

European Structural and Investment Funds Strategy

April 2016 v2



Table of Contents

Table of Contents.....	2	Geographical Prioritisation	39
Integrated Activities.....	9	Business.....	40
ESIF Introduction.....	11	People.....	49
European Cohesion Policy.....	11	People – SWOT.....	57
Process of Development and Engagement.....	12	People - Priorities.....	57
Document Structure.....	13	Which of these ‘People’ Priorities will we address in the ESIF Strategy?	59
Welcome to the Heart of the South West	14	From Priorities to ESIF Integrated Activity.....	60
Part 1: Our Strategic Ambition.....	16	Part 2: Integrated Activities.....	61
Our Vision for Growth.....	17	Introduction	62
Our Mission Statement.....	17	Integrated Activity A: Maximising Innovation through transformational opportunities and Smart Specialisation.....	65
Approach to Growth in the Heart of the SW	18	A10: Compliance	70
Our core aims.....	19	Integrated Activity B: Enterprise and SME Competitiveness.....	71
SMART objectives.....	20	Integrated Activity C: Reaching New Markets	77
Understanding our Growth Potential	21	Integrated Activity D: Digital	81
Introduction	21	Integrated Activity E: Addressing Social and Economic Exclusion	85
Overarching Challenges and Opportunities.....	22	Part 3: Technical	89
Smart Specialisation.....	26	Distribution of Funds & Alignment with other European Funds	90
Thematic analysis.....	27	ERDF	90
Place.....	27	ESF	93
Which of these ‘Place’ Priorities will we address in the ESIF?	38	EAFRD	95
		Outputs and Results.....	98

Governance and Delivery Arrangements.....	101
Alignment with other European Funds.....	104
Introduction	104
European Maritime and Fisheries Fund.....	104

Rural Development Programme	106
The Wider RDPE programme	107
European Territorial Cooperation Programmes	108

Supplementary Information

Section 1: ERDF Indicators and Targets

Section 2: ESF Indicators and Targets

Appendices

Appendix 1: Results from our consultation on our draft ESIF Strategy

Appendix 2: Equalities and Diversity Impact Assessment

Appendix 3: Heart of the South West Smart Specialisation Approach

Appendix 4: Heart of the South West Business Support Mapping and Simplification Study

Executive Summary

Introduction

This Strategy sets out how we will use European Structural and Investment Funds (ESIF) to promote smart, sustainable and inclusive growth across our area. It has been developed in the context of our Strategic Economic Plan to ensure that European Funded activities directly contribute to our wider plan for growth.

Our ESIF strategy and our Strategic Economic Plan have been developed in collaboration and consultation with partners ensuring a golden thread runs through them from the bottom up, taking into account local plans and aspirations; and top down, taking into account national and EU policy objectives. A summary of consultation responses for the development of this ESIF Strategy is in appendix 1.

The strategy has also been informed by LEP-supported ongoing activity such as the recently signed Plymouth and SW Peninsula City Deal, and proposals for a ‘Hinkley Deal’, to ensure European Funding can add most value to potentially transformative strategic initiatives.

Our ESIF strategy has been developed in accordance with regulations and guidelines of the EU and the UK National Government. While there is one overarching ESIF strategy for the Heart of South West area, it should be noted that by European definition, Devon, Plymouth and Torquay are designated a “transition area” while Somerset is designated as part of a more developed area. This affects the amount of EU funds that can be spent in each area, the rules for allocation, and a difference in match-funding rate.

In reality, Somerset has much in common with the rest of the Heart of South West area, its more developed status being an anomaly of sharing a statistical area with Bournemouth.

The Heart of the South West ESIF Strategy is made up of three parts:

Part 1 outlines our strategic ambition, explains the economic context of our area and our approach to growth, and gives an evidence-based rationale for our proposed areas for ESIF investment.

Part 2 outlines our five sets of integrated activities that allow us to align funding streams to deliver complementary activities.

Finally Part 3 describes the technicalities of funding distribution, expected outputs and impact, and delivery and governance arrangements.

A summary of each part follows.

Our Strategic Ambition

Our Vision and Core Aims for growth

Our vision is to transform the reputation and positioning of our area nationally and globally by 2030. Over the lifetime of this strategy we want the key strengths of the Heart of the South West area to be seen as key assets of UK plc. From our outset in 2014, we want our people, places and business to steadily benefit as the public and private sector work together to secure long-lasting and inclusive legacies from investment.

Our mission is to make our area the place of choice to live, work, learn, visit and invest. Achieving economic growth through more and better jobs, higher productivity and improved prosperity for all.

Central to our strategy is our balanced approach to growth, which recognises: the need to address wider productivity barriers at the same time as ensuring we maximise the benefit from opportunities for high growth; the need to create job opportunities where opportunities are few

as well as better jobs to drive up average wages; the need for economic growth to benefit both rural and urban people, businesses and places.

While as far as possible our balanced approach to growth is sector and place blind, we have identified some immediate opportunities that are unique to our area and have the potential to be transformational. For example: maximising the local impact and legacy of the construction of Hinkley Point C; driving the growth of the marine sector across the Heart of the South West area through the Plymouth and Peninsula City Deal; securing investment in the Met office Supercomputer in Exeter Science Park linked to data/environmental analysis expertise; and the development of the aerospace and advanced manufacturing sector as a component of a wider South West cluster.

These opportunities have the potential to drive, but are also dependent on, improvement in the conditions for growth such as better and more resilient transport and digital connectivity. They have the potential to provide more and better jobs but will also need to draw on available workforce skills. Key to our strategy is that taking advantage of transformational opportunities should have a lasting local legacy and a wider application. We have thus arrived at three core, and interdependent, aims.

- Creating the conditions for growth
 - Improved transport and digital infrastructure
 - Simpler business support landscape
 - Unlocking development opportunities
- Maximising employment opportunities
 - Creating more and better jobs
 - Supporting business competitiveness
 - Encouraging inward investment
- Building on our distinctiveness
 - Maximising the impact of our transformational opportunities

- Encouraging innovation linked to smart specialisation and our educational infrastructure
- Building on our core strengths e.g. our outstanding natural environment

These core aims are underpinned by cross cutting aims of environmental sustainability and social inclusion.

What we know about our area

We approached our analyses of our area's strengths, weaknesses, opportunities and threats thematically by place, business and people. By considering how place, business and people affect, or are affected by, our three core aims, we have arrived at a set of priorities for each theme. Our key opportunities and challenges for place, business and people are outlined below.

Place

Our area is predominantly rural with over 90% of the land area designated as such and the majority of the population live in rural areas. However, over 40% of the population live in urban areas and plans for urban expansion are being realised.

Transport and connectivity are important to our area. Our peripherality and distance from markets has a direct and proven correlation with productivity.¹ While local transport infrastructure is seen as a key enabler of employment and housing development, and a means of accessing markets, employment and leisure.

The Heart of the SW has the potential to become a leader in the fields of new nuclear power and marine renewables. It has also made progress in renewable energy installations (large and small scale) improving the

¹ Meeting the productivity challenge, 2005

resilience of our energy base, but more is required to meet national targets.

Digital and mobile infrastructure ranked highly in our business consultation on the first draft of our ESIF strategy as both current constraints and potential enablers of business growth. This is borne out by research BDUK². Whilst significant investment is underway in our area, further investment will be needed to achieve universal connectivity and ensure our towns and cities remain competitive in relation to next generation technologies, such as 4G.

With our rising population, we need an adequate supply of homes. Local Plans either already in place or currently emerging contain ambitious levels of future residential development, with over 9,500 new homes per year or nearly, 50,000 new homes in the next five years. Despite obstacles in the current economic climate, we have a number of high profile examples of innovative delivery.

Of particular importance to the Heart of the SW, will be ensuring the right employment sites/facilities are available to support businesses wishing to grow, locate here in relation to our Transformational Opportunities (e.g. Hinkley, Marine, Climate/Big Data, Aerospace). Of equal importance, is understanding and serving rural market failure and building on the success of the Rural Growth Hub modelling piloted through the Rural Growth Network.

Business

In terms of business competitiveness, we recognise that we are punching below our weight. Our key employment sectors underperform against

² UK Broadband Impact study, Impact Report, November 2013

national averages for those sectors and our LEP underperforms against a number of competitiveness indicators³.

Despite some strong, dynamic and outward looking businesses, our businesses tend to be smaller, older, more insular and have lower rates of churn than national averages. Compared to other LEPS, the only top half performance we have is in the level of self-employment – and this can be as much an indicator of lack of employment alternatives as it is of entrepreneurial culture.

Exports in the whole South West region still only equal 6.1% of the total for England. Regional per capita value of exports are £2,522, significantly below the England average of £4,152 and making the South West the worst performing region. Heart of the South West LEP is also one of the worst performing LEPS on standard measures of innovation. However, our universities get honourable mentions in the Witty Review⁴ particularly for their support for SMEs (GAIN, Plymouth University and Set Squared, Exeter university) and start-ups (University of St Mark and St John) and across the LEP area.

We have ambitions, and the potential, to build higher value jobs through developing knowledge-based businesses. The Witty Review ranked our research centres against key sectors - we have world leading expertise in Plymouth – Nuclear (ranked 12th), Robotics (ranked 4th); Exeter – Satellites (ranked 11th), Agri-science (ranked 15th); and the Met Office – Aerospace (ranked 1) Satellites (ranked 7th). Together with the five Marine research institutions in Plymouth, existing businesses and transformational opportunities in our area, we have a good foundation for smart specialisation.

³ Review of LEP Area Economies, 2013, LEP Network

⁴ Encouraging a British Invention Revolution: Sir Andrew Witty's Review of Universities and Growth – October 2013

Levels of uptake of some business support programmes in our area are low. The main reason for this is a lack of awareness of the support available. Similarly, funding initiatives are complex and often out of reach for the majority of our companies, dominated by micros and SMEs.

Our business population spans both the rural and urban environment on a roughly 50:50 basis and analysis shows that with the exception of agriculture and land-based industries, the sector profiles are not so different. That said, our evidence to support our Rural Growth Network, established that rural businesses tended to have differing needs. Our approach to business support measures will therefore be mindful of rural and urban need.

We recognise that our biggest employment sectors are not necessarily the ones with the most potential to grow. Our balanced approach to growth aims to improve the productivity of our current business base, and to encourage the growth of higher value sectors.

People

The Heart of the SW has an expanding population, expected to grow in excess of 200,000 by 2030. We also currently have an aging population, with 21.6% of our population over the age of 65, considerably higher than the average for England of 16%⁵. This proportion is expected to rise rapidly with Devon, Somerset and Torbay all expected to exceed the 25% mark by 2021 (Torbay 27.3%).

Our employment rate (74.6%⁶) is currently higher than the England average, However, this masks significant variation across our area with

two districts falling below the national average - Torbay at 70.0% and Plymouth –at69.2% - both in the transition area.

The Heart of South West area has the second highest levels of part-time employment in England⁷, and higher than average levels of self-employment, particularly in rural districts. These figures may indicate a lack of full time employment opportunities. The implications mean lower wages, lower household incomes and potential for ‘in work poverty’.

Despite lower than national average unemployment rates, 50,000 people remain unemployed in our area, with 26,600 of these being in the 16-24 age range, where unemployment rates have doubled since 2005. Meanwhile, our long term unemployment rates⁸ are beginning to fall having risen rapidly between 2008 and 2012. There are higher concentrations of unemployment in Plymouth and Torbay.

⁵ Census 2011

⁶ Annual Population Survey Oct12-Sept13

⁷ Annual Population Survey Oct2012-Sept2013

⁸ Claimant Counts, Dec 2013

Strategic Economic Plan (SEP) Priorities for the Heart of the South West area.

	Creating the Conditions for Growth	Maximising Employment Opportunities	Building on our distinctiveness
Place Priorities	Transport and Accessibility	Enterprise Infrastructure	Opening up specialist sites for marine sector development
	Sustainable solutions to flood and water management	Investing in strategic employment sites in our main towns and cities	Investing in science park and innovation infrastructure for nuclear, marine, environmental science and aerospace
	Unlocking delivery of stalled sites	Digital infrastructure	Maximising our Environmental assets
	Energy infrastructure		
Business Priorities	Simpler more coherent business support	Reaching new markets (including web fuelled, supply chain and public sector)	Transformational opportunities and Smart Specialisations - Catapult lites and networks
	Tailoring national policies and programmes to local potential	Globalisation (exports and inward investment)	Horizontal innovation Capacity building, Grand Challenges and Innovation for all
	Access to Finance		
People Priorities	Skills Infrastructure and facilities	Moving into employment – focussing on youth, long term unemployed and economically inactive	Entrepreneurship and business management skills
	Accessibility to education/employment (digital inclusion and careers advice elements)	Careers advice and progression	Technical and higher level skills development and retention
	Digital Literacy for inclusion, progression and business growth	Improving workforce skills	Maximising the skills and employment opportunities from our transformational opportunities

Light Blue boxes illustrate priorities to be taken forward with ESIF funding. Dark Blue boxes represent priorities to be taken forward in other ways

Integrated Activities

The alignment of European Structural and Investment Funds at a European and a national level, give the 2014-2020 programme a unique opportunity for greater alignment between European Regional Development Fund (ERDF), European Social Fund (ESF) and European Agricultural Fund for Rural Development (EAFRD) interventions. We have therefore outlined five sets of integrated activities that bring together interventions across the funds and across our priorities. We believe that this integration will result in activities designed in ways which fully complement and support each other, resulting in better value and outcomes from our SIF process. Part 2 of this document provides a detailed account of each of these strands, but they are summarised below. Please note that identified EAFRD activities are subject to budget confirmations from Defra, as the EAFRD Managing Authority. In addition, there may be some differences in the types and scale of ESIF interventions in the More Developed and Transition areas of the Heart of the South West. This reflects the different levels of EU funds that can be spent in each area, the rules for allocation, and a difference in match-funding rates.

Integrated Activities	SEP Priority	Priority ESIF Investment Areas		
		ERDF	ESF	EAFRD
A. Maximising Innovation through Transformational opportunities & Smart Specialisation	<p>Place – Investing in science park and innovation infrastructure for ‘Transformational Opportunities’</p> <p>Business – Transformational Opportunities (catapult lites, networks and horizontal innovation)</p> <p>People – Maximising the skills and employment opportunities from our ‘Transformational Opportunities’</p>	<ul style="list-style-type: none"> Specialist infrastructure/facilities/centres linked to Smart Specialisation Ecosystems of support for innovation such as <ul style="list-style-type: none"> Catapult lite centres, Business Led Networks <p>In the more developed area development of the specialist infrastructure and ecosystem of support for innovation in the low carbon sector.</p>	Employer led solutions to address higher level skills linked to Transformational Opportunities and Smart Specialisation	Innovation support targeted at agricultural sciences
B. Enterprise and SME Competitiveness	<p>Place – Enterprise Infrastructure</p> <p>Business – Creating a favourable business environment (Growth hub, tailoring, access to finance)</p> <p>People – Entrepreneurship and</p>	<ul style="list-style-type: none"> Enterprise/incubation space Business Support System/growth hub Business support such as: <ul style="list-style-type: none"> SME Investment for Growth Investment readiness support 	<ul style="list-style-type: none"> Linking students and graduates to industry and retaining higher level skills Improving workforce skills Enterprise and leadership and 	<ul style="list-style-type: none"> Rural business support services Rural grant programme, including a grant programme for

	business skills People – Technical and higher level skills and retention.	<ul style="list-style-type: none"> ○ Supporting SMEs to develop ideas and products ● Supporting New Starts and Leadership and management skills 	management skills	<ul style="list-style-type: none"> ● medium-sized food processing businesses ● Rural skills and training
C. Reaching new Markets	Place – Energy/Low Carbon Infrastructure Business – Reaching New Markets/Globalisation	<ul style="list-style-type: none"> ● Internationalisation support ● Manufacturing support ● Supply chain Development ● Building the market in low carbon technology 		<ul style="list-style-type: none"> ● Encouraging rural businesses to reach new markets ● Rural Renewable Energy Infrastructure ● Rural tourism assets and infrastructure
D. Digital	Place – Digital Infrastructure People – Digital literacy for inclusion, progression and business growth	<ul style="list-style-type: none"> ● Digital infrastructure ● Support for SME utilisation 	<ul style="list-style-type: none"> ● Digital inclusion ● Intermediate and Higher level digital skills 	<ul style="list-style-type: none"> ● Investment in superfast infrastructure in rural areas ● Digital training
E. Addressing Social Economic Exclusion	People – Moving into Employment – Focusing on youth, long term unemployed and economically inactive People – Careers Advice and Progression	<ul style="list-style-type: none"> ● Social Enterprise Support and Development ● Enterprise as a route out of worklessness 	<ul style="list-style-type: none"> ● Supporting those furthest from the labour market ● Supported approaches for young people ● Tackling ‘in work poverty’ 	None anticipated

Resources

The Heart of the South West notional ESIF allocation comprises:

Fund	Transition Area	More Developed Area	Total
European Regional Development Fund (ERDF)	€50,533,356	€17,223,833	€67,757,189
European Social Fund (ESF)	€33,709,965	€16,308,402	€50,018,367
European Rural Development Fund (EAFRD)	€19,408,588		€19,408,588

ESIF 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 our emerging Strategic Economic Plan (first draft submitted 19th December 2013) to ensure that European Funded activities directly contribute to our wider plan for growth. Likewise it has been informed by the recently signed Plymouth and SW Peninsula City Deal and an emerging 'Hinkley Deal' to ensure European Funding can add most value to these strategic initiatives.

European Cohesion Policy

The 2014-2020 European Cohesion Policy designated regions across Europe into three types:

- Less developed areas (GDP <75% EU 27 average);
- Transition areas (GDP 75-90% of EU 27 average); and
- More developed areas (GDP >90% of EU 27 average).

With funding allocated on the basis of need.

The Heart of the SW area has a split designation, with Plymouth, Torbay and Devon classified as 'Transition' and Somerset classified as 'More Developed'. We will go on to discuss in more detail, how the respective parts of our economy perform, however it is important to understand that performance is not uniform, with some parts of the transition area meeting the 'Less Developed' area status and pockets of poor performance in Somerset whose 'more developed' status is driven by being in the same NUTS2 area as Dorset, Bournemouth and Poole. Our strategy therefore seeks to balance the need for investment and the

opportunities for growth. For transparency, we detail the spatial implications of each of our proposed integrated activities.

The transition/more developed area split has the following implications:

- Less money available to spend in Somerset;
- Slight differences in the 'rules' of how we allocate funding;
- Differences in the match funding rate; and
- The need to account for and manage funding within two zones.

Whilst we are one LEP area, with one strategic economic plan, there will be differences between what we are able to do in the transition area and what we are able to do in the more developed area with ESIF funds. Therefore, throughout the document we will make clear where there are differences in approach or emphasis and the reasons for this.

The main focus of this document is how we intend to allocate the funding of the three European Funds where we have been given a provisional allocation, namely:

- The European Regional Development Fund (ERDF);
- The European Social Fund (ESF); and
- European Agricultural Fund for Rural Development (EAFRD).

However, we also set out our priorities relating to the European Maritime and Fisheries Fund, in order to inform the development of the national programme.

Different rules inform how we can spend each of the funds, but as far as possible, we have looked to how we can put together packages of integrated activities.

Process of Development and Engagement

Development of the SIF has involved consultation and engagement at various stages. By working with partners we are assured that there is broad support for the objectives of the strategy and a commitment from partners to deliver the objectives. There have been four phases to our development work:

- Pre-drafting;
- Preparation of the first draft;
- Consultation on the first draft; and
- Preparation of the final draft.

Pre-Drafting and Development Work

Pre drafting development work began through a LEP Funding Group established in 2012. This included representatives from Local Authorities, universities, business representative organisations, voluntary sector and Government departments. This group started the ground work for what is now the EU SIF by collating information and developing an evidence base on which to build. The group also co-ordinated a series of consultation events in the spring on 2013 to gather feedback on these early priorities.

Preparation of the First Draft

The first draft built on the pre-drafting work and consultations undertaken by the funding group by the establishment of working groups on the themes of 'Place, Business and People' to inform the first draft of the SIF as well as a wider Strategic Economic Plan. These groups included representatives from Local Authorities, Higher Education, government agencies and business. They have helped to inform development alongside wider engagement with Heart of the SW special interest groups (e.g. Local Transport Board, Low Carbon, Social Enterprise), the Heart of the SW Business Forum and other stakeholders.

Consultation on the First Draft

The first draft of the document was published on the LEP website along with a consultation survey shortly after submission on the 8th of October. This was promoted widely through the LEP and partner organisations, receiving 19 online responses plus 7 via email. Formal responses were received from: Local Authorities, Local Nature Partnerships, Local Nature Partnerships, Further Education, Businesses and business sector organisations, HOTSW Special Interest Groups (Low Carbon, Social Enterprise), Development Organisations, Business Representative Organisations, Environmental organisations, Community Organisations and Heritage Organisations.

In addition to this South West Forum were commissioned to seek the views of the social purpose sector and a business survey was conducted which received 150 responses.

Preparation of the Final Draft

Preparation of the final draft has taken into account the consultation responses received from the stakeholders set out above. A number of sessions have also taken place to develop specific elements of the strategy including smart specialisation and business support. In addition, a further consultation exercise was undertaken to support a high level equality and diversity impact assessment.

The findings of all our consultation work can be found in Appendix 1.

Document Structure

The document is made up of three related parts:

Part 1: Our Strategic Ambition – This part of the document sets out our overarching vision for the Heart of the South West area, it sets out our rationale for arriving at our high level objectives and highlights our transformational opportunities. Our vision paints a picture of our economy in 2030, highlights key milestones for 2020, and sets our direction of travel. This section goes on to articulate an understanding of the growth opportunity for the Heart of the SW area, our strengths weaknesses, opportunities and threats, it outlines where we are now and where we are currently heading. The analysis also explores differences between the transition and more developed area to inform our prioritisation of activity between these two areas.

This approach helps us to see where we have opportunity and what we need to change to achieve our vision for growth. This is articulated further in smart objectives and priorities to meet these objectives within a cohesive approach to growth. We conclude this section by identifying those priorities where we believe European Structural Funds can most

usefully be applied and setting out a summary of our ‘integrated activities’.

Part 2: Integrated Activities – In this part of the document we provide a detailed analysis of our proposed integrated activities, setting out:

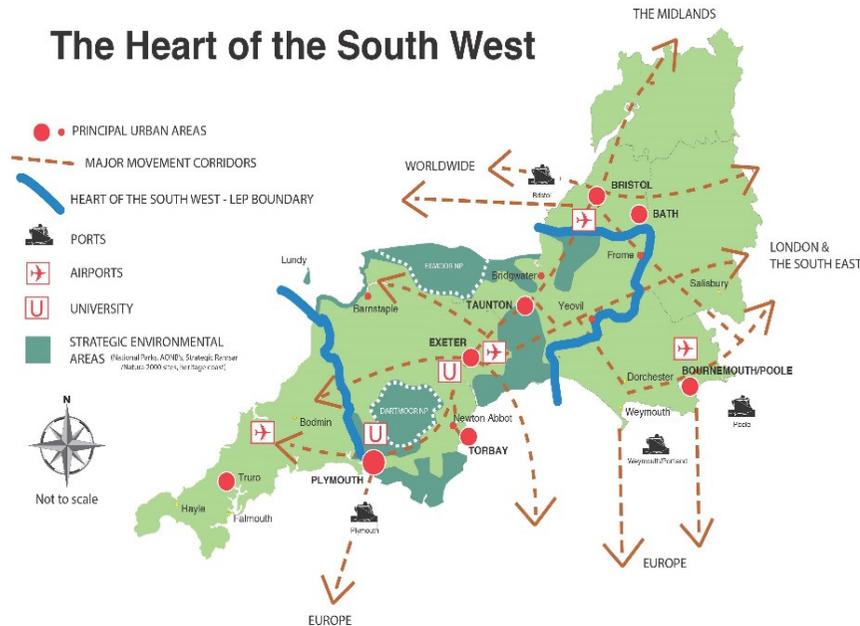
- a description of the activities by fund
- any geographical emphasis
- our rationale for intervention
- how activities contributes to our strategic objectives
- how they align with national policies
- how they complement existing provision,
- how we cross cutting themes will be addressed
- Any compliance issues and how these might be overcome

Part 3: The Technicalities – In this part of the plan we bring together information relating to the financial allocations, outputs, results and impacts, delivery arrangements and governance structures.

Welcome to the Heart of the South West

Set between the north and south coast, as well as four other LEPs, we occupy the Heart of the South West Peninsula. Covering the administrative areas of Plymouth, Torbay, Somerset and Devon, we are home to 1.7m people.

The Heart of the South West



We are known for our natural and cultural heritage, including two national parks, two world heritage sites, a biosphere reserve and countless sandy beaches. Our quality of life is supported by strong and enterprising communities as well as cultural heritage spanning from the sailing of the Mayflower to the world-famous Glastonbury Festival. These assets fuel the largest tourist economy of any LEP, with 26.7m visitor

nights/year⁹.

We are home to 13,000 commercial farm holdings, representing 50% of the farms in the SW. Our farms form an integral part of a wider rural economy with close links to food and drink and tourism. Likewise, fisheries are an integral part of our coastal communities, with the ports of Brixham and Plymouth being the largest ports in England in terms of value and volume of catch respectively.

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 Peninsula, catalysed by our plans in the Plymouth and SW Peninsula City Deal and supported by collaborative working with Cornwall LEP, Plymouth University and South West Marine Energy Park.

We host a number of internationally recognised businesses such as Agusta Westland, Flybe, Honeywell Aerospace, Babcock Marine, the Meteorological Office, Princess Yachts International, 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 SRA Development, Supacat, Otter Breweries and Diamedica (UK) Ltd. However, the majority (75%¹⁰) 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.

Our LEP hosts one of the highest concentrations of social enterprises and

⁹ GBTS, 2010-2012. Visit Britain

¹⁰ UK Business: Activity, Size and Location, 2012, ONS

community based businesses in the country¹¹, recently recognised by Plymouth being awarded the UK's first social enterprise city. However our largest employment sectors¹² are Public Administration, Health and Education (31.1%) and at 23.2% we have the highest proportion of employment in Distribution, Hotels and Restaurants of any LEP.

We have a growing low carbon and energy sector. The development of Hinkley C will have a substantial economic impact, with the construction phase providing an estimated 25,000 jobs and more jobs created during the operational phases. Our wider low carbon sector continues to blossom, with renewable energy capacity increasing approximately 10 fold since 2005¹³ and employment in the renewable energy sector expected to grow by an additional 1,300 jobs by 2020¹⁴.

Our world class knowledge base includes three universities; Exeter, Plymouth and University of St Mark and St John, two medical schools, ten FE colleges and specialist research centres such as the UK Met Office, the Rothamsted Research centre at North Wyke, , Plymouth Marine Laboratory and the World Research centre for Greenpeace in Exeter.

Research expertise in and around our universities provide us with important knowledge assets to drive growth: Exeter's concentration of climate and environmental science experts provided more contributors to the UN IPCC report than any other city on Earth; the Russell Group University has world-leading expertise in agri-tech, water security, mathematical modelling and advanced materials. Together with the potential 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.

Plymouth is also home to a community of world-class research organisations. The Marine Institute at Plymouth University, is one of the biggest in Europe. They, along with interdisciplinary Plymouth Marine Laboratory, the University of Exeter, and the SW Marine Energy Park and facilities across the region – including the country's most advanced wave tanks – put Plymouth and the South West peninsula at the centre of a Marine Cluster that sits at the heart of our City Deal.

Meanwhile expertise and facilities in association genetics, clinical trials and healthcare in Exeter, Plymouth, Torbay, Taunton 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.

Whilst 91% of our area is considered rural, over 40% of our population live in cities and urban areas, with particular concentrations in, Plymouth Exeter, Torbay and Taunton. Our cities and urban areas 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. Part of this growth is seeing the development of two new towns in Devon (Cranbrook and Sherford), supplying over 11,000 new homes. Meanwhile we want to ensure that market towns, coastal and rural areas are economically successful in their own right and build on our rural strengths in agriculture and food and drink.

The key challenge and ambition for the Heart of the South West 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.

