held qualifications at level 3 or above compared to some areas in the East of England where this figure is just 33-35%¹⁸⁷. The disparity is particularly stark when taking into account individuals with no qualifications. In Wolverhampton for example, 20% of the population hold no qualifications compared to just 2% in Lancaster.
- 10.23. The English Indices of Deprivation shows that there is a high degree of correlation between skills levels and other indicators of deprivation, particularly income, employment, and health. There is also a high degree of correlation between skills 'stock' indicators which focus on the skills levels of adults in an area and skills 'flow' indicators which focus on the educational attainment of young people and children. This suggests that areas with a prevalence of low skills tend to remain so.
- 10.24. Investment in skills can lead to improvements in income, employment, and wellbeing for individuals and more broadly to greater social cohesion and higher economic growth.

¹⁸² Steedman (2011), 'The State of Apprenticeship in 2010'.

¹⁸³ Continuing Vocational Training Survey 2005.

¹⁸⁴ Devins D., Johnson S., Gold J. and R. Holden (2002) *Management Development and Learning in Micro Businesses: a 'missing link' in research and policy*. London, Small Business Service. <http://www.berr.gov.uk/files/file38307.pdf>

¹⁸⁵ Homkes, Centre of Economic Performance, 'Why Management Practices Matter for Productivity and Competitiveness'.

¹⁸⁶ Labour Force Survey 2010.

¹⁸⁷ Annual Population Survey 2011.

EU and National Priorities: Sub-national patterns

Indices of Multiple-Deprivation (IMD)

10.25. The data can be aggregated in whatever way the LEP feels appropriate (Wards and Local Authority Districts within the LEP and the LEP itself) and it provides separate indices for 8 domains (including education and employment). LEP level data may hide pockets of deprivation within a LEP which is otherwise affluent. The education and employment domains within the IMD - together with its lower level of geography – will allow a LEP to identify such pockets. Extensive guidance and data (in excel) can be downloaded at the following link: including overall scores, the 8 domains, contributory scores and the population denominators to allow aggregation.

<https://www.gov.uk/government/publications/english-indices-of-deprivation-2010>

Data sets collected by Colleges

10.26. Core participation and achievement data funded entirely or co funded by government is collected and supplied at the lowest aggregate level legally possible and details at LA level data by types of provision by provider both in terms of what's delivered in that area and what is taken up by those living in that area.

Other Data

10.27. UKCES collects LMI which is widely disseminated. In particular their Employer Skills Survey which provides a UK wide picture of how well employers are meeting their skills needs (<http://www.ukces.org.uk/publications/er64-uk-employer-perspectives-survey-2012>) and Working Futures which provides a picture of employment prospects by industry, occupation and qualification level for the UK for nations and English regions up to 2020. (<http://www.ukces.org.uk/ourwork/working-futures>)

10.28. The National Adult Learner Survey (<http://www.bis.gov.uk/assets/biscore/further-education-skills/docs/n/12-p164-national-adult-learner-survey-2010.pdf>)

10.29. ONS Labour Force Survey (quarterly detailed information about 50K+ households, including who's taking part in education and training), <http://www.ons.gov.uk/ons/guide-method/surveys/list-of-surveys/survey.html?survey=Labour+Force+Survey>

10.30. ONS Integrated Household Survey (general information about the population, including education and wellbeing <http://www.ons.gov.uk/ons/rel/integrated-household-survey/integrated-household-survey/april-2011-to-march-2012/index.html>)

Potential European Structural and Investment Funds priorities

10.31. Due to the EU requirement for at least 80% of ESF to be focussed on 4 investment priorities LEPs are encouraged to focus on activities that would align with the following investment priority:

- Enhancing access to lifelong learning, upgrading the skills and competences of the workforce and increasing the labour market relevance of education and training systems; including improving the quality of vocational education and training and the establishment and development of work-based learning and apprenticeship schemes such as dual learning systems.

10.32. As much flexibility as possible will be built in so that the European Growth Programme can complement national policies by allowing local partners to address local needs and also to strike a balance between supporting people, including young people, into work with developing skills to drive growth.

