

HEART OF THE SOUTH WEST

# Local Enterprise Partnership

**First Draft: Heart of the South West LEP  
European Structural and Investment Funds Strategy  
7 October 2013**



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## Executive Summary

The LEP area covers two European regions, the transition area covering the county of Devon and Unitary Authorities of Plymouth and Torbay and a more developed area covering the county of Somerset. It is home to more than 1.6m people and has an output of £28 billion<sup>1</sup> per year and we are rightly known for our world class natural environment and strong cultural heritage.

Our economy is broadly based. Our market and coastal towns and rural areas see a lot of their employment base in micro-businesses, SMEs and social enterprises however, we also have world class advanced manufacturing ranging from aerospace in Yeovil to a high tech, electronic and photonic cluster in Torbay. The marine manufacturing and research sector, centred on Plymouth has the potential to drive growth across the whole Peninsular, catalysed by our plans in the City Deal. Our LEP has recognised that the European Structural and Investment Funds represents an opportunity to further enhance our world class distinctiveness and aid sustainable growth for our many SMEs as well as the wide range of internationally recognised businesses such as Agusta Westland, Flybe, Honeywell Aerospace, Babcock Marine, the Meteorological Office, Spirent, Princess Yachts, Yeo Valley Organics, EDF Energy and IBM, to name but a few. We want to achieve ***sustainable and skilled jobs, improved productivity and economic growth in order to bring prosperity for all in the Heart of the South West.***

We propose using these funds to build the Heart of the SW as a **destination of choice to live, work, learn, visit and invest** and we have identified 3 priorities to take this aim forward:

1. ***Creating the conditions for growth*** - the enabling landscape e.g. infrastructure, connectivity, workforce skills and business support
2. ***Maximising employment opportunities*** - e.g. inward investment, business competitiveness, higher value jobs and career ladder skills.
3. ***Building on our distinctiveness*** – e.g. smart specialisation, major projects and our natural environment.

Our Investment Strategy recognises that the Heart of the SW economy is complex. Our overall performance sometimes masks particular problems and opportunities at a smaller economic scale. There is not a single magic bullet that will drive growth or overcome barriers for business success and prosperity – we are faced by many competing priorities. Our analysis of the economy has identified 15 activities to be funded by the European Structural and Investment funds – the LEP and its partners have agreed to support those activities that will:

- Create jobs that are sustainable and more skilled than our present stock
- Support business competitiveness
- Capitalise on the unique opportunities existing in our area

We set out in this Investment Strategy our analysis of the economy, the opportunities and barriers and the activities proposed to deliver our vision. Our governance and delivery arrangements will provide the focus to prioritise across competing proposals to maximise impact. This Investment Strategy is a first draft; it will be developed over coming months in light of feedback from government, consultation with stakeholders and business and alongside development of our Strategic Economic Plan and crystallisation of the delivery strands and opt-ins.

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<sup>1</sup> Gross Value Added 2011 – Office of National Statistics

## Introduction

This document sets out how the Heart of the SW will use European Structural and Investment Funds to promote smart, sustainable and inclusive growth across our area. It has been developed in the context of an emerging Strategic Economic Plan (first draft due Dec 2013) which is still subject to considerable further development activity. Therefore as our Strategic Economic Plan is subject to further development and consultation, elements of this first draft may be refined in the second draft due in January 2014. This draft is built around clear focused priorities and considerable work that the LEP has undertaken to date. It has also been informed by work on the Plymouth and Peninsula City Deal, as well the Hinkley Strategic Development Forum to ensure alignment between activities.

An important feature to note is that the Heart of the SW LEP area covers two European regions, the transition area covering the county of Devon and Unitary Authorities of Plymouth and Torbay and a more developed area covering the county of Somerset. Supporting this document are two spreadsheets providing detailed financial and output allocations, one for the transition area, another for the more developed area.

### Development of the EU SIF priorities for the Heart of the South West LEP:

The HotSW LEP EU SIF priorities have been built alongside a review of our vision and priorities as we develop a strategic economic plan for the LEP

area over the next six years. Using our 2011-14 business plan as a starting point, we have evolved our thinking based on a reviewed and updated evidence base, consultation with a wide range of stakeholders, and in the context of the changed remit of the LEP since it was first formed.

A prospectus of potential investment priorities for EU funding was written under the guidance of a steering group which comprised of representatives of the four LEP upper tier authorities, Federation of Small Businesses, Devon and Cornwall Business Council, Universities South West, DEFRA, DCLG, DWP, SFA, Plymouth and Exeter universities, a LEP board member and its chief executive. This prospectus was adopted by the LEP board in May 2013 and was consulted upon with stakeholders through a number of events. A summary of the responses can be found in appendix 2.

We have also engaged more broadly with districts, national parks and a broad range of stakeholders about their priorities for growth and with the voluntary and community sector, through South West Forum, regarding barriers to social inclusion. We will continue the process of engagement as the LEP goes forward, and there will be further consultation opportunities throughout the development of this document and the strategic economic plan of which the EU SIF is an important delivery strand. We have tried to flag up where delivery of a strategic plan objective is better addressed elsewhere, and have ensured as far as possible to align with ongoing work the LEP is involved in that has an impact on economic development in our area.

## The Heart of the South West Area

Our area covers the administrative areas of Plymouth, Torbay, Somerset and Devon, is home to more than 1.6m people and has an output of £28 billion<sup>2</sup> per year. Our area covers 10,158 square kilometers and shares borders with four other LEPs, from the West of England-Bristol City region to the north, Wiltshire and Dorset LEPs to the East and South East, and Cornwall to the South West. Our LEP is the Heart of the South West.

Our natural and cultural heritage is an important driver of our economy, branding and distinctiveness. We are rightly known for our world class natural environment which includes Dartmoor and Exmoor National Parks, two separate coastlines, seven AONB's, the English Riviera Geopark, two World Heritage Sites, a Biosphere Reserve and countless SSSI's. We also have a strong cultural heritage; from the historic defeat of the Spanish Armada from our shores to the contemporary, world-famous, Glastonbury Festival. Our natural and cultural assets are supported and enhanced by our agricultural sector and fuel a thriving tourist economy. It is little surprise that people want to share in our great quality of life, illustrated by our steady population growth that is mainly due to migration from other parts of the country.

However, our economy is much broader than this initial image. We have world class advanced manufacturing ranging from aerospace in Yeovil to a high tech, electronic and photonic cluster in Torbay. The marine manufacturing and research sector, centred on Plymouth has the potential to drive growth across the whole peninsular, catalysed by our plans in the City Deal. Plymouth is also home to one of the largest naval base and dockyards in Western Europe and its port an international gateway for goods and people.

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<sup>2</sup> Gross Value Added 2011 – Office of National Statistics

The Heart of SW LEP finds itself situated between one of the most and one of the least productive areas in the country measured by GVA per head<sup>3</sup>. We host a number of internationally recognised businesses such as Astra Zeneca, Agusta Westland, Flybe, Honeywell Aerospace, Babcock Marine, the Meteorological Office, Spirent, Princess Yachts, Yeo Valley Organics, EDF Energy and IBM, to name but a few. In addition to these companies, our region has a number of award-winning SMEs including Otter Breweries, Diamedica (UK) Ltd, SupaCat, Ariel Motor Company and Haynes Publishing. However, the majority of Heart of the SW businesses, particularly in rural areas, are SMEs with fewer than five employees, providing an entrepreneurial heartland rich in diversity and potential to grow.

We have a growing low carbon sector. The proposed development of Hinkley C would produce 7% of the national grid output and has the potential to develop a niche concentration of expertise and supply chain businesses. Low carbon features centrally to support major initiatives such as the South West Marine Energy Park, as well as the massive task of improving the energy efficiency of our homes and businesses. This sector has significant potential to grow as demand for improved energy performance is stimulated by initiatives such as the Green Deal.

We have a world class knowledge base which includes three universities; Exeter, Plymouth and University of St Mark and St John, two medical schools as well as 11 FE colleges and specialist research centres such as the UK Met Office, the Rothamstead Research centre at North Wyke, the Astra Zeneca Environmental laboratory in Brixham, Plymouth Marine Labs and the World Research centre for Greenpeace in Exeter.

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<sup>3</sup> NUTS2 estimates GVA per head by sub-region 2011 – ONS

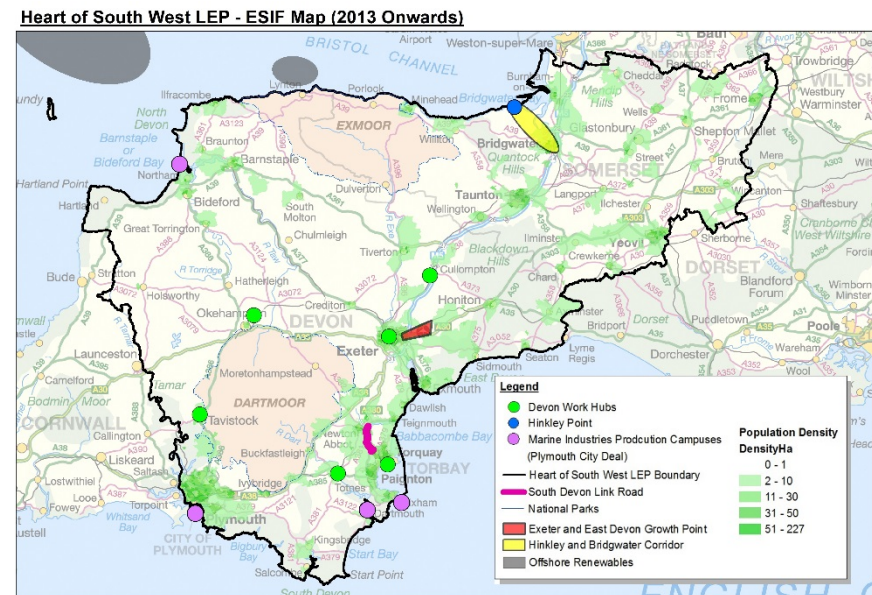
The research expertise in and around our universities provide us with opportunities to develop through smart specialisation: Exeter has a concentration of climate and environmental science experts with more contributors to the UN IPCC report of any other city on Earth; University has world-leading expertise in agri-tech, water security, mathematical modelling and advanced materials. Together with the arrival of Europe's most powerful supercomputer at the Met Office and expertise in big data analysis, Exeter is emerging as a cutting edge place for enviro-technology and modelling.

Meanwhile world class expertise and facilities in association genetics, clinical trials and healthcare in Exeter, Plymouth, Torbay and Devon provides the base for a medical devices and healthcare cluster. The Academic Health Sciences Network demonstrates the close working relationship between the NHS and the academic and commercial base spanning two LEPs. Together, the Universities of Exeter and Plymouth University combined with Plymouth Marine Laboratories, the SW Marine Energy Park and facilities across the region, put Plymouth at the centre of a Marine Cluster that sits at the heart of our City Deal.

Our cities and urban areas of Plymouth, Exeter, Taunton and Torbay play a crucial role in driving economic development, forming a growth corridor along strategic transport routes, and bringing together plans for employment, housing and infrastructure. We want to ensure that market towns, coastal and rural areas are economically successful in their own right, and recognise that a lot of our employment base, particularly in

these areas, is in micro, SMEs and social enterprises. The key challenge and ambition for the LEP is to secure higher value employment across the area by ensuring the conditions for growth are in place and by attracting investment that builds on our distinctiveness.

Figure 1: Heart of the South West LEP



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## Vision

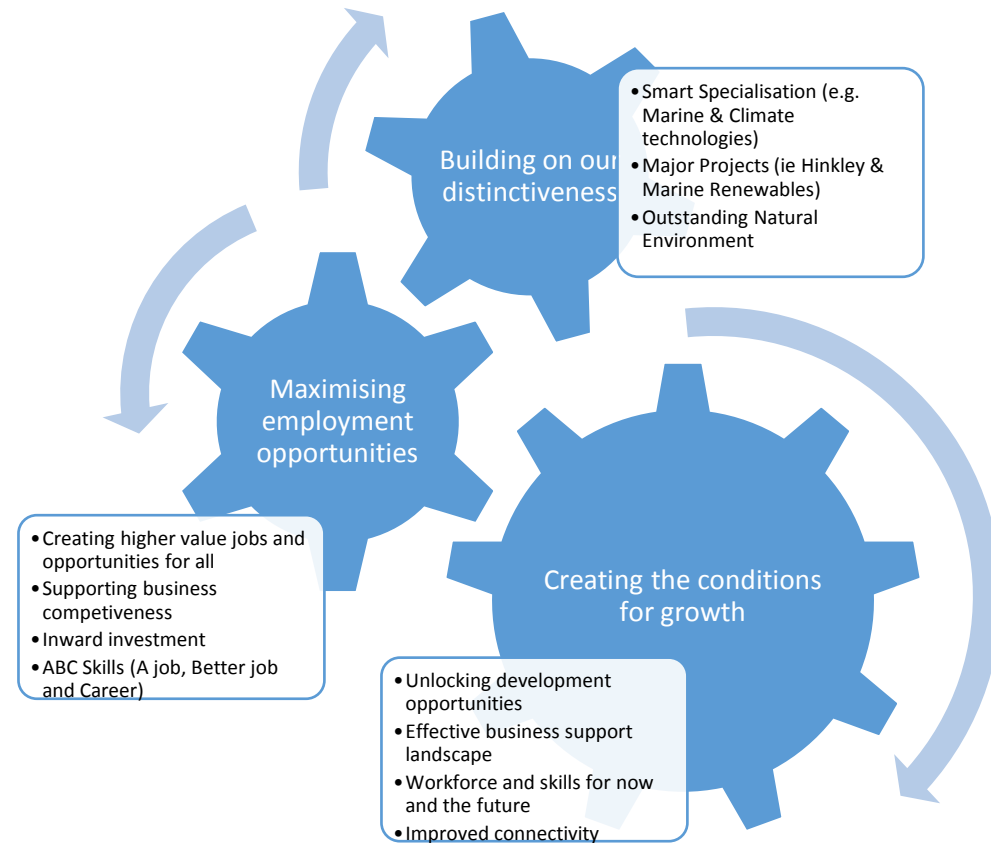
We want to achieve ***'sustainable and skilled jobs, improved productivity and economic growth in order to bring prosperity for all in the Heart of the South West'***.

Our vision for the Heart of the SW as a **destination of choice to live, work, learn, visit and invest** is underpinned by the following elements:

- Thriving and sustainable urban and rural economies;
- Where our SMEs are growing and trading worldwide, connected to local, national and international markets with improved transport and digital infrastructure;
- Where high quality jobs inspire progression and retention of graduates;
- Where 'can do' attitudes and a culture of enterprise and social enterprise can flourish;
- World class knowledge bases that work collaboratively with our business community as well as attracting the brightest and the best whilst developing our local talent;
- Where our environment (land and sea) is valued as an intrinsic part of our economy and way of life;
- Where opportunity to participate is available to all and everyone benefits from our collective successes.

This is articulated through three core aims, illustrated below.