¹¹ A better form of business 2013, Community Shops, Plunkett Foundation

¹² All figures taken from ONS LEP and LA interactive instant atlas, November 2013

¹³ Regen SW Annual Surveys 2005-2013

¹⁴ Regen SW- personal communication

Part 1: Our Strategic Ambition

“The South West combines innovation and technology excellence, a great mix of universities with both academic and venture focus and an established reputation in attracting leading tech firms while providing great incubation and support for earlier stage business. It’s a combination that has worked well for the US and has the potential to do the same in the UK.” – Philip Letts, blur Group CEO.¹⁵

¹⁵ <http://blurgroup.com/blog/2013/09/11/blur-group-hq-is-moving-exeters-new-science-park-to-become-global-headquarters/>

Our Vision for Growth

Working as a cohesive economic geography – Located at the Heart of the South West – by 2030 we will have transformed the profile, reputation and positioning of our area nationally and globally. Known for its vibrant diverse economy; fuelled by knowledge, self-starters, dynamic businesses and an outstanding environment, the Heart of the South West will be the place of choice to live, work and invest.

By 2020 both our urban and rural economies will be vibrant and strong. Our international reputation for marine and related industries, our place at the vanguard of next generation nuclear construction and operations, our global leadership in environmental analytics, and our major contribution to the premier UK aerospace cluster, will be key assets of UK plc. Coupled with this, our high quality environment, agri-tech and land-based industries, our social enterprises and our inclusive approach to growth will connect and align the development of our urban and rural economies, such that the area continues to be attractive to new and existing residents, visitors and inward investors.

From our starting point in 2014 our people, places and businesses will steadily benefit as the public and private sectors work together to raise our game, widen our horizons and secure long-lasting legacies from investment.

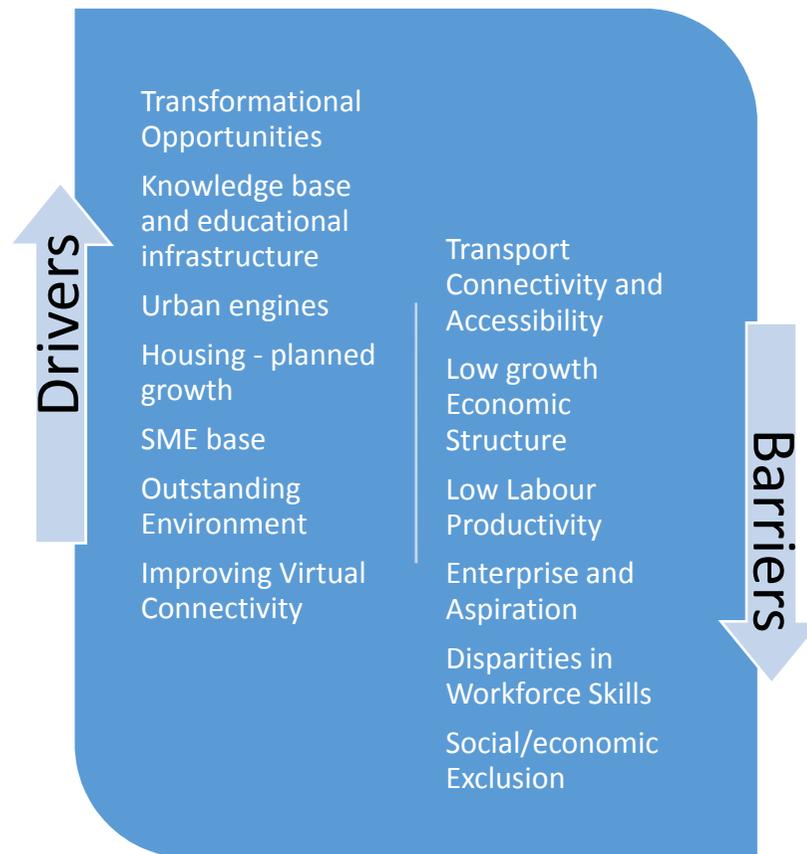
Our Mission Statement

To make our area the place of choice to live, work, learn, visit and invest. Achieving economic growth through more and better jobs, higher productivity and improved prosperity for all.

Approach to Growth in the Heart of the SW

Our consultation work and the review of evidence showed that we have a number of both drivers and challenges to achieving growth in the Heart of the SW and these are illustrated below.

Figure 1: Key Drivers and Challenges



Our analysis shows that we are underperforming compared to the national average across a number of measures of productivity and business competitiveness. This wide economic under-performance reflects number of broad **barriers to growth** such as transport and digital connectivity, skills, and support for businesses. Improving these conditions is essential to giving businesses in our area the tools they need to compete in global markets, as well as attracting future entrepreneurs and investors.

Our under-performance means that **wages are below average** across the area. Whilst unemployment is not high compared to national averages, it remains a persistent problem in some areas and in some groups (e.g. young people). Therefore our approach to growth needs to **create job opportunities** in part of the area where opportunities are few as well as creating **better jobs** to drive up average wages.

Our analyses show that our biggest employment sectors are not necessarily the ones with the most opportunity to drive growth. We want to develop our existing sectors and support new sectors that are emerging. **As far as possible** therefore we want to have an approach to growth that is **sector blind** and balances the opportunity for high growth with the need to address productivity barriers.

We recognise that over 90% of the LEP landmass is classified as rural and is characterised by a dispersed populations and a high number of SMEs. However, over 40% of the population live in urban areas and there are plans in place for urban spatial growth as both a driver and consequence of economic growth. Therefore in tackling barriers to economic growth we want our approach to **benefit both urban and rural** people, places and businesses.

However, we recognise that we have some current, planned and developing activities and major projects which are distinct to our area and

have the **potential to exert a transformational impact** locally and nationally. Key activities and projects with potential and immediate transformational opportunity include 1) A new build nuclear power station in Somerset – the largest construction project in Europe; 2) The Plymouth and SW Peninsula City Deal providing a significant boost to the marine sector in Plymouth and the wider peninsula. 3) The location of the new Met Office Super-Computer in Exeter Science Park – potentially fuelling the development of a big data/environmental analytics cluster. 4) Our advanced manufacturing/Aerospace sector as an integral component of a wider SW cluster.

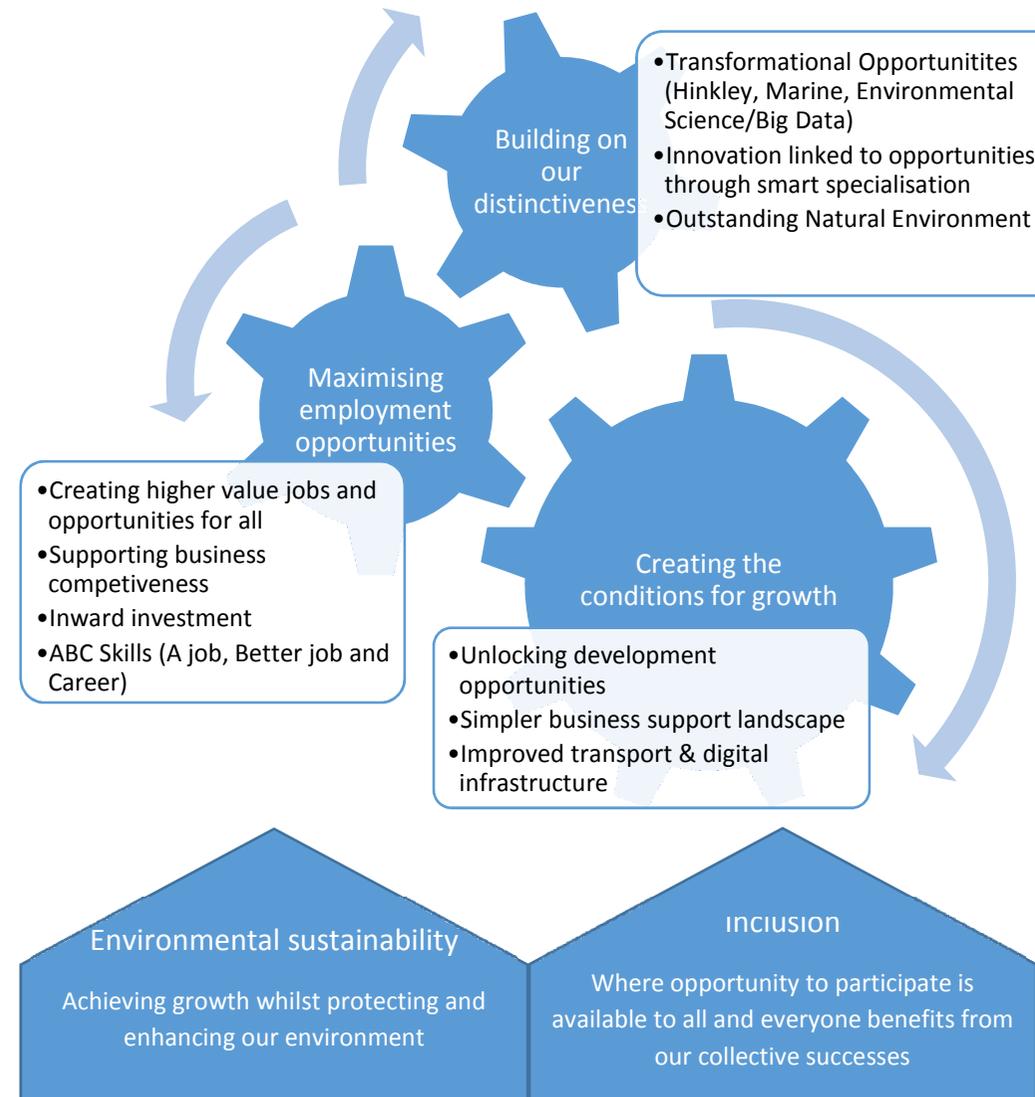
Maximising the impact of our transformational opportunities and core strengths (such as agri-food and tourism linked to our natural environment) can drive, yet depends on, the removal of broad barriers to growth such as connectivity, skills and SME competitiveness. It is with this understanding of the interdependencies, that we put forward our balanced approach, which recognises:

- the importance of maximising our transformational opportunities to deliver sustainable legacy and inspire wider application;
- the importance of getting the conditions for growth right;
- the need to create jobs and higher value jobs to increase average wages; and
- the challenge to stimulate growth in both rural and urban areas whilst protecting and enhancing our outstanding natural environment.

Our core aims

Utilising a balanced approach to growth, our mission is articulated through three core aims and two underpinning principles:

Figure 2: Three core aims



SMART objectives

We will publish finalised SMART objectives in our Strategic Economic Plan and monitor progress against them. The targets below illustrate our draft SMART objectives as described in our draft Strategic Economic Plan. The ESIF will contribute to the vast majority of these targets, with those highlighted in blue reflecting an ESIF contribution.

- By 2030, there is distinctive legacy of 'better jobs' from the investment in Hinkley, marine and other transformational assets
- By 2030, proportion of businesses in knowledge economy has increased
- By 2030 there is a ratio of high/medium tech businesses matching regional
- By 2020, the Heart of the SW is recognised as one of the best places in the UK to start and grow a small business
- 2020 the natural capital of the Heart of the SW area is enhanced and of increasing value to businesses and communities.

Building on our distinctiveness



- By 2030 increase the competitiveness of our businesses so GVA/hour matches national average
- By 2020, reduce youth and long term unemployment by half*
- By 2020, create an extra 50,000* jobs
- By 2030, increase average wages to match national average

Maximising productivity & employment opportunities



- By 2030 reduce rail journey times from Plymouth to London by 40*minutes
- By 2020, 100% of the population able to connect to Superfast Broadband
- By 2020, 60%* of adult population qualified to L3 or above and 40*to Level 4 or above
- By 2030, deliver 170,000 new homes

Creating the Conditions for growth



Understanding our Growth Potential

Introduction

In this part of the report we provide a narrative to describe the Heart of the SW and its potential for growth. A key aspect of this analysis is to review the similarities and differences across our area, particularly between the transition and more developed area in order to inform the spatial emphasis of the programme. Whilst much of our work has centred on the themes of Place, Business and People, a number of overarching drivers and challenges transcend these themes and will be discussed first. These are:

- Output and Productivity
- Population
- Transformational Opportunities and role of sectors

For each of our themes, we will:

- Review key socio-economic indicators and trends;
- Discuss drivers and barriers to growth;
- Identify Strengths, Weaknesses, Opportunities and Threats; and
- Discuss relative priorities.

Overarching Challenges and Opportunities

Output & Productivity

The Heart of the SW economy was worth £27.4bn in 2012, 2.3% of the England total. This equates to £16,318/head, compared with £21,937¹⁶ for England, a gap of £5,619/head (or 74% of England). There is marginal difference in average GVA/head between the more developed and the transition area. Considerable variation is seen within the two areas however. For instance, within the transition area, GVA/head is exceptionally low in Torbay at £13,080 and higher than the LEP average in Plymouth at £17,579.

However, GVA/head is not a particularly good measure of labour productivity, as it takes no account of inactive people (such as those who are retired or students) and people working outside the area. GVA/job indices show a better relative performance with Devon and Somerset at 82% and 84.5% respectively of the UK levels in 2011¹⁷. However, our forecasts, illustrated below suggest that our labour productivity will fail to keep pace with the rest of the UK.

Figure 3: Forecasted GVA/FTE¹⁸



Key messages:

- Persistent productivity gap between HOTSW and rest of UK;
- Risk that the gap will widen by 2030;
- Marginal differences between 'Transition' and 'More Developed'; and
- Significant variation at a district level.

¹⁶ Regional Gross Value Added, ONS 11 Dec 2013

¹⁷ Sub regional Productivity (Updated July 2013), ONS

¹⁸ Heart of the SW Economics Model, Forecasts 2013

Population

The Census 2011 showed that the population has risen 5.8% since the previous census to 1.667m and is set to continue to rise steadily. Inward migration and a rising fertility rate in recent years both contributed to this growth. Forecasts suggest that by 2030, the LEP area population will be approx 1.9m¹⁹. Plymouth and Somerset saw the greatest population growth in that time, while in contrast Torbay grew only 0.8%. This may be in part a result of an older age bias in Torbay, with 45% of the population aged 50 and above (compared to 35% in England and Wales).

With 21.3% of the LEP area 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. The number available to work is likely to level off and even decrease, with a net increase of approximately 43,000 working age people (between 2012-2030), as shown in Figure 4. This pattern is seen in both transition and more developed areas, although Plymouth has a younger age profile than the rest of the LEP area, closer to the national average.

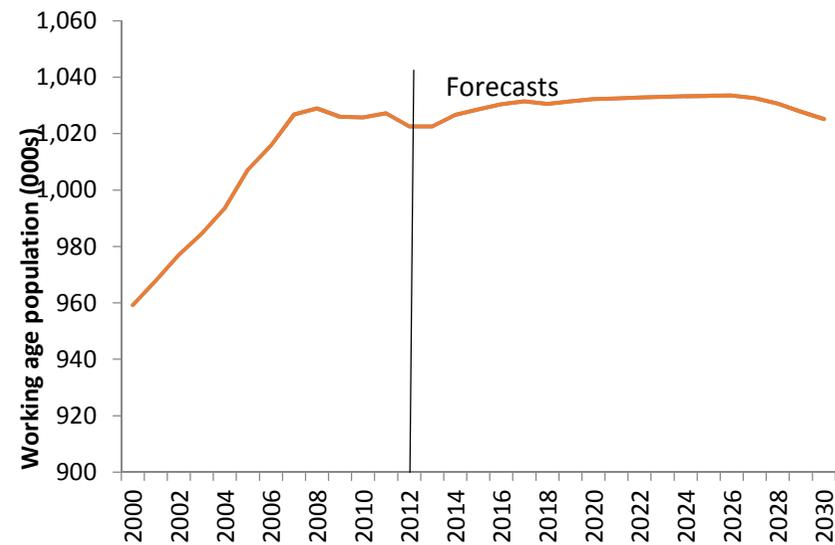
Spatial Distribution

The Heart of South West LEP is one of the most rural LEPs in the country with over 90% of its land area classified as such. There LEP has no areas classified by ONS as “major urban” or “large urban”, however over 40% of our population live in areas classified as “other urban”. Torbay and Plymouth are predominantly urban unitary authorities and, together with Taunton and Exeter, make up our key urban centres. There are plans in

¹⁹ Oxford Economics, Economic Forecasts 2012.

place for urban expansion within the LEP area. Somerset and Devon have similar profiles in that over 70% of their populations live in areas classified as rural (including large market towns).

Figure 4: Working Age Population (000s)



Source: Heart of the SW Economic Model, Oxford Economics

- Growing and aging population
- Working age population not set to rise in proportion to the population overall.
- Projections are continuations of current trends and take no account of policy or plans
- Policy and plans for housing and employment can influence changes in the population profile

Transformational Opportunities

The Heart of the SW has a number of areas of activity/major projects which have the potential to exert a transformational impact through integrated investments across the place, business and people priorities. We recognise that through the life of the strategy opportunities will emerge that we would wish to capitalise on. The evidence suggests that we have some immediate **transformational opportunities** that could drive wide reaching and lasting benefit to the area. These are:

- **Construction and legacy of Hinkley C** – Hinkley Point C in Somerset is to be the UK’s first new nuclear power station in 25 years. Led by EDF Energy, the £16bn project will be Europe’s largest construction scheme, and the UK’s largest inward investment project, employing 5,600 individuals at peak and providing in the region of £100m/year additional GVA into the local economy during the construction process. In operation, the station will provide electricity to around 6m homes over a 60 year life cycle, contributing roughly 7% of the UK’s overall national requirements.

A partnership made up of Local Authorities, EDF Energy, the area’s two LEPs, colleges and training providers and wider partners have come together to identify a series of joint priorities and actions with the central aim of maximising the potential of the development at Hinkley. This has been articulated in the form of a potential Hinkley Deal, setting out a series of offers and asks to support immediate priorities. The partners have agreed the following three key principle objectives to be delivered by the deal:

- A successful outcome to the construction of Hinkley Point C- on time and on budget, paving the way for further investment in this key Energy Sector;

- Maximising the opportunities for local and UK based businesses and people to benefit from being involved in the construction project and associated development
 - Delivering a real legacy for the area – the people, the businesses and the place.
- **Marine sector growth through the Plymouth and South West Peninsula City Deal, South West Marine Energy Park** - Activities proposed under the City Deal will drive forward the growth of the Marine sector (Marine and offshore R&D, manufacturing and services – including ship building (defence related and leisure) and marine renewables across the whole Peninsula (including Cornwall and the Isles of Scilly LEP). The deal builds on an area of clear competitive advantage in terms of both existing businesses and employment as well as unrivalled cutting edge marine research and demonstration facilities such as the new hydro-dynamic test facility in the new Marine Sciences Building in Plymouth and extensive research capability at Plymouth Marine Laboratories. Recent developments to achieve a tidal demonstration zone in the North of the area also align with this opportunity. 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 Transformational Opportunity is to maximise growth in the HEART OF THE SW area through the City Deal process and other marine related opportunities.*
 - **Supercomputer investment and the global environmental analytic capabilities** – The Met Office is due to replace its supercomputer in 2015. With the advent of the Exeter Science Park, consideration is being given to locating part of the supercomputer on the science park in order to enable collaboration with private business. This would provide a major opportunity to translate international data and

environmental intelligence capabilities into business growth in the UK and particularly international markets, as well as consolidating existing public investment in the Science Park. This builds on an emerging strength of Exeter University in Environmental analytics, the expertise at the Hydrographic Office in Taunton, as well as private sector growth in Big Data modelling including the ATASS Group, Solent Statistics and Tangerine Bee. *Our Transformation Opportunity is to 1) secure the investment in the supercomputer; 2) use this as a catalyst for growth of a wider big data/environmental analytic cluster.*

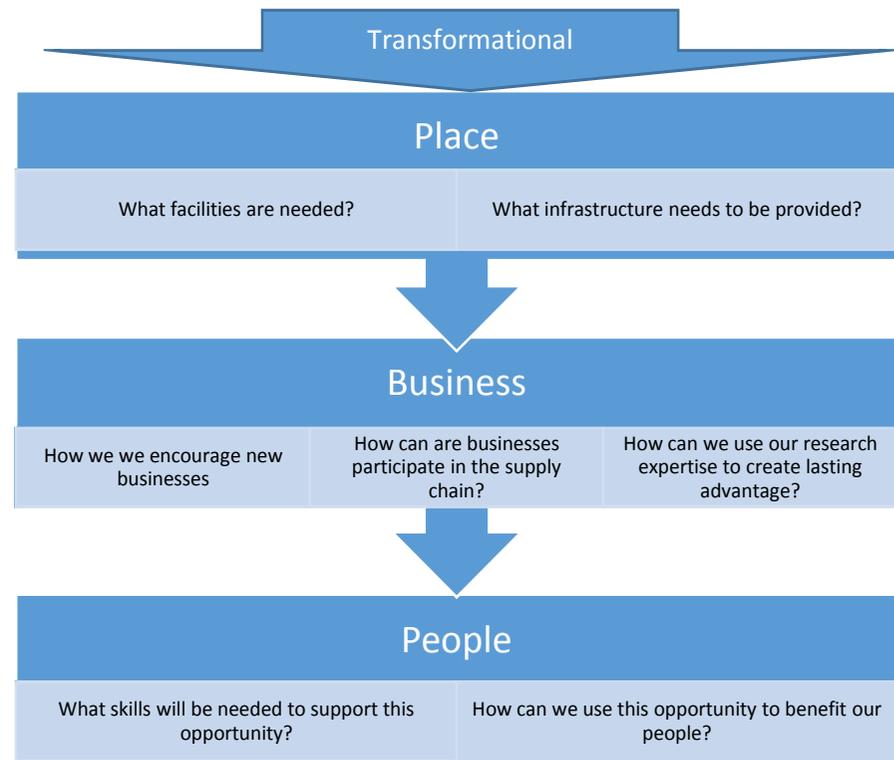
- **Aerospace and advanced manufacturing** – These industries around Yeovil and along the M5/A38 corridor are an integral component of a wider SW cluster (including the West of England, Dorset and Gloucestershire) and key to delivery of the UK Aerospace industrial strategy, with strong read across to at least three of the eight great technologies (big data, advanced materials and robotics). *Our Transformational Opportunity is to work collaboratively with our neighbouring LEPs to support the growth of these industries (including through diversification into civilian and service contracts) and also their relatedness to other engineering-based areas of activity (e.g. marine, nuclear).*

Several of these opportunities, along with our plans for improvements in transport and housing growth will have big implications for the growth of the **construction sector** in the Heart of the SW and beyond. In our Strategic Economic Plan, we have articulated how we could work in partnership with the construction industry as well as the multitude of Government agencies to bring forward the skilled labour force needed as well as creating opportunities for the most excluded groups.

The Role of the Transformational Opportunities

Our Transformational Opportunities are a key driver of growth and have the potential to exert **a transformational impact on our economy**. They therefore transcend aspects of our strategy, ensuring an integrated approach across the themes of Business People and Place.

Figure 5: Role of our Transformational Opportunities



The nature of supply chains means that all these ‘Transformation Opportunities’ will have a benefit across the whole of the SW and beyond, hence we are working closely with our neighbouring LEPs to take forward joint activity.

Smart Specialisation

For the 2014-2020 European Structural and Investment Funds programmes, the EC has promoted the concept of Smart Specialisation which is:

'An approach for determining (a small number of) knowledge-based growth priorities and then strengthening local innovation and business growth 'eco-systems' to deliver against those priorities'

While our focus on the role of our transformational opportunities has been on their potential impact on place, people and businesses in the broadest sense, the focus of Smart Specialisation is on the role of innovation and targeting funding at 'Areas of Economic Activity' where innovation interventions could have the greatest economic impact. The 'Heart of the South West Smart Specialisation Approach' (Appendix 3) sets out our approach to Smart Specialisation in the Heart of the South West, within the context of our European Structural and Investment Funds Strategy.

Thematic analysis

We have approached our analysis of the economic strengths, weaknesses, opportunities and threats by the themes of Place, Business and People, in order to arrive at our priorities for intervention. This next section will look at each of these in turn.

Place

In this theme, we cover the following topics:

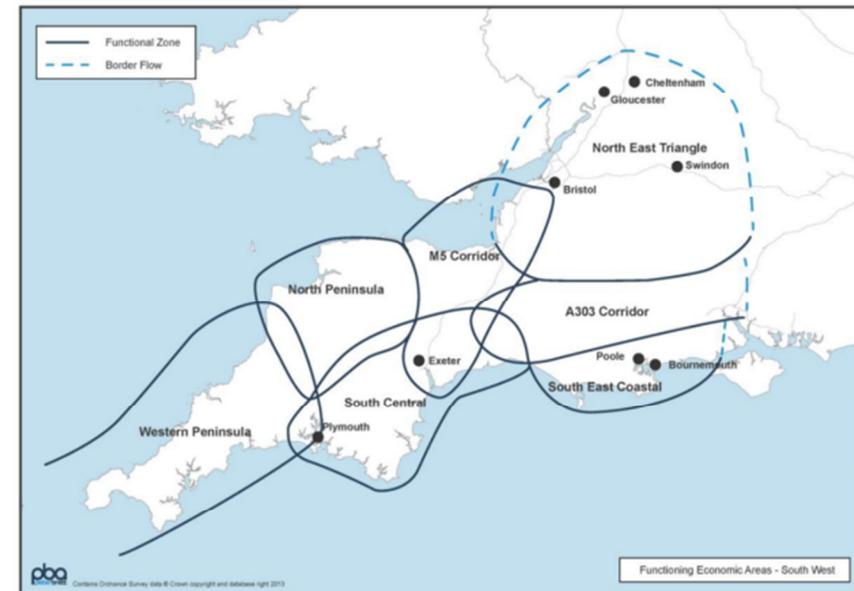
- Our Economic Geography;
- Transport;
- Digital Infrastructure;
- Housing;
- Infrastructure; and
- Environment.

Our Economic/Spatial Geography

The SW has seven overlapping Functional Activity Zones, six of which feature/overlap in the Heart of the South West:

- South Central: including Exeter, Plymouth, and Torbay.
- M5 Corridor: bridging zone between north and south.
- A303 Corridor: linking East Devon, South Somerset and the South
- Northern Peninsula: predominantly rural covering North Devon, West Devon, West Somerset and Torridge.
- North East Triangle: including Mendip and neighbouring LEP areas.
- Western Peninsula: Mainly covering the county of Cornwall, but an important part of our economic geography.

Figure 6: Functional Economic Areas²⁰



Whilst there is interaction between these areas and individual businesses and organisations, the economies of these areas can be very different and our plan needs to reflect these challenges.

Assisted Area Status

The UK Government designates Assisted Areas within European Commission guidelines. These are areas where State Aid, provided as Regional Aid, can be used to promote the economic development of certain disadvantaged areas across the EU.

²⁰ Heart of the South West Local Enterprise Partnership. Baseline Evidence. PBA Oct 2013

What this means for the Heart of the South West

Regional aid for business consists of aid for investment, or in certain limited circumstances operating aid, targeted on specific regions to redress regional disparities. Increased levels of regional investment aid may be granted to SMEs and larger businesses located within the disadvantaged areas to safeguard and create employment. Some examples of assistance to businesses that could benefit further from this designation include Regional Growth Fund and measures to bring redundant buildings back into use to safeguard and create jobs.

The Government has used a set of key criteria to determine designated Assisted Areas. These are economic need; economic opportunity to address need, focused in particular on manufacturing businesses; population coverage within the limits set by the European Commission and adjacency to Cornwall's European Convergence funding zone. Under European Commission guidance, clusters of wards included as Assisted Areas must form contiguous areas.

Where in the Heart of the South West is covered?

Assisted Areas coverage is designated on a ward by ward basis. In the consultation on the draft map for 2014-2020, significant areas within the local authority boundaries of Plymouth, Torbay, South Hams, Teignbridge, Torridge and North Devon were proposed by BIS for coverage by this designation, a significant increase from the previous map for 2007-14. Throughout the consultation the LEP has supported the inclusion of wards with both economic need and business opportunity to safeguard or create significant manufacturing employment.

Transport

Our Strategic Transport routes

The Heart of the South West' strategic transport routes are centred on the key transport/population corridor for road and rail running south

westwards from Bristol through Taunton and Exeter and onwards through to Plymouth and Cornwall.

Away from this corridor the area is relatively sparsely populated, with only Yeovil (accessed from the A303) and Barnstaple/ Bideford.

