



# **European Union Strategic Investment Fund**

## **Implementation Plan**

**January 2014**

To be read in conjunction with:-

**The York, North Yorkshire and East Riding Strategic Economic Plan**

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# 1. Introduction

## 1.1. How this Plan fits in to our Strategic plan for Growth

This implementation plan sets out York, North Yorkshire and East Riding proposals for the use of European Structural and Investment Funds 2014-2020. It is structured around our five Strategic Priorities (as set out in the York, North Yorkshire and East Riding Strategic Economic Plan – our Plan for Growth) and for each explains the rationale for intervention, the types of activities that we intend to support, financing arrangements and the outputs we expect to achieve.

Our Plan for Growth is in three parts – an overall Strategic Economic Plan, this European Structural and Investment Fund Implementation Plan and the Local Growth Deal Implementation Plan. The Strategic Economic Plan (SEP) is the overall strategy for our LEP area and sets out the strategic requirements needed to guide European structural and investment funds locally.

## 1.2. The relationship between Strategic Priorities and Thematic Objectives

The table below shows which of the Thematic Objective features in each of the YNYER's five Strategic Programmes. A key to the ten Thematic Objectives is provided in the second table.

Strategic Priority	TO1	TO2	TO3	TO4	TO5	TO6	TO7	TO8	TO9	TO10
<b>Profitable and ambitious small and micro businesses</b>	✓		✓	✓				✓		✓
<b>A global leader in food manufacturing, agri-tech and biorenewables</b>	✓		✓	✓						✓
<b>Inspired people</b>								✓	✓	✓
<b>Successful and distinctive places</b>					✓	✓				✓
<b>A well connected economy</b>		✓					✓			✓

Thematic Objective	Title	Thematic Objective	Title
<b>TO1</b>	Strengthening research, technological development and innovation	<b>TO6</b>	Protecting the environment and promoting resource efficiency
<b>TO2</b>	Enhancing access to, and use and quality of, Information and Communication Technologies	<b>TO7</b>	Promoting sustainable transport and removing bottlenecks in key network infrastructures
<b>TO3</b>	Enhancing the competitiveness of Small and Medium Enterprises	<b>TO8</b>	Promoting employment and supporting labour market mobility
<b>TO4</b>	Supporting the shift towards a low carbon economy in all sectors	<b>TO9</b>	Promoting social inclusion and combating poverty
<b>TO5</b>	Promoting climate change adaptation, risk prevention and management	<b>TO10</b>	Investing in education, skills and lifelong learning

## 2. Delivering European Structural and Investment Funds

### 2.1. Overview of the Priorities

Our overall approach to delivery is to focus on specific, evidenced interventions that will enable economic growth.

The following table sets out our European Structural and Investment Fund strategic priorities and the objectives.

Strategic Priority/ Programme	Objectives
1) Profitable and ambitious small and micro businesses	Innovative, growing small businesses
	More entrepreneurs who start and grow a business
	Ambitious business leaders
2) A global leader in food manufacturing, agri-tech and biorenewables	World class innovation in agri-tech and biorenewables
	Agriculture and food business connected to new opportunities
	Low carbon businesses
3) Inspired people	A productive workforce for growing businesses
	Inspired people making the right job choices
	Empowered communities delivering support and inclusion
4) Successful and distinctive places	Environmental quality and community needs
5) A well connected economy	Transport that underpins growth
	Access to UK and international markets (Broadband)

The following sections set out in more detail the strategic priorities, objectives, activities and financial allocations for the Plan.

## Priority 1: Profitable and ambitious small and micro businesses

Overview	Finances
We will create conditions which enable all businesses with an ambition to grow to do so, and boost innovation levels by connecting businesses to the best expertise. This will help growing businesses to achieve greater overall size and profitability than they would otherwise. As a result, local growth will outstrip benchmark growth rates in a sustainable manner.	£17.48m of ERDF  £4.49m of ESF (Also see Priority 3)
Why	EAFRD £3.68m
We have a micro and small business based economy. Future growth therefore depends on a highly competitive and growing small and micro business sector.	