Figure 2: Three core aims



## Socio-Economic Performance and SWOT

The HotSW LEP EU SIF priorities have been built alongside a review of our vision and priorities as we develop a strategic economic plan for the LEP area over the next six years. Using our 2011-14 business plan as a starting point, we have evolved our thinking based on a reviewed and updated evidence base, consultation with a wide range of stakeholders, and in the

context of the changed remit of the LEP since it was first formed. The following SWOT analysis summarises the key findings from evidence sources and consultation responses. (See key indicators in appendix 1.) Much of our work has been led around the themes of Place, Business and People and these themes are developed further throughout this plan.

*Table 1: Strengths and Weaknesses*

Strengths	Weaknesses
<b>Place</b>	
High quality natural environment to attract visitors, inward investment, workforce and as basis for business branding and quality of life	Peripherality and distance from markets
Developing innovation infrastructure (e.g. innovation centres, science parks)	Vulnerability to extreme weather events of key transport routes.
Network of growth points across area to act as engines for growth	Critical mass – dispersed population and business base; levels of micros and SMEs.
South West Marine Energy Park	Energy efficiency of housing stock
<b>Business</b>	
Strong FE/HE sector with strong programmes to support high tech businesses and encourage new start-ups and spin outs (including innovation centres, incubator networks and science parks)	Lack of HE Provision in Somerset and difficulty of access in some parts like North Devon.
Localised strengths in knowledge intensive sectors and high-tech manufacturing including Aerospace in Yeovil centred around Augusta Westland	Lower than average levels of productivity
Culture of enterprise/self-employment	Over dependency on public sector employment and low wage sectors such as tourism and retail.
Global presence in environmental analysis and climate change thanks to the UK met Office in Exeter.	Lower than average levels of R&D, innovation and exporting
	Lack of business confidence and aspiration for growth
	Businesses do not know where to go to access support
<b>People</b>	
Well skilled workforce up to intermediate level	Skills gaps and shortages reported by 28% of businesses supported by data.
Strong Social Enterprise and Voluntary and Community Sector, with Plymouth being named as the first UK Social Enterprise City by Social Enterprise UK	Higher levels of deprivation/social exclusion in our cities and urban areas, but also pockets in rural.
Low overall unemployment	Rising long term and youth unemployment as well as ‘hotspots’.
Well established networks of businesses	Failure to fully utilise skills of workforce
Very low level of people with no skills. 4 <sup>th</sup> best LEP in the UK in terms of people	Lower proportion of employment in high skill occupations and higher part/time



with no qualifications	working and therefore lower than average wages.
	Failure to attract and retain people with higher level skills, graduate retention and

Table 2: Opportunities and Threats

Opportunities	Threats
	<b>Place</b>
Strategic partnership working on transport issues, e.g local transport board, Peninsula rail task group.	Risk of increasing relative peripherality as connectivity and journey times between London and the rest of the country improves – e.g. with the electrification of GWML or HS2
Development of S. Devon Link Road and A303 corridor	Local transport bottlenecks hindering development
Hinkley Point C Development as a catalyst for sustainable growth and capturing first mover advantage.	Environmental degradation due to loss of ecosystem services
SW Marine Energy Park	Climate change and increased risk of adverse weather events.
Development of a Marine Industries Production Campus as part of the developing Plymouth City and Peninsula Deal	Grid capacity limitations to cope with increased renewables generation
Broadband infrastructure improvements being rolled-out, with a target of at least 90% superfast connectivity by March 2017 and 100% by 2020.	Increasing car dependency putting pressure on local roads during peak periods
	Competition from Scotland for the offshore renewables sector
	<b>Business</b>
Marine sector (across area) associated with Plymouth City Deal	Rising energy and transport prices if resource efficiency not addressed
Developing market potential around key opportunities for Smart Specialisation	Continued restrictions on access to finance by banks/key lenders
Hinkley Point C Development (if agreed) as a catalyst for sustainable growth and capturing first mover advantage.	Competition from Cornwall arising from their large European Funding allocation leading to displaced growth and relocation of key employers.
Met Office £100m supercomputer Global Environmental Hub	
Public sector procurement – single largest market sector in area.	
1 of 5 areas trialling Rural Growth Network pilot.	
Potential role of social enterprise sector rebalancing economy from public sector dependency	
Making use of digital infrastructure to fuel growth	
	<b>People</b>
Large student/alumni populations	Continued public sector budget cuts
Partnership, collaborative working and social innovation	Aging population including an aging workforce profile , generating continued demand for skills

## Drivers and Potential Barriers to Growth and Jobs

The Heart of the SW economy is complex. Our overall performance sometimes masks particular problems and opportunities at a smaller economic scale and we must be mindful of this as we identify strategic priorities for growth.

### Drivers of Growth

Our evidence based review and consultation process has identified the following drivers and opportunities for growth:

1. **Existing knowledge base and innovation infrastructure** – We have a strong knowledge base, with world leading research and innovation activity, particularly in the transition area. The total R&D spend of our universities and the main research centres is well over £100m per annum. Our challenge is threefold: **1) Make the best use of our R&D capacity to grow thriving industry clusters and open up new markets; 2) Retain or attracting back graduate talent in our local economy; 3) Make the knowledge base easier to access for relevant businesses.** In some parts of the LEP, like Somerset and North Devon, the lack of local HEI infrastructure means there is more opportunity for partnerships and outreach with FECs and businesses from HEIs within this and neighbouring LEPs.
2. **Urban Growth** – Our urban centres are key drivers of growth, pushing forward strategic plans that bring together economic, housing and transport needs around key economic opportunities. They possess many of the ingredients for economic growth such as agglomeration effects, better connectivity, available workspace and stronger links to higher education (through facilities such as Science parks and innovation centres). **Ensuring we maximise the performance of our key urban areas and is therefore a key challenge for the LEP.**
3. **Environment** – Our environment is an important driver of growth as well as providing important ecosystem services (e.g. flood resilience) that benefit our economy. Our high quality environment supports

bedrock sectors such as agriculture, food and drink and tourism. It is also has a role to play in supporting a vibrant creative and cultural sector, supporting other potential growth sectors such as renewable energy and environmental science, as well as attracting inward investment. **Our challenge is to achieve environmentally sustainable growth through mainstreaming environmental best practice and pioneering innovative approaches.**

4. **Growth beyond our borders** – Our LEP is not an island, therefore key drivers of growth may come from our immediate neighbours or further afield as functional economic geographies cross LEP borders. **Our challenge is to deliver effective collaborative projects, ensuring we deploy a sound understanding of complementing interests, travel to work areas and functional economic geography in developing and implementing our plans.**
5. **Growth of the energy/low carbon sector** – The Heart of the SW has the potential to benefit from a number of major infrastructure projects in the energy and low carbon sector. The most significant of these being Hinkley C. The construction of the first of the next generation of nuclear power stations in the UK is of national significance and will create thousands of jobs both in the construction/operational phases as well as an enormous lift in the supply chain businesses in the region. We believe that this development, when set within the context of the wider energy and low carbon sector, could provide a potentially catalytic impact in the form of a low carbon energy cluster through a growth zone. **Our challenge is therefore securing the first mover advantage and creating a lasting low carbon legacy.**
6. **Growth of the marine sector** - Activities proposed under the City Deal will drive forward the growth of the Marine sector across the whole peninsular. This sector is closely aligned with other key sectors across the Heart of the SW and as such has potential to drive forward

significant supply chain opportunities. *Our challenge is to maximise growth in the HOTSW area through the City Deal.*

7. **Virtual Connectivity** – Significant investment in improving broadband connectivity is underway, with a target of achieving 90% superfast coverage. Our challenges are to significantly drive growth in rural and urban areas, particularly supporting our SME and rural business sectors by maximising the economic benefits from this investment through *stimulating business use and adoption; and to secure investment to deliver an ambition of 100% superfast coverage and increase speeds*

## Barriers

Our evidence based review and consultation processes have revealed the following barriers to growth:

1. **Persistent Productivity Gap** – The HOTSW area continues to experience a persistent productivity gap with the UK, both in terms of GVA per head (80.8% of UK average 2011) and GVA per job (82% of UK average). When examined by sub-region, we see significant variation with Torbay performing especially poorly in relation to GVA per head (60.5% of UK average) compared to Devon (83.8%). Our analysis shows that the productivity gap is as a result of our industrial structure AND relatively low productivity across the business base. Modelling work found that if we were to acquire the UK's industrial structure, output would be around 4% higher. If we were to acquire the UK's productivity rates (i.e. each industry's productivity rose to the level of its national counterpart), output would be around 11% higher. *This suggests that addressing this gap will require a balanced approach that:*
  - a. *Improves output and performance from our core business base; and*

- b. *Encourages the growth of higher value sectors that are able to pay higher wages.*

2. **Transport Connectivity and Accessibility** – Our peripherality and distance from markets has a direct and proven correlation with productivity. Whilst some parts of our area (Exeter and Taunton) have journey times less than 2 hours to London, for businesses outside these centres such as those in Plymouth, North and West Devon and West Somerset, journey times are in excess of 3 hours. This coupled with poor rail timetabling and a dispersed rural population with high car dependency make connectivity with markets and access to employment and training a significant issue. *Our challenge is to improve our strategic transport connectivity and local accessibility to drive growth.*
3. **Micro-businesses, SMEs and Enterprise** – Whilst we have high levels of self-employment and smaller enterprises, we have lower than average business start-ups (8.7%, compared to 11.4%), which are currently exceeded by the business death rate (9.1%, compared to 9.9%). New business start-ups are important for the overall health of an economy, as they encourage competition as well as replenishing the business stock. The social enterprise model is also expected to play an increasingly important role in delivering sustainable jobs as well as social value as we go through a transition in public service delivery. *Ensuring we have an environment that makes it easy to start and grow a business or social enterprise is a key challenge for the LEP.*
4. **Broadening our market horizons** – the main barrier to growth identified in our business survey was a 'lack of consumer demand' (36% of respondents in 2012). Evidence suggests that businesses who export are more likely to be productive and generally exhibit higher levels of growth and resilience. However, UKTI estimate that between 3 and 4% of businesses in the HOTSW area currently export

compared to 5% nationally. This may reflect that our business base contains a lower proportion of businesses with 'propensity to export' characteristics. This suggests that our **key challenge is to broaden market horizons beyond the South West and increase the number of companies exhibiting exporting potential.**

5. **Demographic aging** – Like most areas, the HotSW has an aging population, but with 21.3% of the population over 65 in the 2011 census, our ratio is higher than the average of 16% in England. Current population projections expect this proportion to rise rapidly with Devon, Somerset and Torbay all expected to exceed the 25% mark by 2021 (Torbay 27.3%). If current trends continue, this will create workforce and dependency ratio changes, particularly where we see a decrease in the proportion of working age people. While productivity is mainly generated by those in work, research conducted by Regeneris Consulting found that in 2010 older people contributed net economic benefits of around £1.7billion across the HotSW area once exchequer costs have been accounted for. **A key challenge for the LEP is to maximise the knowledge and experience of the over 65 group to achieve wider socio-economic benefits while retaining and attracting working age people in the area.**
6. **Workforce skills** – The availability of skilled labour is a key component of growth. The evidence base shows skills deficiencies in some parts of the area and our businesses report skills shortages and gaps ranging from employability skills through to technical and managerial skills. An important element of this is raising our graduate retention rate through increasing work placements. **Our challenge is to ensure that we have the right skills to meet demand now and in the future.**

7. **Employment and Social Inclusion** - LEP area statistics mask pockets of deprivation and scattered instances of exclusion across a large rural area. Our employment rates across the LEP are higher than the average for England. However, Torbay's economic activity rates are lower than the England average while youth and long term unemployment are important issues. Average wages across the LEP area, are much lower than the national average. When this is combined with poor house price affordability ratios, **in-work poverty becomes a significant issue across the area.** Index of Multiple Deprivation data reveal wards in the most deprived 10% and 20% respectively. Economic exclusions presents barriers to growth through a number of well-established mechanisms – notably the untapped skills of individuals to contribute to business growth, but also a lost local market multiplier effect, as people on low incomes are less able to spend within their local communities. **Our key challenge is to reduce the barriers to full participation in the labour market – to maximise the opportunities for individuals' and business growth.**
8. **A large dispersed business population** – A high level of car dependency adding to costs, a lack of agglomeration, a preponderance of SMES with a lack of access to business support to help them. **Our challenge is to harness the entrepreneurial characteristics of our rural areas and support our SME and micro businesses to improve productivity, access markets and grow.**

Our over-arching approach to growth

The previous sections outline our starting position, the barriers we face and some of the opportunities for securing growth. There are a number of different over-arching approaches that we could pursue to secure growth. These include:

- Do Nothing – the standard reference case in any options analysis;
- Conditions led growth – a model which focuses on getting the basic conditions for growth right (e.g. planning framework, transport systems etc.) with minimal additional public sector intervention to stimulate/steer activity;
- Transformation through science and technology – driving growth through stimulation and capitalising on key areas of smart specialisation, with minimal focus on wider productivity barriers;
- Environmental – driving growth through focused investment in low and environmental projects, infrastructure and low carbon sectors. Minimal focus on wider productivity barriers;
- Urban centred – driving growth through investment in key urban opportunities as ‘engines’ for growth;
- Balanced model – driving growth through a mixed approach, balancing opportunity for high growth with the need to address wider productivity barriers.

We have undertaken a very high level options analysis which explore each of these models in terms of:

- Suitability – will it achieve growth, will it provide additionality?
- Acceptability – will partners find this solution acceptable?
- Feasibility – Is it possible, will it represent vfm?

At this stage, our analysis suggests that the balanced model which addresses the need to get the conditions right with other activity to stimulate higher growth is the best option. However, these options and

others require more thorough investigation as well as debate and discussion to inform the development of our Strategic Economic Plan and the final submission of this document.

Table 3: High level options analysis for approach to growth

	Suitability – will it achieve growth? Will this be additional?	Acceptability – Will partners find this solution acceptable.	Feasibility – Is it possible? Does it provide value for money?
<b>Do nothing</b>	Analysis of surveys and forecasts suggest that whilst the economy may begin to improve modestly in the short term, without intervention it may struggle to maintain its relative position.	No	It is possible, but would not generate any additional value.
<b>Conditions for growth</b>	This would generate growth, but the scale would be dependent on effective functioning of markets. This would provide additionality.	Whilst partners see getting the conditions for growth as vitally important, they are also of the view that further intervention is necessary to stimulate transformation.	Yes Limited value for money
<b>Science and Technology led</b>	This option has the greatest potential for encouraging new higher value sectors, but would fail to address the challenge of low productivity across all sectors. Unlikely to provide opportunities to improve social inclusion.	Partners are likely to take a mixed view on this option depending on their perspective. Unlikely to receive support from the business community.	Yes, there are a number of science and technology related opportunities that could be pursued through this option.
<b>Low Carbon Env</b>	Has potential for creating jobs and growth – depending on the emphasis. Could also address other objectives such as fuel poverty. However, it may fail to address other fundamental barriers for growth, as a result may lead to weakening in core employment sectors and potential rise in unemployment.	This may have broad support, but unlikely to receive support from SME community.	Yes, if sufficiently broad. Moderate value for money.
<b>Urban growth led</b>	Growth points and urban areas have the right ingredients to be the ‘engines’ of our economy. However research shows that trickle down effects tend to be limited and constrained to functional economic areas. This would have implications for large parts of the sub-region.	The risk of sub-regional disparities worsening would mean that this option is unlikely to be supported by rural stakeholders.	Yes it is possible.
<b>Balanced</b>	A mixed approach which brings together the need to get the conditions right as well as proactively seeking transformation opportunities is likely to secure sustainable jobs and urban and rural growth.	Likely to be acceptable to partners from across the area, which is important in moving towards greater alignment and pooling of resources.	Yes

## The Balanced Model

As set out under our vision, our approach to growth is centred around three key aims:

- Building on our Distinctiveness;
- Maximising employment through business growth; and

- Getting the Conditions Right.