Key strategic routes are therefore:

- M5 motorway, A 38 trunk road and A380 primary route – dual carriageway grade from Bristol to Exeter, Plymouth and Torbay. The last remaining single carriageway length of the A380 is currently being replaced by dual carriageway – the South Devon Link Road;
- A30 – dual carriageway route from Exeter to Cornwall;
- A361 – main highway link to N. Devon – only single carriageway;
- A303 – direct trunk road route to London and SW (single carriageway));
- Rail – main line double track from Bristol/Reading/Newbury to Exeter/Plymouth and Torbay served with hourly high speed train services to and from London and hourly cross country service to and from the midlands and the north. However, line capacity is limited and there is not a corresponding regular local service to call at all the intermediate stations along the route;
- Rail – Exeter to Yeovil and London – mainly single track between Exeter and Salisbury, resulting in constraints on frequency of service and journey times;
- Rail – Exeter to North Devon – single track which constrains frequency and alignment limits train speeds;
- Air travel – Key Airports serving the area are Exeter and Bristol - with scheduled flights to a number of domestic and European destinations as well as charter traffic. The future of Plymouth airport (which is currently closed) is under review; and

- Ports - The major seaport is Plymouth (including ferry link to the continent), with smaller local ports at Teignmouth, Bideford, Appledore, Dunball and Ilfracombe. Plymouth serves both MOD and commercial activities.

Our peripherality and distance from markets has a direct and proven correlation with productivity. Evidence produced by the Universities of Bath and UWE²¹ found that connectivity improvements to major conurbations, but in particular London, can unleash significant economic growth. The report found that productivity decreases by 6% for every 100 minutes of journey time from London. The South West Spine report²² used these assumptions to estimate that, a 20 minute average journey time improvement applied across the area (Cornwall and HEART OF THE SW) could amount to an economic boost of up to £321m per annum in terms of GVA at 2011 values. Similarly, improvement of the A303/A30/A358 to dual carriageway between the M3 and Taunton and improvements between Honiton and Ilminster, have been estimated to lead to the creation of some 21,400 jobs and the generation of £41.6bn to the economy²³.

KPMG in a recent report for HS2 Ltd also correlated labour and business connectivity with increased productivity however it noted:

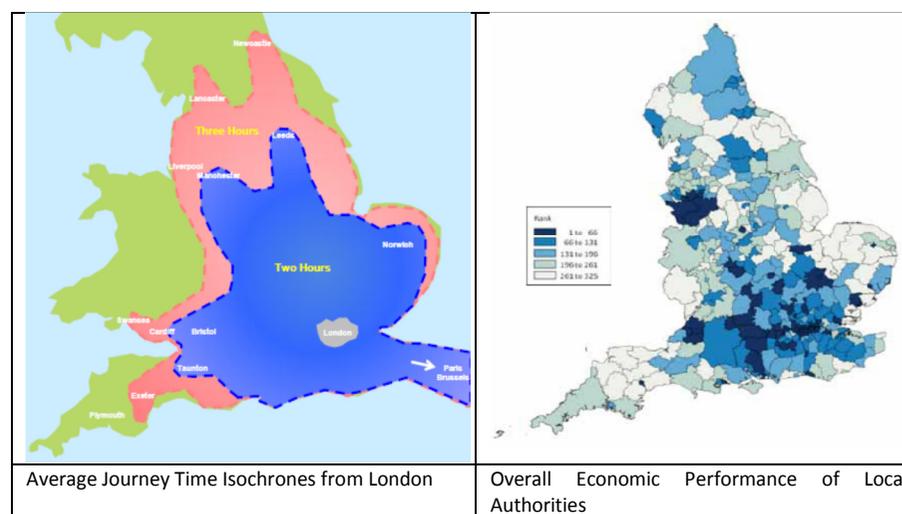
²¹ Meeting the productivity challenge, 2005

²² The South West Spine – The case for greater investment across the South West Peninsula rail network. Devon County Council, Cornwall Council, Plymouth City Council, Somerset County Council and Torbay Council. February 2013.

²³ “A303 Corridor Improvement Programme (including the A358 and A30)”, Heart of the South West LEP, Somerset County Council, Devon County Council, Wiltshire Council, April 2013

“The methodology employed makes the implicit assumption that transport connectivity is the only supply-side constraint to business location. In practice, there could be other constraints that could inhibit the potential location effects, such as the availability of skilled labour and land in a given location”. Our strategic economic plan makes these links and has priorities for place, people and businesses²⁴.

Figure 7: Relationship between rail journey times and productivity



Source: SW Spine Report, 2013

Our strategic transport infrastructure is vulnerable to flooding. In the winter of 2012 for instance, flooding at Exeter severed mainline train links to the rest of Devon and Cornwall for 15 days and the peninsula was effectively cut off by road and rail for a period of this time. Similarly, the mainline train line between Exeter and Plymouth is regularly subject to closure due to breaches of the seawall at Dawlish. The direct and indirect costs have not been quantified. Our coastal defences therefore make up an important part of our infrastructure.

²⁴ HS2:Regional Economic impacts, KPMG September 2013

Strategic transport improvements will have benefits across the area, but are of most significance to the more peripheral transition area, although ESIF funds are insufficient to address these issues.

Local Transport Infrastructure

Local Transport Infrastructure plays an important role in supporting economic growth, through minimising congestion and unlocking land for development of employment and housing. The Heart of the South West Local Transport Board (LTB) was set up in Spring 2013, to identify and prioritise local major transport schemes for the period 2015-2019. The LTB agreed that the primary objective of the major transport schemes programme for 2015-2019 should be to support growth of the Heart of the South West economy by:-

- Providing transport infrastructure which enables employment and housing development to come forward;
- Improving business competitiveness by reducing congestion, improving the reliability and predictability of journey times; and
- Improving access to employment and essential services by providing infrastructure which will enable employees to have a choice of modes, and reducing reliance on the private car.

12 schemes were included in this programme, totalling £83.2m. An initial allocation of £27.1m has been made towards this programme by DfT, for the period from 2015/16 to 2018/19 through a formula based grant to the LTB. The balance of £56m needs to be found to complete these schemes. The competitive Growth Deal process running alongside the development of the LEPs' Strategic Economic Plans (SEPs) presents an opportunity to develop and prioritise the remaining schemes, along with other transport solutions that have the potential to unlock growth over the life of the SEP.

Sustainable Transport

There is a considerable network of **local train services** operating in Devon (including Plymouth and Torbay) and local rail patronage has been growing strongly for the last decade (109% growth between 2002 and 2012 compared with 55% growth nationally), partly as the result of fruitful partnerships between local authorities and the rail industry. Somerset has a more limited local train services network. Commercial **bus networks** operate in the largest conurbations, Plymouth, Exeter, Torbay and to an extent at Taunton and in Northern Devon. Bus networks in smaller towns and rural areas are dependent on public funding, with the risk of failure as pressure on sources of local authority funding increases. In rural areas, lack of transport to access employment and training can present a significant barrier to social inclusion, particularly for young people, the elderly and those without access to a car.

Significant investment has also been made in facilities for **cyclists and pedestrians**, including long distance recreational routes and utility cycling/ walking routes in towns and cities. The limited size of many towns in the Heart of the South West means that many journeys for employment, education or shopping can potentially be made by non-motorised modes.

Key Messages:

- Our weak strategic transport infrastructure is inhibiting growth and productivity, significant investment is required to improve resilience and journey times;
- Local Transport Infrastructure has the potential to unlock economic growth and further investment is required; and
- In rural area, lack of transport can be a barrier to inclusion

Environment

We are known for the quality of our natural and historic environment, with numerous environmental designations including:

- Dartmoor and Exmoor National Park
- 7 Areas of Outstanding Natural Beauty
- 339 Site of Special Scientific Interest
- 22 National Nature Reserves
- 2 Ramsar Sites
- 5 Marine Conservation Areas
- And 1 national trail, the South West Coast Path

We recognise that our environment provides us not just with beautiful landscapes and wildlife, but with food, fuel, pollination, flood control and great recreational and business opportunities.

Devon Local Nature Partnership identifies three types of 'Ecosystem Services' obtained from our natural environment:

- Provisioning Services – such as resources, fish, honey, livestock, water, fuel, timber, minerals;
- Regulatory Services – such as pollination, flood control, carbon storage, improving water, soil and air quality;
- Cultural Services – including recreation, landscape and cultural heritage.

These are all important services to the Heart of the South West area, given the importance of our bedrock sectors such as agriculture (and fishing), tourism and food and drink, as well as the wider regulatory services (such as flood control).

Our challenge is to achieve environmentally sustainable growth through mainstreaming environmental best practice and pioneering innovative approaches, such as the Exmoor Mires Project illustrated below.

Exmoor Mires Project

On the uplands of Exmoor drainage ditches have been dug across the moorland for a variety of reasons and over many decades.

Generations of peat-cutting and the creation of drainage ditches has caused the mires to dry out, which reduces the water-holding capacity of the moors and releases large quantities of carbon into the atmosphere. A 'healthy' bog accumulates carbon and absorbs CO₂ from the atmosphere. The Exmoor Mires Project is part of a wider SWW project 'Upstream Thinking' which aims to improve raw water quality at source, before it gets to water treatment works.

The focus of the Exmoor Mires Project, is to block drainage ditches using sustainable methods, local materials and local contractors in order to 're-wet' the bog, enabling it to retain water and carbon.

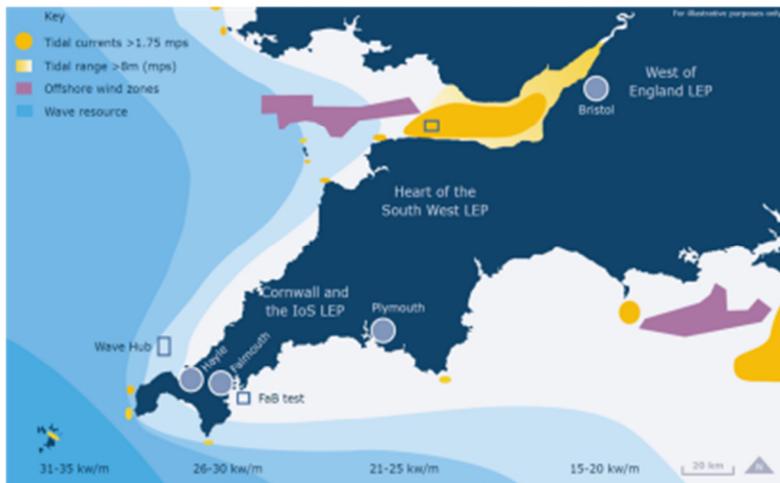
During periods of heavy rainfall, re-wetted peat bogs slow down the run-off of water from land before steadily releasing it. This increased water storage has the effect of reducing the fluctuation of river flows, making flooding less likely and reducing soil erosion and silt in rivers.

Energy Infrastructure

In addition to Hinkley Point B (and future C), the Heart of the SW has one new gas fired power station in Langage, Plymouth, commissioned in 2010.

We also have vast renewable energy resources, including onshore wind, offshore wind, biomass and solar. We have world class offshore wind, wave and tidal energy resources and the **South West Marine Energy Park** is working to develop 9,200MW of marine energy and offshore wind by 2020, as illustrated on the map below.

Figure 8: South West Marine Energy Resource



Source: South West Marine Energy Park and Regen SW

Renewables energy installations more widely have grown 10 fold since 2005 and have the potential for further growth, bringing jobs and opportunities for our businesses²⁵.

²⁵ South West Renewable Energy Progress Report 2013, Regen SW

Stakeholders have identified that we have existing strengths or opportunities to becoming leading in technologies related to decentralised heating and energy efficiency. In particular smart systems, district heating, combined heat and power and community energy initiatives. Improvements are needed to our **electricity grid infrastructure** to improve the resilience of our energy distribution networks as supplies become more diversified.

In terms of energy efficiency, the rural nature of our area means that 20% of homes (150,000) are off the gas grid and many are old and hard to insulate with 28% having solid walls. Expected increases in fuel prices in the future mean that addressing energy efficiency both in the domestic and commercial environment will remain a challenge. The Green Deal and the Energy Company Obligation have the potential to drive up take-up, in turn will incentivise uptake in energy efficiency and renewable energy measures which in turn providing an opportunity for our growing low carbon/energy sector.

Key Messages: The Heart of the SW has the potential to become a leader in the fields of new nuclear power and marine renewables. It has also made progress in renewable energy installations (large and small scale) improving the resilience of our energy base, but more is required to meet national targets.

Energy efficiency (both domestic and commercial) will remain a challenge, especially with longer term fuel price increases expected. Energy efficiency and decentralised heat and power technologies represent opportunities to address these challenges.

Development of a low carbon energy cluster associated with new nuclear will be a key driver in the more developed area.

Digital Infrastructure

Good digital and mobile infrastructure is a vital ingredient for growth, especially in more peripheral areas such as the Heart of the SW.

Numerous studies have shown the economic and social benefits of digital infrastructure, including the UK broadband Impact Study which shows for every £1 invested, the UK economy benefits by £20²⁶. This is echoed by our business community, who identified digital infrastructure as the most important factor likely to constrain growth and mobile infrastructure the third most likely factor (after general economic conditions) in our recent business survey (see appendix 1).

The Heart of the SW has good connectivity in most of its urban conurbations, with a high level of availability of superfast broadband (for example, Plymouth ranks 5th in England for superfast broadband availability) and 4G mobile broadband available across Plymouth and Exeter. However, there are a number of industrial sites where lack of access needs to be rectified.

Rural areas will benefit from one of the earliest and largest investments in rural connectivity in the UK, which will deliver superfast broadband to at least 90% of premises by the end of 2016, but further investment will be required to achieve universal superfast. Similarly, we have benefitted from an additional forty base-stations to improve mobile connectivity through the Mobile Infrastructure Project.

Whilst significant investment is underway further investment will be needed to achieve universal connectivity and ensure our towns and cities remain competitive in relation to next generation technologies, such as 4G. Evaluation studies have also highlighted the need to help businesses

²⁶ UK Broadband Impact study, Impact Report, November 2013

understand the practical benefits of superfast technology in order to maximise the impact²⁷.

Case study – Connecting Devon and Somerset

On January 29th 2013 Connecting Devon and Somerset signed a contract with BT, securing a £94 million investment to transform broadband speeds for businesses and residents, through a mixture of public and private sector investment.

The project is delivering across LEP boundaries encompassing the Heart of the SW as well as North Somerset, and Bath and North East Somerset in order to secure maximum value for money.

The project will deliver:

- (greater than 2Mbps) for all by the end of 2016;
- superfast broadband (greater than 24Mbps) to at least 90% of homes and businesses by the end of 2016;

Without Connecting Devon and Somerset, some 700,000 residents and 26,000 businesses with a combined turnover of £9 billion have no certainty of receiving improved or superfast broadband from the

Key Messages:

- Further investment in Digital and Mobile Infrastructure is required to achieve universal superfast connectivity and keep up with next generation technologies;
- Further support is needed to help businesses reap the benefits

²⁷ Interim Evaluation of the Superfast Cornwall Project, Plymouth University and Buckman Associates Ltd. 2013.

Housing

The housing market plays an important role in driving economic growth. Housing construction, repairs and maintenance have a direct economic impact, accounting for on average 3% of English GDP in the last decade. Every £1m of new house building output supports 12 net jobs (seven direct and 5 indirect) for a year, as well as apprenticeship opportunities²⁸.

Delivery of an adequate supply of homes to meet a range of needs is a challenge. Insufficient supply of housing exacerbates housing affordability issues and can act as a barrier to growth. Housing stock indicates labour market supply and the potential for workforce relocation. The location and affordability of homes and plans for housing growth are key factors in an area's potential for economic growth.

In the Heart of the South West, local plans either already in place or emerging contain ambitious levels of future residential development with over 9,500 new homes per year or nearly 50,000 new homes in the next five years. The majority of new homes will be within the main urban areas, sustainable urban extensions or new settlements located at the main settlements. The largest sites often have significant infrastructure requirements that need to be in place during the early phases of construction, or in some cases before properties are even built.

In the recent economic climate delivery of new homes has been frustrated by issues of economic viability, the availability of finance and the need for associated infrastructure. However, despite obstacles, we have high profile positive examples of innovative delivery of public private sector partnership working to create both new homes and job opportunities, such as the Cranbrook New town, linked to jobs and

²⁸ Laying the Foundations: A Housing Strategy for England.

growth with the Sky Park to the East of Exeter and the major urban regeneration programmes in Plymouth's Devonport and North Prospect.

Business Growth Infrastructure

The Heart of the SW has just 0.77 sq metres of commercial office space per capita. This compares to an England average of 1.58 and places the Heart of the SW in the bottom quartile of all LEP areas against this indicator. This reflects limited potential associated rental income for commercial investors – The estimated rateable value per metre squared for commercial office space in the Heart of the SW is £69, compared to an England average of £128²⁹. These low potential yields make investment in employment space less attractive to developers.

Across our area, Local Authority Planned development of employment land is 1119.1ha. Again in the current economic climate delivery of new employment land faces issues of economic viability, the availability of finance and the need for associated infrastructure.

Given our diverse geographical area, the key to delivering employment opportunities is to ensure a supply of the right types of sites in the right areas. This means attractive to business, with a skilled workforce, appropriate support services and supporting infrastructure. The difficult economic climate makes this a challenge for potential employers, developers and public sector partners.

Of particular importance to the Heart of the SW, will be ensuring the right employment sites/facilities are available to support businesses wishing capitalise on our transformational opportunities, such as the planned 'spokes' of the marine industries production campus outlined in the Plymouth and South West Peninsula City Deal.

²⁹ LEP Network Report, 2012

Of equal importance, is understanding and serving rural market failure and building on the success of the 'Rural Growth Hub' modelling piloted through the Rural Growth Network which delivered a network of capital workspaces to act as focus points for the establishment and growth of rural enterprise.

Key Messages:

- We need to provide the right facilities and infrastructure to support our transformational opportunities;
- We need to unlock the potential of strategic employment sites
- We need to build on our successful network of 'enterprise spaces' in urban and rural areas

SWOT – Place



Over-Arching Place Priorities

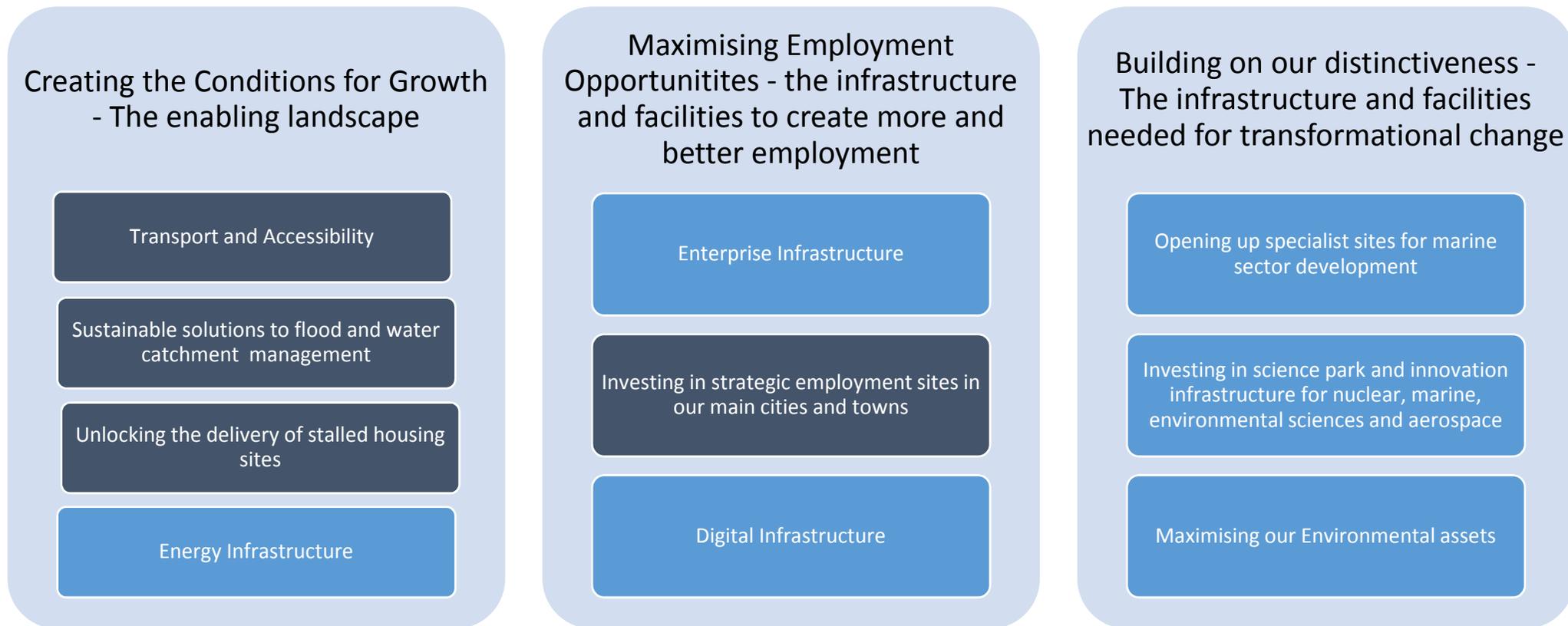
It is clear from the analysis above, that place related issues play a vital role in the growth and success of the Heart of the SW area – through an integrated approach to stimulate employment and growth among our businesses, as well as considering the needs of people.

Our evidence shows that our **strategic transport connections** are inhibiting growth and productivity – increasing business costs and reinforcing insularity among our businesses. **Digital infrastructure** has an important potential role in addressing this, if coupled with improved skills of businesses and individuals. Of immediate concern is the vulnerability of our transport infrastructure to extreme weather events and the cost to our economy. Within our area, transport infrastructure has the potential to **unlock development of key employment/housing sites**, which are vital in achieving our ambitions for growth.

Whilst much of our employment/housing growth is anticipated in to be in **strategic urban sites** that can bring together the ingredients for growth at scale, we must also look to how place based opportunities can support rural growth. This is where our work to pilot **rural growth hubs**, alongside superfast broadband infrastructure will be particularly beneficial. **Enhancing our environmental assets**, which already act as a magnet for visitors, residents and investment has the potential to benefit both urban and rural communities and create jobs.

Investment in facilities and infrastructure to support our Transformational **opportunities**, such as Hinkley and the Marine Industries Production Campus (across Devon) will be of paramount importance to our growth ambition. Figure 10 overleaf illustrates how these priorities fit with our core aims.

Figure 9: Over-arching Strategic Priorities for Place



Light Blue boxes illustrate priorities to be taken forward with ESIF funding. Dark Blue boxes represent priorities to be taken forward in other ways.

Which of these 'Place' Priorities will we address in the ESIF?

The priorities listed above reflect our assessment of the evidence base and our understanding of need and opportunity. However, not all of these activities can be taken forward with European Structural and Investment Funding, for the following reasons:

- There is poor alignment with the EU thematic objectives and eligible activities;
- There are insufficient structural funds available to make a meaningful investment; or
- Structural funding is not necessary, because the activity is being taken forward through a different route.

The place based priorities **NOT** being taken forward with EU Structural and Investment Funds include:

- Transport and Accessibility;
- Sustainable solutions to flood and water catchment management;
- Unlocking the delivery of stalled housing sites; and
- Investing in our employment sites in our main cities and towns.

Transport and Accessibility

"Transport and Accessibility" is a key priority of our Strategic Economic Plan with sub-priorities of:

- Strategic Rail – Reducing journey times, electrification and improving capacity.
- Strategic Road – A303/A358/A30 Corridor to London, improved junctions on M5/A38 corridor, improved driver information
- Airports - Improve local access to airports through direct infrastructure investment and supportive planning policies
- Resilience - Reducing impact of events (extreme weather, accidents) and improve alternative routes

- Transport Infrastructure to Support Growth – unlocking development, reducing congestion
- Sustainable Transport – Bus Priorities, Walking and Cycling Routes and Interchanges

The notional allocation of ERDF funding for the LEP area is limited and funding transport would take away from other eligible activities. However, it should be noted that Plymouth port, the mainline rail route to Penzance, the M5/A38 corridor, and the A303/A358/A30 corridor are part of the comprehensive TEN-T network as outlined by Regulation (EU) No 1315/2013. As such, these routes are within the highest layers of infrastructure planning for the EU. With limited motorway, slow rail journey times, and a vulnerability to adverse weather events, the South West peninsula strategic transport infrastructure is hampering its economic and social potential. While rail usage has been growing in the region, capacity is constrained and more will be needed if we are to work towards the European objective of the majority of medium-distance passenger journeys to be undertaken by rail by 2050.

While plans to improve the core network nationally, including HS2 and the electrification of the Great Western Mainline are well advanced and are national priorities, we seek in this SIF period to advance feasibility studies to upgrade our key TEN-T strategic routes, address the market failures to electrify the rail route, and to completely dual and designate as expressway the strategic road routes with a view to bringing forward their implementation. To reposition our area in the national mind-set our core road and rail routes should first be considered as Strategic National Corridors. We would like to explore further alignment of national priorities, our SEP priorities and the Connecting Europe Facility recently established through Regulation (EU) No 1316/2013 of 11 December 2013.

Sustainable Solutions to Flood and Water Catchment Management

Whilst this is a priority for the Strategic Economic Plan, the allocation is insufficient to make a meaningful investment in this activity. The Heart of the SW LEP is working in partnership with the Environment Agency and wider DEFRA agencies to explore a range of hard and soft engineering solutions to be addressed through the Strategic Economic Plan process, potentially building on the range of existing good practice, such as the Upstream Thinking Project and payments for eco-system services being piloted by DEFRA.

Unlocking the Delivery of stalled housing sites

Whilst this is a priority for our Strategic Economic Plan, potential activities under this priority would not be eligible for ESIF funding. This priority will be taken forward through the Strategic Economic Plan process – working with Local Authorities, developers, the Homes and Communities Agency and other stakeholders to find mechanisms for bringing these sites forward.

Investing in our strategic employment sites in our main cities and towns

At this stage, we do not propose to invest ESIF funds in strategic employment sites in our main town and cities. Our primary reasons for this are: 1) An insufficient allocation to be able to make a meaningful contribution; 2) A poor fit with the EU thematic objectives and 3) Potential compliance issues. This priority will be taken forward through the Strategic Economic Plan process – working with Local Authorities, developers and the Homes and Communities Agency. The situation will be reviewed again at the mid-term stage.

Geographical Prioritisation

Our priorities under place have the potential to benefit the whole of the Heart of the SW area. Improved digital infrastructure through the further roll out of superfast broadband will primarily benefit rural areas. Improve enterprise infrastructure is anticipated to expand and enhance both urban and rural facilities, building on the network of work hubs created through the Rural Growth Network. Improving our environmental assets through EAFRD has scope to attract more tourists benefiting businesses across the area.

Improvements to our innovation and research infrastructure aligned with our transformational opportunities and smart specialisation sectors has reach across the region, depending on the area of economic activity (e.g. Aerospace aligned with South Somerset).

Development of our marine infrastructure has the potential to benefit both north and south coasts, as articulated in the Plymouth and Peninsula City Deal.

Business

In this theme we explore issues relating to business and overall economic performance. In particular, we will be examining:

- Our Business Stock;
- Innovation;
- Markets; and
- Business Support.

Our Business Stock

The Heart of the SW has 61,455 businesses³⁰ (20,605 in transition and 20,850 in more developed), of which 75% fall into the 0-4 size band. However, the proportion in this size band varies significantly across our area, ranging from 67% in Exeter to 81% in our more rural districts³¹. The high proportion of micro businesses, whilst intrinsically providing an opportunity for growth, also presents limitations in terms of their ability to absorb business advice/support, access funding opportunities and participate in national programmes/opportunities (for instance, UKTI – target businesses with 5+ employees due to their greater propensity to export). Table 1 shows our performance against a number of competitiveness indicators.

³⁰ ONS Business Demography, 2012

³¹ Nomis, UK business counts, 2011

Table 1: Competitiveness indicators³²

Indicator	Heart of the SW LEP	England Average	Ranking /39 LEPs
Enterprise density/1000 population	37	38	22 nd =
Birth/death enterprise churn rates	7.7% / 9.4%	10.1% / 10.7%	37 th / 35 th =
% change in number of active enterprises 2001-11	7%	24%	36th
Self-employment 2012	11.5%	9.8%	9th
Local Enterprise Units with 100+ employees	0.8%	1.0%	34th

Key Messages:

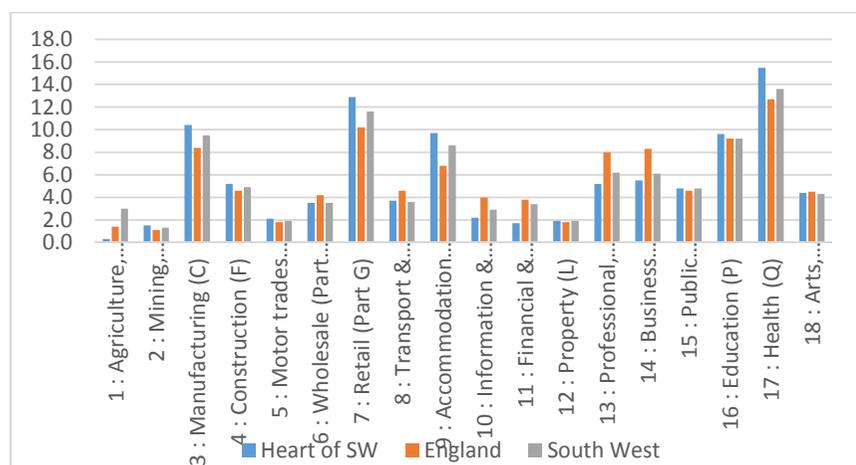
Our businesses tend to be older, more insular and have lower rates of churn than national averages. The need to improve **enterprise rates** by making it easier to start and grow a business is a key productivity issue – across the more developed and transition areas.