This priority is focused on creating conditions which enable businesses with an ambition to grow to do so, and boosting innovation levels by connecting businesses to the best expertise. It will support the growth and profitability of existing businesses and the formation of new firms, including through action to enhance management and leadership skills that are critical to business success.

At a strategic level, the evidence and rationale for making this area a Priority is based on the following facts:

- Our business base is disproportionately dominated by small and micro businesses (we have 20% fewer medium and 50% fewer large companies than the UK average). Therefore we need to build on this base of small businesses and help firms to grow in number and size.
- Productivity is below national average and falling. Improving SME competitiveness will be central to a turnaround and evidence makes it clear that skills and innovation are key drivers of productivity and central to long term improvement.
- Businesses taking external advice are twice as likely to grow as those that do not. However, many businesses do not make use of such support so a key task is to encourage businesses to better utilise external business support and advice including on exports and market development.
- Business start-up rates are 20% below national average; which on top of smaller than average businesses, makes high total output growth harder to achieve. We need more new firms to start up to correct this structural imbalance in our economy and enable our economy to achieve its full potential.

## Objectives

The objectives of the profitable and ambitious small and micro businesses priority are:-

- Innovative, growing small businesses
- More entrepreneurs who start and grow a business
- Ambitious business leaders

## Proposed Activities

Activities that we intend to take forward through this Strategic Priority are shown in the following table, along with the Thematic Objective to which each relates.

### Objective 1(a) Innovative, growing small businesses

Core activity	SEP Actions	Potential EUSIF Activity	TO
<b>Improve business competitiveness through coordinated business support</b>	Simplify and incentivise access to business advice including business networks	Take steps to raise business growth ambition	TO3 & EAFRD Art 20 - Bus
		Help more small and micro businesses develop a focussed growth business strategy which will drive business performance	
	Tailored business support to meet specific needs	Provide support and advice to businesses to support the development of SMEs and micro businesses	
	Access to Finance (including Business Growth Grants for capital investment)	To increase the provision of finance so that business can access finance at each stage of business development	
	Business improvement programme	Awareness-raising of the full breadth of support available to SMEs to help them expand, diversify and to achieve their growth ambitions and strategies	
		Providing grow-on (and, if necessary, incubation) space in geographic areas where evidence shows there is a demand that cannot be met through current supply. Supporting businesses to become investment ready	
		Provide support, advice and funding to businesses and entrepreneurs to support the development of SMEs and micro businesses including the uptake of new/improved business processes and technology	

		Building capacity in SMEs to provide project/placement/internship opportunities and enhance the contribution of higher level skills to SME growth. In particular this could include programmes to engage disadvantaged groups or those who face local disadvantages	TO10
	Also see Priority 3 Inspired People TO10 ESF activities		
<b>Increase innovation in small businesses</b>	Create a single access point to improve links between business and universities	Building collaboration between enterprises, research institutions and public institutions	TO1
	Financial support for Research and Development and new product development	Bringing new products to market and business processes to the market	
<b>New market development</b>	Export market development	Supporting companies to develop business growth strategies, enter new domestic and international markets and implement productivity improvements	TO3
	Supply chain development	Strengthen local and national supply chains	
		Support SMEs in their development of ICT products	TO2
<b>Deliver business friendly planning, regulation and procurement</b>	Better, business friendly advice on legislation, planning and regulation	Programmes to provide enhanced access to advice on legislation, planning and regulation particularly in rural areas, micro businesses and priority sectors	TO3
	Better procurement that widens SME opportunities	Increasing access for SMEs (especially small and micro businesses) to procurement opportunities	