Table 4 below summarises how these translate into priorities in terms of our themes of ‘place’, ‘business’ and ‘people’.

Table 4: Emerging priorities by theme.

	Creating the Conditions for Growth	Maximising Employment Opportunities	Building on our Distinctiveness
Place	<ul style="list-style-type: none"> <li>• Unblocking development opportunities</li> <li>• Unlocking funding (public and private)</li> <li>• Developing a pipeline of oven ready strategic infrastructure and transport projects and improving resilience</li> <li>• Protect and enhance environmental assets</li> </ul>	<ul style="list-style-type: none"> <li>• Improving connectivity</li> <li>• Workspace and employment sites</li> <li>• Maximising potential of growth centres</li> <li>• Education and skills infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>• Development of specialist sites, equipment and infrastructure</li> <li>• Specialist Growth Zones</li> <li>• Low carbon technologies and infrastructure</li> </ul>
Business	<ul style="list-style-type: none"> <li>• Making support to start, grow and develop businesses relevant and easier to find</li> <li>• Make it easier for businesses to access public sector procurement opportunities</li> <li>• Provide a single Access to Finance Platform</li> </ul>	<ul style="list-style-type: none"> <li>• Ensuring national delivery meets local needs</li> <li>• Supporting businesses to reach new markets and link to supply chains</li> <li>• Supporting businesses to innovate through working smarter</li> <li>• Attracting businesses to locate and invest</li> </ul>	<ul style="list-style-type: none"> <li>• Transformational innovation – creating an eco-system of support around key specialist opportunities.</li> </ul>
People	<ul style="list-style-type: none"> <li>• Ensuring business skills needs are understood and planned for</li> <li>• Skills infrastructure is aligned to demand</li> <li>• Employer engagement</li> <li>• Collaboration and innovation on social inclusion</li> </ul>	<ul style="list-style-type: none"> <li>• Raising aspirations and supporting those most excluded from the labour market</li> <li>• Supporting the Long term unemployed, inactive and youth unemployed into work</li> <li>• Skills for progression in work</li> <li>• Improving technical and higher level skills</li> </ul>	<ul style="list-style-type: none"> <li>• Leadership/Management/Enterprise skills</li> <li>• Developing our R&amp;D talent, aligned to smart specialisation</li> <li>• Attracting higher level skills</li> </ul>

## Approach to sectors and Smart Specialisation

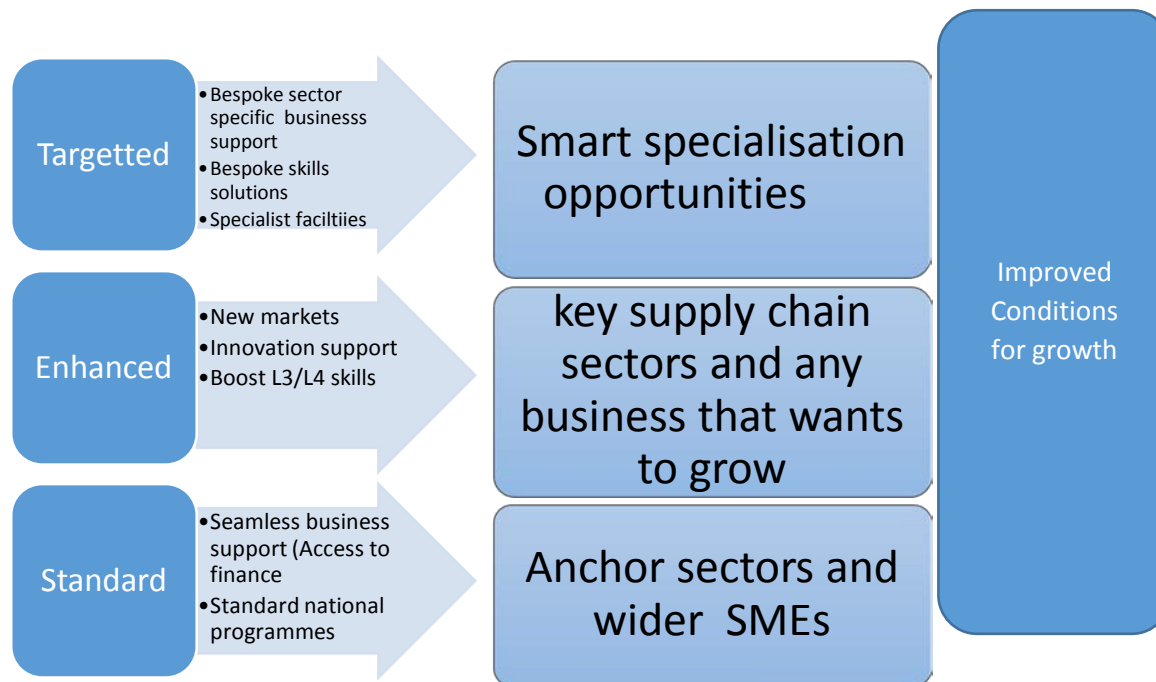


There has been much debate about the role of sectors and clusters in driving forward our plan for growth. On the one hand a highly targeted approach provides an opportunity to support those sectors with the highest perceived potential for growth, aligned to local and national opportunities and drivers. On the other hand, research by NESTA has shown that growth is ‘sector blind’, occurring in firms with a propensity to grow, rather than any sectoral focus. Our consultation with business confirmed the need to get the conditions right and provide support for any businesses that aspired to grow, rather than supporting some sectors at the exclusion of others. Our analysis of our productivity challenge suggests that in order to achieve growth we need to:

- Improve productivity across the business base;
- Encourage higher value business growth.

Therefore, we anticipate that delivery will adopt a tiered approach as outlined below. As part of our further development work, we will continue to work with our partners and stakeholders in developing our Smart Specialisation priorities. Based on LEP strategic priorities, early mover opportunity and our current leading edge expertise, potential specialisation areas include: nuclear, aerospace, marine, hi-tech/photronics, agri-tech, environmental science, health science.

Figure 3: Smart Specialisation Approach



## Investment Priorities

### Selection of Priorities

Our priorities have been selected through a process that explored the alignment of potential investment with:

- The vision for the LEP and emerging priorities for the Strategic Economic Plan and its evidence base;
- The vision and priorities for the Plymouth City Deal;
- UK Government strategies and priorities; and
- European strategies and priorities.

An EU Funding prospectus was produced and a consultation exercise was undertaken. The consultation exercise has informed the further development of these priorities.

### Principles

The LEP has also identified a number of high level principles to guide the development of the EU Strategic Investment Framework, these include:

1. The split between ERDF and ESF to be as in the European regulations for the respective zones;
2. The wish to collaborate with other LEPs in relevant areas of interest to create critical mass and momentum where this is beneficial to our businesses
3. The desire to see the 2014-2020 programme building on the success of previous investments to consolidate impact;
4. Ensuring that all investments MUST provide additionality and avoid duplicating mainstream or other provision; and

5. That European investments principally fund activities that cannot be funded through other means and that maximum investment is spent on delivery not administration.

### Proposed Activities

The Heart of the SW LEP recognises that the EU SIF is one of several funding channels that will support the implementation of its strategic plan for growth, with other channels including the Local Growth Deal, The Plymouth City Deal, the Regional Growth Fund, Local Authority, University and Private Sector investment plans, complementing it to form a wider implementation plan. For ease of understanding, we have grouped activity thematically and for each theme detailing:

- Key issues and challenges;
- An overview of key emerging activities;
- Identification of activities to be funded through EUSIF monies.

For each of these, we provide:

- A description of the activity;
- Rationale; and
- Funding allocation by fund and type of areas.

## Place

### Introduction

This theme brings together our 'place' based priorities for our Strategic Economic Plan, as well as key activities to be supported under the EUSIF.

### Summary of Key Challenges and Opportunities

The review of our evidence base and emerging issues from consultation with local partners identifies the following challenges associated with this theme:

#### *Improving Connectivity*

- Internationally and Nationally - Reliable and fast strategic road, rail, ports and air routes connecting to London and major cities within the UK and abroad can be transformational in attracting inward investment, businesses and people to the area.
- Virtually - Superfast broadband and 4G connectivity to improve business competitiveness
- Locally - Access to markets, supply chains, employment and training are important if the whole of the HotSW area is to contribute to and benefit from economic growth.

*Ensuring resilience to adverse weather events* - Adverse weather in the winter of 2012/13 cut off the peninsula by road and rail with a negative effect on the economy, the rail, freight and tourism industries particularly suffering.

*Maximising the potential of centres of growth (within and adjacent to HOTSWS) to drive wider growth* - Related to connectivity, growth points are naturally spread around strategic routes and urban centres. A key

challenge for the LEP is to maximise and spend the benefit of this growth opportunity.

*Unblocking development opportunities that align with our priorities* – Recognising the inter-connected issues around planning, funding and availability of land;

*Enterprise Zones* – a number of sites within the LEP area could be capable of supporting dedicated 'Enterprise Zones' which could be used to provide focused benefits to specific sectors.

*Specialist facilities* - providing the specialist facilities and infrastructure to support Smart Specialisation and major projects.

*House price affordability* – House price to income ratios in the Heart of the SW are some of the highest in the UK, reflecting our low average wages, but also reflecting strong demand from housing (associated with high levels of in-migration and second home ownership in places).

*Educational and Skills Infrastructure* – Ensuring we have the right educational facilities to support workforce development and our plans for growth is of vital importance. We are currently conducting an evidence based review of our need and opportunity in this area to inform priority setting.

*Recognising the economic function of our environment* - Our environment delivers vital functions that support our economy and way of life. Our challenge is to a) ensure that physical development to support growth minimises harm to the environment and makes a positive contribution; b) the natural environment is enhanced in a manner which actively supports the growth of the area.

Figure 1 below shows how these challenges and opportunities translate to emerging place based priorities under our three pillars outlined above. Not all of these priorities will be tackled through European Structural and Investment Funds, some have a much better fit with the Local Growth Deal, The Plymouth City Deal, the Regional Growth Fund or University and

Private Sector investment plans. As we refine our Strategic Economic Plan we will detail how each of these priorities will be taken forward. *The light blue boxes indicate priorities to be taken forward with ESI funding and are detailed in Table 5 below.*

Figure 4: Emerging 'Place' Priorities for the Strategic Economic Plan

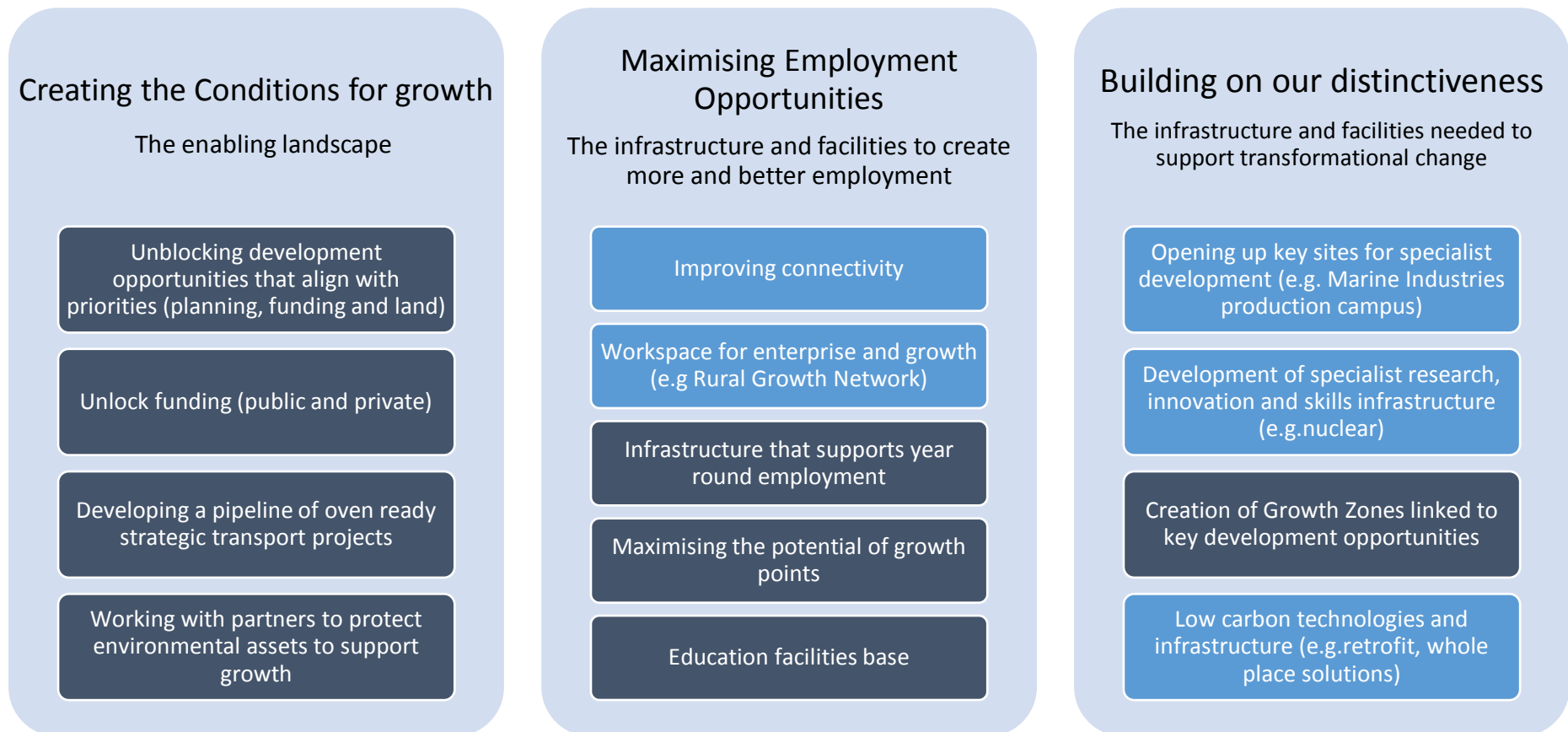


Table 5: EU SIF Investment Activities

No.	Description	Rationale	Thematic Objective	ERDF	ESF	EAFRD	Tran	More
1.	<p><b>Space for enterprise, growth and innovation</b></p> <p>Building on our existing portfolio of workspace to plug gaps in the ‘ladder of workspace’ where there is clear market failure. Such as:</p> <ul style="list-style-type: none"> <li>• Supporting sustainable communities by developing our network of work hubs currently piloting through RGN (subject to evaluation);</li> <li>• Incubation centres aligned to key high growth opportunities;</li> <li>• Specialist centres/facilities/equipment aligned closely to smart specialisation approach, (including low carbon, including nuclear).</li> </ul> <p>Note: The specialist element has strong alignment with both the plans of the Hinkley Strategic Development Forum and the Plymouth City Deal.</p>	<p>As outlined previously, the HotSW has lower business start-ups than deaths and low levels of innovation. There is an opportunity to significantly enhance the HotSW’s business environment and to thereby drive economic growth through development of a <b><i>ladder of business accommodation and specialist facilities</i></b> linked to our competitive advantages (e.g. marine and nuclear). 51% of respondents to our business survey highlighted inadequate infrastructure (such as lack of suitable premises) as a key barrier to growth.</p> <p>However, there is recognised <b><i>market failure</i></b> in the provision of business space in the HotSW. This includes unmet business demand and a limited market supply, notably as a result of low potential rental returns and the lack of value attached by the market to the significant positive externalities associated with development of specialist facilities to support high-value sectors in a low-performing economy. Inadequate business infrastructure also results in limited focal points for business and innovation support, as well as missed opportunities to create agglomeration and concentration benefits. There is, therefore, a clear rationale for public, alongside commercial, investment. EU SIF investment is justified by the activity’s strong alignment with Smart Specialisation and the national EU Growth Programme Framework priorities to support ‘physical innovation infrastructure’ and to ‘build the growth capability of SMEs’.</p> <p>The impact of this sort of investment has been demonstrated by pilot investment in Rural Growth</p>	<p>3 SME Comp 1 Innovation 4 Low Carbon</p>	✓	✗	✓	✓	✓