³² Review of LEP Area Economies, 2013, LEP Network

Business Sectors

Figure 6 shows that in 2012, the Heart of the SW exceeded national and regional averages for employment in Health, Retail, Manufacturing and Accommodation and food services. But showed under-representation in groups 10-14 which tend to represent the smaller, higher value areas of the economy.

Figure 10: Employment by Broad Industrial Group (2012)



Source: Business Register and Employment Survey, ONS. (excluding farms)

This is supported by national analysis which shows, we have just 12.2% of our population employed in knowledge intensive sectors, and 15.3% in export intensive sectors, putting us in 32nd and 34th position (respectively) relative to other LEPS³³.

³³ Review of Local Enterprise Partnership area economies in 2013, LEP Network.

A more granular analysis (at 5 digit SIC codes) conducted by ERC³⁴, found that the top five sectors by employment for the Heart of the SW centred on hospital and health related activities, education and public administration as well as retail and the hotel, bars and restaurants sectors. Analysis by Location Quotient³⁵ found the highest location quotients in agricultural activities and agriculture-based products as well as tourism related activities. The only sector which appears to have a high LQ and significant employment is the manufacture of air and spacecraft and related machinery.

The researchers also conducted a LEP wide analysis of performance against the 11 sectors identified in the Government's Industrial strategy. The results are shown in table 2 below. This shows that we have a strong cluster in relation to Aerospace and growing clusters in agri-tech and nuclear.

Table 2: Heart of the SW performance against Industrial Strategy sectors

Industrial Strategy Sectors	Location Quotient for HEART OF THE SW
Aerospace	Between 3-4
Automotive	Less than 1
Life Sciences	Between 1 and 2, up from <1 in 2008
Agritech	Between 2 and 3
Education	Less than 1, down from >1 in 2008
Information Economy	Less than 1
Nuclear	Between 1 and 2, up from <1 in 2008
Oil and Gas	Less than 1
Offshore wind	LQ not available – map does not indicate particular strength for HEART OF THE SW
Construction	Between 1 and 2

³⁴ Localisation of Industrial Activity Across England's LEPs. ERC, Nov 2013 (draft)

³⁵ A measure of under/over representation (1=average, >1 over, <1 under)

As the location quotients highlight, we have a considerable strength in the agri-food sector, which is to be expected given our rural nature and number of farms. A recent study by the University of Exeter's Centre for Rural Policy Research³⁶ highlighted that Devon's food economy is larger in relative terms than the food economy of most other English counties, accounting for 13% of GVA in the county compared to 7.6% for Great Britain. Whilst comparative figures have not been produced for Somerset, we know that food and drink sector is considered to be 'buoyant' and with a strong reputation for and local food culture³⁷.

A key element of our agri-food sector, particularly in the transition area is our fisheries. Fisheries are a mature and important industry in the coastal areas of the Heart of the South West. The LEP is home to Plymouth, the largest fishing port in terms of tonnage landings in England and Brixham with the highest value of catch landed in England worth £27m in 2012.

There are a total of 30 working fishing ports across the LEP area and a developing aquaculture industry. Of these, Salcombe is important for shellfish with 1,300 tonnes, valued at £1.9 million landed in 2012 and the North Devon ports of Ilfracombe, Appledore and Bideford are important for the sustainably managed skates and ray fishery with 438 tonnes, valued at £0.7 million landed in 2012. Fishing not only contributes to the unique character of the area, but also adds significantly in economic terms.

³⁶ A Review of Devon's Food Economy. Matt Lobley, Jo Trail Thomson and Donald Barr, CRPR Research paper No 34. 2012

³⁷ <http://www.intosomerset.co.uk/food-and-drink/>

Key Messages:

- Some strengths in sectors with close alignment to the Government's industrial strategy (e.g. Aerospace, Agri-tech, nuclear, and construction);
- Strong traditional industries (agriculture, food and drink, tourism); and
- Weaknesses in knowledge intensive and export intensive sectors.

Productivity of our sectors

Analysis by sector shows, that with the exception of 2 sectors, GVA/FTE is below the UK average. Our analysis suggests that if we were to achieve comparable productivity across our sectors, our GVA/FTE would rise to 94% of the UK average.

However, wider macro-economic conditions at a global and national level will influence which of our sectors will experience growth in the future. Our under-representation in these growth sectors is thought to be one of the primary reasons why we are expected to continue to under-perform on the national stage. Currently, just 35% of our employment is in the top output growth sectors, putting us in 28th position relative to other LEPs³⁸.

Key Message: 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.

Markets/Exporting

41% of businesses in the Heart of the SW Business Survey 2012 indicated that they traded beyond 100miles of their location and only 21% traded internationally. Whilst the proportion trading internationally compares to other similar surveys, evidence from UKTI suggests that businesses in the Heart of the SW are less likely to export and have a lower propensity to export. This is consistent with LEP Network data which shows our employment near bottom ranking performance on a number of measures.

³⁸ Review of LEP area economies in 2013, LEP Network

Table 3: Export Related Indicators³⁹

Indicator	Heart of the SW LEP	England Average	Ranking /39 LEPs
Employment in export industries	15.3%	17.7%	35th
Share of foreign owned enterprises/employment	0.3%	1.2%	37=
Share of foreign owned employment	2.9%	15%	39th

HMRC Regional Trade Statistics show the value of South West exports have risen by 6.3% to £13.5bn in the 12 months to September 2013. While this increase is to be welcomed, exports in the whole SW still only equal 6.1% of the total for England. Regional per capita value of exports are £2,522, significantly below the England average of £4,152 and making the SW the worst performing region.

Furthermore, figures show that Cornwall and IoS, Devon, Somerset, Torbay and Plymouth generated 195 new jobs in 2011/12 as a result of existing UKTI inward investment activity. This represents only 0.35% of the national successful landings (UKTI National Inward Investment Pipeline).

Key Messages: The data suggests that there is a need to help businesses reach new markets and export as well as encourage inward investment across transition and more developed areas.

³⁹ LEP Network Report, 2013

Innovation and knowledge economy

Innovation is a recognised driver of growth and research has found that growth rates of innovative firms were significantly higher than non-innovative firms⁴⁰. The South West region ranks 6th out of 9 regions in England in terms of expenditure on R&D performed in UK Businesses, and 3rd in terms of numbers of people employed in R&D⁴¹. The wider region is categorised as ‘low absorber, low user, follower’ on the EU regional innovation scorecard. This pattern continues to be played out at the LEP level. Table 4 shows that the Heart of the SW LEP is one of the worst performing on standard measures of innovation.

Table 4: Innovation Indicators⁴²

Indicator	Heart of the SW LEP	England Average	Ranking /39 LEPs
Percentage of employees in knowledge economy, 2011⁴³	12.2%	19.4%	32nd
Patents per 100 k residents	5.3	13.0	35th
Percentage of employees in high and medium technology manufacturing, 2011	22.5%	15.7%	34 th =

Analysis of Technology Strategy Board (TSB) spend over the last five years shows under £20m of investment (1.8% of TSB total), with around 50% of that accounted for by a large award to Agusta Westland.

⁴⁰ BIS Analysis Paper No 2: SMEs: The Key Enablers of Business Success and the Economic Rationale for Government Intervention. December 2013

⁴¹ UK Business Enterprise Research and Development. Source: [ONS, 2012](#)

⁴² Review of LEP Area Economies 2013, LEP Network.

⁴³ As defined by OECD

The Witty Review⁴⁴ highlighted the role of Higher Education in enhancing economic growth through:

- World class research in areas of comparative advantage; and
- Engaging with innovative and potentially innovative SMEs and to support them with technology, know how, expertise etc.

We are fortunate in the Heart of the SW to have 3 universities as well as 11 further education colleges, with strong relationships with the LEP. However, it should be noted that these all fall in the Transition Area, with only limited HE provision in Somerset.

Our three universities featured on a number of the top 20 indicators included in the Witty Review:

Table 5: How our Universities featured in the Witty Review

Indicator	Exeter University	Plymouth University	University of St Mark and St John
Value of CPD support supplied to SMEs	Rank - 7 th Value - £3.9m	Rank – 13 th Value - £2m	
Graduate Start-ups			Rank – 15 th Value - £20.1m

Both Exeter and Plymouth University were highlighted in the report for their SME models (Set Squared and Gain respectively).

⁴⁴ Encouraging a British Invention Revolution: Sir Andrew Witty’s Review of Universities and Growth – October 2013

The review also examined R&D expertise based on the number of citations of relevance to the Industrial strategy sectors and eight great technologies – identifying the top 20 universities/research organisations for each sector/technology. Our research organisations were identified for:

- Plymouth – Nuclear (ranked 12th), Robotics (ranked 4th)
- Exeter – Satellites (ranked 11th), Agri-science (ranked 15th)
- Met Office – Aerospace (ranked 1) Satellites (ranked 7th)⁴⁵

The Universities in the West of England LEP area also featured strongly in research related to these sectors reminding us of the importance of collaboration and finding ways to help businesses to collaborate with the most appropriate institution wherever they are located.

Besides these narrowly defined areas, our universities received over £60m in research grants and contracts⁴⁶. Both Exeter and Plymouth Universities have Innovation/Science Park infrastructure which are directly contributing to the economic performance of their surrounding areas.

In 2011/12 the Heart of the SW had 43,395 undergraduate students and 9,270 postgraduates studying in our universities. This student population has an enormous potential for impact on our business community through programmes to link students/graduates to local businesses as well as attracting back Alumni to the region later in life.

In some parts of the LEP, like Somerset and North Devon, the lack of local Higher Education infrastructure (HEI) means there is more opportunity

⁴⁵ A recent area of growth for the Met Office is space weather

⁴⁶ HESA, 2011/12

for partnerships and outreach with Further Education Colleges and businesses from HEIs within this and neighbouring LEPs.

SETsquared is a collaboration between the universities of Bath, Bristol, Exeter, Southampton and Surrey which partners in enterprise activities. It currently supports approximately 250 technology start-ups and has given birth to around 1,000 high-tech start-ups since its inception ten years ago. In July the University Business Incubator Index ranked it the best in Europe, and fourth in the world behind three counterparts in the USA.

Key messages:

- Make the best use of our R&D capacity to grow thriving economic clusters and open up new markets;
- Retain or attract back graduate talent in our local economy
- Make the knowledge base easier to access for relevant businesses.

Business Support

Our multiple consultation exercises to support the development of the Plymouth and SW Peninsula City Deal, the draft ESIF and the Strategic Economic Plan identified that ‘accessing business support was perceived to be a key barrier to growth. Research confirmed this, showing that levels of uptake of some business support programmes in our area are low. For instance:

- In October 2013, only 11 calls from Heart of the SW businesses were made to the national business support contact centre;
- Only 1.8% of TSB spend in the last 5 years;
- Only 4.9% of the value of R&D tax credits were claimed in 2011-12 for SW based businesses⁴⁷.

The main reason for this is a lack of awareness, relevance and understanding of the support available. Similarly, funding initiatives are complex and often out of reach for the majority of our companies, dominated by micros and SMEs.

Rural/Urban

Our business population spans both the rural and urban environment on a roughly 50:50 basis and analysis shows that with the exception of agriculture and land-based industries, the sector profiles are not so different. That said, our evidence to support our Rural Growth Network, established that rural businesses tended to have differing needs, not least because they tend to have a higher proportion of SMEs. Our approach, tested through the Rural Growth Network Pilot, provides an opportunity for expansion moving forwards.

"GAIN Case Study"

GAIN is a growth hub founded by Plymouth University, with Plymouth City Council and Tamar Science Park. It brings together more than £120 million of business infrastructure, world class research facilities and expertise in a network focused on growth and investment. It seeks to join up physical assets, services and products to assist people with ideas, business that want to grow and create deal flow for investors. Within the Plymouth and SW Peninsula City Deal, partners commit to extending the reach of the network across the Peninsula, and Government has co-funded, through RGF, initial support for this scaling up – both portal, face-to-face and partner-based.

The initiative has featured prominently in both the Witty Review of universities and growth, and BIS Research Paper #156 on understanding localised policy interventions in business support and skills. This latter publication identifies key issues that the SEP will address in delivering this scaling up effectively – e.g. sustaining the model in the face of time-limited, conditional external funding; ensuring deep business and partner engagement in co-design and delivery management; leadership and governance etc.

⁴⁷ <http://www.hmrc.gov.uk/research/report107.pdf>



Business Priorities

The need for transformation is urgent. Despite some strong, dynamic and outward looking businesses, our businesses tend to be smaller, older, more insular, less knowledge intensive and have lower rates of churn than national (and especially Southern) averages. When comparing performance with other LEPs, we see that the Heart of the SW sits within the bottom quartile on many measures and this is a major contributor to our poor economic performance.

Therefore, on the supply side of business growth, the Heart of the SW needs to:

- Increase density through making it easier to start-up and grow a business;
- Improve productivity and performance through better connections to the knowledge base; and
- Build on the considerable existing business ‘jewels’ and distinctive opportunities for business growth from specialisation in high value, knowledge-based activity and alignment with national investment and policy priorities.

On the demand side, the business growth priorities need to redress insularity and grow target markets for the Heart of the SW businesses – notably through our Transformational Opportunities, public sector procurement, UK and export markets and web-fuelled routes to market.

Figure 11: Strategic Priorities identified for Business



All of these priorities will be taken forward to a greater or lesser extent with ESIF funding, complementing other activity in the area, such as the Plymouth and SW Peninsula City Deal. Business support activities, will in the main be sector and place blind, reflecting the need to grow all businesses with the potential to grow, subject to the eligibility of the funds.

People

In this theme we explore our key statistics against a range of 'people' related indicators including:

- Demographics;
- Employment & wages;
- Unemployment and Economic Inactivity;
- Deprivation and Poverty;
- Workforce skills;
- Educational achievement;
- Skills of Young People; and
- Educational infrastructure.

Demographics

As described previously, the Heart of the SW has an expanding population, expected to grow by in excess of 200,000 by 2030. We also currently have an aging population, with 21.6% of our population over the age of 65, considerably higher than the average for England of 16%⁴⁸. This proportion is expected to rise rapidly with Devon, Somerset and Torbay all expected to exceed the 25% mark by 2021 (Torbay 27.3%).

However, whilst 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 Heart of the SW area once exchequer costs have been accounted for.

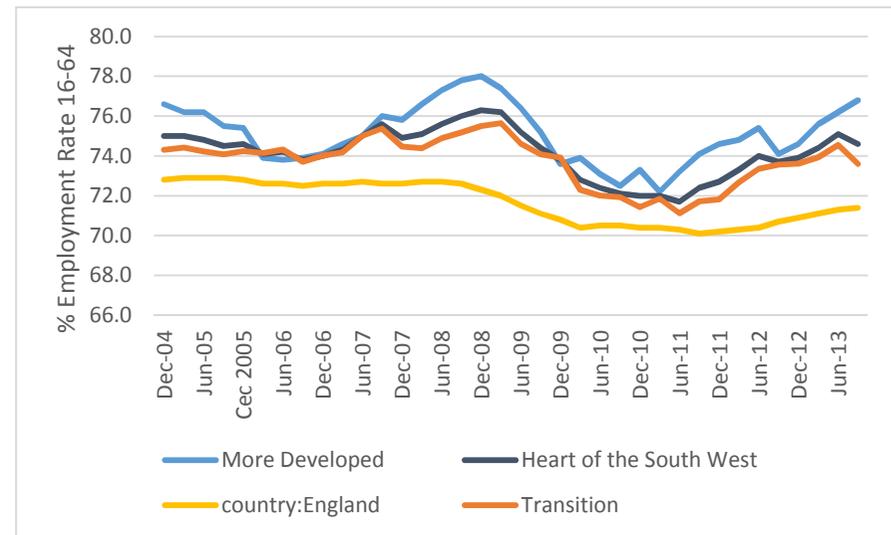
Key Message: Demographic changes will have implications for housing and availability of workforce skills. However, an aging demographic may also provide an opportunity for testing social innovations linked to our business theme

⁴⁸ Census 2011

Employment and Wages

Our employment rate (74.6%⁴⁹) is currently higher than the England average (71.4%), although figure 11 below suggests that that gap may be starting to close. There is also significant variation across our area, with two districts falling below the national average (Torbay -70.0% and Plymouth – 69.2%- both in the transition area). The employment rate is lower in the transition area (73.6%) compared to the more developed area (76.8%), reflecting this poorer performance in Plymouth and Torbay.

Figure 12: Employment Rate (annual rolling)

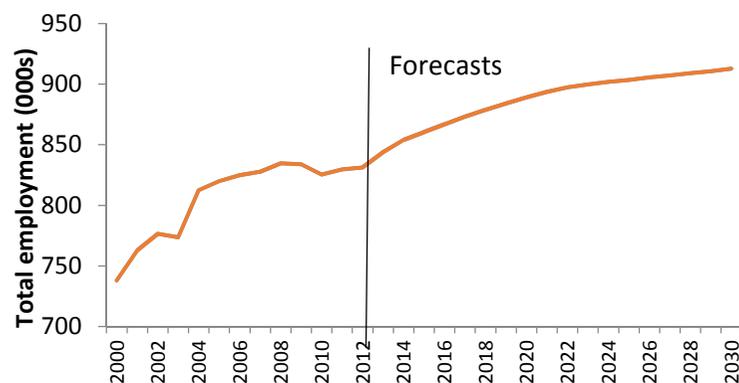


Our forecasts show that the number of jobs in our economy is set to grow quickly during the recovery and then more slowly from 2018. By 2030,

⁴⁹ Annual Population Survey Oct12-Sept13

there will be 69,000 more jobs, suggesting that working age population growth and employment growth are finely balanced.

Figure 13: Total Employment (000s)



Source: Heart of the SW Economic Model, Oxford Economics

The Heart of the SW has the **second highest levels of part-time employment in England**⁵⁰, with 30.2% of 16-64 year olds in part-time work, compared to 25.5% for England. Part time working varies significantly across the area, with the highest levels in West Devon (41.3%) and the lowest in East Devon (23.9%). The more developed area has higher levels of part time working (32.4%), than transition (29.1%). Alongside this trend, we have also seen an increase in the number of people working flexibly.

Similarly, we have **higher levels of self-employment** (16.4% compared to 14.5%), whilst there is a marginal difference between Transition and More Developed, there are significant differences between districts, with

higher levels of self-employment found in the more rural districts and lower levels within our urban areas.

Whilst these high levels of part-time employment and self-employment indicate our hard working and self-reliant culture, they also suggest a lack of full time employment opportunities. The implications mean lower wages, lower household incomes and ‘in work poverty’ which was highlighted by stakeholders as a significant inclusion problem.

Whilst employment rates are high, employment is of **low relative value**. Our occupational breakdown shows that a lower proportion of population is employed in higher level occupations compared to the England average, but more skilled trades and care and leisure workers, reflecting our sectoral focus and an aging population. These trends do not differ significantly between transition and more developed areas.

Consequently, wages are low across all four of our upper tier areas ranging from 75% in Torbay to 95% in Plymouth, with Devon and Somerset performing at 85% and 84% respectively. Whilst it is not possible to calculate figures for the whole LEP area or the transition area, these figures suggest that differences between transition and more developed are likely to be minimal. Within our districts, there is greater variation, ranging from 67% in Torridge to 100% in Exeter.

⁵⁰ Annual Population Survey Oct2012-Sept2013

Table 6: Occupational Breakdown⁵¹

Occupational Type	% of all in Employment				
	Transition	More developed	Heart of the SW	England	Rank of LEPS
Managers, Directors and Senior Officials	9.5	9.7	9.5	10.3	29
Professional occupations	16.4	13.9	15.6	19.8	34
Associate prof & tech occupations	11.6	12.9	12.0	14.2	30
Administrative and secretarial occupations	11.2	10.8	11.1	10.9	12
Skilled trades occupations	13.8	14.8	14.1	10.4	3
Caring, leisure and other service occupations	9.9	11.7	10.5	9	5
Sales and customer service occupations	8.5	6.5	7.9	7.8	16
Process, plant and machine operatives	6.0	7.1	6.3	6.3	22
Elementary occupations	12.7	12	12.5	10.7	8

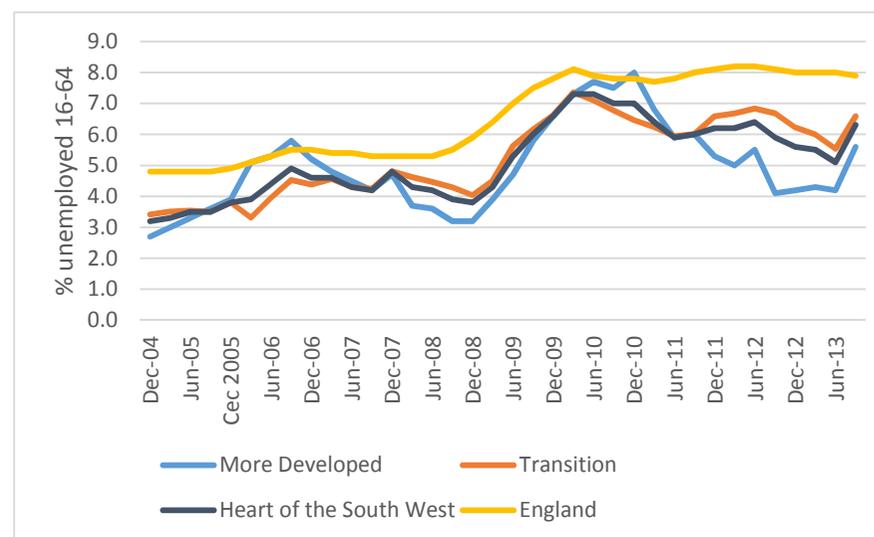
Key Messages: Whilst we have higher than average employment rates, we have greater levels of self-employment and part time working and employment is of low relative value and quality. As a result, wages are below average.

⁵¹ Annual Population Survey Oct 2012-2013

Unemployment and economic inactivity

Figure 13 shows that unemployment in the Heart of the SW usually tracks below the average for England, however, there have been considerable peaks and troughs through the recession which widen and narrow the gap accordingly. The most recent data (Oct12-Sept 13)⁵², suggest a sharp rise from the previous quarter. A review of claimant count statistics (which are more current) suggest that this rise is not a longer term trend.

Figure 14: Unemployment rate



However, there is significant variation across the area, with the more developed area generally showing a lower level of unemployment than transition. Within the area, this varies considerably from 2.7% in East Devon to 11.9% in Plymouth. Despite lower than average rates, 50,000 people remain unemployed, with 26,600 of these being in the 16-24 age

⁵² Annual Population Survey, Oct 2012-2013

range, where unemployment rates have doubled since 2005. This is a particular concern in Plymouth, where almost a third of this age group are unemployed. When averaged across the transition area, 21% of 16-24 year olds are unemployed compared to 15% in the more developed area.

Our long term unemployment rates⁵³ are beginning to fall having risen rapidly between 2008 and 2012. The latest data shows that the Heart of the SW has 2470 or 0.2% of 16-64 year olds claiming for more than 6 months, compared to 0.4% for England. And 4,495 claiming for more than 1 year or 0.4%, compared to 0.9% for England. Within the area, the highest rates are in Plymouth and Torbay on both indicators.

Inactivity

The Annual Population Survey shows that 20.4% of our population or 204,400 people aged 16-64 are economically inactive (i.e. Retired, student or not participating in the workforce), slightly below the national rate of 22.4%. Of these, 56,400 want a job. Welfare reforms are likely to push people back into actively seeking work.

Within the Heart of the SW, 21.2% of 16-64 year olds are inactive in the transition area, compared to 18.7% in the more developed area. The highest rates were found in Torbay and West Somerset, both at 24.9% and reflecting higher proportions of retired people. 29% of the inactive workforce wanted a job in the transition area, compared to 25% in the more developed area.

Key Message: Whilst all measures of unemployment show that the Heart of the South West performs better than the average for England, there remain over 100,000 people not working (unemployed and inactive), who would like to work. Of particular concern is youth unemployment. The statistics suggest that unemployment is a more significant issue in the transition area, principally due to higher concentrations of unemployment in Plymouth and Torbay.

Across the LEP geography there are a variety of successful initiatives to support people, and young people in particular, to access opportunities – placements, work experience, apprenticeships and employment, linking them with suitable employers who are making a commitment to support our young people. These initiatives include; the successful **1000 Club in Plymouth** which has provided over 1000 opportunities for young people in its first 12 months, and has over 700 business members, as well as the soon to launch 'Torbay Works' providing a portal to access IAG and register for opportunities.

⁵³ Claimant Counts, Dec 2013

Deprivation and Poverty

The indices of multiple deprivation reveal that a total of 38 Lower Level Super Output Areas (out of a total of 1,033) within the LEP area, were among the most 10% deprived in England. The majority of these were in Plymouth (17) and Torbay, but also Taunton Deane, Exeter, Sedgemoor and North Devon. In the transition area 9.8% of the population live in the 20% most deprived LSOAs, whereas in the more developed areas only 3.9% live in these areas. Our proposed Hinkley Deal highlighted that there are pockets of deprivation in Bridgwater, Highbridge, Parts of Taunton and Watchet, where claimant counts for non JSA claims higher than average, suggesting in-work poverty or inactivity.

Households where no person is in paid work may be more likely to be in poverty. In the Heart of the South West 16.6% (106,426 households) of households fall into this group (slightly less than the English average of 17.5%). Although local variations exist with the figure rising to 19% and 20.6% in Plymouth and Torbay respectively. In the more developed area, 16.4% of households are workless.

However, a report by the Joseph Rowntree Foundation in 2012 highlighted that over half of children and adults in poverty in the UK live in a working household. The difference in wages outlined above is also revealed in Gross Disposable Household Income.

Whilst statistics clearly show concentrations of deprivation, our consultation work has highlighted that deprivation does exist in rural areas, but it is more dispersed. People in rural areas are also likely to encounter different barriers to participation, particularly around access.

Groups most at risk of exclusion:

- Disabled people – Whilst we have 215,500 people living with a disability, 53.5% are in employment, compared to 49.8% in England⁵⁴;
- 20% of the population suffering from a long term health problem that limits day to day activities, higher than for England, but reflecting our older population profile;
- Ethnic minorities – 2.2% of our population from an ethnic minority group, but census data suggests they are just as likely to be in employment than people not from an ethnic minority group;
- English as a second language – 2.6% of our population do not have English as their main language, less than the average for England of 8%, but nonetheless representing 42,000 people;
- Carers – 186,620 people provide unpaid care on a weekly basis (11.2%), slightly higher than the national average (10.2%).
- Ex-offenders –. At the end of June 2013, the Avon and Somerset Trust were supervising 5,340 offenders and while Devon and Cornwall Trust were supervising 3,958.

Key Messages: Whilst the Heart of the SW does not suffer from wholesale deprivation issues, there are clearly concentrations of deprivation in our urban and rural areas (Torridge). However, poverty is more prevalent and of particular concern 'in-work' poverty associated with our low wage economy.

⁵⁴ Social Inclusion in the Heart of the SW. Report 2: Data Report

Workforce Skills

Supply of skills

The availability of skilled labour is a key component of growth. The Annual Population survey shows that overall, our 16-64 population is relatively well qualified up to NVQ L2, exceeding national averages and being in the top quartile of LEP performance. Our performance at Level 3 (A levels or equivalent) is fractionally higher than the national average, but at NVQ Level 4, we find our performance is below the national average and we are in the bottom half of LEP performance.