10.33. The table below indicates the types of activity that are complementary to existing Government spending on skills. All these activities are appropriate for less developed, transition and more developed regions:

Table 14: Activities Table for Thematic Objective 10

Investing in Education, Skills and Lifelong Learning Activities to consider	Potential European Funding		
	European Social Fund	European Regional Development Fund	European Agricultural Fund for Rural Development
Support for activities to start and grow a business from promoting entrepreneurship (including social enterprises), self-employment to providing leadership and management training/ advice within Small and Medium Sized Enterprises to develop internal capabilities and growth potential.	✓	✓	
Support for collaborative projects, placements, internships or other activities with SMEs that enable students and graduates to gain industry relevant experience and skills.	✓	✓	
Building capacity in SMEs to provide project/ placement/ internships opportunities and enhance the contribution of higher level skills to SME growth. In particular this could include programmes to specifically engage the most disadvantaged groups or those who face particular local disadvantages in higher level skills.	✓		
Skills support for apprenticeships and traineeships (but not direct funding of training or wage costs) including improvements to the recruitment, assessment and facilities for training.	✓		
Promotion of the use of Higher Level Apprenticeships (especially in manufacturing and industrial strategy priority sectors) by developing a supportive environment for new HLAs.	✓		
Additional and innovative approaches to training for the unemployed, including marginalised groups, to help bring them to and support them in learning and developing employability skills.	✓		
Additional or innovative approaches to training in a vocational context for those with low level skills in Maths, English and ICT, to support them in finding work or progressing in work; and to enable them to achieve vocational qualifications and continue to upskill.	✓		
Support for intermediate, technical and high level vocational provision for the unemployed and for career progression.	✓		

Investing in Education, Skills and Lifelong Learning Activities to consider	Potential European Funding		
	European Social Fund	European Regional Development Fund	European Agricultural Fund for Rural Development
Supporting low skilled people in low paid work to help them progress.	✓		
Support for intermediate, technical and higher level skills for specific industries for industries and sectors identified as driving growth in local economies in support of other relevant thematic objectives.	✓	✓	
Skills and training packages in response to redundancies.	✓		
Development of general and, potentially, industry specific business skills in rural areas. ¹⁸⁸	✓		✓
Support for change in the local economy to meet skills gaps at all levels, including for Small and Medium Sized Enterprises and the social economy.		✓	
Support for informal learning and community based learning.	✓		
Support specific activities to promote equality and diversity, retention, progression and employability in further and higher education; particularly related to the raising of aspirations towards improved economic and social outcomes.	✓	✓	
Developing better links between business and educators, Further Education providers and other education partners to equip students with the skills to start and grow a business to meet local business needs.	✓	✓	
Capacity-building activities, in the form of training, networking measures and to activities jointly undertaken by the social partners (i.e. employers and trade unions). ¹⁸⁹	✓		

Proposed Indicators

10.34. The Government's vision is for a highly educated society with the key priorities being to improve choice and quality as part of building an internationally competitive skills base with a dynamic and efficient skills system that fulfils its potential and which helps individuals achieve theirs. This includes ensuring that all young people gain the knowledge they need to prepare them for adult life and for work and that employers have the skilled workforce that they need.

10.35. One of the four overarching ambitions in the UK Government's 'Plan for Growth' is to 'create a more educated workforce that is the most flexible in Europe'.

10.36. Based on these national priorities and in line with EU goals LEPs are encouraged to direct their investments under this thematic objective towards improving employability skills. It is anticipated that the outcomes for such

¹⁸⁸ Business skills specifically for the agricultural and forestry industry may be supported through the next rural development programme: Defra will confirm in due course.

¹⁸⁹ European Regulations require some European Social Fund funding to be allocated to this activity only in less developed and transition regions.

investments would include basic skills and qualifications from entry level upwards. For young people we would expect the outcomes to be higher rates of participation in education, training and employment with training leading to higher levels of qualifications and on into improved employment prospects at 18+.

Core Indicators

10.37. The indicators shown in the table below are compulsory for all ESF employment, skills and social inclusion activities (although in some cases the value will be zero). A small number of indicators will have targets.