		Network as well as provision in the current programme.						
2.	<p><b>Improving connectivity</b></p> <ul style="list-style-type: none"> <li>Digital and mobile infrastructure where there is a market failure.</li> </ul>	<p>As described in our narrative, <b>distance to markets</b> and services is a critical issue for our economy. The full roll-out of <b>Superfast Broadband and 4G mobile infrastructure</b> in the HotSW would significantly enhance connectivity and, as outlined in our Local Broadband Plan (approved by Government), have a <b>real and direct impact</b> on the HotSW's economy. Indeed, there is a high-level of demand from our business and communities for improved digital connectivity.</p> <p>However, there are known market failures in relation to deployment of digital technologies in the HotSW, which the existing Connecting Devon and Somerset Programme is resourced to only partially address. As a result, our forecasts for 2016/17 indicate that <b>c. 10% of our existing rural premises will still not have access to superfast Broadband</b>. This is where market failure is most acute due to the particularly challenging topography (upland, remote and costal terrain), very low population densities and high cost of deployment.</p> <p>As a result, further public, alongside commercial, investment will be needed. There is a particular case for EU SI Funding for this activity given its strong alignment with EU 2020 'A Digital Agenda for Europe' targets and the national EU Growth Programme Framework priority to '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'.</p> <p>The effectiveness of such intervention in dispersed rural geographies has already been demonstrated by initiatives such as the 2007-2013 Convergence-funded Superfast</p>	2 ICT	✓	x	✓	✓	✓

		Cornwall Programme.						
3	<p><b>Investing in low carbon technologies and infrastructure</b> - Unlocking low carbon infrastructure projects that build the market in the low carbon sector as well as decarbonising our economy. Such as</p> <ul style="list-style-type: none"> <li>• Domestic/non-domestic Energy Efficiency and Low Carbon Heating</li> <li>• Whole place energy solutions</li> <li>• Energy and Renewables</li> </ul>	<p>This investment theme is <b>specific to the transition area</b>. The outstanding low carbon opportunity for the more developed area is development of a nuclear energy cluster linked to Hinkley Point. This will form a key part of our Smart Specialisation agenda and hence related EU SIF support is included under investment themes 1 and 8.</p> <p>The HotSW has a significant number of off gas grid homes (150,000) and an old building stock (homes and commercial) which are hard to insulate. Our rural and dispersed economic geography also leads to longer travel distances to homes and businesses. This results in high fuel costs, with 16% of the households in the HotSW being classified as fuel poor. There is a significant opportunity to both reduce fuel costs and achieve carbon savings in the transition area through deployment of whole place energy solutions as well as energy efficiency and low carbon heating programmes. Equally, the transition area has significant potential to develop, commercialise and deploy low carbon technologies, building on competitive advantages in marine and environmental science (as outlined in our narrative). However, there are recognised market failures in capitalising on these opportunities, such as the high costs and perceived risks attached with developing, commercialising and deploying low carbon technologies as well as the lack of value attached by the market to the significant positive externalities (e.g. reduction in carbon emissions).</p> <p>As a result, public, alongside commercial, investment will be needed. There is a particular case for EU SI funding for this activity given its strong alignment with EU 2020 targets</p>	4 Low Carbon	✓	✗	✓	✓	✗



		<p>and the 15% ERDF low carbon spending minimum for the transition area.</p> <p>The effectiveness of such public intervention has already been demonstrated by recent initiatives such as Ready for Retrofit Project, the Bickleigh Low Carbon Housing as well as the Green Business Hub and Cranbrook development at Exeter.</p>							
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## Business

### *Introduction*

This section brings together our emerging priorities to promote business growth through the three pillars of our Strategic Economic Plan. We start by discussing the key challenges and opportunities related to this theme as well as introducing some key features of our approach. We then go on to highlight our wider priorities for the Strategic Economic Plan, before drilling down to activities that we anticipate using European funding to address.

### *Summary of Key Challenges and Opportunities*

From our evidence base and consultation work, we have identified the following key challenges in relation to this theme.

*Business Support Landscape* – Evidence from our business survey and consultation work shows that many businesses struggle to find support that is appropriate to them. There are several elements to this that we must address:

- The amount of business support providers with different programmes leads businesses to question the independence of their support and diminishes trust in support services.
- The fragmented nature of support means that support is not available on a consistent basis everywhere and there is no one place to go to find out what is available;
- Tight restrictions on eligibility criteria mean that a disproportionate number of our businesses find that they do not qualify for support, especially for nationally run programmes;

Therefore it is vital that we make it easier for businesses to find the support they need and that the support provided is relevant and accessible to our businesses.

*Generating wealth from our knowledge base* – In our area we have a strong knowledge base comprised of both Higher Education and Further Education sectors as well as specialist research units (such as, Met Office, Plymouth Marine Laboratories). We also have additional HE capacity in neighbouring LEPS which is of relevance to some of our business sectors (e.g. Aerospace businesses in Somerset able to access the National Composites Centre Catapult), although it is important to note that there is no higher education institution in Somerset, creating an additional barrier to engagement for these businesses. Therefore a key feature of our activity will be to work with our HEIs and our business community to find models to generate wealth and economic growth from the R&D and skills development capacity of our universities

*Expanding market reach* - Our business survey showed low levels of trading outside the area, anxieties about exporting and a perceived lack of demand. All suggesting that there is scope to help businesses to expand their markets both in terms of market segments and geography.

*Improving Access to Finance* – Evidence suggests that access to finance continues to be a barrier to growth for our businesses. However, the evidence shows that primarily, there is a need for a) support for investment readiness b) better signposting to finance sources that are available as well as finance itself.

*Exploiting current and future opportunities for Smart Specialisation* – We are fortunate in the Heart of the SW to have many areas of potential Smart Specialisation, linked to our research centres and aligned with the Government's industrial strategy and Eight Great Technologies. This forms an integral part of our distinctiveness pillar of activity.

Figure 2 below shows how these challenges and opportunities translate to emerging business growth based priorities under our three pillars outlined above. Not all of these priorities will be tackled through European Structural and Investment Funds, some have a much better fit with the Local Growth Deal, The Plymouth City Deal, the Regional Growth Fund or University and Private Sector investment plans. As we refine our Strategic Economic Plan we will detail how each of these priorities will be taken forward. **The light blue boxes indicate priorities to be taken forward with ESI funding and are detailed in Table 6 below.**

Figure 5: Emerging 'Business' Priorities for the Strategic Economic Plan

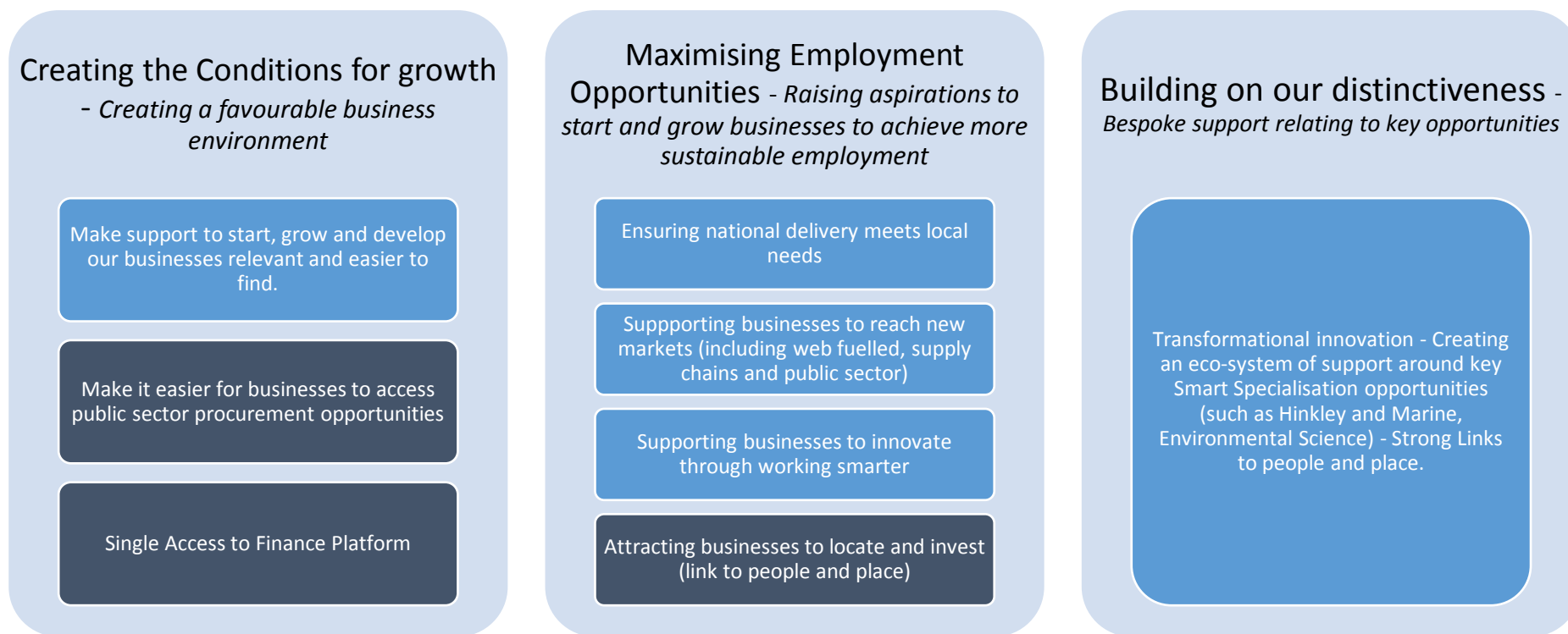


Table 6: Business Competitiveness and Innovation Investment areas

No.	Headline	Detail	Rationale	Thematic Objective	ERDF	ESF	EAFRD	Tran	More
4.	<b>Improving access to and provision of effective business support services (including social enterprise).</b>	<ul style="list-style-type: none"> <li>A single gateway for business support in the HOTSW, raising businesses awareness and uptake of both local and national schemes.</li> <li>Making it easier to access the knowledge base by strengthening existing programmes to encourage innovation (e.g. innovation centres/Science Parks) as well as creating new engagement tools and vehicles.</li> <li>Linking to neighbouring LEP innovation schemes to widen market access to growing businesses e.g. via the SETsquared network.</li> <li>Putting in place the mechanism for improved partnership and collaborative working (linked to Smart Specialisation, including cross clustering and supply chains).</li> </ul>	<p>Across all the consultations (including City Deal), there was significant support for greater co-ordination of business support and more effective signposting to both local and national schemes.</p> <p>Evidence from partners (including Chambers, LA's and Devon and Cornwall Business Council) shows an increasing number of businesses contacting them for advice on where to go to get various types of support.</p> <p>Our City deal will provide a Growth Hub model developed from the Plymouth GAIN (Growth Acceleration and Investment Network) with strong alignment to the Government's business support integration programme.</p> <p>Taken together these issues indicate the need for a clear and easily accessible business support offer, better linked in with local partnerships and institutions. An element of this is being achieved through the City Deal but wider provision across the HotSW LEP area is required.</p>	<p>3 SME Comp</p> <p>1 Innovation</p>	✓	✗	✓	✓	✓

5.	<p><b>Ensuring national delivery meets local needs</b> – Working with national business support providers to tailor/co-design national delivery to meet the needs of our area, through ERDF opt-ins or other relevant future mechanisms.</p>	<p>National business support programmes are likely to continue to play an important role in the delivery of business support in the UK. Evidence suggests that take-up for some national programmes is particularly low in our area, suggesting the need to a) drive engagement; b) tailor to meet our needs; c) provide additional complementary services.</p> <p>Research used to support the Plymouth City Deal has confirmed that levels of business support programme uptake in the LEP area are low. This is seen to be due to a lack of awareness (e.g. only 4.9% of the value of R&amp;D tax credits claimed in 2011-2012 were from the south west). This is a key feature of the Plymouth City Deal, which extends across HOTSW and Cornwall IOS LEP.</p>	3 SME Comp	✓	x	x	✓	✓
6.	<p><b>Supporting businesses to reach new markets</b> - Support designed to help our businesses trade outside the area or to new client groups.</p> <ul style="list-style-type: none"> <li>• Adoption and use of ICT and internet trading</li> <li>• Supply chain/cross clustering opportunities</li> <li>• Public/private sector tendering</li> <li>• Exporting</li> </ul>	<p>36% of businesses in the HOTSW 2012 survey indicated that 'lack of consumer demand' was a factor restricting the growth of their business. The same survey also found that only 41% traded beyond 100 miles of their location and only 21% internationally. Whilst the proportion trading internationally compares to other similar national surveys, evidence from UKTI suggests that businesses in the HOTSW are less likely to export and have a lower propensity to export. Whilst for many businesses, trading beyond their current markets is not appropriate, for many there is scope to look at different types of market (e.g. supplying the public sector), different channels (e.g. selling on-line) or selling outside the area and internationally.</p>	3 SME Comp	✓	x	x	✓	✓

7.	<b>Supporting businesses to innovate –</b> Universal support available to all businesses wanting to work smarter.	<p>Low levels of business engagement in R&amp;D and innovation. HotSW ranks third from bottom of all LEP areas for European patent registrations, with 3.7 patents for 100,000 residents compared with the England average of 10.6. 56% of businesses surveyed in the LEP Business survey stated that they had introduced a new product or service in 2012 but that only 12% felt it was new to their industry.</p> <p>Only some 13% of businesses have introduced a new product or process over the past three years, compared to 40% in 2011. This is a worrying trend. The availability of finance, cost and risk have been identified as the biggest inhibitors of innovation.</p> <p>[Insert TSB evidence]</p> <p>This situation provides the LEP with a clear intervention linked to increasing innovation rates and developing the business innovation capacity within the LEP area, utilising available infrastructure</p>	1 Innovation	✓	x	x	✓	x
8	<b>Access to Finance</b> <ul style="list-style-type: none"> <li>• <b>Investor Readiness</b></li> <li>• <b>Loans Fund</b></li> </ul>	<p>A key element of our Growth Hub through the City Deal is the development of a finance platform which allows businesses to easily identify the possible sources of finance available to them. This is being developed by a private sector partner as part of the Plymouth City Deal and we are not looking to replicate this through EU SIF funding.</p> <p>However, our evidence suggests that investor readiness</p>	3 SME Comp	✓	x	✓	✓	x

		among SMEs is low and therefore they are failing to access funding that is available. Evidence from the South West Investment Group found default rates and outputs were better in areas where investor readiness support was provided alongside loan activity.						
8.	<b>Transformational Innovation</b> - Creation of an eco-system of innovation support around SMART specialisation opportunities. This will involve pulling together the appropriate ingredients (such as research facilities, collaboration activity, innovation vouchers, networks, etc.) to drive growth through innovation.	To date we have identified a number of potential technologies/sectors where we believe there is potential for innovation to provide a real opportunity to drive growth. They include: nuclear, aerospace, marine, hi-tech/photonics, agri-tech, environmental science, health science. As part of the further refinement of this strategy and to inform our Strategic Economic Plan, we are conducting a more detailed evidence base review to refine these priorities. .	1 Innovation	✓	✗	✓	✓	✓



# People

## Introduction

This section brings together our ‘people’ priorities to promote growth through the three pillars of our Strategic Economic Plan. We start by discussing the key challenges and opportunities related to this theme as well as introducing some key features of our approach. We then go on to highlight our wider priorities for the Strategic Economic Plan, before drilling down to activities that we anticipate using European funding to deliver.