% of workforce with...	Transition	More Developed	Heart of the SW	England	Position in LEP Rankings
no qualifications	6.6%	4.5%	6%	9.5%	4th
at least NVQ L1	88.5%	90.5%	89.1%	84.2%	6th
at least NVQ L2	75.6%	77.5%	76.2%	71.8%	7th
at least NVQ L3	57%	54.3%	56.3%	54.9%	15th
at least NVQ L4	32.7%	30.0%	31.8%	34.2%	19th

Table 7: Workforce Skills (16-64)

Source: Annual Population Survey, 2012

The statistics also show a steady rise in qualification levels at all levels, since 2004, with the proportion of people with no qualifications dropping by 50% over the period. There are also significant variation across the area, with some districts such as Torridge and to a lesser extent mid and north Devon showing a lower skills profile, whereas South Hams consistently performs above the English average. Both the more developed area and the transition area perform above the English average up to Level 2, with the more developed area outperforming the transition area in lower level skills. In terms of intermediate and higher

level skills, the Transition area outperforms the more developed area, although both areas perform better than the England average at Level 3 and worse than the England average at Level 4. The availability of higher value jobs to attract and retain people with higher skills is an important component of this issue across the area, but in the more developed area, the limited HE provision is also a factor.

Demand for Skills

Almost one fifth of employers in the Heart of the SW identify that they have skills gaps. This equates to around 34,800 staff or 5% of employees not being fully proficient to perform their current job⁵⁵. 28% identified that they had hard to fill vacancies, compared to 22% in England. Local responses from the National Employer Skills Survey suggest that employees within the Heart of the SW are more likely to be under-employed, with 17% of employers indicating that staff were under-employed compared to 15% in England. Employers were less likely to employ a broad range of 'good practices' that are likely to be associated with high levels of skills utilisation⁵⁶ such as leadership practices, employee engagement etc., perhaps reflecting the higher concentration of micro-businesses and SMEs.

Key Messages: 1) The economy needs to grow the number of high skilled jobs to attract and retain graduates and prevent under-employment. 2) Improving Leadership and management skills within our businesses will also improve skills utilisation productivity. 3) Matching provision to areas of skills shortage 4) Employability skills

⁵⁵ Heart of the SW Skills Narrative, Marchmont Observatory, August 2013

⁵⁶ Heart of the SW Skills Narrative, Marchmont Observatory, August 2013

Skills of Young People

Young people are the future of the workforce, ensuring they are well skilled and prepared for work is critical to economic growth. We have a number of strengths in the Heart of the SW:

- GCSE attainment is better than the national average, although not in Somerset which lags behind SW and national indicators
- Apprenticeship starts are growing year on year and participation is marginally better than national;
- Strong interest in STEM subjects at A level – principally through Maths, with sciences, design and technology and computer studies/ICT becoming less popular;

However, despite these strengths, there are a number of weaknesses:

- 2/5 of young people do not attain 5 or more GCSEs grade A-C;
- Almost half do not attain a level 3 qualification by aged 19;
- Improvements in attainment have failed to keep pace with national improvements;
- Only 40% of young people enter higher education compared to 48% for England.

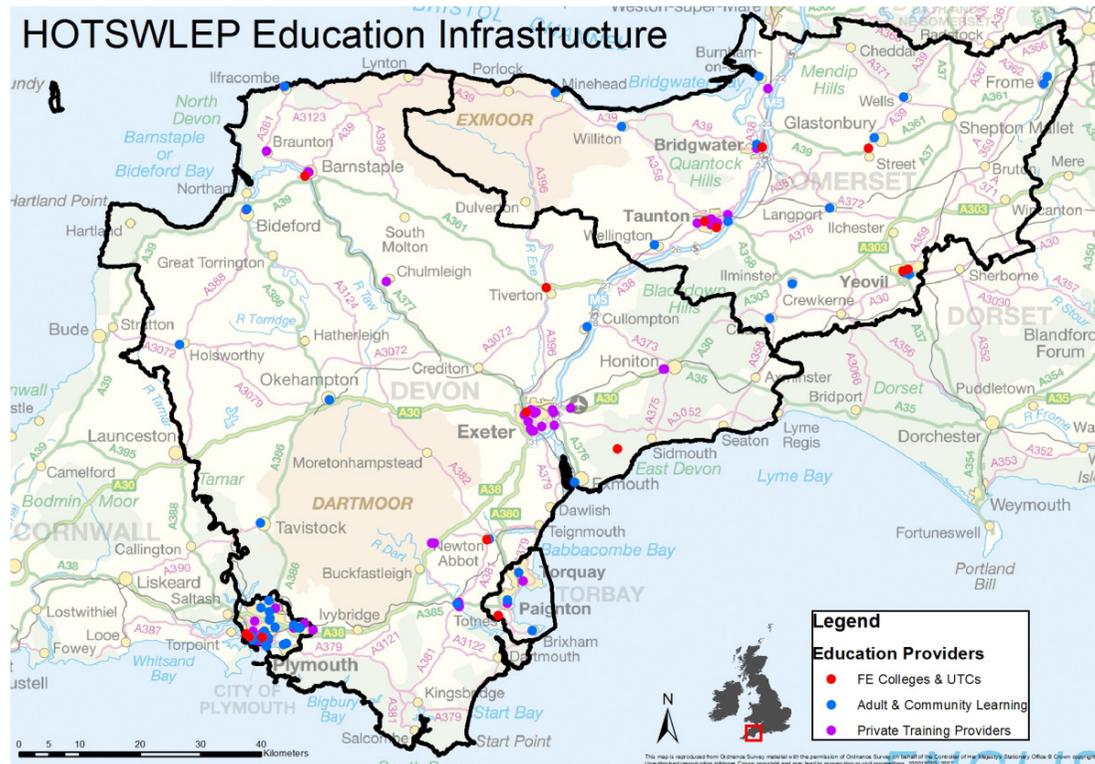
The Creating Chances project engages with NEET young people through their passion for sport, giving them a chance to develop valuable skills that can be transferred to employment, education and training. Participants gain a sense of responsibility and formalise their learning through an employability skills qualification. The 10 week programmes are run in conjunction with a variety of organisations around the county, including Exeter City Football Club and the YMCA in Plymouth. The benefits to the young person go beyond the tangible qualification and outcome, to increased confidence and willingness to engage.

Key Messages: Encouraging high educational performance and aspiration among our young people

Education Infrastructure

The Heart of the South West has a developed further education provision base, including universities, colleges and independent training and employment providers. There is a concentration around urban areas such as Plymouth and Exeter.

Figure 15: Education Infrastructure



- City College and the University Technical College (UTC), which are both based in Plymouth, specialise in marine engineering and advanced manufacturing; this will complement the UK's first marine academy also based in Plymouth. South Devon College is also on the path to achieving UTC status, specialising on engineering and science, water and the environment.
- The average grant per college across all LEPs between 2001 and present has been £14,695,306 with the average grant for each FE College in the LEP region being only half that, at £7,174,339 (Skills Capital Report, 2013).
- In 2011/12 approximately 56,530 students were enrolled at Higher Education Institutions (HEIs) in the Heart of the South West, with the University of Plymouth and the University of Exeter securing the most students at 55% and 33% respectively. 33% of students were recruited locally.

People – SWOT

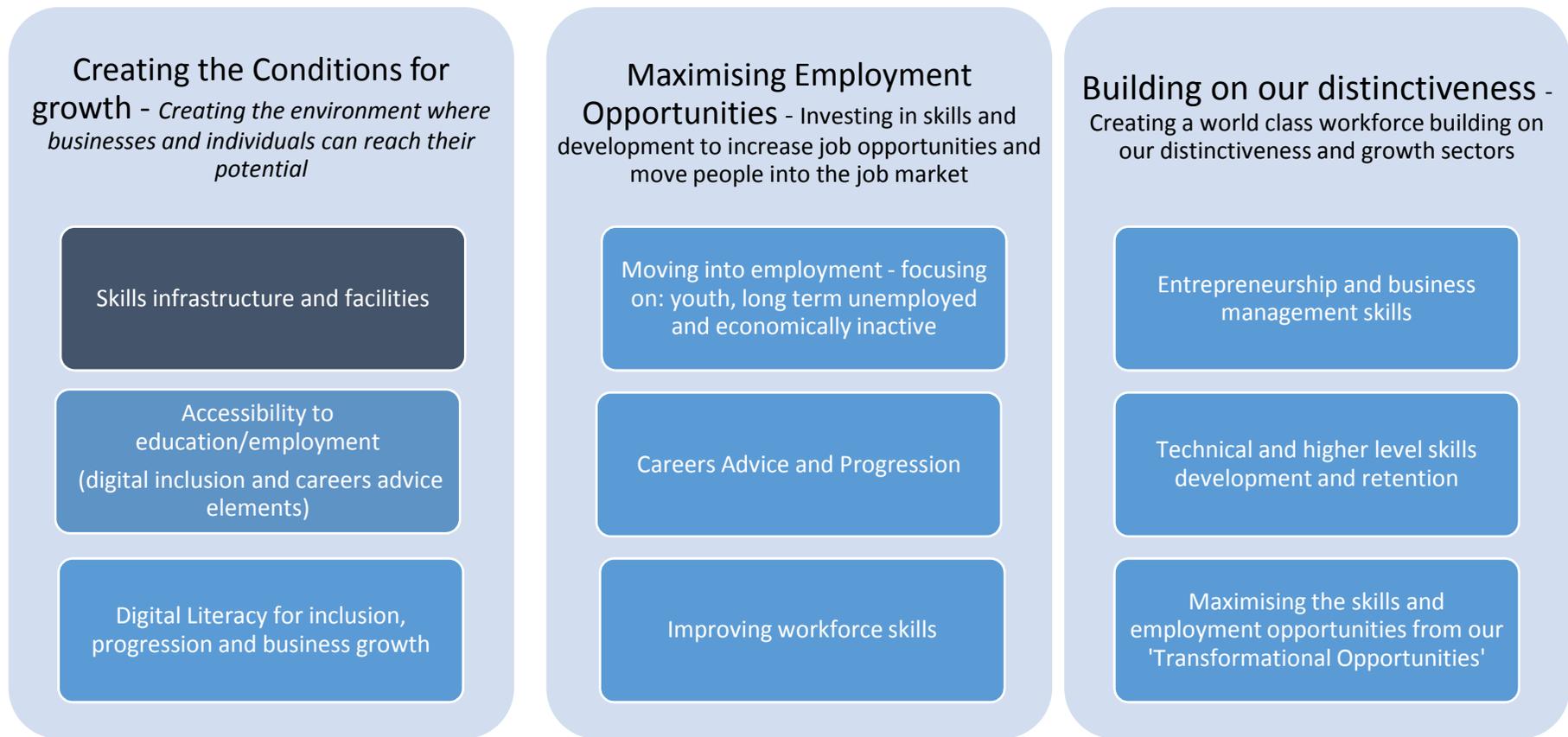


People - Priorities

People sit at the heart of our economy, it is people that create communities, become entrepreneurs and grow and expand businesses. It is people that make our spaces and create demand for products, services and infrastructure. We are blessed in the Heart of the SW to have enterprising self-reliant people who start businesses, work hard, do voluntary work and participate in society. However, whilst they are hardworking, they are not well paid and many are working below their capabilities. Through an approach that integrates action across business and place, our priority is to **create an environment where businesses and individuals can reach their full potential**. Where businesses are able to create opportunities for people moving into **A** job, those wanting a **Better** Job and those seeking a **Career**. Where our individuals are able to access the skills and training they need to move into **A** job, get a **Better** job and ultimately into a **Career**.

In line with our ambition to support Transformational Opportunities for the Heart of the SW we must also create a world class workforce that builds on our distinctiveness and support these opportunities.

Figure 16: Strategic Priorities Identified for People



Light Blue boxes illustrate priorities to be taken forward with ESIF funding. Dark Blue boxes represent priorities to be taken forward in other ways.

Which of these 'People' Priorities will we address in the ESIF Strategy?

The priorities listed above reflect our assessment of the evidence base and our understanding of need and opportunity. However, not all of these activities can be taken forward with European Structural and Investment Funding, for the following reasons:

- There is poor alignment with the EU thematic objectives and eligible activities;
- There are insufficient structural funds available to make a meaningful investment; or
- Structural funding is not necessary, because the activity is being taken forward through a different route.

In this section, we will discuss those priorities not being taken forward using ESIF funds, identifying the reason(s) why and how we expect to take these priorities forward in other ways.

People

The people based priorities **NOT** being taken forward with EU Structural funds include:

- **Skills Infrastructure and Facilities** - Potential activities under this priority would not be eligible for ESIF funding. This priority will be taken forward through the Strategic Economic Plan process by working collaboratively with FE colleges and private training providers to develop the skills infrastructure and facilities needed to deliver the strategic economic plan.
- **The physical accessibility element of the 'accessibility to education/employment' priority** - This priority will be taken forward through the transport and accessibility elements of the strategic economic plan. The LEP will also encourage Local Action Groups to prioritise community based accessibility projects where appropriate.

From Priorities to ESIF Integrated Activity

The European Structural and Investment Funds exist to promote, smart, sustainable and inclusive growth. The funds available include:

- The European Regional Development Fund (ERDF)
- The European Social Fund (ESF)
- The European Agricultural Fund for Rural Development (EAFRD) and
- The European Maritime and Fisheries Fund.

At a European level, the funds have been aligned under a ‘Common Strategic Framework’, with common rules. At a national level, ERDF, ESF and some EAFRD monies have been brought together as the European Structural and Investment Funds Growth Programme for England, with the large majority of funding allocated to LEP areas.

This presents a unique opportunity for greater integration and alignment between ERDF, ESF and EAFRD interventions.

We are therefore taking this opportunity to look across the priorities identified under our themes of ‘place, business and people’ to bring together a series of ‘integrated activities’, that bring together interventions across the funds and across our priorities that contribute to common objectives. We believe that this integration will result in activities designed in ways which fully complement and support each other, resulting in better value and outcomes from our SIF process.

Part 2 of this document provides a detailed account of each of these strands.

These integrated activities are:

Integrated Activities	SEP Priority
A. Maximising Innovation through transformational opportunities and Smart Specialisation	<ul style="list-style-type: none"> • Place – Investing in innovation infrastructure to support high transformational opportunities and smart specialisation • Business – Transformational Opportunities (catapult lites, networks and horizontal innovation) • People – Maximising the skills and employment opportunities
B. Enterprise and SME Competitiveness	<ul style="list-style-type: none"> • Place – Enterprise Infrastructure • Business – Creating a favourable business environment (Growth hub, tailoring, access to finance) • People – Entrepreneurship and business skills • People – Technical and higher level skills and retention. • People – Improving Workforce Skills
C. Reaching New Markets	<ul style="list-style-type: none"> • Place – Energy/Low Carbon Infrastructure • Place – Maximising our Environmental Assets • Business – Reaching New Markets/Globalisation
D. Digital	<ul style="list-style-type: none"> • Place – Digital Infrastructure • People – Digital literacy for inclusion, progression and business growth
E. Addressing Social and Economic Exclusion	<ul style="list-style-type: none"> • People – Moving into Employment – Focusing on youth, long term unemployed and economically inactive • People – Careers Advice and Progression

Part 2: Integrated Activities



Introduction

This part of the strategy provides detailed information about the integrated activities in which we intend to invest ESIF resources. For each activity, we detail:

- **A description** – what is the proposed type of activity
- **Priority ESIF Investment Areas**—what are our proposed areas of investment ?
- **Geographical Dimension** – What differences will we expect to see between transition and more developed and potentially within areas?
- **Our rationale** – referring back to our evidence base. Why is the activity needed? What is the market failure? Why will our approach work?
- **How does it contribute to our Strategic Economic Plan** – Which SMART objectives will it contribute to?
- **Alignment with national policy** – How does it align with national policy?
- **What existing activity is planned** – How does this activity complement mainstream national/local activity? In particular, how does it align with the Plymouth and SW Peninsula City Deal and the proposed Hinkley Deal?
- **Cross Cutting themes** – How will this activity contribute to the cross cutting themes of equality and diversity and sustainability?
- **Cross LEP working** – If relevant, how we intend to work with other LEPs to deliver this activity.

Figure 17: Summary of Integrated Activities

Please note that identified EAFRD activities are subject to budget confirmations from Defra, as the EAFRD Managing Authority. In addition, there may be some differences in the types and scale of ESIF interventions in the More Developed and Transition areas of the Heart of the South West. This reflects the different levels of EU funds that can be spent in each area, the rules for allocation, and a difference in match-funding rates.

Integrated Activities	SEP Priority	Priority ESIF Investment Areas		
		ERDF	ESF	EAFRD
A. Maximising Innovation through Transformational opportunities & Smart Specialisation	<p>Place – Investing in science park and innovation infrastructure for ‘Transformational Opportunities’</p> <p>Business – Transformational Opportunities (catapult lites, networks and horizontal innovation)</p> <p>People – Maximising the skills and employment opportunities from our ‘Transformational Opportunities’</p>	<ul style="list-style-type: none"> • Specialist infrastructure/facilities/ centres linked to Smart Specialisation • Ecosystems of support for innovation such as <ul style="list-style-type: none"> ○ Catapult lite centres, ○ Business Led Networks <p>In the more developed area development of the specialist infrastructure and ecosystem of support for innovation in the ‘new nuclear’ sector.</p>	Employer led solutions to address higher level skills linked to Transformational Opportunities and Smart Specialisation	Innovation support targeted at agricultural sciences
B. Enterprise and SME Competitiveness	<p>Place – Enterprise Infrastructure</p> <p>Business – Creating a favourable business environment (Growth hub, tailoring, access to finance)</p> <p>People – Entrepreneurship and business skills</p> <p>People – Technical and higher level skills and retention.</p>	<ul style="list-style-type: none"> • Enterprise/incubation space • Business Support System/growth hub • Business support such as: <ul style="list-style-type: none"> ○ SME Investment for Growth ○ Investment readiness support ○ Supporting SMEs to develop ideas and products <ul style="list-style-type: none"> ○ Start-up Support and Leadership and management skills 	<ul style="list-style-type: none"> • Linking students and graduates to industry and retaining higher level skills • Improving workforce skills • Enterprise and leadership and management skills 	<ul style="list-style-type: none"> • Rural business support services • Rural grant programme, including a grant programmes for medium-sized food processing businesses • Rural skills and training <ul style="list-style-type: none"> ○

C. Reaching new Markets	Place – Energy/Low Carbon Infrastructure Business – Reaching New Markets/Globalisation	<ul style="list-style-type: none"> • Internationalisation support • Manufacturing support • Supply chain Development • Building the market in low carbon technology 		<ul style="list-style-type: none"> • Encouraging rural businesses to reach new markets • Rural renewable energy infrastructure • Rural tourism assets and infrastructure
D. Digital	Place – Digital Infrastructure People – Digital literacy for inclusion, progression and business growth	<ul style="list-style-type: none"> • Digital infrastructure • Support SME utilisation 	<ul style="list-style-type: none"> • Digital inclusion • Intermediate and Higher level digital skills 	<ul style="list-style-type: none"> • Investment in superfast broadband infrastructure in rural areas • Digital training
E. Addressing Social Economic Exclusion	People – Moving into Employment – Focusing on youth, long term unemployed and economically inactive People – Careers Advice and Progression	<ul style="list-style-type: none"> • Social Enterprise Support and Development (including Local Impact Fund) • Enterprise as a route out of worklessness 	<ul style="list-style-type: none"> • Supporting those furthest from the labour market • Supported approaches for young people • Tackling ‘in work poverty’ 	None anticipated

Integrated Activity A: Maximising Innovation through transformational opportunities and Smart Specialisation

A1: Description

This integrated activity brings together priorities relating to our Transformational Opportunities and Smart Specialisations. It will focus on realising business growth opportunities in high value, high productivity, knowledge based areas of economic activity where we have underused assets and capabilities, internationally competitive opportunity and strong linkages to Government Growth Drivers.

Smart Specialisation is:

'An approach for determining (a small number of) knowledge-based growth priorities and then strengthening local innovation and business growth 'eco-systems' to deliver against those priorities'

The 'Heart of the South West Smart Specialisation Approach' (Appendix 3) sets out our approach to Smart Specialisation in the Heart of the South West, within the context of our European Structural and Investment Funds Strategy.

Our investments will be designed to complement existing structures (where they exist) to create an eco-system of support that brings together facilities and infrastructure, business and innovation support as well as skills in support of this objective.

A2: ESIF Investment Priorities

ESIF investments will be informed by the Heart of the South West Smart Specialisation Approach (Appendix 3) and the Heart of the South West Business Support Mapping and Simplification study (Appendix 4) as appropriate.

ERDF investment priorities include:

- **Opening up specialist infrastructure to support Transformational Opportunities and Smart Specialisation** – This includes research centres/facilities, enhancements to science parks/innovation centres or other facilities to support enhanced production related to our transformation opportunities.
- **Ecosystems of support for innovation activity**, proportionate to the Smart Specialisation Opportunity, such as:
 - **'Catapult lite' translational centres** of international quality focusing on commercialisation of innovation and realising market opportunities from Smart specialisation – potentially linked into 'national catapult' centres as 'nodes';
 - **Business led networks** - developing knowledge exchange, supply chain networks and mentoring activity;
 - **Innovation Vouchers** – where there is sufficient demand, innovation voucher scheme(s) to enable businesses to tackle key innovation challenges.
 - **Horizontal Innovation** – Connecting our knowledge based sectors with each other and the wider economy to seek tomorrow's Transformational Opportunities. Key activities include improving capacity to access wider innovation funding (e.g. TSB, Horizon 2020) as well as a series of Small Business Research Initiative Grand Challenges.

ESF investment areas include:

- Development of specific ***employer led solutions to address technical and higher level skills needs linking to our ‘Smart Specialisation’ Opportunities***. This might, for example, include:
 - Encouraging take/up and participation in STEM in underrepresented groups (e.g. women)
 - Apprenticeships and higher level apprenticeships (but not direct funding of training/wage costs)
 - Higher level skills - Skills for innovation in companies aligned to our Smart Specialisation priorities
 - Encouraging participation in STEM subjects in under-represented groups (e.g. women).

Priority EAFRD investment areas include:

- Innovation to support agri-science – Complementing ERDF Smart Specialisation investment in Agricultural Sciences, EAFRD activity to support innovation in agri-science may include:
 - Linking producers with each other’s and researchers, providing the right conditions for interactive innovation that is tailored to producers who will use it;
 - Support for commercialisation of new products and services;
 - Knowledge exchange, demonstration and cooperative activity that spreads innovation.

Please note that identified [EAFRD activities are subject to budget confirmations from Defra, as the EAFRD Managing Authority](#).

A3: Geographical emphasis

There may be some differences in the types and scale of ESIF interventions in the More Developed and Transition areas of the Heart of

the South West. This reflects the different levels of EU funds that can be spent in each area, the rules for allocation, and a difference in match-funding rates.

In this section we explore how the benefits of investment could materialise from a geographical perspective. However, it is important to note that this exercise can only reflect the opportunity that this strategy presents. Actual commitment will be subject to projects coming forward.

We also need to emphasise that whilst physical infrastructure is usually associated with ‘place’ we would expect that infrastructure to serve the whole of the Heart of the SW area. Likewise, revenue activity will be expected to serve the whole area.

Transition

The Smart Specialisation opportunities of most relevance to the transition area include:

- Marine;
- Environmental Futures ;
- Agricultural sciences;
- Healthy ageing;
- Photonics;
- Big Data

In relation to ***marine***, it is not expected that EU monies will fund the South Yard development, but instead could include developments of the ‘spokes’ of the Marine Industries Production Campus outside of Plymouth (e.g. Appledore, Yelland, Brixham etc.).

Big Data is currently associated with Exeter and Photonics associated with Torbay and as such, we would expect projects to come forward from these areas, although this does not preclude projects coming forward from other places.

The transition area has a number of 'centres' with strengths in agri-science where projects may come forward, but we would expect activity to benefit businesses in this sector across the whole area.

We would expect investments in healthy ageing to be associated with our hospital infrastructure and therefore could have a presence in Exeter, Barnstaple, Plymouth or Torbay.

More Developed

The Smart Specialisation opportunities of most relevance to the 'more developed' area include:

- New Nuclear
- Aerospace

Activity to support new nuclear will benefit the whole of the Heart of the SW. Physical innovation infrastructure is most likely to be located in West Somerset/Sedgemoor, although this does not preclude investment elsewhere. The Aerospace sector is concentrated around Yeovil, so it is likely that physical infrastructure will be located in this area.

A4: Rationale for investment

Our evidence base shows that whilst we have research infrastructure strengths, our performance against a number of innovation measures is poor. Whilst innovation is subject to a number of market and system failures⁵⁷ (e.g. externalities, information asymmetries and institutional

⁵⁷ SMEs: The key enablers of Business Success and the Economic Rationale for Government Intervention. December 2013.

deficiencies), we believe that one of the most significant in the Heart of the SW is co-ordination failure (where innovation systems lack appropriate organisation for collecting, sharing and analysing information relating to innovation). This is consistent with our consultation work which confirmed that businesses often struggle to understand how to access the knowledge base.

Our research relating to Smart Specialisation shows that we have a number of areas of economic activity which could benefit from a targeted approach to better integrate our knowledge base with our business population.

Our approach recognises that addressing these problems requires an ecosystem of targeted support – that brings together the right facilities, equipment, researchers, collaboration and engagement with business as well as skills. The need to integrate skills work is consistent with our evidence base which shows:

- Employer demand for intermediate, technical, higher level skills, STEM;
- A shortage of STEM skills; and
- Lower than average people with L4 skills.

A5: Contribution to our Strategic Economic Plan

This integrated activity will notably contribute to the following SEP desired outcomes:

- By 2030, the Heart of the South West is in the top third of LEPs for innovation and knowledge economy indicators; and
- By 2030, the Heart of the South West is in the middle third of LEPs for higher value employment.

A6: National Policy Alignment

Our proposed approach is consistent with the Innovation and Research Strategy for Growth (December 2011) which notes the importance of:

- Technician level and higher level skills;
- Strengthening our ability to accelerate the commercialisation of emerging technologies and to capture the value chains linked to these; and
- Improving the interface between Higher Education and business and delivering a better environment for the commercialisation of research.

Our areas of Smart Specialisation have a good fit with the eleven key sectors and eight great technologies listed in the Industrial strategy. Like the Industrial Strategy, our approach also includes Horizontal Innovation elements to ensure we spread the benefit beyond the initial footprint of our Transformational Opportunities. Our approach, which builds on the role of our universities is also consistent with the recommendations of the Witty Review.

Our approach to higher level skills reflects our concerns following the introduction of learner loans for learners aged 24+ undertaking a level 3 or level 4 qualification (such as an A level or an apprenticeship), and the relatively poor uptake with regard to this option. Similarly, the proposed changes in the apprenticeship funding model also gives cause for concern given our proportion of SMES and micro businesses and their capacity to respond to these changes and take on the additional risk and burden of funding an apprenticeship in this way.

We recognise that for a great many of our SME businesses and their employees a full level 3 or 4 qualification is not relevant to address the skills gaps and respond to the needs of the business. We need to be

flexible and adaptable in our approach to delivering units of qualifications at these levels that meet the immediate needs of a business to support their growth ambitions and develop the skills of their staff.

A7: Existing or Planned Activity

The Technology Strategy Board is the national innovation agency and exists to assist businesses across the UK to develop technologies from concept to commercialisation. The TSB does this through a number of activities including: a network of catapults, The Small Business Research Initiative, Innovation Vouchers, R&D Grants, clusters of hi-tech businesses, Knowledge Transfer Networks and Knowledge Transfer partnerships. Our activities have been designed to add value, rather than duplicate these – For instance, our mini-catapults will link into and complement any nationally relevant catapults. Our horizontal innovation will help businesses link into and access TSB and other national programmes.

The Plymouth and SW Peninsula City Deal has secured funding for the first phase of work for the Marine Industries Production Campus Site at South Yard. Further investment is needed to realise the greater vision for a network of other marine related sites across the Heart of the South West and it is anticipated that ERDF will form a part of these funding packages.

In addition, the City Deal articulates plans for:

- Improving business support co-ordination (detailed further integrated activity B);
- flexing and amplifying national business support programmes to support growth in the marine sector;
- filling gaps of national business support programmes (e.g. through innovation vouchers); and

- developing the marine renewable energy sector.

The majority of which is being funded through the City Deal (RGF Lancaster) till June 2015. Therefore, ESIF provision is unlikely to duplicate activity funded under the City Deal (RGF Lancaster).

The Hinkley element of our proposed Growth Deal sets out a plan for the 'Innovation and Collaboration' project. This is a core element of ensuring a positive legacy from the Hinkley project by attracting nuclear new build supply chain businesses to locate in Somerset and the wider area and work collaboratively with local SMEs. This will help to develop capacity and capability that will deliver HPC, other UK new builds and overseas new builds, thus creating a business cluster in Somerset and the wider area. The project will deliver a programme of brokerage and support to businesses (both inward investors and local SMEs) and a purpose built innovation centre which will host the delivery of support to businesses, collaborative working and act as a hub for supply chain development.