Table 15: ESF Core Indicators

		Core Indicators
	0	Total number of participants
Common output indicators on participants	1	Unemployed, including long-term unemployed
	2	Long-term unemployed
	3	Inactive
	4	Inactive, not in education or training
	5	Employed, including self-employed
	6	Below 25 years
	7	Above 54 years
	8	With primary (ISCED 1) or lower secondary education (ISCED 2)
	9	With upper secondary (ISCED 3) or post-secondary education (ISCED 4)
	10	With tertiary education (ISCED 5 to 8)
	11	Migrants, people with a foreign background, minorities
	12	Disabled
	13	Other disadvantaged
Common output indicators for entities	14	Number of projects fully or partially implemented by social partners or non-governmental organisations
	15	Number of projects targeting public administrations or public services
	16	Number of micro, small and medium-sized enterprises supported
Common immediate result indicators on participants	17	Inactive participants newly engaged in job searching upon leaving
	18	Participants in education/ training upon leaving
	19	Participants gaining a qualification upon leaving
	20	Participants in employment upon leaving
Common longer-term result indicators on participants	21	Participants in employment 6 months after leaving
	22	Participants in self-employment 6 months after leaving
	23	Participants with an improved labour market situation 6 months after leaving

10.38. In addition to the core indicators, there may be a small number of additional indicators specific to the England ESF programme. These are subject to further consideration in terms of their policy relevance, availability of data, feasibility of measurement and the priorities LEPs set in their European Structural and Investment Funds Strategies. For skills, we will wish to consider results indicators in the following broad areas:

- young people NEET;
- training in intermediate, technical or higher level skills related to relevant Thematic Objectives;
- student and graduate work preparation activity; and
- bridging local skills gaps.

Core Indicators for the Detailed Guidance

10.39. In the first iteration of European Structural and Investment Funds Investment Strategies LEPs and their partners will not be expected to provide the level of detail set out above. For the purpose of simplification the ESF output indicators LEPs are encouraged to quantify are limited to the following:

- a. total number of participants (should be to equal b. + c. + d);
- b. number of unemployed (including long-term unemployed) participants;
- c. number of inactive participants;
- d. number of employed (including self-employed) participants; and
- e. number of participants aged 15-24.

10.40. And the ESF core results indicators LEPs are encouraged to quantify are limited to:

- number of inactive participants newly engaged in job searching upon leaving;
- number of participants in education/ training upon leaving;
- number of participants gaining a qualification¹⁹⁰ upon leaving; and
- number of participants in employment upon leaving.

10.41. The absence of other indicators from the list above does not mean that they are not important or that they will not be measured (they will); but reflects the need to have a limited number of targets.

Potential Sources of Match Funding

10.42. It is expected that public sector match funding will be available from: Skills Funding Agency/ Education Funding Agency education and skills programmes. Further information is set out in the opt-in prospectuses from these organisations.

¹⁹⁰ When completing the European Structural and Investment Funds Strategy table LEPs should interpret qualifications within the European Commission's definition "Qualification means a formal outcome of an assessment and validation process which is obtained when a competent body determines that an individual has achieved learning outcomes to given standards." In England, this means units and qualifications regulated by OFQUAL, and also units and qualifications with FHEQ, which are regulated by the QAA (Quality Assurance Agency).

10.43. £170 million of match funding for European Social Fund skills activities from within the Adult Skills Budget has been made available to LEPs via the Local Growth Fund. This match funding will not be allocated to LEPs in the same way as the rest of the Local Growth Fund. Instead, an amount will be earmarked for each LEP broadly in proportion to the LEP's total European Social Fund allocation. If a LEP wishes to access this match funding for skills activities, it will need to opt-in to the Skills Funding Agency's service offer.

11. Enhancing Institutional Capacity and an Efficient Public Administration

- 11.1. In the preliminary guidance the Government made clear that investments under this thematic objective are designed primarily for the less developed countries and regions of the European Union that may need additional support to enhance their institutional capacity and improve the efficiency of their public administrations.
- 11.2. The Government has now decided that it would not be appropriate to fund investments under this thematic objective.
- 11.3. This does not mean capacity building cannot take place but primarily this should be funded through technical assistance. However, in the case of Community Lead Local Development, capacity building can be funded directly from the money allocated to the CLLD initiative itself. In addition, Local Impact Funds if pursued can also help Social Sector Organisations build their capacity to become investment ready.

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