## Key Challenges and Opportunities

Our evidence base points to a number of key challenges under this theme:

### Social Inclusion

The LEP area is frequently described as exhibiting “pockets of deprivation” rather than having large (rural or urban) areas that can be regarded as disadvantaged. In an area such as HotSW with a large rural component, exclusion will be faced by individuals who are “scattered” across the area’s communities rather than concentrated in particular places.

Social exclusion in the area can manifest itself through the following:

- *Digital exclusion* – ICT is increasingly important both to find work, claim benefits and access services;
- *Low pay, under-employment and in work poverty* are key challenges for the HOTSW area owing to lower than average wages and higher living costs;

- *Rural Isolation* – People in deeply rural and coastal communities encounter greater accessibility issues;
- *Health inequalities* – There are significant differences in health and life expectancy of populations in urban centres of over 14 years, with unemployment, relative poverty and low wage economies defined as causal factors. There may be an opportunity to work with local health boards to maximise resources and impact on our population to see the benefits of employment on lifestyle as a whole;
- *Child Poverty* is rendered acute in areas across the LEP where social exclusion factors are concentrated. This is compounded by the housing affordability factors mentioned previously; and
- *People with multiple/complex needs* – sometimes including a combination of the above.

LEP partners see working alongside a strong social purpose sector as a potential means to help address some of these challenges.

### Unemployment

A key factor in economic inclusion, the area has higher than average employment, but has some key challenges:

- *Long term unemployed/incapacity* - 5,200 have been claiming JSA for more than 12 months, but 68,680 are claiming Employment Support Allowance and incapacity benefits. As benefit reforms are taking place, more and more people claiming ESA are being required to actively seek work.
- *Youth Unemployment/NEETS* – 27% of JSA claimants are aged between 18-24 (UK: 28%), long term unemployment for this group is of a particular concern, as is the ‘cycle’ of coming and going from the process.. Plymouth in particular has persistently high levels of NEETs at around 7.5% consistently. Plymouth City

Deal gives us the opportunity to align available EU funding to tackle some of these issues across the LEP area.

- *Unemployment Hotspots* – On average, the Heart of the SW has lower than average unemployment, but this masks higher concentrations of unemployment in our urban areas in particular Torbay (where unemployment exceed the average) and in Plymouth. Other hotspots can also be found in smaller urban centres (e.g. Bridgwater), market towns and some rural areas (e.g. Torridge), where the issue is compounded by geographical complexities and access to the labour market.

Our challenge is to provide innovative opportunities to engage our unemployed population and to use the opportunity of proposed developments to achieve improvements in these issues. E.g. through Hinkley Strategic Development Forum.

### *Workforce Skills*

In order to attract higher value jobs and improve productivity skills gaps and challenges have to be overcome. Issues for the Hot SW area include:

- *An aging population* – Potentially having a significant impact on the availability of appropriate and required skills across the workforce. This impact may be compounded in the care sector, where there the aging population will lead to higher demand. However, this group also contains a wealth of knowledge and skills that could be further utilised through employed and volunteering roles.
- *Under-utilisation of skills* – Many businesses in the Heart of the SW are trapped in a low wage/low skills equilibrium position,

whereby they produce relatively low value goods and services at tight margins. This means they are then only able to pay minimum/low wages and find it difficult to provide progression opportunities. This in turn has a negative impact on business due to higher turnover of staff and similarly for individuals who are unable to earn a living wage.

- *A shortage of higher level skills/STEM skills* – to meet current and future demand, particularly in relation to supporting the growth ambitions of our businesses.
- *Retaining graduates/higher level skills* – Whilst we have top quality Higher Education Institutions, we struggle to retain graduates in the area, reflecting the perceived shortage of jobs suitable for graduates. A key challenge is therefore to retain and attract back graduates from our area, and to ensure that our graduates are not under-employed.
- *The need to develop skills for business/enterprise including:*
  - *Leadership and Management skills* – Particularly for micro businesses and SMEs to improve strategic management capability, skills utilisation and productivity.
  - *Digital skills* – Ensuring business leaders and employees have the digital skills necessary to compete and take advantage of significant investment in superfast broadband.
  - *Enterprise skills* – At all levels, from learning about the world of work through to how to run a business.

## Approach

The diagram opposite illustrates our integrated approach, which recognises the need for activity across the spectrum of skills development to support our plans for growth. It also illustrates the importance of employer engagement, both in terms of identifying the skills needed in the workforce, but also in terms of providing learning and employment opportunities. This approach aligns with that put forward in the City Deal.

In terms of delivery, HOTSW recognises the valuable role played by the voluntary, community and social purpose sector in delivering social and economic outcomes. Therefore our delivery approach will be designed to ensure that there are mechanisms for this sector to engage in the delivery of programmes of activity. Key mechanisms might include:

- The BIG Lottery Opt-In;
- Local Impact Funds; and
- A mixture of open call/commissioning approaches.

Figure 6: Approach to skills development

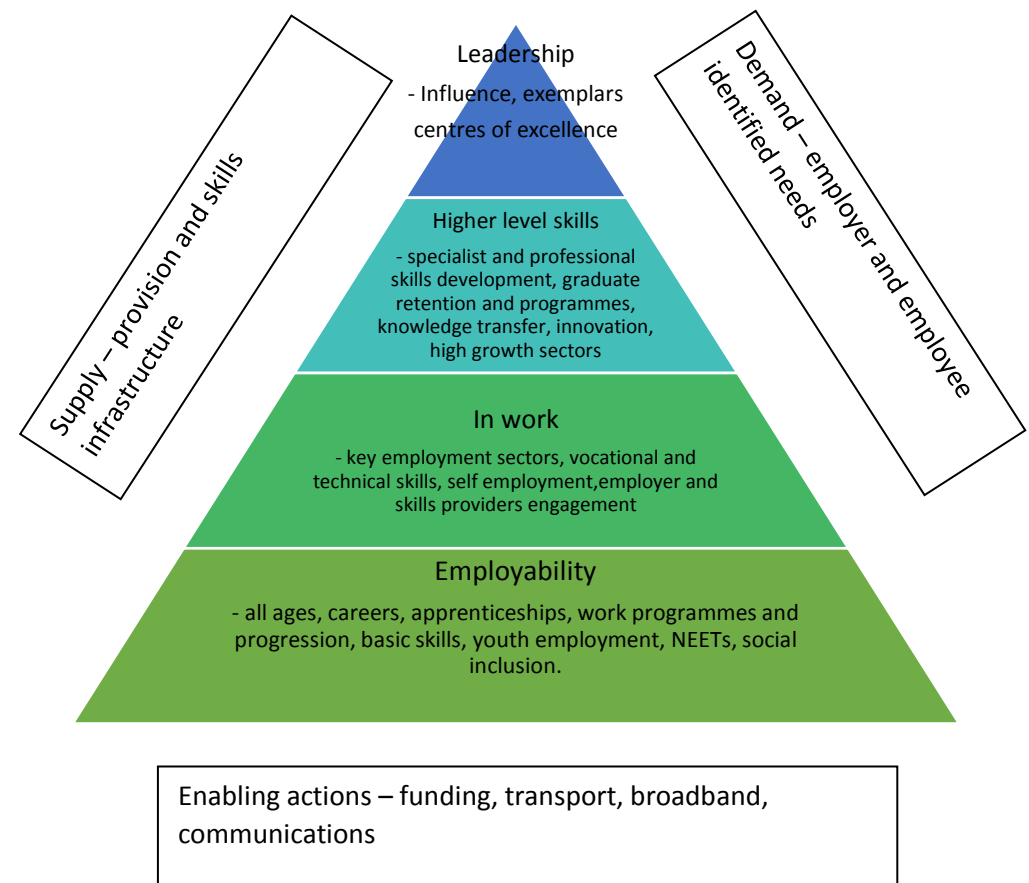


Figure 3 below shows how these challenges and opportunities translate to emerging people based priorities under our three pillars outlined above. Not all of these priorities will be tackled through European Structural and Investment Funds, some have a much better fit with the Local Growth Deal, The Plymouth City Deal, the Regional Growth Fund or

University and Private Sector investment plans. As we refine our Strategic Economic Plan we will detail how each of these priorities will be taken forward. The light blue boxes indicate priorities to be taken forward with ESI funding and are detailed in Table 7 below.

Figure 7: Emerging 'People' Priorities for the Strategic Economic Plan

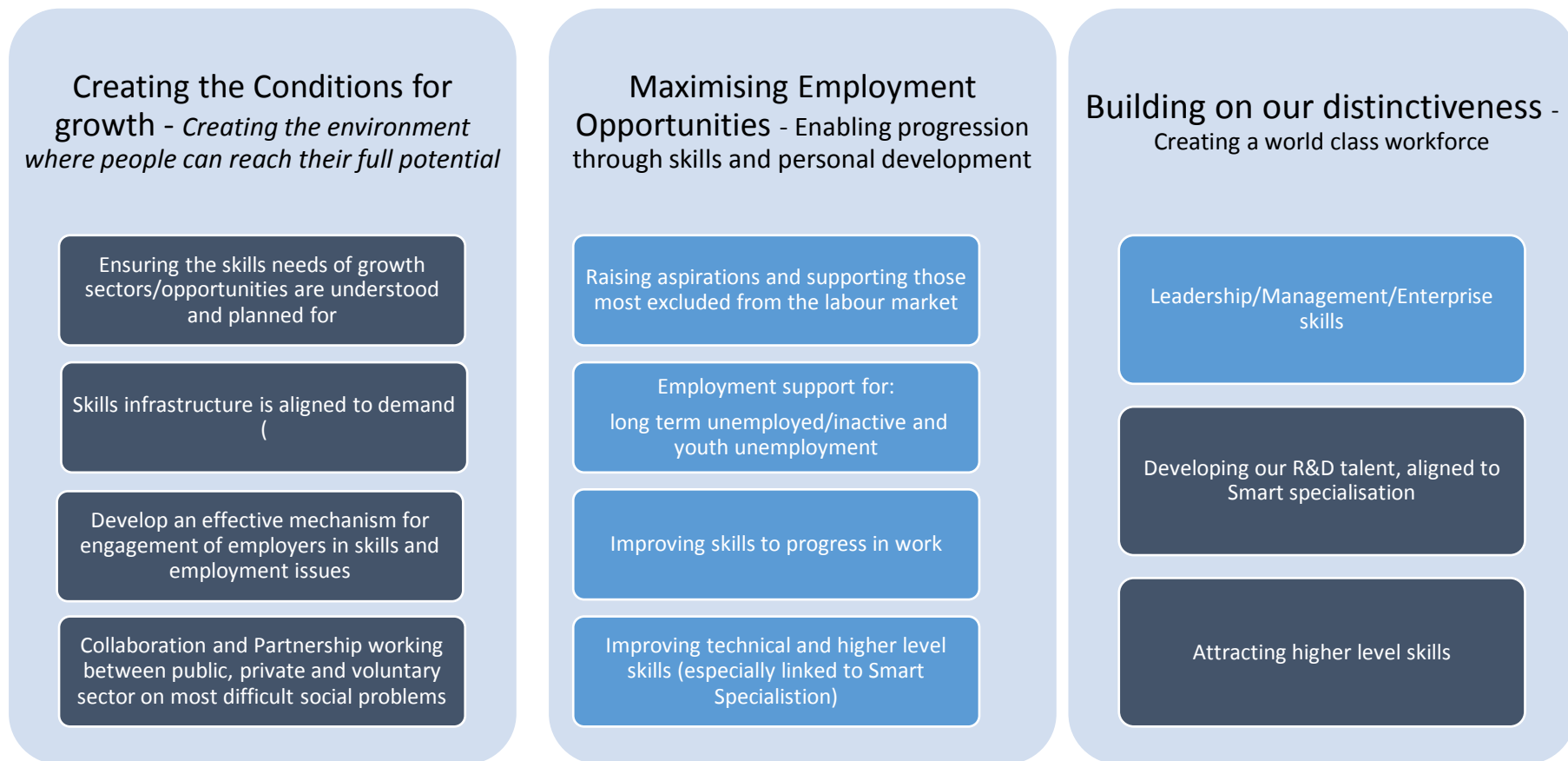


Table 7: People Investment Areas

Number	Description	Rationale	Thematic Objective	ERDF	ESF	EAFRD	Tran	Dev
10.	<p><b><i>Raising aspirations and supporting those most excluded and furthest from the Labour Market</i></b> – Adding value to mainstream activity through:</p> <ul style="list-style-type: none"> <li>• Individual support approaches</li> <li>• Social innovation/partnership models</li> <li>• Working with employers to secure placements and employment</li> <li>• Individual, family and community health and well being benefits</li> </ul>	<p>Social exclusion remains a persistent problem in parts of our area and in communities throughout our area. Early work, engaging with the voluntary and community sector identified the following groups most likely to be excluded:</p> <ul style="list-style-type: none"> <li>• People with multiple/complex barriers</li> <li>• People with health/disability in particular mental health</li> <li>• Rurally isolated</li> <li>• Women</li> <li>• Carers</li> <li>• BME communities</li> <li>• NEETs</li> </ul> <p>There are clear gaps in mainstream provision to help those furthest from the labour market, demonstrating that interventions in this area will provide additionality.</p>	9 SI	x	✓	x	✓	✓
11.	<p><b><i>Employment support for long term unemployed/inactive and young unemployed</i></b> – Focused on activities that:</p> <ol style="list-style-type: none"> <li>a) Find meaningful ways of engaging young people in support that is currently available through the work programme/JCP; and</li> <li>b) Supporting people previously claiming Employment Support Allowance (for incapacity) back to work.</li> </ol>	<p>It has been identified that long term youth unemployment is an issue and that there are pockets across the HOTSW area which are particularly in need of support. (JSA claimant counts)</p> <p>We need our young people to be entering and staying in the labour market to counter the impact of our aging population and leakage of knowledge, skills and experience from the workforce.</p>	8 Emp & 9 SI	x	✓	x	✓	✓