The Hinkley element of our Growth Deal also articulates the need for a Hinkley Point Training Agency to co-ordinate skills demand and supply in the local area in connection with Government. The skills training budget need identified equates to £5m to £15m per year .

ESIF monies will add value and avoid duplication of activity funded through any Hinkley Deal or wider Growth Deal.

A8: Cross Cutting Themes

Equalities and Diversity

This integrated activity aims to create 'better jobs' from transformational opportunities, thus raising the average wage in our economy. However, the evidence would suggest that employment in these sectors is largely taken up by men. In addition, the gender pay gap in the south west has consistently been around 2% higher than the national average (of

15.7%)⁽²⁾. If the 'better jobs' created by this activity are also taken up disproportionately by men, then the gap is likely to widen.

Ensuring that there is greater participation by women and other under-represented groups in these sectors will be a key element of the funding provision.

There is potential for ESF funding to:

- Promote leadership and management training for employers in addressing structural barriers to the employment of women and other less represented groups' participation as part of their overall business strategy.
- Encourage take-up of education, training and employment related to STEM careers by women and other less represented groups
- Encourage take up of entry level employment opportunities by all groups in society, particularly those most at a disadvantage

Encouraging better jobs in the area will encourage those aged 25-45 to remain in the south west and attract others from this age group to relocate to the area. This would balance the age distribution which has been low in this band for a substantial period of time as people have left the area to seek employment opportunities elsewhere. Retaining more people in this age bracket would then provide the good role models which are currently lacking for those just reaching employment age and create a virtuous cycle of employment in better jobs.

Sustainability

This integrated activity aims to progress our Transformational Opportunities – several of which are key knowledge intensive low carbon sectors (e.g. marine, environmental science/big data and nuclear).

Development of these sectors, as well as providing an economic impact will lead to indirect environmental benefits.

A9: Cross LEP area work

The Heart of the SW recognises opportunities to work with other LEP areas to capitalise on critical mass as well as common priorities and assets. Examples may include:

- New Nuclear – Working with the West of England and Gloucestershire Local Enterprise Partnership areas in relation new nuclear ;
- Aerospace/Advanced manufacturing – Working with South West LEPs, notably the West of England LEP area, to deliver joint activity in relation to the Aerospace opportunity;
- Marine – Working with the Cornwall and Isles of Scilly LEP and LEP areas along the southern coast to deliver joint activity to support the marine sector.

A10: Compliance

ERDF Regulation (1301/2013) Article 3 (3)(a) prohibits ERDF from being used for the construction or decommissioning of nuclear plants. As a result, ERDF cannot be used to fund activity which is closely connected to the building or decommissioning of a nuclear plant. The Heart of the South West remains committed to maximising the economic impact and legacy of Hinkley Point C and to working with Government to identify a way forward for investment in this important agenda.

Integrated Activity B: Enterprise and SME Competitiveness

B1: Description

This integrated activity brings together activities around enterprise and SME competitiveness. Addressing place based priorities in relation to enterprise infrastructure, creating simpler more cohesive business support services as well addressing enterprise, leadership and management skills, retaining higher level skills in the economy and improving workforce skills. Activities funded through this measure will be 'sector blind' focusing on any SME with growth potential. The term SME is used in its widest sense to cover all types of business, including social enterprises.

B2: Priority ESIF Investment Areas

ESIF investments will be informed by the Heart of the South West Business Support Mapping and Simplification study (Appendix 4).

Priority ERDF investment areas include:

- **Enterprise/incubation space** –enterprise/incubation space where the market has failed to provide and there is potential demand, potentially incorporating small scale innovation facilities / equipment;
- **Business support system/growth hub** –Investment in ERDF-eligible elements of the growth hub for the Heart of the South West. The overall growth hub will provide across the whole LEP area:
 - a. Awareness raising of business support and other offers available to ambitious SMEs and social enterprises;
 - b. Raising enthusiasm for business growth through local networking and representative support organisations;

- c. On-line support and digital exchange to sources of advice and support;
- d. Potential assistance from a business hub of advisors for one to one and more intensive diagnostic and brokerage;
- e. Co-ordinating and increasing take-up of both national (e.g. TSB) and local programmes (e.g. Connecting Devon and Somerset) to simplify the customer journey and meet business needs; and
- f. Identifying gaps in provision and developing new support where there is a clear market failure.

- **Business Support** – This activity strand will be used to fund business support activities such as:
 - SME Investment for Growth – A grant funding programme targeting businesses needing investment, prioritising SMEs and social enterprises with high growth potential.
 - Investment readiness support – building on the digital exchange being developed as part of the City Deal, this activity will focus on providing investor readiness support to help SMEs access the finance they require; and
 - Developing Ideas and Products – Horizontal innovation support to raise awareness and support SMEs developing ideas and products, signposting and raising awareness of sources of advice and funding for innovation (e.g. TSB). If sufficient demand and funds available innovation vouchers.
 - Business support and advice for new starts linked to ESF activity to improve leadership and management
 - Linking students and graduates to industry, linked to ESF investment outlined below.

Priority ESF investment areas include:

- **Linking students and graduates to industry and retaining higher level skills in the area** – These include collaborative projects, placements, internships or other activities with SMEs that enable students and graduates to gain industry relevant experience, as well as building the capacity of SMEs to provide opportunities. A mixture of ERDF/ESF funding would allow support for the learner and the SME.
- **Improving Workforce Skills** - Delivery of skills development opportunities to businesses and individuals to up-skill and provide access to opportunities. Activities could include:
 - Skills support for those who have yet to achieve a level 2 qualification – particularly in sectors with high employment opportunities (tourism, health and social care, food and drink production), and some on sectors with opportunities to increase productivity (creative and digital media, marine, etc.)
 - Increasing the **participation and delivery of** ‘Intermediate, technical and higher level skill’ where there are current/predicted shortages, where this addresses the needs of SMEs with growth potential or particularly targeting under-represented groups
- **Leadership and Management Skills** – Improving leadership and management skills for both new and existing businesses, through training, mentoring and business support activities.

Priority EAFRD investment areas include:

- **Rural business support services** – Business support activity specifically targeted to rural business needs, aligned with wider Heart of the South West Growth Hub activity. Support will focus on ‘business needs’, such as marketing, finance and business planning. This will allow for a clear demarcation with the Countryside Productivity Scheme, which will have a focus on land-based advice (e.g. growing fruit).
- **Rural grant programme** – Providing capital investment for small and micro SMEs
- **Grant programme for rural medium-sized food processing businesses** – Capital investment for medium-sized food processing businesses.
- **Rural skills and training** – Training for individuals employed in rural businesses, complementing skills provision through ESF and the Countryside Productivity Scheme.

Please note that identified EAFRD activities are subject to budget confirmations from Defra, as the EAFRD Managing Authority.

B3: Geographical Dimension

There may be some differences in the types and scale of ESIF interventions in the More Developed and Transition areas of the Heart of the South West. This reflects the different levels of EU funds that can be spent in each area, the rules for allocation, and a difference in match-funding rates.

Transition

All activities to apply to the whole of the transition area, but potentially implementing a system of weighting to target the activity with the needs of different areas.

More Developed

All activities to apply to the whole of the more developed area, but potentially implementing a system of weighting to target the activity with the needs of different areas.

B4: Rationale

Our analysis of enterprise and competitiveness indicators shows that the Heart of the SW economy is characterised by smaller, older, more insular businesses with lower rates of churn than the average. We therefore need to increase business density by making it easier to start-up and grow a business.

- **Enterprise space** – Flexible, easy access incubation space and grow on space is in short supply across the area in both urban and rural areas, providing a barrier to enterprise and growth. This is due to the immaturity of the market and perceived risks of investing, especially in rural areas where demand is less easy to assess, this is known as ‘information asymmetry’ market failure. Our development of work hubs and enterprise space across both rural and urban areas has shown these investment can be successful.
- **Business support** – Our consultation work has established that SME growth is being held back by a lack of coherent, relevant business support. We have a particularly low uptake on nationally delivered projects and programmes, suggesting issues of both relevance and engagement/awareness. Nationally,

businesses report significant benefits from using business information and advice. However, less than half of UK SME employers currently use business support, primarily due to difficulties in accessing information or advice, doubts about the benefits of business support and concerns about the competence and trustworthiness of support providers⁵⁸. Therefore exhibiting ‘information failure’. On the supply side, information displays ‘public good’ characteristics and creates positive externalities, possibly resulting in under-provision by the private sector. Our approach is to utilise, a nationally recognised Growth Hub model, which brings together established expert providers with specialist skills e.g. finance, manufacturing, exports, digital, rural and provides better co-ordination between them, to simplify the customer journey and meet business needs. We intend to align activity from the Growth Hub with the RGN pilot business support activities to deliver a unified, consistent and relevant range of business support activities.

- **Access to Finance/Investment Readiness** – Our evidence base suggests that whilst many businesses are still finding credit difficult to access, conditions are improving. Credit conditions are expected to continue to improve as wider national reforms are put in place to improve business banking including the British Business Bank. The key market failures in operation are information failures and information asymmetries on both the part of business (demand) and banks (supply). As government is making changes to the supply side, we are focusing our efforts on the demand side elements, with two key interventions:

⁵⁸ BIS Analysis Paper Number 2: SMEs: The Key Enablers of Business Success and the Economic Rationale for Government Intervention

- Development of a digital exchange, which will allow businesses to search for a wide range of different types of finance, including new models such as crowdfunding. This platform, funded by GAIN partners will provide an important asset for the Heart of the SW.
- Improving Investor Readiness – supporting SMEs with help and advice to prepare themselves for accessing finance.
- **Leadership Management/Enterprise Skills** – National research shows that the capacity and skills of business owners/managers is an important factor in the growth of SMEs, enabling them to overcome ‘tipping points’ on the growth journey. Evidence from the national employer skills survey suggests that employers in the Heart of the SW are less likely to employ good leadership practices than elsewhere, although this may in part be a reflection on our higher proportion of micro-businesses.
- **Retaining Higher level skills** – National research (BIS analysis paper No. 2) shows that a 1% increase in the share of the workforce with a university degree raises the level of long-run growth by 0.2 to 0.5% and a fresh supply of graduates is also needed to keep up the production of intangible assets, such as training, marketing and software design. Our evidence base shows that we have a lower than average proportion of people with graduate level skills in the economy, BUT we also have evidence of under-utilisation of skills, which suggests the need for a combined approach to a) create more higher skilled jobs for our workforce; b) encourage more graduates to stay in the heart of the SW.
- **Workforce Skills** - Our evidence base shows that almost 1/5 of employers in the Heart of the SW identified that they had skills gaps (equating to 34,800 staff not be fully proficient to perform

their current job), with 38% identifying hard to fill vacancies compared to 22% in England. Nationally, research⁵⁹ has found that firms which employ skilled workers and provide training are less likely to go out of business. But the likelihood of an employer providing training increases with the size of the business, a key issue for the Heart of the SW, dominated by smaller employers. A number of market failures contribute to this deficit, namely information failure (where employers may not fully appreciate the benefits of training) and externalities (where business under-invest due to the risk associated with staff moving jobs). Developments such as Hinkley, the marine sector and housing growth all also drive up demand for construction skills and wider STEM skills.

B5: Contribution to our Strategic Economic Plan

This integrated activity will contribute to the following SEP desired outcomes:

- By 2030, the Heart of the South West is in the top third of LEPs for competitiveness, exporting and enterprise indicators;
- By 2030, average wages in the Heart of the South West equal the UK average; and
- By 2030, the Heart of the South West is in the middle third of LEPs for higher-value employment.

⁵⁹ BIS Analysis Paper Number 2: SMEs: The key enablers of Business Success and the Economic Rationale for Government Intervention. December 2013.

B6: National Policy Alignment

Our proposed activities have good alignment with UK Government priorities articulated in the Plan for Growth which aim to make the UK the best place in Europe to start, finance and grow a business.

Central to all of our work to improve business competitiveness is the development of a growth hub to make it easier and simpler for businesses to find the support they need. This is entirely consistent with Government's ambition to roll out Growth hubs nationally and articulated in Small Business Great Ambition.

Our broader activities are entirely consistent with a number of priorities identified in Small Business Great Ambition namely:

- Making it easier to finance business growth – We will be doing this through our Digital Exchange, with ESIF funding being used to help businesses become investment ready.
- Making it easier to develop new ideas and products – We will provide advice and support to develop new ideas and products.
- Making it easier to get the right support at the right time – As described through our growth hub

Our proposed workforce skills activity is consistent with Government's ambitions to 'create a more educated workforce that is the most flexible in Europe', as articulated in 'the Plan for Growth'. Our workforce skills element aligns with the Skills Funding Statement which confirms priorities for adult skills funding, as well as aligning with Government's aim to make the skills system more responsive to employer need. However, as we describe under integrated activity A, we are concerned that proposed changes to the way adult higher level qualifications and apprenticeships are funded will have a detrimental impact on our area.

B7: Existing or Planned Activity

Our planned activities are aligned with and complement activity identified in the Plymouth and SW Peninsula City Deal. This is through providing funding to allow strategically significant activities (such as the Growth Hub) to continue beyond the funding provided by the City Deal. Importantly, where the City Deal has secured funding for one off investments (such as the development of the Digital Exchange), ESIF funds will not duplicate this investment.

In terms of workforce skills, the Hinkley element of the proposed Growth Deal, the Plymouth and SW Peninsula City Deal, as well as other developments in the region will have a significant bearing on the availability of construction and wider STEM skills.

B8: Cross Cutting Themes

Equality and Diversity

This integrated activity is likely to have a positive impact on equality.

Evidence would suggest (although accurate data is not available) that a higher proportion of people from black and minority ethnic (BME) backgrounds, LGBT groups and some disabled groups will chose self-employment to avoid workplace discrimination and, for some groups, follow in a family tradition of entrepreneurship , and therefore might be well represented among business owners. Evidence from migrant community groups would suggest that the desire to start up a business is high, but appropriately targeted support, advice and information is lacking. There is evidence that some groups (such as transgendered women) will focus on businesses where they are the business owner and sole employee – highlighting the importance of supporting micro

businesses. Our proposed activities to make it easier for all businesses to find the support they need (regardless of size, sector or background of owner managers) will support this need. In particular, ERDF/ESF activities to encourage enterprise in all our communities and improve the leadership and management skills of our business owners have the potential to contribute positively to the equality and diversity cross cutting theme. Likewise, EAFRD activities to provide support, advice and funding to businesses and entrepreneurs to support the creation and development of SMEs and Micro Businesses in rural areas has the potential to make a positive contribution.

Sustainability

- There is potential to encourage business support applicants to consider how initiatives can include or signpost SMEs to advice on sustainable resource use models
 - Enterprise Infrastructure will be BREEM quality

B9: Cross LEP area work

The Heart of the SW will continue to explore opportunities for collaboration with neighbouring LEPS, where there is common interest and working together provides added value.

Integrated Activity C: Reaching New Markets

C1: Description

This integrated activity brings together activities to redress insularity and help SMEs and social enterprises reach new markets, such as those emerging through our transformational opportunities, web-fuelled routes to market, exporting and public sector procurement and as well as local supply chains.

This integrated activity also includes our activity to stimulate and grow our rapidly developing low carbon sector. We have grouped our low carbon investment activity within this integrated activity to reflect the fact that our primary aim is to use the many low carbon opportunities to stimulate and support the growth of our low carbon businesses. Similarly, our primary aim of investing in tourism assets and infrastructure is to encourage visitors and tourism expenditure.

C2: Priority ESIF Investment Areas

ESIF Investments will be informed by the Heart of the South West Business Support Mapping and Simplification study (Appendix 4). Priority ERDF investment areas include:

- **Internationalisation support** – International trade support for businesses in the Heart of the South West. This may include activities such as a web-fuelled export package and voucher scheme aligned to growth businesses and our Transformational Opportunities.
- **Manufacturing Supporting – Manufacturing support** activity geared towards supporting SMEs to participate in supply chain activity (particularly those aligned with our Smart Specialisation areas)

- **Supply Chain Development Support** – Support for SMEs to get ready to participate in new markets and supply chains (e.g. web fuelled routes, public sector opportunities and transformational opportunity supply chains)
- **Building the market in low carbon technologies** – All activity must comply with ERDF low carbon eligibility guidance⁶⁰. Where eligible, activities may include:
 - Demand side support –
 - Support for the promotion, production and distribution of low carbon energy technologies, particularly in those technologies where the Heart of the SW has a potential competitive advantage/leadership opportunity (e.g. marine renewables, Smart Grids, decentralised heat and energy efficiency)
 - Market stimulation activities – Adding value to and complementing national schemes such as the Green Deal to promote renewable energy and energy efficiency use in enterprises and public infrastructure.
- Supply Side support
 - support to SMEs to diversity technologies from one sector to another (e.g. advanced manufacturing to marine/nuclear)
 - support low carbon sector SMEs to enhance capacity, capability to take advantage of national and local low carbon opportunities

⁶⁰

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/495402/ESIF-GN-2-009_ERDF_Priority_Axis_4_Guidance_v2.pdf

No ESF investment is envisaged under this integrated activity.

Priority EAFRD investment areas include:

- **Encouraging rural businesses to reach new markets** – Support for rural businesses to reach new markets, such as public sector, exporting and digital. EAFRD activity will not duplicate ERDF provision, but may be used to add ‘rural emphasis’. Key activities may include:
 - Business support / advice
 - Cooperation activities to create local supply chains, in particular around public sector procurement.
- **Rural renewable energy infrastructure** – Support for rural renewable energy initiatives, with activity complementing government policy in relation to Feed in Tariffs and Renewable Heat Incentives. Activities may, for example, include:
 - Initial set-up costs and feasibility studies
 - Capital investment in activities linked to renewables but not part of the actual installation
 - New and innovative rural energy technologies and processes.
- **Rural tourism assets and infrastructure** – Investment in strategic rural tourism assets and infrastructure, such as:
 - Investment in environmental and cultural products, assets and experiences (e.g. trails and long distance routes, cultural and heritage products);
 - Investment to promote awareness, understanding and enjoyment of environmental and cultural assets;

- Investment in destination management planning activities to overcome market failures (e.g. promoting year round visitors).

Please note that identified EAFRD activities are subject to budget confirmations from Defra, as the EAFRD Managing Authority.

C3: Geographical Dimension

There may be some differences in the types and scale of ESIF interventions in the More Developed and Transition areas of the Heart of the South West. This reflects the different levels of EU funds that can be spent in each area, the rules for allocation, and a difference in match-funding rates.

Transition Area

The proposed activities are geographically neutral within the transition area.

More Developed Area

The lower allocation in the more developed area means that ERDF activities relating to low carbon technologies as described above are of a smaller scale in the more developed area. In addition to the above, there will be a focus on stimulating the growth of the low carbon economy through the new nuclear opportunity, as described in Integrated activity A.

C4: Rationale

Our evidence base shows that we have a low proportion of businesses trading outside the area or exporting. National research⁶¹ shows that exporting SMEs are on average more productive, more innovative and more resilient than non-exporters. But market failures (namely: information failure, knowledge spill overs, and agglomeration effects) result in sub-optimal levels of export activity. Approximately 25,000 to 150,000 non-exporting UK SMEs have the potential to be competitive in export markets.

Our transformational opportunities and smart specialisation areas, present significant opportunities for SME engagement, both directly in core supply chains, but also indirectly through multiplier effects within the wider economy. Developing and supporting SMEs to access these supply chains will be vital to maximising the economic impact of these opportunities.

In our rural areas, a survey of Devon's Food Economy⁶² revealed that nearly half of SMEs in the agri-food sector would like to change the way they sell their products over the next 3 years. 39% would like to increase their direct retail sales via on-line and mail order; 35% would like to increase sales to wholesale and distributors. The survey also revealed in interest in alternative renewable energy sources as part of a strategy to reduce operating costs.

Our evidence base also shows that the low carbon sector has experienced growth and is expected to experience further growth as national initiatives (such as the Green Deal, Energy Company Obligation, Feed In

⁶¹ BIS Analysis Paper Number 2: SMEs: The Key Enablers of Business Success and the Economic Rationale for Government Intervention. December 2013

⁶² A review of Devon's Food Economy. Matt Lobley, Jo Trail Thomson and Donald Barr. CRPR Research Paper No. 34.

Tariffs and Renewable Heat Initiatives) are rolled out and further investments are made in renewables and low carbon technologies. Information failures/asymmetries (both on the part of potential customers relating to the potential benefits and on behalf of potential suppliers in terms of likely return on investment) are inhibiting the growth of this sector and provide a rationale for intervention.

C5: Contribution to our Strategic Economic Plan

This integrated activity will contribute to the following SEP desired outcome:

- By 2030, the Heart of the South West is in the top third of LEPs for competitiveness, exporting and enterprise indicators

C6: National Policy Alignment

This integrated activity supports a number of government economic priorities, namely:

- Increasing number of companies exporting in order to rebalance the economy as articulated 'The Plan for Growth, 2011';
- Increase investment in low carbon technologies as articulated in 'The Plan for Growth, 2011';
- Increasing the number of SMEs accessing public sector procurement opportunities as articulated in '*Small Business: Great Ambition*';
- Making the Food and Farming Industry More Competitive whilst Protecting the Environment.

C7: Existing or Planned Activity

UKTI is the main body responsible for co-ordinating export support in the UK. We will work with UKTI to ensure that ESIF activity complements, adds value to and integrates with this mainstream activity.

The Hinkley section of our proposed Growth Deal includes the creation of a Hinkley Supply Chain enabling Team, which will support local SMEs to identify supply chain opportunities and support the development of Local SMEs to access those opportunities.

Through our strategic economic plan we have committed to the simplification and rationalisation of our local public procurement processes, activity under our ESIF will in turn support SMEs access a broader range of market opportunities, including public sector.

There are a number of nationwide schemes to invest in low carbon technologies, which require significant investment, these include: Green Deal, Eco, Feed In Tariffs, etc. Our focus of European funding is therefore on complementing this wider investment by supporting supply-chain growth and development to take advantage of these opportunities.

C8: Cross Cutting Themes

Equality and Diversity

As with integrated activity 3, there is evidence of minority groups being well represented as small business owners so there may be a positive impact for these groups. Achieving our equality and diversity commitments will be a key requirement of delivery partners by ensuring that delivery encourages participation of all of our communities.

Sustainability

Investment in our low carbon industry and supply chain and appropriate low carbon infrastructure will result in lower carbon emissions as a result of direct investment in low carbon infrastructure and indirectly through developing the low carbon sector.

C9: Cross LEP Working

We will explore opportunities to work with other LEPs where appropriate.

Integrated Activity D: Digital

D1: Description

This integrated activity brings together improvements in digital infrastructure together with support for businesses to take advantage of new digital technologies as well as improvements in digital inclusion and skills. In particular, supporting both ICT sector development and applied uses of ICT across our broader industry sectors (such as business services, health etc.) to drive innovation.

D2: Priority ESIF Investment Areas

ESIF Investments will be informed by the Heart of the South West Business Support Mapping and Simplification Study (Appendix 4) and the 'Digital Skills in the Heart of the South West'⁶³ report as appropriate.

Priority ERDF investment areas include:

- **Digital Infrastructure** – Superfast broadband infrastructure, targeted at the last 10%; and
- **SME Utilisation** – support for SMEs to take-up new technologies to implement transformational change in their operations.

Priority ESF investment areas include:

- **Digital Inclusion** – Activities to promote digital inclusion in all of our communities; and

⁶³ Digital Skills in the Heart of the South West', Ben Neild and Chris Evans, June 2014 <http://www.heartofswlep.co.uk/sites/default/files/user-88/HotSW%20LEP%20-%20Digital%20Skills.pdf>

- **Digital Skills** - Activities to promote improved digital and ICT skills to support wider economic growth.

Priority EAFRD investment areas include:

- **Digital infrastructure in rural areas** – Investment in superfast infrastructure in rural areas, targeted at those areas not covered by the Superfast extension roll-out (i.e. the most hard to reach areas).
- **Digital training in rural areas** - This may include activities that:
 - Encourage rural businesses to take up superfast broadband (where it is available) and understand how it can support business growth;
 - Provide training for employees and business owners / managers to enable digital growth in their company;
 - Provide bespoke business support to rural businesses who have the potential for significant growth arising from digital solutions.

Please note that identified EAFRD activities are subject to budget confirmations from Defra, as the EAFRD Managing Authority.

D3: Geographical Dimension

There may be some differences in the types and scale of ESIF interventions in the More Developed and Transition areas of the Heart of the South West. This reflects the different levels of EU funds that can be spent in each area, the rules for allocation, and a difference in match-funding rates.

Transition

Digital Infrastructure activity will be targeted at the last 10% and those areas where there is demonstrable market failure. These are most likely to be in rural areas.

We anticipate that SME utilisation activities funded through ERDF and ESF activities will also be place blind.

EAFRD funded digital infrastructure will be targeted at the last 95%, most likely deeply rural areas. EAFRD training activity will take place in rural areas.

More Developed

As a smaller ERDF allocation is available in the more developed area, we envisage that SME digital utilisation will largely be supported through EAFRD , reflecting Somerset's predominantly rural character.

D4: Rationale

The Heart of the SW area is already making significant improvements to its digital infrastructure, through the Connecting Devon and Somerset project (see previous case study). But further investment is needed to address remaining gaps and keep up with advancing new technologies. National research has shown that digital infrastructure has a positive economic uplift, with the UK Broadband Impact Study showing that for every £1 invested, the UK economy benefits by £20⁶⁴. However, private sector investment is based on anticipated private returns on investment, which do not take into account the public benefits of investment (improved economic performance, social inclusion etc.). The rationale for intervention in digital infrastructure is therefore 'public good'.

⁶⁴ UK Broadband Impact Study, Impact Report November 2013

Whilst studies have shown the SMEs find superfast broadband beneficial, many SMEs are not aware of how they can use these new technologies to support the growth/productivity of their business and do not know where to go to access this support (information failure). Therefore, the rationale for SME Utilisation is to address the information failure in order to maximise the public good from the infrastructure investment.

GO ON UK estimate that there are 16m people aged 15 or over who currently lack the basic skills to make confident full use of digital tools available to them. In the Heart of the SW, 195,000 people have never used the internet⁶⁵ (ranging from 13.5% in Torbay to 14.7% in Plymouth). Increasingly our society is moving on-line with job opportunities increasingly being advertised online only, online retailing and increasingly on-line public services. Therefore people that are not connected are increasingly at a disadvantage. The market is failing to provide digital inclusion services because the benefits are mainly to society and are therefore an 'externality'. The rationale for intervention is therefore 'public good'.

The e-skills UK Report on the Digital sector 2.0 predicts that over the next 10 years, IT specialists are expected to turn the digital sector into a heavyweight element of the UK economy, as cyber security, mobile technologies, Green IT and cloud computing change the way businesses and individuals use technology. The demand for new products, applications and mobile devices providing information securely in 'real time' and in an energy efficient way are crucial for business growth.

When we examine apprenticeship statistics, we can see that the South East of England has twice as many apprentices than the South West, but the profile across courses and levels is very similar, except for ICT, where

⁶⁵ Internet Access Quarterly, ONS, Q1 3013

the South East has 4,762 on ICT programmes at the end of 2011/12 (34% at intermediate level and 66% Advanced level) and the entire South West has only 540, with 50% at Intermediate and 50% at the Advanced level. There are 12 times as many ICT apprentices in the South East as the South West⁶⁶.

The UKES Employer Skills Survey results show that employers in the Heart of the SW, were less likely than the UK average to identify ‘basic computer literacy/IT skills’ OR ‘advanced IT or software skills’ as skills that were difficult to obtain in applicants, or skills that need improving in occupations where there are skills gaps.

Table 8: Employers Demand for ICT skills

		National average	Heart of the SW
Skills that were difficult to obtain in applicants	Basic computer literacy/IT skills	17%	12%
	Advanced IT or software skills	21%	5%
Skills that need improving in occupations where there are skills gaps	Basic computer literacy/IT skills	21%	14%
	Advanced IT or software skills	21%	12%

Source: UKCES, Employer Skills Survey, 2011

This lack of demand for ICT skills (basic and advanced) reinforces the need to make businesses aware of the opportunities brought by superfast broadband as well as the broader digital economy (as described by e-skills).

⁶⁶ The Training Provider Network

D5: Contribution to our Strategic Economic Plan

This integrated activity will contribute to the following SEP desired outcomes:

- By 2030, 100% of the population able to connect to Superfast Broadband
- By 2030, the Heart of the South West is in the top third of LEPs for competitiveness, exporting and enterprise indicators
- By 2030, the Heart of the South West is in the top 10 LEPs for low youth unemployment

D6: National Policy Alignment

This priority is aligned with the Government’s Information Economy Strategy which includes the importance of digital infrastructure, digital skills, getting SMES online and digital inclusion. Our proposed work in relation to digital inclusion complements the Government’s Digital Strategy, which sets out a re-design of digital services, with a commitment to digital services being the default, in order to achieve savings.