	Strongly linked to non ESF funded activity relating to employer engagement.	<p>Businesses have identified that they generally do not employ young people straight from education – school, FE or HE (DCC Business Skills Survey 2013), and this needs to be addressed with both education and employers as a preventative measure to youth unemployment.</p> <p>There is a need for our businesses to continue to create jobs – at all levels - to ensure labour market entry points for all of the population.</p> <p>Welfare Reform impacts will be felt hard by those previously claiming ESA, support is needed for the client groups and employers to move people back into work.</p>						
12.	<p><b>Improving skills to progress in work</b>– A programme for the workforce focussed on basic and intermediate skills that:</p> <ul style="list-style-type: none"> <li>• Is led by an evidence based assessment of skills need and current provision by sector/occupation;</li> <li>• Adds value to mainstream/other funding;</li> <li>• Has the support and engagement of employers.</li> </ul>	<p>Address the 25% of working population with qualification levels below those considered essential for employability. (SLIM analysis)</p> <p>Supports the progression of those in jobs not paying the living wage to move into better paid employment,</p> <p>Supports those who are employed in roles where their skills are under-utilised.</p> <p>Ensures that business appropriate skills are delivered to enable businesses to grow – e.g. ICT.</p>	10 Skills	x	✓	x	✓	✓
13.	<p><b>Improving Higher Level Skills</b> – A programme of higher level/technical skills to support growth in knowledge intensive/STEM sectors. Linked to</p>	<p>Developing skills within businesses to support growth ambitions.</p> <p>To develop higher level skills within the</p>	10 Skills	x	✓	x	✓	✓

	ERDF investment in Smart Specialisation. Graduate placement programmes to support the development of undergraduates and improve graduate retention within the area.	workforce that will attract businesses to the area. To improve the business ready skills of graduates to ensure their technical skills and ability can be applied to micro and SMEs (DCC & SCC Sectors research 2012). To increase the number of graduates who remain in, or return to the area after completing their study.						
13.	<b>Skills for enterprise and business competitiveness</b> <ul style="list-style-type: none"> <li>• Leadership and Management Skills (e.g. sales and marketing, financial management etc.)</li> <li>• Entrepreneurship</li> <li>• Student/graduate placements</li> <li>• Higher level apprenticeships</li> <li>• Student Entrepreneurship</li> <li>• Digital skills</li> </ul>	Management Development and Learning in Micro-businesses: a missing link in research and policy. CBI employers citing it as the most significant factor contributing to competitiveness. Developing the skills in our micro and SMA owners and managers that enables them to consider the growth opportunities for their businesses (DCC skills survey)	10 Skills	x	✓	x	✓	✓
14.	<b>Local Impact Fund</b> – Development of a Local Impact Fund that leverages capital from potential social investors to invest in place based social projects including capacity building of the voluntary/social enterprise sector.	We need to do more work to test this.	9 Social Inclusion	x	✓	x	✓	x

## Distribution of Funds

Table 8 below shows the distribution of funding by our proposed investment themes. The attached spreadsheets confirm that this distribution is in line with the guidance.

Table 8: Approximate distribution of funds by investment activity (£m)

No.	Investment	Thematic Objective	ERDF £m		ESF £m		EAFRD £m	
			Trans	More	Trans	More	Trans	More
1	Space for enterprise, growth and innovation	1-Inn, 3-SME & 4LC	10.0	5.0			2.0	1.0
2	Improving connectivity to markets, supply chains ...	2 ICT	3.5	1.5			0.5	1.0
3	Investing in low carbon technologies and infrastructure	4 Low Carbon	7.0					
4	Improving accessibility and effectiveness of business support	3 SME	4.0	1.0			1	0.5
5	Ensuring national delivery meets local needs	3 SME Comp	5.0	1.0				
6	Supporting businesses to reach new markets	3 SME Comp	4.0				1	
7	Supporting businesses to innovate	3 SME Comp	2.0					
8	Access to Finance (investor readiness only)	3 SME Comp	1.0					
9	Transformational innovation	1 Inn (potentially LC)	7.0	5.9				
10	Raising aspirations and supporting those most excluded...	9 SI			3.0	1.4		
11	Employment support for long term unemployed/inactive and young...	8 Emp & 9 SI			5.0	2.5		
12	Improving skills to progress in work	10 Skills			5.0	2.0		
13	Improving Higher Level Skills	10 Skills			5.0	5.0		
14	Skills for enterprise and business competitiveness	10 Skills			8.0	3.5		
15	Local Impact Fund	9 SI			2.9			
	<i>Total Investment Activity</i>		43.5	14.4	28.9	14.4	4.5	2.5
	Allocation (£m) including performance reserve)		<b>43.5</b>	<b>14.4</b>	<b>28.9</b>	<b>14.4</b>	<b>Not known</b>	<b>Not known</b>



### EAFRD activities

The Heart of the SW has a mixed economy, with both rural and urban components and functional economic areas. However, 40% of our population live within settlements that are classified as 'rural' and 54% of business units are located in rural areas. Therefore achieving growth in our rural areas is a fundamental aspect of achieving our vision. The business support activities outlined in previous sections have been informed by our annual businesses survey (representing all businesses; rural and urban) and our consultations with businesses and stakeholders from across the area. All of the activity proposed above has relevance for both rural and urban businesses and we intend to operate support on a location blind basis. However, we do recognise that rural businesses may face different barriers to growth (such as accessibility to markets, energy costs) and engagement with mainstream business support provision.

The Heart of the SW LEP, has benefitted from DEFRA funding to pilot a Rural Growth Network (RGN). Our RGN is a comprehensive programme aimed to overcome some of these specific rural barriers and help to link businesses up to specialist support through our knowledge institutions. A

central tenant of the programme is the development of 'Enterprise Hubs' to act as a local focal point for support for micro and small businesses. The Enterprise Hubs form the first step on a ladder of business accommodation that encourages enterprise and GVA creation in our rural areas. As we move forwards our RGN will align with the Growth Hub that forms a central part of our City Deal and business support landscape.

Subject to the size of our allocation, we anticipate that EAFRD activities will build on our RGN pilot work and other rural infrastructure investment to include:

- Further investment in our rural Enterprise Hubs to complement existing investment and plug gaps in the network;
- Further investment in digital infrastructure to improve connectivity and access in rural areas;
- Building on our strengths in agri-food research to promote innovation through smart specialisation;
- Deliver business support in rural areas building on the lessons learnt through the RGN and aligning with activities on the Growth Hub.

## Outputs and Results

The attached spreadsheets provide indicative outputs and results for each activity. This has been based principally on benchmark costs from DCLG and the SFA based on contracted outputs from the current programmes. Over the next few months we intend to conduct an exercise to refine these outputs through a process that will involve:

- A review of evaluation evidence from similar projects in the current programme;

*Table 9: Outputs More Developed Area*

More Developed Area	Transition	More	Results
<u>ERDF Output</u>	<u>Sum</u>	<u>Sum</u>	<u>ERDF result</u>
Ents Supported	10007	2474	Ents New Prod
New Ents Supp	820	261	SME Productivity
Jobs created	1621	286	SME jobs
Ents Coop Resrc	1150	516	Start Ups
Ents New Mark	700	40	Energy Eff
Ents New Prods	550	126	Smart Specialisation
Ents using ICT	1600	650	ICT Ents support
Ents Res Effic	100	n/a	
Site Development	0.6	0.3	
<u>ESF Output</u>	<u>Sum</u>	<u>Sum</u>	<u>ESF Result</u>
No of participants	16874	10194	Inact job search
No of unemployed	2750	900	Edu/ training
No of inactive	5860	2387	Gain Qual
No of employed	8264	6907	Jobs
No of aged 15-24	4152	2188	Pos Activities

- A review of other evidence from partners (e.g. economic/carbon models); and
- Consultation with potential delivery partners (not least the opt-in providers).

Tables 9 below provides a summary.

## Alignment with Other European Funds

In order to maximise the added value and impact of SI funds in the HotSW, it will be important that we ensure alignment and complementarity with wider relevant EU funding programmes.

This will be achieved by:

- Continuing to actively monitor and engage in wider relevant EU programming processes, shaping and identifying complementarities at the development stage
- Realising this alignment in the implementation phase through:
- A clear coordination role for HotSW SIF implementation Group across EU funding activity; and
- Capitalising on existing HotSW expertise on and engagement in wider EU funding programmes to maximise the area’s success in securing additional complementary EU funding for SIF / Growth Plan priorities as appropriate.

To date, we have identified the following potential linkages between our SIF Strategy priorities and other EU funds. These will be further refined in the coming months as both our own SIF Strategy and arrangements for wider EU funds are finalised. In addition to the below, we see particular potential for significant alignment between the HotSW SIF Strategy and the Local Development Strategies for 2014-2020 LEADER and Fisheries Local Action Groups. We will further explore this in the coming months, recognising that that EMFF and EAFRD investment is of a strategic scale and importance to the HotSW. Table 10 details potential linkages.

*Table 10: Potential Linkages to Other EU Funds*

SIF Priority	Potential Linkages to Other EU Funds
	<b>Place</b>
<b>Low carbon technologies and infrastructure</b>	<p>The definition of this action allows for clear demarcation and complementarity with investment in ‘physical assets’ under the Rural Development priorities of ‘promoting resource efficiency and supporting the shift towards a low carbon and climate resilient economy in agriculture, food and forestry sectors’ and to ‘to restore, preserve and enhance eco-systems dependent on agriculture and forestry’.</p> <p>It also allows for clear separation and alignment with any eventual EMFF investment in promoting a sustainable and resource efficient fisheries and aquaculture sector</p> <p>There may be potential to capitalise on this infrastructure activity through low carbon / energy/ resource efficiency priorities under Horizon 2020 and/or the Territorial Cooperation Programmes.</p>
	<b>Business</b>

<b>Making support to start, grow and develop businesses relevant and easier to find</b>	This will include signposting to any eventual central Rural Development Programme provision in relation to enhancing the competitiveness of the agricultural sector and promoting supply chains and risk management in agriculture and/or EMFF activity in relation to promoting the competitiveness and viability of the fisheries and aquaculture sectors.
<b>Access to finance</b>	Investor readiness support through the SIF Strategy will increase awareness of and enhance the capacity of SMEs to take up access to finance schemes under the COSME programme as appropriate
<b>Supporting businesses to reach new markets</b>	This action will link with internationalisation support through the COSME programme as appropriate There may also be potential for linkages to any eventual France (Channel) England Cross-border Cooperation Programme internationalisation priority
<b>Supporting businesses to innovate</b>	This action will be clearly differentiated from and complement any eventual central Rural Development Programme provision for knowledge transfer and innovation in agriculture and forestry and/or EMFF investment in strengthening technological development, innovation and knowledge transfer in the fisheries and aquaculture sectors. This action will develop the capacity of SMEs to engage with the innovation agenda. There may then be the potential for capitalisation actions through Horizon 2020 and/or the innovation priorities of the Territorial Cooperation Programmes. There may be potential for connectivity between this action and emerging Cross-Border Cooperation Programme priorities to support: social innovation; and innovation capacity building in SMEs / traditional sectors (e.g. tourism, agriculture and fisheries), thereby promoting resilience and competitiveness Equally, we will explore potential for effective linkages to be made between this action and the Erasmus + Programme's 'knowledge alliances' (partnerships between HE institutions and businesses) initiative
<b>Transformational innovation</b>	On further defining our overall Smart Specialisation approach and activities, we will explore fit with and opportunities under: Horizon 2020, e.g. the marine and maritime research theme under the societal challenges priority as well as the leadership in enabling and industrial technologies action under the competitive industries priority; and The relevant Territorial Cooperation Programmes' innovation priorities, including considering the added-value of joint-working in relation to marine technologies in the 2 Seas / Channel areas.
<b>People</b>	
<b>Employment and social inclusion</b>	Any eventual central EMFF support for employment, social inclusion and diversification (N.B assumes that such EAFRD activity will be delivered by the Growth Programme and/or LEADER)
<b>Skills for enterprise and business competitiveness</b>	This action will complement investment in business skills specifically for the agricultural and forestry industry through the Rural Development Programme as well as any eventual EMFF provision for new professional skills / lifelong learning in the fisheries and aquaculture sectors. There may be potential for effective linkages to be made between this action and the Erasmus + Programme's 'knowledge

	alliances' (partnerships between HE institutions and businesses) and 'sector skills alliances' (partnerships between education and training providers and businesses)
<b>Developing our R&amp;D talent, aligned to smart specialisation</b>	Whilst this is an action in our wider Growth (rather than SIF) Plan, we see potential for this to be supported under the 'training and career development for researchers' Horizon 2020 objective and for this to complement ERDF/EAFRD investment in Smart Specialisation

## Delivery Arrangements

### Approach to Commissioning

In order to ensure any programmes we commission are of sufficient 'scale' we will adopt a strategic programme management (rather than project management) approach where appropriate. We will consider a range of tools (such as 'bundling' projects, collaborative commissioning, opt-ins etc.) to seek economies of scale and to reduce the administrative burden of multiple small projects. In addition to the above, we will use a variety of approaches to bring forward projects (including commissioning, competitions, procurement etc.). Across these arrangements, we would:

- work with the Managing Authority to ensure systems and processes are in line with its requirements and are compliant with EU Regulation; and
- seek to maximise their accessibility to a range of potential providers, including SMEs and the Third Sector.

To maximise impact and scale we anticipate focusing delivery into 6 potential workstreams or programmes:

- Transformational Innovations and Infrastructure;
- Rural Growth and Infrastructure;
- Business Support Access;
- Business Support Delivery;
- ABC Skills and Inclusion (A job, Better job, Career); and
- Local Impact.