D7: Existing or Planned Activity

ESIF activity will build on previous investments by BDUK and others such as the Connecting Devon and Somerset project, targeting investment where there is market failure.

Government is expected to launch a programme to get more SMEs transacting on-line, with the intention of reaching 1.6m businesses over the next 5 years. It is important that our activities add value and complement this proposed initiative. Similarly, Go ON UK is promoting a partnership approach to digital inclusion, starting with a pathfinder in the North East.

Whilst the Hinkley Deal element of the Growth Deal and the Plymouth and SW Peninsula City Deal do not have digital elements, both initiatives are likely to increase demand for ICT skills across the economy, reinforcing the need for improved digital skills.

D8: Cross Cutting Themes

Equality and Diversity

This activity should have a positive impact on equality. Evidence would suggest that older people, those from BME backgrounds, people with disabilities, those from the most deprived parts of the region and women have less direct access to digital connectivity and the skills to use them.

ESF funding will be used target support women and other under-represented groups to increase their participation.

EDRF funding will also be used to support SMEs and social enterprises in their development of ICT products and services and improve their ability to exploit e-commerce opportunities.

Sustainability

Using SME utilisation to promote potential environmental benefits of enhanced digital technology (e.g. video-conferencing).

D9: Cross LEP working

The connecting Devon and Somerset Project currently operates across both the Heart of the SW area and parts of West of England.

Continuation of this approach may offer economies of scale.

Integrated Activity E: Addressing Social and Economic Exclusion

E1: Description

This integrated activity brings together activity to address social and economic inclusion – principally through helping people to access employment and training as well as exploring enterprise as a route out of worklessness. In addition, social purpose organisations (such as social enterprises) will be supported to grow and deliver improved social outcomes in our communities.

E2: Priority ESIF Investment Areas

ESIF investments will be informed by the Heart of the South West Business Support Mapping and Simplification study (Appendix 4) as appropriate. Priority ERDF investment areas include:

- **Supporting the growth of social purpose organisations (including Social Enterprises)** – Providing support to new and existing organisations to grow. Activities might, for example, include: incubation for new starts, school for social entrepreneurs, Social Innovation (e.g. Social Impact Bond development), and advice and guidance (linked and integrated with the Growth Hub);
- **Enterprise as a route out of worklessness** – Promoting enterprise to groups that would otherwise not have considered self-employment or starting their own business. Supporting them with coaching, mentoring and advice. (delivered with a component of ESF to recognise the needs of individuals)

Priority ESF investment areas include:

- **Supporting those furthest from the labour market** – Targeting those furthest away from the market, who have been unemployed for the longest and who have been unsuccessful in the work programme.
- **Supported approach for young people** – Activities might, for example, include: Case worker approaches (as outlined in the city deal), Talent Match⁶⁷, Utilising sports/arts to develop work readiness skills and confidence.
- **Tackling in work poverty** – To provide a dedicated programme to support those who are classed as suffering from ‘In-work Poverty’ (60% of national median household income) to increase their opportunities to increase their earnings – combination of training and learning, careers advice and job search support. Work with employers to increase opportunities for employees.

No EAFRD investment is anticipated under this Integrated Activity. :

E3: Geographical Dimension

There may be some differences in the types and scale of ESIF interventions in the More Developed and Transition areas of the Heart of the South West. This reflects the different levels of EU funds that can be spent in each area, the rules for allocation, and a difference in match-funding rates.

Transition

Our evidence base shows that social inclusion issues are more prevalent in some parts of the transition area than others, we would wish therefore

⁶⁷ <http://www.biglotteryfund.org.uk/talentmatch>

to see delivery open to all, but with a greater emphasis on those parts of the area with the greatest need.

More Developed

Activity in the more developed area are likely to have alignment with 'employment' strand of the Hinkley Deal. For instance, activities under supporting those furthest from the Labour Market, will have an emphasis towards pre-employment provision at a community level and enhancing employability provision.

E4: Rationale

Our evidence base shows that the Heart of the SW area has a relatively low unemployment rate, however, there are significant variations across our area and we have particular problems with youth and long term unemployment. In addition, there are large numbers of people that are economically inactive, but who would like to work. This represents a wasted opportunity, both from the perspective of the individuals, but also from employers and the economy more generally.

As social enterprises and social purpose organisations are businesses that trade to tackle social problems, improve communities, people's life chance or the environment, they can play an important role in simultaneously addressing social exclusion and economic objectives. National data suggests that 39% of social enterprises are based in the 20% most deprived areas of the UK⁶⁸. Our evidence base suggests that we have a strength in our social enterprise sector, which we can use to benefit social inclusion objectives.

⁶⁸

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/266124/CO_Social_investment_background_one-pager.pdf

Our evidence base also identifies that higher levels of part time employment and lower than average wages results in higher levels of 'in work poverty'.

E5: Contribution to our Strategic Economic Plan

This integrated activity will contribute to the following SEP desired outcome :

- By 2030, the Heart of the South West is in the top 10 LEP areas for low youth unemployment

E6: National Policy Alignment

Proposed Activity	Alignment with National Policy
Supporting the growth of the social purpose sector	Our proposed activities to support the growth of social enterprises in our area is fully aligned with Government ambitions to ' <i>grow the social investment market</i> '.
Enterprise as a route out of worklessness	Our proposed activities to help unemployed and disadvantaged people into self-employment as a route out of poverty complement's the <i>Get Britain Working</i> Programme, by providing greater depth of activity in this area.
Supporting those furthest away from the labour market	Our proposed activities to support those furthest away from the labour market and long term unemployed/inactive fully aligns with the Government's strategy for social justice ' <i>Social Justice: Transforming Lives</i> '
Youth Unemployment	Our proposed activities which include working with employers to raise demand for youth skills and providing additional 'case worker' style support to young people aligns with the national priority to tackle youth unemployment and complements the ' <i>youth contract</i> '.
In work poverty	Our proposed activities to address 'in work poverty' will help people to earn higher wages, reducing their reliance on benefits and complementing the Government's <i>Welfare Reform</i> agenda.

E7: Existing or Planned Activity

The SFA and DWP both have initiatives funded under the current programme. These legacy projects mean we will look to 2015 and beyond to launch new initiatives.

Our proposed activity to provide a supported case worker approach to young people is a key element of the Plymouth and SW Peninsula City Deal, with ESIF monies being used to match this activity as well as roll out the approach more widely.

The Hinkley section of our proposed Growth Deal also outlines a portfolio of activities to ensure that socially excluded and unemployed people in the Hinkley Impact Area are able to benefit from the opportunities that Hinkley will bring. ESIF activities in the more developed area will be aligned with and complement this broader portfolio.

In relation to social enterprise support and development, the Heart of the SW already has strong capacity in the social enterprise sector and an emerging 'infrastructure' to support the development of social enterprises including: Social Enterprise Network's (in parts of the area), Social Enterprise City Status for Plymouth and Plymouth University being the first university to be awarded the Social Enterprise Mark. Of particular note is the Seedbed project, which is one of 6 projects to be allocated Social Incubator Fund funding from the Cabinet Office. The project aims to help social enterprises to grow to scale and will run for 3 years. It will provide a complete package of support for 50 social ventures, including loan finance.

E8: Cross Cutting Themes

Equalities and Diversity

This integrated activity will have a positive benefit for equality by targeting those who evidence identifies are the most excluded and most at a disadvantage.

ESF funding will be used to:

- Provide support and training for groups where there is evidence of particular disadvantage and exclusion, such as people with disabilities, young people, older people and those from ethnic minority backgrounds, are enabled to participate fully in the projects and activities supporting this aim, including access to English courses for those for whom a lack of language skills is a barrier in the workplace
- Promote leadership and management training for employers to strategically address structural barriers to the employment of excluded groups as part of their overall business strategy.

E9: Cross LEP work

We will explore cross LEP working opportunities with the West of England in association with employability actions associated with Hinkley. We may also explore the opportunities for cross LEP collaboration with Cornwall and the Isles of Scilly in relation to supporting the growth of our social purpose sector.

Part 3: Technical



Photo Courtesy of Plymouth Marine Laboratory

Distribution of Funds & Alignment with other European Funds

In this section, we outline the distribution of ESIF monies in the Heart of the South West..

ERDF

In December 2015, DCLG issued an ERDF allocation profile for the Heart of the South West. This identifies, in Euros, the ERDF budget available in the Heart of the South West per national ERDF priority (as outlined in the ERDF Operational Programme) and per Category of Region (the More Developed area of Somerset and the Transition area of Devon, Plymouth and Torbay). Table 24 maps the Heart of the South West ESIF Strategy's Integrated Activities against this set ERDF budgetary framework for the Heart of the South West.

It is important to note, however, that the ERDF allocation profile ultimately received does not fully align with local proposals which were based on delivery of the Heart of the South West ESIF Strategy.

In addition, as all local ERDF allocations are in Euros, they are subject to €-£ exchange rate fluctuations. Government Departments issue six-monthly exchange rate updates which must be used to determine the Sterling value of allocations.

Table 9: ERDF Investment in the Heart of the South West by Priority Axis

ERDF Priority Axis	Supporting HotSW ESIF Strategy Integrated Activities	Category of Region	ERDF Budget Allocation for the HotSW
1 – Research and Innovation	Integrated Activity A ‘Maximising Innovation through Transformational Opportunities and Smart Specialisation’ ERDF investments such as: <ul style="list-style-type: none"> • Opening up specialist infrastructure to support Transformational Opportunities and Smart Specialisation; and • Ecosystems of support for innovation activity. Integrated Activity B ‘Enterprise and SME Competitiveness’ investments such as: <ul style="list-style-type: none"> • Developing Ideas and Products; and • Linking students and graduates to industry. 	More Developed	€ 4,121,116
		Transition	€ 15,004,382
2- ICT	Integrated Activity D ‘Digital’ ERDF investments such as: <ul style="list-style-type: none"> • Digital infrastructure; and • Support for SME digital utilisation. 	More Developed	€ 1,403,695
		Transition	€ 4,673,694
3 - Competitiveness of SMEs	Integrated Activity B ‘Enterprise and SME Competitiveness’ ERDF investments such as: <ul style="list-style-type: none"> • Enterprise / incubation space; • Business support system / Growth Hub; and • Business support products (e.g. start-up, investment readiness and SME investment for growth). 	More Developed	€ 6,532,376

ERDF Priority Axis	Supporting HotSW ESIF Strategy Integrated Activities	Category of Region	ERDF Budget Allocation for the HotSW
	<p>Integrated Activity C ‘Reaching New Markets’ ERDF investments such as:</p> <ul style="list-style-type: none"> • Internationalisation support; • Manufacturing support; and • Supply chain development. <p>Integrated Activity E – ‘Social and Economic Inclusion’ ERDF investments such as:</p> <ul style="list-style-type: none"> • Social enterprise support; and • Enterprise as a route out of worklessness 	Transition	€ 22,288,881
4 - Low Carbon	Integrated Activity C ‘Reaching New Markets’ ERDF investments relating to building the market in low carbon technologies.	More Developed	€ 5,166,646
		Transition	€ 8,566,399
Total			€67,757,189

ESF

In December 2015, DWP issued an ESF allocation profile for the Heart of the South West. This identifies, in Euros, the ESF budget available in the Heart of the South West per national ESF priority (as outlined in the ESF Operational Programme) and per Category of Region (the More Developed area of Somerset and the Transition area of Devon, Plymouth and Torbay). Table 25 maps the Heart of the South West ESIF Strategy's Integrated Activities against this set ESF budgetary framework for the Heart of the South West.

It is important to note, however, that the ESF allocation profile ultimately received does not fully align with local proposals which were based on delivery of the Heart of the South West ESIF Strategy.

In addition, as all local ESF allocations are in Euros, they are subject to €-£ exchange rate fluctuations. Government Departments issue six-monthly exchange rate updates which must be used to determine the Sterling value of allocations

Table 25: ESF Investment in the Heart of the South West by Investment Priority

ESF Investment Priority	Supporting HotSW ESIF Strategy Integrated Activities	Category of Region	ESF Budget Allocation for the HotSW
1.1 – Access to employment	Integrated Activity E – ‘Social and Economic Inclusion’ ESF investments such as enterprise as a route out of worklessness	MD	€ 0
		Trans	€782,473
1.2 - Integration of Young People	Integrated Activity E – ‘Social and Economic Inclusion’ ESF investments such as supported approaches for young people	MD	€1,721,439
		Trans	€5,320,814
1.4 – Active	Integrated Activity E – ‘Social and Economic Inclusion’ ESF investments such as supporting	MD	€3,924,317

ESF Investment Priority	Supporting HotSW ESIF Strategy Integrated Activities	Category of Region	ESF Budget Allocation for the HotSW
Inclusion	<p>the hardest to reach to access economic opportunities</p> <p>Integrated Activity D ‘Digital’ ESF investments such as digital inclusion</p>	Trans	€7,563,380
2.1 – Lifelong learning	<p>Integrated Activity A - ‘Maximising Innovation through Transformational Opportunities and Smart Specialisation’ ESF investments such as employer-led solutions to address higher-level skills</p> <p>Integrated Activity B – ‘Enterprise and SME Competitiveness’ ESF investments such as:</p> <ul style="list-style-type: none"> • Improving workforce skills and • Leadership and management skills <p>Integrated Activity D – ‘Digital’ ESF investments such as intermediate and higher-level digital skills</p> <p>Integrated Activity E – ‘Social and Economic Inclusion’ ESF investments such as tackling in-work poverty</p>	MD	€9,786,682
		Trans	€17,695,880
2.2 – Labor market relevance of Education and Training Frameworks	<p>Integrated Activity B – ‘Enterprise and SME Competitiveness’ ESF investments such as linking students and graduates to industry and retaining higher-level skills</p>	MD	€875,964
		Trans	€2,347,418

EAFRD

In July 2015, local partners agreed, in principle, an EAFRD Implementation Plan for the Heart of the South West with Defra. This is summarised below as Table 26. These arrangements are subject to budget confirmations from Defra, as the EAFRD Managing Authority.

Please note that the plan does not include any split by Category of Region (the More Developed area of Somerset and the Transition area of Devon, Plymouth and Torbay) as there is no requirement to do so for EAFRD.

As all local EAFRD allocations are in Euros, they are subject to €-£ exchange rate fluctuations. Government Departments provide on-going advice on exchange rates which must be used to determine the Sterling value of allocations

Table 26: Indicative EAFRD Investment in the Heart of the South West

EAFRD Sub - Measure	Supporting HotSW ESIF Strategy Integrated Activities	Indicative EAFRD Budget Allocation for the HotSW
2.1 - Support for providing advisory services	Integrated Activity A - 'Maximising Innovation through Transformational Opportunities and Smart Specialisation' EAFRD investment in innovation to support agri-science	€1,248,917
2.1 - Support for providing advisory services	Integrated Activity B – 'Enterprise and SME Competitiveness' EAFRD investment in rural business support	€3,122,293

EAFRD Sub - Measure	Supporting HotSW ESIF Strategy Integrated Activities	Indicative EAFRD Budget Allocation for the HotSW
<p>6.2 - Business start-up aid for non-agricultural activities in rural areas</p> <p>6.4 - Support for investments on creation and development of non-agricultural activities</p>	<p>Integrated Activity B – ‘Enterprise and SME Competitiveness’ EAFRD investment in a rural grant programme</p>	<p>€3,746,751</p>
<p>4.2 - Support for investments in processing/marketing and/or development of agricultural products</p>	<p>Integrated Activity B – ‘Enterprise and SME Competitiveness’ EAFRD investment in a grant programme for medium-sized food processing businesses</p>	<p>€624,459</p>
<p>1.1 - Support for vocational training and skills acquisition actions</p>	<p>Integrated Activity B – ‘Enterprise and SME Competitiveness’ EAFRD investment in rural skills and training</p>	<p>€1,248,917</p>
<p>16.4 - Horizontal and vertical co-operation among supply chain actors</p> <p>2.1 - Support for providing advisory services</p>	<p>Integrated Activity C ‘Reaching New Markets’ EAFRD investment in encouraging rural businesses to reach new markets (e.g. public sector, exporting and digital)</p>	<p>€1,248,917</p>
<p>7.2 - Creation, improvement or expansion of small scale infrastructure, including energy schemes</p>	<p>Integrated Activity C ‘Reaching New Markets’ EAFRD investment in rural renewable energy</p>	<p>€1,923,748</p>

EAFRD Sub - Measure	Supporting HotSW ESIF Strategy Integrated Activities	Indicative EAFRD Budget Allocation for the HotSW
<p>7.5 – Small scale recreational and tourism infrastructure and information</p> <p>16.3 – Co-operation among small operators in organising joint work processes</p>	<p>Integrated Activity C ‘Reaching New Markets’ EAFRD investment in rural tourism assets and infrastructure</p>	<p>€3,746,751</p>
<p>7.3 - Small scale broadband infrastructure</p>	<p>Integrated Activity D – ‘Digital’ EAFRD investment in superfast infrastructure in rural areas</p>	<p>€624,459</p>
<p>2.1 - Support for providing advisory services</p> <p>1.1 - Support for vocational training and skills acquisition actions</p>	<p>Integrated Activity D – ‘Digital’ EAFRD investment in digital training</p>	<p>€1,873,376</p>
<p>Total</p>		<p>€19,408,588</p>

Outputs and Results

ESF and ERDF

In December 2015, DCLG and DWP issued ERDF and ESF expenditure and output targets for the Heart of the South West. The tables identify targets per national ERDF / ESF priority (as outlined in Operational Programmes) and per Category of Region (the More Developed area of Somerset and the Transition area of Devon, Plymouth and Torbay). Targets identified as part of the Performance Framework are particularly important as, nationally, they trigger the release of the 6% Performance Reserve under each Priority and Category of Region. This 6% Performance Reserve is already included in local ESIF allocations.

It is important to note, however, that the ERDF and ESF targets ultimately received do not fully align with local proposals, with ESF figures, in particular, considered challenging.

ERDF and ESF Performance Framework Targets and Targets for 2023 for the Heart of the South West can be found at the end of this document as supplementary information sections 1 and 2.

EAFRD

In July 2015, local partners agreed, in principle, an EAFRD Implementation Plan for the Heart of the South West with Defra. Associated indicative investment areas and outputs are summarised below as Table 27. These arrangements are subject to confirmations from Defra, as the EAFRD Managing Authority.

Table 27: Indicative EAFRD output targets for the Heart of the South West

EAFRD Sub - Measure	Supporting HotSW ESIF Strategy Integrated Activities	Indicative EAFRD Output Targets
2.1 - Support for providing advisory services	Integrated Activity A - 'Maximising Innovation through Transformational Opportunities and Smart Specialisation' EAFRD investment in innovation to support agri-science	103 beneficiaries advised

EAFRD Sub - Measure	Supporting HotSW ESIF Strategy Integrated Activities	Indicative EAFRD Output Targets
2.1 - Support for providing advisory services	Integrated Activity B – ‘Enterprise and SME Competitiveness’ EAFRD investment in rural business support	257 businesses benefitting
6.2 - Business start-up aid for non-agricultural activities in rural areas 6.4 - Support for investments on creation and development of non-agricultural activities	Integrated Activity B – ‘Enterprise and SME Competitiveness’ EAFRD investment in a rural grant programme	131 jobs created and 10 businesses benefitting
4.2 - Support for investments in processing/marketing and/or development of agricultural products	Integrated Activity B – ‘Enterprise and SME Competitiveness’ EAFRD investment in a grant programme for medium-sized food processing businesses	22 jobs created
1.1 - Support for vocational training and skills acquisition actions	Integrated Activity B – ‘Enterprise and SME Competitiveness’ EAFRD investment in rural skills and training	
16.4 - Horizontal and vertical co-operation among supply chain actors 2.1 - Support for providing advisory services	Integrated Activity C ‘Reaching New Markets’ EAFRD investment in encouraging rural businesses to reach new markets (e.g. public sector, exporting and digital)	103 beneficiaries advised

EAFRD Sub - Measure	Supporting HotSW ESIF Strategy Integrated Activities	Indicative EAFRD Output Targets
7.2 - Creation, improvement or expansion of small scale infrastructure, including energy schemes	Integrated Activity C 'Reaching New Markets' EAFRD investment in rural renewable energy	31 jobs created
7.5 – Small scale recreational and tourism infrastructure and information 16.3 – Co-operation among small operators in organising joint work processes	Integrated Activity C 'Reaching New Markets' EAFRD investment in rural tourism assets and infrastructure	25 jobs created
7.3 - Small scale broadband infrastructure	Integrated Activity D – 'Digital' EAFRD investment in superfast infrastructure in rural areas	
2.1 - Support for providing advisory services 1.1 - Support for vocational training and skills acquisition actions	Integrated Activity D – 'Digital' EAFRD investment in digital training	3750 participants trained

Governance and Delivery Arrangements

The 2014-2020 European Structural and Investment Funds Growth Programme for England brings together European Regional Development Fund (ERDF), European Social Fund (ESF) and some (limited) European Agricultural Fund for Rural Development (EAFRD) monies.

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

A national ESI Funds Programme Monitoring Committee (PMC) has been established in England. It is the PMC for the Operational Programmes for the ERDF and the ESF in England and is known as the ESI Funds Growth Programme Board (GPB).

The EAFRD PMC will be the PMC for EAFRD funds within the European Growth Programme.

The GPB is chaired by a representative of the Managing Authorities, who also provide the Secretariat. The membership of the GPB is drawn from representatives of a wide range of partners across the public, private, business, social, voluntary and environmental sectors.

The GPB is supported by a number of sub-committees advising it on relevant policy and operational matters. These sub-committees, which will provide supporting advice in specific policy areas such as innovation, skills and aspects of implementation, will bring in leading experts from their fields and provide an important resource for the GPB and ESI Funds Growth Programme.

All sub-committees will report to the GPB, to ensure transparency of proceedings. The GPB will not delegate decisions to these national sub-committees though their advice will be important in informing the GPB's perspective, advice and decisions.

The Managing Authorities will work in partnership with economic, environmental, equality, social and civil society partners at national, regional and local levels throughout the programme cycle, consisting of preparation, implementation, monitoring and evaluation.

At the local level, ESI Funds sub-committees have been set up in each Local Enterprise Partnership area. These local sub-committees in each Local Enterprise Partnership area will operate as sub-committees of the GPB, to whom they will report. Local promotion of ESI Funds projects and their impact will be a priority, as will local leadership of this amongst partners. This will complement the functions of the Managing Authority but not substitute for them.

Each Local ESI Funds sub-committee is therefore chaired by a local partner who, along with other members drawn from business, public, environmental, voluntary and civil society sectors, are advocates for the opportunities and impact of the ESI Funds. Membership of these sub-committees is inclusive and in line with EU regulations and the wide scope of ESI Funds priorities. The Managing Authority is the Deputy Chair of the local ESI Funds sub-committee, except in London.

The role and purpose of these Local ESI Funds sub-committees is clearly defined in Terms of Reference published on GOV.UK⁶⁹. They are not responsible for any tasks set out in EU regulations for which Managing Authorities are responsible in relation to management of the ESI Funds.

The local sub-committees :

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

⁶⁹ The Terms of Reference for the Growth Programme Board can be found on the following web page: <https://www.gov.uk/government/groups/growth-programme-board>

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

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

Alignment with other European Funds

Introduction

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

To date, we have identified the following potential linkages between our ESIF Strategy priorities and other EU funds.

European Maritime and Fisheries Fund

The fisheries sector is a mature and important industry in the coastal areas of the Heart of the South West and the LEP is home to Plymouth, the largest fishing port in terms of tonnage landings in England and Brixham with the highest value of catch landed in England worth £27m in 2012.

There are a total of 30 working fishing ports across the LEP area and a developing aquaculture industry. Of these, Salcombe is important for shellfish with 1,300 tonnes, valued at £1.9 million landed in 2012 and the North Devon ports of Ilfracombe, Appledore and Bideford are important for the sustainably managed skates and ray fishery with 438 tonnes, valued at £0.7 million landed in 2012. Fishing not only contributes to the unique character of the area, but also adds significantly in economic terms.

There has been significant investment in the industry in recent years to ensure the facilities are available to encourage the industry to thrive. This includes the new Brixham fish market (opened in 2010), the new

Appledore fish dock (opened in 2009) and the redevelopment of Salcombe fish quay (2013). The new fish-market has helped consolidate Brixham's position as one of the most important ports in England with an excellent reputation for the quality of its fish. North Devon fisheries have been supported by a £1.1m European Fisheries Fund programme – the Northern Devon Fisheries Local Action Group (FLAG) focussing on adding value to the local product, improving sustainability and diversifying the fisheries sector.

EMFF Investment Priorities

Fishing is one of our most traditional industries, but one which is evolving rapidly. The sector represents an important opportunity for further product development, added value and promotion, building on the existing reputation.

There remain clear opportunities to further exploit the specialisms and value of catch already landed across the LEP. The quality of produce from the HotSW is nationally renowned, but while some is processed locally the bulk of fish is exported for processing and storage elsewhere in the country, limiting the economic benefits to the HotSW region. There is potential to add value to the fish by growing the processing capacity and providing the right conditions and facilities for growth and new investment in the sector. In particular there may be potential for processing lower value species given the landings obligation being introduced through the Common Fisheries Policy over the next three years.

There is an opportunity to develop markets in non-quota species given the tonnage of fish that will be landed as a result of the landings obligation. Transport is also critical for the quality wet fish end of the market as value comes from the excellent quality and freshness of the

produce, so the top end markets are seeking freshness and speedy deliveries from sea to auction and then to shop.

Encouraging the use of new technology and diversification will be crucial to ensuring continued growth. There are opportunities for local branding and developing new markets across the LEP, such as the growing whelk fishery for export markets, further developing the Brixham brand and the supply chain study completed for Northern Devon FLAG in 2013. There is the potential to build on work being done in South Devon to increase local consumption of fish and shellfish and to incorporate tourism opportunities related to fishing experiences and high quality local seafood..

Protection of the marine environment is a high priority and will influence the transition to increasingly selective and sustainable fishing techniques to harvest this important source of protein to meet world demand. The value of the marine environment should not be underestimated as it is an important natural asset not just for fisheries, but also for marine tourism, leisure and renewables, and one which we want to be sustainable. In line

with this protecting and enhancing of the environment and fish stocks, it will be essential to develop the sector further. Whilst 40% of the coast is already under controlled management there is potential to further develop aquaculture providing the water quality is sufficient and there is the opportunity to build on existing low carbon and hi tech industries to develop new ways of farming fish and shellfish.

Investment in coastal assets and opportunities is more expensive than inland sites due to the marine element and the need to protect key infrastructure from the impacts of climate change. Recent surges have threatened the fishing fleets even inside local harbours. Future investment support, including the EMFF, could be focused on essential development and feasibility work to enhance both the fisheries and wider marine sector opportunities.

We will continue to work with local Fisheries Local Action Groups (FLAGS) in the development of their Local Development Strategies to ensure complementarity.

Rural Development Programme

As a rural LEP, it will be important that we maximise complementarity between investment across the ESIF Strategy and the Rural Development Programme. We see particular potential for significant alignment across the HotSW's ESIF Strategy (and Strategic Economic Plan) and the Local

Development Strategies for 2015-2020 LEADER and will continue to engage and work with Local Action Group (LAGs) in the HotSW to realise this.

The Wider RDPE programme

In addition, we have identified the following potential synergies with the wider Rural Development Programme and European Maritime and Fisheries Fund priorities:

ESIF Strategy Priority	Linkages to the Rural Development Programme and European Maritime and Fisheries Fund (EMFF)
Enterprise and SME Competitiveness:	
Business support system / growth hub	The growth hub will, where appropriate, signpost businesses to support available through LEADER and Fisheries LAGs, the ‘farming and forestry competitiveness’ strand of the Rural Development Programme and any eventual EMFF activity in relation to ‘promoting the competitiveness and viability of the fisheries and aquaculture sectors’, thereby joining-up (EU-funded) business support in the HotSW.
Business Support	Investment in business skills specifically for the agricultural and forestry industry through the Rural Development Programme as well as any eventual EMFF investment in ‘new professional skills / lifelong learning specifically for the fisheries and aquaculture sectors’ will add to and complement this ESIF provision for the wider economy.
Developing ideas and products	Specific provision for knowledge transfer and innovation in agriculture and forestry as well as any eventual EMFF provision for ‘strengthening technological development, innovation and knowledge transfer specifically in the fisheries and aquaculture sectors’ (e.g. by growing the processing capacity) will add to and complement this ESIF activity for the wider economy.
Business resource efficiency	The ‘restoring, preserving and enhancing our natural environment’ strand of the Rural Development Programme will complement and go beyond the scope of this ESIF activity by improving the farmed environment and maximising environmental and public goods. In addition, any eventual EMFF investment in ‘promoting a sustainable and resource efficient fisheries and aquaculture sector’ will add to and complement this ESIF activity for the wider economy.