### Collaboration with other Local Enterprise Partnerships

Our structure will also enable a Cross-LEP Investment and Programme Management for collaborative commissioning. These discussions are on-going with a number of LEPs. We have identified a number of potential

opportunities to collaborate on alignment, lobbying and joint commissioning on delivery including sector development and infrastructure. For example:

- We have held discussions with the LEPs and universities within the Setsquared partnership (Bath, Bristol, Exeter, Surrey and Southampton) on sector collaborations around open innovation and particular sectors;
- Initial dialog has commenced on collaboration with other LEPs on Financial Engineering Instruments (e.g. South West Investment Group and Low Carbon Fund) in order to achieve bigger impact, exploit synergies and achieve economies of scale by pooling allocations and accessing additional significant match funding from national sources; and
- We are already working with neighbouring LEPs on a range of issues including Transport, SW Marine Energy Park and sector development and we recognise that a number of barriers and opportunities cross LEP boundaries.

However, our expectation is that the exact areas and initiatives where we will collaborate will become much clearer during the October to December period, as our own and other LEPs plans are refined, and as broader strategic development plans are worked up.

Our LEP is committed to exploring all avenues to obtain best value for money and impact from deployment of EU funds, and will use this as the main criterion for deciding when and how to work across our borders during the 2014-2020 programme.

## Opt-ins

The Heart of the SW LEP supports the concept of ‘opt-ins’ to secure locally relevant additional provision for our area. As outlined above, our LEP is committed to exploring all avenues to obtain best value for money and additionality of impact from deployment of EU funds, and will use these as the main criteria for deciding which and how to work with the ‘Opt-in’ providers.

We have already started engagement with the following providers which we anticipate will continue through a process of co-design and eventual commitment subject to a satisfactory co-design process and value for money. Table 11 below shows those opt-ins which we think have a good alignment with our strategic needs and outlines our indicative requirement.

Table 11: Indicative Opt-Ins

Opt-In	Our indicative requirement	Potential delivery thread
<b>MAS</b>	Co-designed additional service, potentially focusing on: <ul style="list-style-type: none"> <li>• Additional advisor time</li> <li>• More intensive support</li> <li>• Bigger grants</li> <li>• Supply chain specialisation</li> </ul>	Rural growth and / or Business Support delivery
<b>UKTI</b>	Our evidence and that of UKTI shows that companies in our area are less likely to export or indeed have the propensity to export. Therefore we need the opt-in to provide: <ul style="list-style-type: none"> <li>• Better take-up by current and potential exporters;</li> <li>• Help to grow the number of businesses with the propensity to export (i.e. through expanding market horizons).</li> </ul>	Rural growth and / or Business Support delivery
<b>Growth Accelerator</b>	To expand the reach of growth accelerator support to businesses ‘with the potential to grow’ that do not currently qualify.	Business Support delivery
<b>Big Lottery</b>	Co-designed programme of activity to address social inclusion priorities within the context of wider LEP ‘people’ priorities, mainstream activity as well as other LEP priorities (e.g. pre-employment support aligned to Hinkley skills workstream ).	ABC Skills and Inclusion and / or Local Impact
<b>DWP</b>	Co-designed programme of activity to address unemployment priorities by adding value to mainstream DWP provision.	ABC Skills and Inclusion and / or Local Impact
<b>SFA</b>	Co-designed programme of activity to address skills priorities by adding value to mainstream skills funding.	ABC Skills and Inclusion

## Financial Instruments

Heart of the SW LEP is exploring the potential need for and viability of the following financial instruments:

- Micro and small scale business loans where there is market failure – potentially as part of a complementary approach with neighbouring LEPs;
- Local Investment Fund – Linked to the social enterprise sector and social inclusion objectives.

## Community Led Local Development (CLLD)

The HotSW does not anticipate making use of a CLLD model to deliver the ESIF Strategy. The rationale for this is that our allocation is insufficient to justify further disaggregation. As outlined in section 6, we will, however, exploit synergies between the ESIF Strategy and both LEADER and fisheries Local Action Groups in the area as well as any Urban groups established.



## Proposed Governance

### Overall Approach

In order for the Heart of the South West Local Enterprise Partnership to manage its EU responsibilities, a delivery structure will be established to deliver the following functions:

- Production, strategic direction and overview of the ESIF and it's Programme
- Implementation of the ESIF Programme in compliance with Managing Authority requirements
- Development of a pipeline of projects which will feed into the technical appraisal undertaken by the Managing Authority
- Provision of a review and endorsement of those projects exiting technical appraisal before formal contracting takes place
- Ensuring that appropriate arrangements are in place to manage conflicts of interest

This approach is by necessity a work in progress; as a LEP we are conducting a wider review of governance structures and processes that includes the structures and processes for the City Deal, the EU Responsibilities and other implementation strands. As these become clearer the structure for the ESIF will be revisited to ensure structures are in line with requirements; are functionally effective; minimise duplication.

### Role of the Local Enterprise Partnership

The Local Enterprise Partnership has responsibility for:

- Drawing up the ESIF in line with guidance issued by the Managing Authority.
- Maintaining a strategic overview of the ESIF Programme

- Developing and delivering a pipeline of projects which feed into the technical appraisal undertaken by the Managing Authority and;
- Endorsing projects after technical appraisal has been undertaken.
- Ensuring arrangements are in place to manage conflicts of interest

The pipeline of projects may be developed through different arrangements such as opt-in, commissioning, issuing calls or procurement and the mechanisms for these arrangements will be developed in conjunction with the Managing Authority to ensure compliant systems and processes are in place.

The LEP will take a strategic approach to establish broad priorities that will deliver for the ESIF Programme, and calls, commissioning and other arrangements will be based on these broad priorities rather than on specific project level activity. This should enable providers to come forward with a range of delivery models to meet those broader priorities. Systems and processes will ensure compliance with Managing Authority and EU Regulation requirements.

The LEP is accountable for the delivery of the ESIF Programme but not for the management of specific contracts and adherence to contract compliance. This remains the responsibility of the Managing Authority. The risk is therefore not one of direct responsibility at the point of delivery but, should the ESIF Programme under-deliver, then the Managing Authority has the ability to withhold further funding such as that held in the 7% reserve.

Ongoing, therefore, the LEP has responsibility for the strategic direction and overview of the Programme and for monitoring the delivery of the ESIF based on the Management Information agreed with and provided by the Managing Authority.

## 1. ESIF Development

The HotSW LEP EU SIF priorities have been built alongside a review of our vision and priorities as we develop a strategic economic plan for the LEP area over the next six years. Using our 2011-14 business plan as a starting point, we have evolved our thinking based on a reviewed and updated evidence base, consultation with a wide range of stakeholders, and in the context of the changed remit of the LEP since it was first formed.

A prospectus of potential investment priorities for EU funding was written under the guidance of a steering group which comprised of representatives of the four LEP upper tier authorities, Federation of Small Businesses, Devon and Cornwall Business Council, Universities South West, DEFRA, DCLG, DWP, SFA, Plymouth and Exeter universities, a LEP board member and its chief executive. This prospectus was adopted by the LEP board in May 2013. To inform the development of the EU SIF we held a series of consultation events in summer 2013 – these were attended by 400 organisations including business, social enterprises, local authorities, civil society and representative organisations.

We have also engaged more broadly with districts, national parks and a broad range of stakeholders about their priorities for growth and with the voluntary and community sector, through South West Forum, regarding barriers to social inclusion. We will continue the process of engagement as the LEP goes forward, and there will be further consultation opportunities throughout the development of this document and the strategic economic plan of which the EU SIF is an important delivery strand. We have tried to flag up where delivery of a strategic plan

objective is better addressed elsewhere, and have ensured as far as possible to align with ongoing work the LEP is involved in that has an impact on economic development in our area.

## 2. Ongoing Partner Representation

It is envisaged that there will be two partnership groups with responsibility for the strategic and delivery oversight of the Strategy. These groups will be an evolution of the current group structure to avoid duplication and confusion. In addition, where further representation is needed to ensure that aspects of the Strategy such as the environment and social inclusion are adequately covered appropriate members will be sought.

In order to ensure that group numbers are kept to a workable level whilst maintaining full partnership engagement, representative membership will be sought wherever practicable; for example, one or two HE institutions representing the whole. In those circumstances, it must be clear that reporting mechanisms are in place to ensure that the views of those being represented are being taken into account by the representative member.

### a. Strategic Direction and Overview of the ESIF Programme

This role will be undertaken by the LEP Board, which will have responsibility for the strategic direction and oversight of the ESIF. Quarterly special EU Board meetings will be held to review ESIF Programme performance, consider strategic developments, and define future Programme direction.

Full Terms of Reference in respect of the ESIF elements of the Boards work will be produced and a Code of Conduct will be drawn up. Members will be expected to sign up to and adhere to, those requirements.

## b) The Implementation Group

The LEP Board will create an Implementation Group with delegated authority to act in specific areas. The Implementation Group will be responsible to the LEP Board but will be overseen by the LEP Executive.

Membership will come from the wider partnership in line with ESIF Guidance requirements and members will be drawn from:

- Top tier Local Authorities – Devon, Torbay, Plymouth and Somerset
- Voluntary, Community and Social Enterprise Sector
- Higher Education
- Further Education
- Chambers of Commerce
- Federation of Small Business
- Skills Funding Agency
- Jobcentre Plus
- Trade Unions
- Environment –Local Nature Partnerships

The Implementation Group will deliver a joint function and Terms of Reference will be drawn up which make a clear distinction between the two functions. Those two functions will be Commissioning and Endorsement.

### Commissioning

It will be the Implementation Groups task to deliver commissioning activity that brings forward projects prioritised to ensure delivery of the ESIF Programme. Such projects may be developed through local procurement, project bidding and commissioning, and/or any opt-in arrangements with co-financers.

The Implementation Group is therefore responsible for ensuring that a pipeline of projects is brought through to a point where recommendations can be made to the Local European Structural and Investment Funds Team of the Managing Authority. The Managing Authority will then be responsible for the formal assessment of projects.

The detail in respect of Terms of Reference for this aspect of the Implementation Groups work will be dependent on the requirements of the operational business process yet to be developed by the LEP and the Local European Structural and Investment Funds Team.

### Endorsement

The Implementation Group will also have a separate role in the decision making process through an endorsement of projects exiting the technical appraisal undertaken by the Managing Authority. This will give the Group the opportunity to review issues arising from formal appraisal and to consider the implications of these issues in the context of delivery of the Strategy.

Again, the detail in respect of Terms of Reference for this aspect of the Implementation Groups work will be dependent on the requirements of the operational business process yet to be developed by the LEP and the Local European Structural and Investment Funds Team.

Additional and appropriate members of the Implementation Group may be co-opted to inform elements of the Commissioning and Endorsement process, for example, where a particular expertise may be required in order to provide informed input to a specific evaluation and selection process arising from any Call or procurement exercise.

The two elements of the Implementation Groups role will be seen as separate functions and will be recorded accordingly. This will be reflected in the Full Terms of Reference. In addition a Code of Conduct will be

drawn up and Members will be expected to sign up to and adhere to, those requirements. It is envisaged that Chair of this Group will also report to the LEP Board at their Quarterly Meetings.

### 3. Conflicts of Interest

There will be a clear process in place to ensure that any Group member with a conflict of interest is excluded from discussion on any item where that conflict comes into play. This will be documented in Group Minutes. Terms of Reference will be drawn up which will include Codes of Conduct drawn from Nolan Rules, namely;

**Selflessness** – Members will be expected to take decisions solely in terms of the public interest and should not do so to gain financial or other material benefits for themselves, their family or their friends

**Integrity** – Members should not place themselves under any financial or other obligation to outside individuals or organisations that might influence them in the performance of their duties.

**Objectivity** – In carrying out public business, including recommending projects for assessment, Members should make choices on merit.

**Accountability** – Members are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their role as a Group member.

**Openness** – Members should be as open as possible about all the decisions and action that they have taken. They should give reasons for their decisions and restrict information on where the wider public interest clearly demands.

**Honesty** – Members have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest

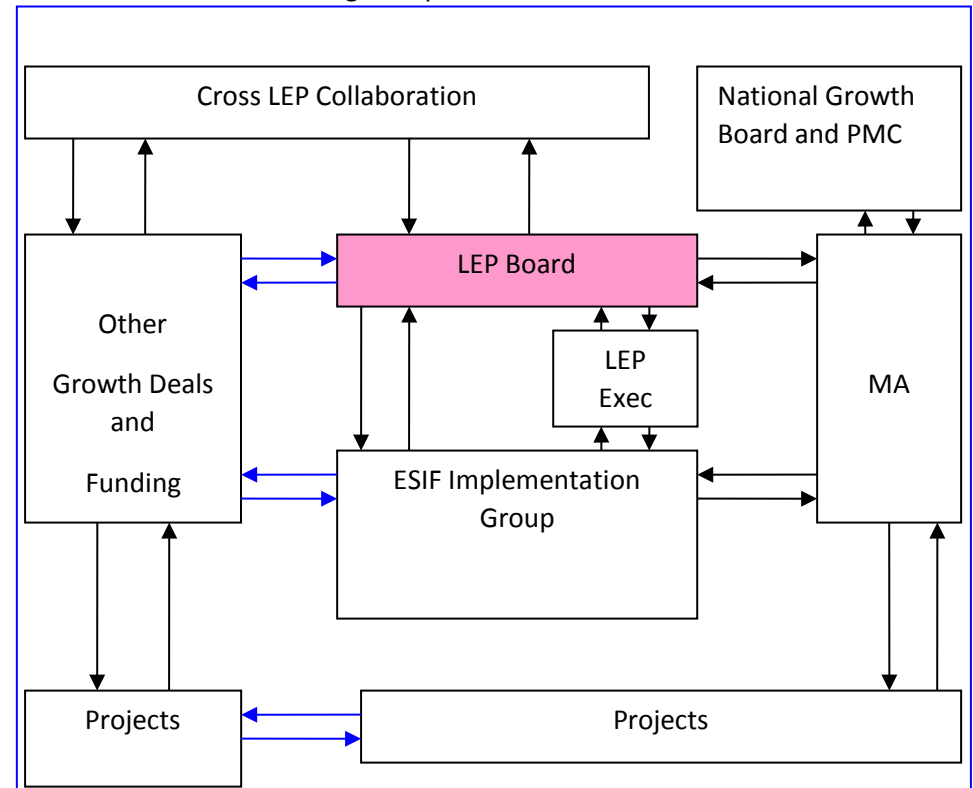
**Leadership** – Members should promote and support these principles by leadership and example

## 4. Linkages Diagram

Figure 8: Potential Governance Structure

Blue arrows = Linkages to be established.

Black Arrows = Formal linkages required for Governance



## Cross Cutting Themes

The EU SIF will drive forward economic development across the Heart of the South West (HotSW) Local Economic Partnership (LEP) Area through investment in projects and initiatives. It is recognised by the LEP that this investment should also benefit the social and environmental needs of the area, ensuring that as a whole its delivery programme provides sustainable outcomes.

### Sustainable Investment Framework

The EU SIF strategy will be developed in line with six 'High Level Sustainability Objectives' as follows:

- Delivery of a diverse and thriving economy that meets people's needs;
- The HotSW area will be well connected and meet the needs for access to places and services with least impact on the environment and communities;
- Investment will improve health, well-being and reduce inequalities;
- Programmes support communities and neighbourhoods that meet peoples' needs;
- The HotSW LEP will support work to maintain and enhance the area's distinctive natural environment;
- Programmes will minimise consumption of natural resources.

The projects and initiatives that will be funded through the EU SIF for the HotSW area will accord with the six objectives to ensure investment delivers sustainable outcomes. The final EU SIF document, that will be submitted to Government later this year, will demonstrate how the high level objectives will be achieved by the SIF strategy.

### Sustainable Delivery

In addition to producing a strategy that demonstrates the LEP's desire to achieve sustainable outcomes, there is also a commitment to ensure that, as projects come forward for funding, they contribute to the six sustainability objectives. The final version of the plan will include a Sustainability Framework against which projects submitted for funding will be assessed. The framework will include the following detail against each of the high level objectives:

- An appraisal criteria (including a clear explanation);
- What indicators of progress towards the high level objectives will look like; and
- It will also enable monitoring to demonstrate how projects being delivered as a result of the EU SIF are helping to meet the objectives.

The LEP will then be able to fully monitor its EU SIF programme to ensure it is delivering sustainable investments and outcomes.

### Sustainability Governance

To ensure that sustainability is a core cross cutting theme a member of the LEP board will become the HotSW's Sustainability Champion. This board member will Chair a Sustainability Task Group that will contain officers from the Local Authorities, the Local Nature Partnerships, statutory agencies and associated organisations that will monitor the progress of the EU SIF in terms of meeting its sustainability objectives. This group will also be resourced to provide advice on the sustainability credentials for each of the projects/ initiatives applying for funding. It could also provide advice to potential applicants. This process will ensure that Board Members are fully aware of the sustainability implications of

any programme they fund. The LEP is currently exploring how existing groups could be used to form the Sustainability Task Group.

### Equal Opportunities

An ageing population and high youth unemployment are key issues that have already been specifically identified by the HotSW LEP and will be addressed in the EU SIF strategy.

We understand the Managing Authority will undertake a wide-ranging and thorough Equality Impact Assessment (EIA) on the programme once it is more complete. Feedback from this will enable the LEP to identify and address any specific issues arising from the strategy and to ensure that its implications and impacts have been fully considered. The LEP will utilise the skills and experience of the Social Inclusion Units of its four upper tier authorities, to assist with this process.

Once the strategy is operational and delivery governance in place, the LEP will make provisions to ensure that all bids submitted to the fund address the relevant equality policies that have an implication on their proposal. Guidance to applicants on what issues need to be considered as part of the proposal bidding process will be clearly defined and communicated.

Where proposals fail to demonstrate that they recognise this duty, applications will be provided with sufficient guidance to ensure that these issues are addressed; they will be advised that if they are not addressed the applicant will be ineligible to receive funding.

Arrangements will be put in place for the on-going monitoring of equalities performance.

## Appendix 1: Supporting Evidence Base

### Key Indicators (to be populated)

#### Business

- No and size
- Sectoral composition
- GVA
- Knowledge intensive
- Exporting

#### People

- Demographic
- Skills
- Employment
- Inactivity
- Self employment

#### Place

- Transport
- Housing
- Education
- Workspace
- R&D infrastructure

## Summary of consultation responses - Business Engagement Events, Colleges and Universities Consultation Event and Written Responses

### Business Support and Innovation

- Across all consultation, there was significant support for greater coordination of business support and more effective signposting to both local and national schemes
- Access to funding/finance was raised at all business engagement events. At the FE Colleges and Universities event, it was suggested that the emphasis should be on investment readiness of start-up and high (er) growth businesses, rather than direct provision of finance.
- All business engagement events made some reference to addressing the specific needs of micro and small businesses, e.g. 1:1 'on the ground' support, small grants, local self-help (clusters, co-operatives, self-reliance) and developing entrepreneurial (e.g. leadership and management) skills.
- General support was also noted for assisting businesses to take advantage of broadband. At the FE Colleges and Universities event, it was specifically suggested that this could be used to drive exports.
- Numerous events (Exeter, Paignton, Plymouth and the the FE Colleges and Universities session) suggested that innovation was a key theme and underplayed in the presented priorities. At the FE Colleges and Universities event, the following specific suggestions were made:
  - Creating demand from SMEs for innovation support, including tailoring language (e.g. 'doing things differently' or 'new products and services' rather than innovation) and using case studies to inspire
  - Producing a simple toolkit to help businesses with innovation, potentially building on University of Exeter pilot

- Building on current innovation vouchers and business technology centre initiatives
- Potential to look at synergies across sectors and translatable skills/expertise – e.g. nuclear, advanced engineering and marine
- List of Smart Specialisation sectors in the 'notes document' seen as STEM heavy and suggestion that consideration should be given to: the role of the Met Office, tourism, creative industries, environmental, rural and education as a business.
- Some specific reference was made to the need to encourage lifestyle businesses to be more ambitious (in Exeter and at FE Colleges and Universities event). The FE Colleges and Universities event also suggested a focus on new businesses (including support from employment/unemployment to self-employment), budding 'gazelles' and 'gazelles'.
- In Exeter, it was also noted that business support should be a private sector activity and that mentoring provision did not meet demand

### Social Enterprise

- Access to wider range/sources of funding / finance (Bideford and Taunton)
- Reducing carbon / energy and resource consumption (Bideford and Taunton)
- Building skills and confidence. This could include social entrepreneurship training in schools. (Bideford)
- Encouraging social enterprises to come forward and ask for help/support (Bideford)
- Raising awareness of social enterprises – e.g. case studies (Bideford)
- Suggestion that empty shops could be used to encourage social enterprise start-up/growth, offering reduced rents (Bideford)



- Strongly queried / challenged the perceived separation of social enterprise and mirco / SME themes at the event, considering that the needs were the same (Taunton)
- Suggestion that it would be beneficial to work with other LEP areas on social enterprise, e.g. West of England (Taunton)

### Inward Investment and Exporting

- Bideford, Exeter, Bridgwater and Taunton events all highlighted the importance of a competitive business environment to attracting inward investment, e.g. skills / workforce availability, connectivity (transport, broadband, mobile), flood and water management/resilience and suitable business premises/land.
- Marketing was specifically mentioned in Exeter, Bridgwater and Taunton, with a need to focus on marketing an identifiable area (i.e. not HotSW) and a distinct/targeted offer. Specific suggestions were:
  - Activity should be a combination of a general landing point and specific proactive activity tailored to specific target markets/sectors (Bridgwater)
  - Identifying similar areas in the EU, America etc and proactively targeting these (Taunton)
  - Identifying sector ambassador to build relationships, attend shows/events and identify leads (Taunton)
  - Hosting consular from UKTI so that they have good knowledge of the area and opportunities to draw on in promoting the HotSW (Taunton)
- Specific inward investment support services referenced were:
  - Improving accessibility and availability of information, e.g. detailed, current and searchable information on premises, skills availability and grants/support (Bridgwater)
  - Grant funding to relocate (Exeter)
  - Supporting joint ventures between indigenous and incoming businesses (Taunton)
  - Facilitating increased collaboration (rather than competition) both within and beyond the LEP area, leading to a stronger offer and efficiency (Taunton)
  - Capitalising on university strengths (Taunton)
  - Decreasing regulatory burden for inward investors (Exeter)
- Specific sectoral priorities for inward investment noted were:
  - Aerospace (Exeter and Taunton)
  - Engineering (Exeter and Taunton)
  - Low carbon / Energy (Exeter and Taunton)
  - Marine/maritime (Exeter and Taunton)
  - Land-based and food (Exeter)
  - Health and pharmaceuticals (Exeter)
  - Creative industries (Exeter)
- Exporting was raised at all business events with suggested activities of:
  - Support for micro-businesses (Taunton)
  - Business mentoring from experienced exporters (Plymouth)
  - Supporting access to wider markets (Bideford)
  - Enabling businesses to understand that their offer to others is important / can be attractive (Exeter)
  - Linking with UKTI, using their experience, contacts etc. (Exeter)
  - Stimulating demand for UKTI services in the HotSW (Exeter)
  - Targeting opportunities but also market failure (Exeter)

### Employment and Skills

- Supporting access to the labour market was raised at all consultation events and in a written response from Petroc college. Specific issues/opportunities highlighted were:
  - Developing employability skills, e.g. interview techniques, attitude to work and transferable skills such as

- communication etc (Exeter, Plymouth, Bridgwater and Taunton as well as in a written response from Petroc College)
- Employment support programmes which are flexible/bespoke and reflect the local context (Paignton, Plymouth, Bridgwater and written response from Petroc)
- Tackling financial barriers - cost of training and transport - to securing and retaining employment (Exeter, Paignton and Taunton)
- Supporting those who are, or who are at risk of becoming, NEET (Plymouth and in a written response from Petroc college)
- Maximising employment opportunities / support for the 50+ (Paignton)

In this context, it should be noted that there were, however, mixed messages in relation (to the term) social inclusion:

- At both the Bideford and Taunton events opinion was split with some considering that social inclusion should be an area of focus whilst others felt that it was not a true priority ('nice-to-have'), not the LEP's role or would be an automatic result of increased economic performance
- At the Paignton and Plymouth events there was specific support for promoting social inclusion and tackling deprivation. At the Plymouth and universities and colleges events it was stressed that a holistic / embedded approach was needed. In Plymouth, there was specific mention of family intervention projects in areas of deprivation.
- Across the consultation, there was strong support for skills provision to:
  - Be (more) employer-led/responsive, building (stronger) engagement, working relationships and partnerships across schools, colleges, HEIs and employers

- Encourage and support entrepreneurship, both amongst young people / prospective entrepreneurs and existing entrepreneurs.
- Increased support for apprenticeships (including higher apprenticeships) was raised in Bideford, Exeter, Paignton and Taunton as well as at the FE colleges and universities event and in a written submission from Petroc college. Specific proposals were:
  - Support for small and micro enterprises to see a place for and take on apprentices, including facilitating sharing/pooling of apprentices between businesses (general observation, Exeter and Bideford)
  - Adult (i.e. over 24) apprenticeships (Bideford and Paignton)
  - Developing pre-apprenticeships, traineeships, internships and work experience to provide 'hands on' experience and prepare young people for the workplace (Taunton and written response from Petroc)
- Addressing the mismatch between skills provision/availability and employer needs in respect of specific sectors and major projects was raised in Bideford, Exeter, Plymouth, Bridgwater and Taunton as well as in a written submission from Petroc College:
  - engineering/STEM (Exeter, Plymouth, Bridgwater and Taunton)
  - Hinkley Point C (Bideford, Bridgwater, Taunton and in a written response from Petroc College)
  - Health / social care (Exeter and Taunton)
  - Tourism (Taunton and Exeter)
  - Atlantic Array (Bideford and in written response from Petroc college)
  - Land-based industries (Bideford)
  - Sustainable construction (Bideford)

- Addressing Level 3 skills gaps was mentioned in Exeter, Paignton, Plymouth and Bridgwater as well as at the FE colleges and universities consultation event. At the latter, an FE equivalent of the 'Grads for Growth' scheme was mooted.
- Increasing higher level skills and HE resource was identified as a priority in Paignton, Bridgwater and Taunton as well as at the FE colleges and universities consultation event and in a written submission from Petroc College. Petroc also highlighted the need to develop appropriate progression routes into Higher Education / Higher Apprenticeships.
- Retaining HotSW Graduates / young people in the area (and attracting further graduates/young people to the HotSW) was raised in Bideford, Exeter and Paignton as well as at the FE colleges and universities consultation event and in a written submission from Petroc College. Specific suggestions included:
  - Creating a market for employer sponsorship of students (Colleges and Universities event)
  - Building on the 'Grads for Growth' and 'Unlocking Potential' activities (FE colleges and universities event)
  - Improving transitions for young people - e.g. from school to work/further study, further study to work/higher study and higher study to work in the area (FE colleges and universities event)
  - Generating greater graduate / career opportunities by increasing number of high-growth and innovative businesses (Exeter and colleges and universities event)
- Careers information, advice and guidance was raised at Exeter and Taunton, the FE colleges and universities event and in written contributions from Petroc college and Careers South West. This included:
  - Raising young people's aspirations (Exeter, FE colleges and universities event and written response from Petroc college)
  - Supporting informed choices by young people, including identifying clear sources of information/brokerage (Exeter, Taunton, FE colleges and universities event and written response from Careers South West)
  - Commissioning robust labour market intelligence and making this available to skills and employability providers and to those using their services (Careers South West)

#### Infrastructure and Utilities

- The importance of improved transport connectivity (including road, rail, air and public transport) to support movement of people and goods was highlighted in Bideford, Bridgwater and Taunton as well as at the FE Colleges and Universities event
- Access to Superfast Broadband was identified as a priority in Bideford, Exeter, Bridgwater and Taunton. However, in Plymouth it was noted that Broadband is 'not the panacea for businesses'.
- Housing was raised in Paignton, at the FE colleges and universities event and in a written contribution from the National Housing Federation. Specific comments were made in respect of:
  - Addressing affordability issues, particularly in rural areas and coastal resorts (Paignton)
  - Working with the HCA to tackle housing constraints which act as a key barrier to graduate retention (FE colleges and universities event)
  - Encouraging the HotSW to 'opt-in' to the Social Housing Financial Instrument (National Housing Federation. N.B It

should be noted that the NHF jointly developed this mechanism with the EIB!

- Investment in flood and water management / resilience was mentioned in Taunton and Bridgwater.
- Development/ availability of suitable business accommodation was raised in Taunton, Exeter and at the FE colleges and universities event
- Improved mobile phone coverage and utilities (e.g. no gas in most of Torrington) were specifically mentioned in Bideford
- In a written contribution, the RSPB encouraged the HotSW to promote truly sustainable development and highlighted that its 'Planning Naturally' publication demonstrates that economic growth and sustainable development are mutually dependent rather than conflicting.

#### Other

- A number of additions to the presented list of 'competitive advantages' were proposed, namely:
  - Natural environment (Bideford, Plymouth, Taunton and in written contributions from Petroc College and the RSPB)
  - Low carbon (Bideford, Paignton and Plymouth)
  - Creative industries (three individuals in Plymouth, Bridgwater and Taunton and at the FE colleges and universities event)
  - Food and drink (Bridgwater, Taunton and in a written contribution from Mendip District Council)

- Voluntary sector (Paignton)
- Construction (Bideford)

- In respect of the identified 'rural' competitive advantage, specific proposals and comments were:
  - Some concern that the needs of rural areas will be overlooked with funding criteria seen to favour more urban areas. (Bideford, Plymouth and in written response from Petroc)
  - Needs more intelligence and definition, although recognise its value and contribution (Bideford, Plymouth)
  - Some query as to whether the rural economy should be a discrete priority or a cross-cutting theme – 'rural-proofing' all activity (Plymouth)
  - Paying attention to the role of market towns (Taunton)
  - Tackling rural isolation (Petroc)
  - In a written response, the RSPPB raised the following priorities: managing water resources, utilising natural assets to support growth, low carbon, sustainable food production and support for LAGs. They also requested that the LEP considers using the Local Environment and Economic Development (LEED) toolkit trialled by New Anglia LEP.

Bibliography