European Territorial Cooperation Programmes

We recognise that there is potential for significant complementarity across the ESIF Strategy and European Territorial Cooperation Programmes as outlined below, but in addition, there is scope for these Programmes (through their climate change and ecosystem service priorities) to support our wider emerging Strategic Economic Plan actions to: a) Manage flood risk, coastal protection and water catchments in a sustainable way through; and b) Maximise business opportunities from our environmental assets in a sustainable manner.

ESIF Strategy	Linkages to European Territorial Cooperation Programmes
Maximising Innovation through transformational opportunities and Smart Specialisation	The European Territorial Cooperation Programmes offer the added opportunity to internationalise Smart Specialisation activity, including capitalising on ESIF Strategy investment. In addition, the societal challenges / social innovation priorities of the European Territorial Cooperation Programmes have the potential to complement and build on the 'grand challenges' element of this ESIF integrated activity.
Enterprise and SME Competitiveness:	There is scope for the European Territorial Cooperation Programmes to support wider resource-efficient economy measures (such as development of green procurement approaches, innovative uses of waste, new technological solutions etc.), thereby complementing this more focussed and targeted ESIF intervention. There is potential to expand the scope of this activity in terms of both content and approach through the European Territorial Cooperation Programmes, e.g. through international working and the development of innovation capacity-building action plans, tools and actions.
Reaching new Markets:	The European Territorial Cooperation Programmes offer the added opportunity to internationalise low carbon technology activity. This may be particularly relevant in terms of the Cross-border Cooperation Programmes and marine energy.
Addressing social exclusion and employment	The European Territorial Cooperation Programmes have the potential to facilitate inclusion and to further this ESIF activity through: <ul style="list-style-type: none"> • the development of more efficient and effective social services, products and solutions under societal challenges / social innovation priorities; and • the development of social regeneration activity under the France (Channel) England Cross-border Cooperation Programme.

Horizon 2020

There are strong synergies between the HotSW's emerging Smart Specialisation sectors / technologies and the Horizon 2020 priorities, as outlined below.

<u>Smart Specialisation Area</u>	<u>Key linkages to Horizon 2020</u>
New nuclear	<ul style="list-style-type: none"> • Industrial leadership – leadership in enabling and industrial technologies (including advanced materials and advanced manufacturing and processing) • Societal challenges – secure, clean and efficient energy
Marine	<ul style="list-style-type: none"> • Societal challenges – food security, sustainable agriculture and forestry, marine, maritime and inland water research and the bio-economy as well as secure, clean and efficient energy • Industrial leadership – leadership in enabling and industrial technologies (including advanced materials and advanced manufacturing and processing)
Aerospace	<ul style="list-style-type: none"> • Industrial leadership – leadership in enabling and industrial technologies (including advanced materials and advanced manufacturing and processing) • Societal challenges – smart, green and integrated transport
Environmental science / big data	<p>Societal challenges – climate action, environment, resource efficiency and raw materials</p> <p>Industrial leadership – leadership in enabling and industrial technologies (including ICT)</p>
Agri-tech	Societal challenges – food security, sustainable agriculture and forestry, marine, maritime and inland water research and the bio-economy
Health	Societal challenges – health, demographic change and well-being
Photonics	Industrial leadership – leadership in enabling and industrial technologies (including photonics)

In this context, whilst acknowledging implementation challenges, we see opportunity to develop:

- 'Upstream' synergies, with ESIF investment building the capacity of our businesses to access Horizon 2020 to further Smart Specialisation priorities; and
- 'Downstream' synergies, with ESIF being used to commercialise Smart Specialisation-centred research carried out under Horizon 2002.

In addition, we recognise potential linkages between:

- the ESIF investment readiness support and the Horizon 2020 access to risk finance facility;
- the ESIF support for SMEs to develop ideas and products and the Horizon 2020 SME instrument; and
- the ESIF resource efficiency and low carbon technology actions and the Horizon 2020 societal challenges pillar.

COSME

We recognise significant synergies across COSME and the ESIF SME competitiveness and global market growth strands and have identified the following specific opportunities:

<u>ESIF Strategy Priority</u>	<u>Linkages to the COSME Programme</u>
Enterprise and SME Competitiveness :	
Business support system / growth hub	The growth hub will, where appropriate, signpost businesses to support available through the COSME Programme, including the Enterprise Europe Network services. In this way, it will serve to raise the profile of the COSME Programme and to promote uptake of its products and services.
Investment readiness	Investment readiness support through the ESIF Strategy will increase awareness of and enhance the capacity of SMEs to take up access to finance schemes under the COSME programme as appropriate
Supporting SMEs to develop ideas and products	We will encourage business skills providers to consider participating in the COSME entrepreneurship education exchange programme with the aim of maximising the quality of ESIF provision. In addition, our ESIF capacity building provision will include signposting relevant beneficiaries to outreach/mentoring support through COSME as appropriate.
Reaching New Markets	
Internationalisation support	We will encourage our local Enterprise Europe Network service to refer relevant export enquiries to ESIF-funded internationalisation support. offering more intensive support. Equally, ESIF-funded internationalisation support will alert beneficiaries to COSME's internationalisation support, including the Intellectual Property Rights SME helpdesks for China, ASEAN and Mercosur as well as the Enterprise Europe Network's international business partner database / events.

Connecting Europe

The Connecting Europe Facility may offer an opportunity to advance the upgrading of our key TEN-T strategic transport routes. This would align with the 'transport and accessibility' priority in our wider Strategic Economic Plan and also strategically complement ESIF investment in global market growth as well as digital connectivity.

Erasmus +

Effective linkages may be able to be made between our ESIF skills actions and Erasmus + (notably the 'cooperation with business' elements, including 'knowledge alliances' and sector skills alliances'), with Erasmus + offering the added opportunity to work at a transnational level.

Employment and Social Innovation Programme

Investment readiness support, social enterprise development and enterprise coaching through the ESIF Strategy will enhance the capacity of HotSW enterprises to access the microfinance and social entrepreneurship axis of the Employment and Social Innovation Programme. There is also potential for PROGRESS axis activity on the modernisation of employment and social policies to inform the ESIF 'Addressing Social and Economic Exclusion' integrated activity.

Creative Europe

Investment readiness support through the ESIF Strategy may enhance the capacity of HotSW SMEs in the creative sector to access the Creative Europe Guarantee Fund which facilitates loans to creative businesses and organisations. In addition, the Creative Europe Programme offers the potential to develop specific skills and competency support for the creative industries sector, complementing wider ESIF provision.

LIFE

There LIFE Programme's 'climate change mitigation' and 'environment and resource efficiency' strands could serve both to inform and further activity under the ESIF resource efficiency and low carbon technology themes.

Supplementary Information Section 1: ERDF Indicators and Targets

Performance Framework Targets

At a national level, Performance Framework targets must be met in 2018 in order to trigger the release of the 6% Performance Reserve monies under each ERDF Priority and Category of Region. Local ERDF notional allocations are inclusive of this 6% Performance Reserve. The following table identifies the contribution that the Heart of the South West is expected to make to meeting these national Performance Framework targets. Those targets included in the Performance Framework are only a subset of the full range of ERDF targets. Definitions of ERDF output indicators can be found on the .Gov.Uk website - https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/462724/ERDF_Output_Indicator_Definitions_Guidance_230915.pdf

ERDF Priority Axis (as outlined in the national ERDF Operational Programme)	Indicator or key implementation step	Measurement unit, where appropriate	More Developed Area of Somerset		Transition Area of Devon, Plymouth and Torbay	
			Milestone for 2018	Final target (2023)	Milestone for 2018	Final target (2023)
1 - Promoting Research and Innovation	Productive investment: Number of enterprises receiving support	Enterprises	#N/A	121	#N/A	384
	Expenditure	Euros	2,107,710	8,252,531	6,386,906	25,007,303
	Number of enterprises receiving support that has been achieved by partially or fully completed operations Final	Number	30	#N/A	95	#N/A
2 - Enhancing access to, and use and quality of, ICT	Expenditure	Euros	728,670	2,853,037	1,989,448	7,789,490
	Additional businesses with broadband access of at least 30mbps	Enterprises	183	716	504	1,974
3 - Enhancing the Competitiveness of SMEs	Productive investment: Number of enterprises receiving support	Enterprises	#N/A	423	#N/A	1,753
	Expenditure	Euros	3,387,963	13,265,239	9,487,694	37,148,135
	Number of enterprises receiving support that has been achieved by partially or fully completed operations Final	Number	109	#N/A	305	#N/A
4 - Supporting the Shift Towards a Low Carbon Economy in all Sectors	GHG reduction: Estimated annual decrease of GHG	Tonnes of CO2eq	#N/A	2,532	#N/A	3,492
	Expenditure	Euros	2,644,118	10,352,783	3,646,454	14,277,332
	Number of enterprises receiving support that has been achieved by partially or fully completed operations Final	Number	27	#N/A	38	#N/A

ERDF Indicator targets for 2023 by Priority Axis and Investment Priority

In addition to Performance Framework targets, the national ERDF Operational Programme identifies wider expected ERDF outputs against defined Investment Priorities. The following table identifies the contribution that the Heart of the South West is expected to make to meeting these wider Operational Programme targets by the end of the Programme in 2023. Definitions of ERDF output indicators can be found on the .Gov.Uk website - https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/462724/ERDF_Output_Indicator_Definitions_Guidance_230915.pdf

ERDF Priority Axis	ERDF Investment Priority (per ERDF Operational Programme)	ID	Indicator	Measurement unit	Target value (2023)	
					More Developed Area - Somerset	Transition Area - Devon, Plymouth and Torbay
1 - Promoting Research and Innovation	1a - Enhancing research and innovation (R&I) infrastructure and capacities to develop R&I excellence, and promoting centres of competence, in particular those of European interest	CO25	Research, Innovation: Number of researchers working in improved research infrastructure facilities	Full time equivalents	4	11
		P1	Number of researchers working in improved research or innovation facilities	Full-time equivalents	8	23
		P2	Public or commercial buildings built or renovated	Square metres	197	582
	1b - Promoting business investment in R&I, developing links and synergies between enterprises, research and development centres and the higher education sector, in particular promoting investment in product and service development, technology transfer, social innovation, eco-innovation, public service applications, demand stimulation, networking, clusters and open innovation through smart specialisation, and supporting technological and applied research, pilot lines, early product validation actions, advanced manufacturing capabilities and first production, in particular in key enabling technologies and diffusion of general purpose technologies	CO01	Productive investment: Number of enterprises receiving support Final	Enterprises	121	384
		CO02	Productive investment: Number of enterprises receiving grants	Enterprises	85	269
		CO03	Productive investment: Number of enterprises receiving financial support other than grants	Enterprises	2	20
		CO04	Productive investment: Number of enterprises receiving non- financial support	Enterprises	29	94
		CO05	Productive investment: Number of new enterprises supported Final	Enterprises	10	33
		CO06	Productive investment: Private investment matching public support to enterprises (grants)	EUR	102,296	324,814
		CO07	Productive investment: Private investment matching public support to enterprises (non- grants)	EUR	143,107	513,600
		CO08	Productive investment: Employment increase in supported enterprises Final	Full time equivalents	10	31
		CO26	Research, Innovation: Number of enterprises cooperating with research institutions Final	Enterprises	65	208
		CO28	Research, Innovation: Number of enterprises supported to introduce new to the market products Final	Enterprises	10	31
		CO29	Research, Innovation: Number of enterprises supported to introduce new to the firm products Final	Enterprises	19	61
		P2	Public or commercial buildings built or renovated	Square metres	52	166

ERDF Priority Axis	ERDF Investment Priority (per ERDF Operational Programme)	ID	Indicator	Measurement unit	Target value (2023)	
					More Developed Area - Somerset	Transition Area - Devon, Plymouth and Torbay
2 - Enhancing access to, and use and quality of, ICT	2a - Extending broadband deployment and the roll-out of high-speed networks and supporting the adoption of emerging technologies and networks for the digital economy	CO01	Productive investment: Number of enterprises receiving support	Enterprises	71	195
		CO05	Productive investment: Number of new enterprises supported	Enterprises	15	42
		P3	Additional businesses with broadband access of at least 30mbps	Enterprises	716	1,974
	2b - Developing ICT products and services, e-commerce and enhancing demand for ICT	CO01	Productive investment: Number of enterprises receiving support	Enterprises	0	21
		CO05	Productive investment: Number of new enterprises supported	Enterprises	0	15
		CO29	Research, Innovation: Number of enterprises supported to introduce new to the firm products	Enterprises	0	3
		P4	Additional businesses taking up broadband with speeds of at least 30Mbps	enterprises	0	81

ERDF Priority Axis	ERDF Investment Priority (per ERDF Operational Programme)	ID	Indicator	Measurement unit	Target value (2023)	
					More Developed Area - Somerset	Transition Area - Devon, Plymouth and Torbay
3 - Enhancing the Competitiveness of SMEs (continued on next page)	3a - Promoting entrepreneurship, in particular by facilitating the economic exploitation of new ideas and fostering the creation of new firms, including through business incubators	CO01	Productive investment: Number of enterprises receiving support Final	Enterprises	85	356
		CO02	Productive investment: Number of enterprises receiving grants	Enterprises	56	234
		CO03	Productive investment: Number of enterprises receiving financial support other than grants	Enterprises	8	15
		CO04	Productive investment: Number of enterprises receiving non- financial support	Enterprises	22	91
		CO05	Productive investment: Number of new enterprises supported Final	Enterprises	66	279
		CO06	Productive investment: Private investment matching public support to enterprises (grants)	EUR	296,016	1,233,640
		CO08	Productive investment: Employment increase in supported enterprises Final	Full time equivalents	34	146
		CO28	Research, Innovation: Number of enterprises supported to introduce new to the market products	Enterprises	7	28
		P11	Number of potential entrepreneurs assisted to be enterprise ready	Persons	269	1,122
		P2	Public or commercial buildings built or renovated	Square metres	10	44
	3c - Supporting the creation and the extension of advanced capacities for product and service development	CO01	Productive investment: Number of enterprises receiving support Final	Enterprises	217	876
		CO02	Productive investment: Number of enterprises receiving grants	Enterprises	145	585
		CO03	Productive investment: Number of enterprises receiving financial support other than grants	Enterprises	20	37
		CO04	Productive investment: Number of enterprises receiving non- financial support	Enterprises	57	227
		CO05	Productive investment: Number of new enterprises supported Final	Enterprises	68	278
		CO06	Productive investment: Private investment matching public support to enterprises (grants)	EUR	920,891	3,700,920
		CO07	Productive investment: Private investment matching public support to enterprises (non- grants)	EUR	296,924	1,217,468
		CO08	Productive investment: Employment increase in supported enterprises Final	Full time equivalents	89	364
		CO29	Research, Innovation: Number of enterprises supported to introduce new to the firm products Final	Enterprises	34	139

ERDF Priority Axis	ERDF Investment Priority (per ERDF Operational Programme)	ID	Indicator	Measurement unit	Target value (2023)	
					More Developed Area - Somerset	Transition Area - Devon, Plymouth and Torbay
	3d - Supporting the capacity of SMEs to grow in regional, national and international markets, and to engage in innovation processes	P13	Number of enterprises receiving information, diagnostic and brokerage	Enterprises	22	88
		P2	Public or commercial buildings built or renovated	Square metres	27	109
		CO01	Productive investment: Number of enterprises receiving support Final	Enterprises	122	526
		CO02	Productive investment: Number of enterprises receiving grants	Enterprises	81	351
		CO03	Productive investment: Number of enterprises receiving financial support other than grants	Enterprises	11	22
		CO04	Productive investment: Number of enterprises receiving non- financial support	Enterprises	32	136
		CO05	Productive investment: Number of new enterprises supported Final	Enterprises	39	167
		CO06	Productive investment: Private investment matching public support to enterprises (grants)	EUR	564,452	2,440,927
		CO07	Productive investment: Private investment matching public support to enterprises (non- grants)	EUR	189,357	811,645
		CO08	Productive investment: Employment increase in supported enterprises Final	Full time equivalents	51	218
		CO29	Research, Innovation: Number of enterprises supported to introduce new to the firm products Final	Enterprises	19	84
		P13	Number of enterprises receiving information, diagnostic and brokerage	Enterprises	12	53
		P2	Public or commercial buildings built or renovated	Square metres	15	65

ERDF Priority Axis	ERDF Investment Priority (per ERDF Operational Programme)	ID	Indicator	Measurement unit	Target value (2023)	
					More Developed Area - Somerset	Transition Area - Devon, Plymouth and Torbay
4 - Supporting the Shift Towards a Low Carbon Economy in all Sectors	4a - Promoting the production and distribution of energy derived from renewable sources	CO01	Productive investment: Number of enterprises receiving support Final	Enterprises	8	11
		CO05	Productive investment: Number of new enterprises supported Final	Enterprises	2	2
		CO30	Renewables: Additional capacity of renewable energy production Final	MW	1	1
		CO34	GHG reduction: Estimated annual decrease of GHG Final	Tonnes of CO2eq	612	855
	4b - Promoting energy efficiency and renewable energy use in enterprises	CO01	Productive investment: Number of enterprises receiving support Final	Enterprises	0	111
		CO34	GHG reduction: Estimated annual decrease of GHG Final	Tonnes of CO2eq	0	608
	4c - Supporting energy efficiency, smart energy management and renewable energy use in public infrastructure, including in public buildings, and in the housing sector	CO31	Energy efficiency: Number of households with improved energy consumption classification	Households	46	54
		CO32	Energy efficiency: Decrease of annual primary energy consumption of public buildings	kWh/year	44,225	52,235
		CO34	GHG reduction: Estimated annual decrease of GHG Final	Tonnes of CO2eq	732	864
	4e - Promoting low-carbon strategies for all types of territories, in particular for urban areas, including the promotion of sustainable multimodal urban mobility and mitigation-relevant adaptation measures	CO01	Productive investment: Number of enterprises receiving support Final	Enterprises	131	91
		CO34	GHG reduction: Estimated annual decrease of GHG Final	Tonnes of CO2eq	1,128	845
	4f - Promoting research and innovation in, and adoption of, low-carbon technologies	CO01	Productive investment: Number of enterprises receiving support Final	Enterprises	15	22
		CO05	Productive investment: Number of new enterprises supported Final	Enterprises	3	4
		CO26	Research, Innovation: Number of enterprises cooperating with research institutions Final	Enterprises	1	2
		CO29	Research, Innovation: Number of enterprises supported to introduce new to the firm products Final	Enterprises	2	4
		CO34	GHG reduction: Estimated annual decrease of GHG Final	Tonnes of CO2eq	198	338

Supplementary Information Section 2: ESF Indicators and Targets

Performance Framework Targets

At a national level, Performance Framework targets must be met in 2018 in order to trigger the release of the 6% Performance Reserve monies under each ESF Priority and Category of Region. Local ESF notional allocations are inclusive of this 6% Performance Reserve. The following tables identify the contribution that the Heart of the South West is expected to make to meeting these national Performance Framework targets. Those targets included in the Performance Framework are only a subset of the full range of ESF output and results targets. Definitions of ESF output and results indicators can be found on the .Gov.Uk website –

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/506534/MI_definitions_Final_V1_20160210.pdf

More Developed Area (Somerset)

Priority axis	ID	Fund	Category of region	Key implementation step or indicator	Measurement unit	Milestone total for 2018	Milestone men for 2018	Milestone women for 2018	Final men target (2023)	Final women target (2023)	Final target (2023)
1	1	ESF	More Developed	Amount of spend	Euros	2,117,159					11,291,512
1	O1	ESF	More Developed	Participants	Number	656	359	297	1,910	1,580	3,490
1	1	YEI		Amount of spend	Euros	0					0
1	O1	YEI		Participants	Number	0	0	0	0	0	0
2	1	ESF	More Developed	Amount of spend	Euros	3,998,492					21,325,292
2	O1	ESF	More Developed	Participants	Number	1,681	823	857	4,380	4,560	8,940

Transition Area (Devon, Plymouth and Torbay)

Priority axis	ID	Fund	Category of region	Key implementation step or indicator	Measurement unit	Milestone total for 2018	Milestone men for 2018	Milestone women for 2018	Final men target (2023)	Final women target (2023)	Final target (2023)
1	1	ESF	Transition	Amount of spend	Euros	4,270,833					22,777,778
1	O1	ESF	Transition	Participants	Number	1,553	844	709	4,490	3,770	8,260
1	1	YEI		Amount of spend	Euros	0					0
1	O1	YEI		Participants	Number	0	0	0	0	0	0
2	1	ESF	Transition	Amount of spend	Euros	6,263,531					33,405,497
2	O1	ESF	Transition	Participants	Number	2,470	1,211	1,260	6,440	6,700	13,140

ESF Indicator targets for 2023 by Investment Priority

In addition to Performance Framework targets, the national ESF Operational Programme identifies wider expected ESF outputs and results against defined Investment Priorities. The following table identifies the contribution that the Heart of the South West is expected to make to meeting these wider Operational Programme targets by the end of the Programme in 2023. Definitions of ESF output and results indicators can be found on the .Gov.Uk website - https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/506534/MI_definitions_Final_V1_20160210.pdf

More Developed Area (Somerset)

Outputs

Investment Priority 1.1

No investment or targets

Investment Priority 1.2

ID	Indicator	Total Target Value (2023)	Men target value (2023)	Women target value (2023)
O2	Participants (below 25 years of age) who are unemployed or inactive	1,720	940	780
ESF - CO01	Unemployed, including long-term unemployed	1,200		
ESF - CO03	Inactive	430		
O5	Participants from ethnic minorities	40		
ESF - CO16	Participants with disabilities	190		
O6	Participants without Basic Skills	300		
ESF - CO14	Participants who live in a single adult household with dependent children	50		

Investment Priority 1.3
 No investment or targets

Investment Priority 1.4

ID	Indicator	Total Target Value (2023)	Men target value (2023)	Women target value (2023)
O1	Participants	1,770	970	800
ESF - CO01	Unemployed, including long-term unemployed	930		
ESF - CO03	Inactive	710		
O4	Participants over 50 years of age	360		
O5	Participants from ethnic minorities	60		
ESF - CO16	Participants with disabilities	480		
O7	Participants who are offenders or ex-offenders	n/a (NOMS only)		

Investment Priority 1.5
 No investment or targets

Investment Priority 2.1

ID	Indicator	Total Target Value (2023)	Men target value (2023)	Women target value (2023)
O1	Participants	8,940	4,380	4,560
O4	Participants over 50 years of age	2,020		
O5	Participants from ethnic minorities	310		
ESF - CO16	Participants with disabilities	720		
O6	Participants without basic skills	1,570		
ESF - CO14	Participants who live in a single adult household with dependent children	370		

Investment Priority 2.2

ID	Indicator	Total Target Value (2023)	Men target value (2023)	Women target value (2023)
CO23	number of supported micro, small and medium-sized enterprises (including cooperative enterprises, enterprises of the social economy)	70		

Results

Investment Priority 1.1

No investment or targets

Investment Priority 1.2

ID	Indicator	Target value (2023)
R3	Participants gaining basic skills	4%
R5	Participants (below 25 years of age) in employment, including self-employment, or education/ training upon leaving	43%
ESF- CR06	Participants in employment, including self-employment, 6 months after leaving	34%

Investment Priority 1.3
No investment or targets

Investment Priority 1.4

ID	Indicator	Target value (2023)
ESF - CR02	Participants in education or training on leaving	17%
R1	Unemployed participants into employment, including self-employment on leaving	14%
R2	Inactive participants into employment, or job search on leaving	27%
R4	Participants with childcare needs receiving childcare support	36%

Investment Priority 1.5
No investment or targets

Investment Priority 2.1

ID	Indicator	Target value (2023)
R3	Participants gaining basic skills	11%
R6	Participants gaining level 2 or below or a unit of a level 2 or below qualification (excluding basic skills)	25%
R7	Participants gaining level 3 or above or a unit of a level 3 or above qualification	8%
R8	Employed females gaining improved labour market status	35%

Investment Priority 2.2

ID	Indicator	Target value (2023)
R9	Small and Medium Enterprises successfully completing projects (which increase employer engagement; and/or the number of people progressing into or within skills provision)	75%

Transition Area (Devon, Plymouth and Torbay)

Outputs

Investment Priority 1.1

ID	Indicator	Total Target Value (2023)	Men target value (2023)	Women target value (2023)
O1	Participants	640	340	300
ESF - CO01	Unemployed, including long-term unemployed	450		
ESF - CO03	Inactive	160		
O4	Participants over 50 years of age	130		

O5	Participants from ethnic minorities	30		
ESF - CO16	Participants with disabilities	140		
O6	Participants without basic skills	110		
ESF - CO14	Participants who live in a single adult household with dependent children	80		

Investment Priority 1.2

ID	Indicator	Total Target Value (2023)	Men target value (2023)	Women target value (2023)
O2	Participants (below 25 years of age) who are unemployed or inactive	4,400	2,370	2,030
ESF - CO01	Unemployed, including long-term unemployed	3,070		
ESF - CO03	Inactive	1,100		
O5	Participants from ethnic minorities	130		
ESF - CO16	Participants with disabilities	440		

O6	Participants without Basic Skills	770		
ESF - CO14	Participants who live in a single adult household with dependent children	200		

Investment Priority 1.3

No investment or targets

Investment Priority 1.4

ID	Indicator	Total Target Value (2023)	Men target value (2023)	Women target value (2023)
O1	Participants	3,220	1,780	1,440
ESF - CO01	Unemployed, including long-term unemployed	1,680		
ESF - CO03	Inactive	1,320		
O4	Participants over 50 years of age	560		
O5	Participants from ethnic minorities	130		
ESF - CO16	Participants with disabilities	710		
O7	Participants who are offenders or ex-offenders	n/a (NOMS only)		

Investment Priority 1.5
No investment or targets

Investment Priority 2.1

ID	Indicator	Total Target Value (2023)	Men target value (2023)	Women target value (2023)
O1	Participants	13,140	6,440	6,700
O4	Participants over 50 years of age	2,660		
O5	Participants from ethnic minorities	440		
ESF - CO16	Participants with disabilities	880		
O6	Participants without basic skills	2,310		
ESF - CO14	Participants who live in a single adult household with dependent children	550		

Investment Priority 2.2

ID	Indicator	Total Target Value (2023)	Men target value (2023)	Women target value (2023)
CO23	number of supported micro, small and medium-sized enterprises (including cooperative enterprises, enterprises of the social economy)	210		

Outputs

Investment Priority 1.1

ID	Indicator	Target value (2023)
R1	Unemployed participants into employment (including self-employment) on leaving	22%
R2	Inactive participants into employment, or job search on leaving	33%
R3	Participants gaining basic skills	4%
R4	Participants with childcare needs receiving childcare support	36%
ESF- CR06	Participants in employment, including self-employment, 6 months after leaving	34%

Investment Priority 1.2

ID	Indicator	Target value (2023)
R3	Participants gaining basic skills	4%
R5	Participants (below 25 years of age) in employment, including self-employment, or education/ training upon leaving	43%
ESF- CR06	Participants in employment, including self-employment, 6 months after leaving	34%

Investment Priority 1.3

No investment or targets

Investment Priority 1.4

ID	Indicator	Target value (2023)
ESF - CR02	Participants in education or training on leaving	17%
R1	Unemployed participants into employment, including self-employment on leaving	14%
R2	Inactive participants into employment, or job search on leaving	27%
R4	Participants with childcare needs receiving childcare support	36%

Investment Priority 1.5
No investment or targets

Investment Priority 2.1

ID	Indicator	Target value (2023)
R3	Participants gaining basic skills	11%
R6	Participants gaining level 2 or below or a unit of a level 2 or below qualification (excluding basic skills)	25%
R7	Participants gaining level 3 or above or a unit of a level 3 or above qualification	8%
R8	Employed females gaining improved labour market status	35%

Investment Priority 2.2

ID	Indicator	Target value (2023)
R9	Small and Medium Enterprises successfully completing projects (which increase employer engagement; and/or the number of people progressing into or within skills provision)	75%