**Objective 1(b) More entrepreneurs who start and grow a business**

Core activity	SEP Actions	EUSIF activity	
<b>Inspire and support new business starts</b>	Business start-up support	Provision of start-up finance, early stage equity, venture capital and proof of concept funding	TO3

		Provide support to start a business	
		Schemes to promote and support entrepreneurship and self-employment, in particular amongst groups which may not see enterprise as for them	
		Investment readiness support	
		Business start up support for non-agricultural activities in rural areas and investments in creation and development of non-agricultural activities	EAFRD ART 20
		To create opportunities for jobs through funding to businesses and entrepreneurs to support the creation and development of SMEs and microbusinesses including the uptake of new/improved business processes and technology	TO8
		Support for activities to start and grow a business from promoting entrepreneurship (including social enterprises), self-employment to providing leadership and management training and advice within SMEs to develop internal capabilities and growth potential	TO10
	Enterprise education and culture	Developing better links between business and educators to equip students with the skills to start and grow a business and meet business needs	TO10

#### Objective 1(c) Ambitious business leaders

Core activity		EUSIF activity	
Enhance leadership and management skills	Leadership development programme	Leadership and management training to help SME management identify and resolve problems and inform direction and strategy, including internationalisation	TO10



## Core Activities

**Improve business competitiveness through co-ordinated business support** - We will encourage realistic growth ambitions within our business community by demonstrating how others have created a path to success. The LEP will play a central role in coordinating and aligning the fragmented support network, particularly via its online insight and introductions service [www.businessinspiredgrowth.com](http://www.businessinspiredgrowth.com). We will link interventions, so that for example mentoring and peer support are wrapped around the provision of finance for growth. In particular we focus on the creation of value relationships, such as incentivising the take up of support, whilst recognising that there's little value in 'free'. Typically we will encourage the provision of specialist advice for established businesses, to further build value relationships and make the most of the expertise within the business community to support growth. Tailored support will also extend to sectors with specific needs such as the visitor economy and engineering. We will support people working as catalysts and network enablers along with the provision of infrastructure that meets the needs of businesses, such as physical Business Hubs. Support will be linked to resource efficiency and low carbon goals and cover areas including marketing, finance, ICT, staffing and investment readiness. It will also include access to capital finance through Business Growth Grants.

**Increase innovation in small businesses** – We will de-risk investment in R&D and make it easier for small businesses to innovate. We have world class innovation assets in the region that we will utilise. However we will also seek to use the University of York as a conduit to connect businesses to the best expertise across the UK. We will create a single entry point, whereby a business wishing to innovate is helped to find and access the very best expertise and support and supported in investing in developing new products and processes. We also recognise that broadband is an enabling technology that can support long term competitiveness (see also Priority 5). Where broadband has been rolled out we will help businesses make the most of it. Unleashing the innovation and expertise in the region's businesses and universities will play a key role in driving high value growth.

**New market development** - Businesses looking to grow know they need a market for the goods and services they provide. Where there is a need or opportunity to develop, test, establish or access these markets, which require additional intervention, we will assist. Whilst many of these markets will be international, there remain domestic opportunities to maximise, such as making the most of infrastructure such as roads and tourism and recreational markets linked to long distance cycle paths and footpaths through our region and promotional opportunities linked to events such as the Tour de France in Yorkshire.

**Deliver customer friendly planning, regulation and procurement** – The potential for the public sector to play a stronger role in supporting the economic growth of the local business community is recognised by both public and private sectors. The LEP will use our role as a bridge between these sectors to facilitate progress. Once again, we will look to the business community to help the public sector understand where there are barriers to growth or opportunities to support additional local growth, whilst making it easier for business to deal with regulation. We will seek to encourage a positive, business friendly culture, including in planning, and explore potential for free pre-application planning advice to businesses, customer care training, and simplified planning regimes.

**Inspire and support new business starts** - A fundamental foundation of our economy is the high quality of life, which attracts and retains entrepreneurs and business leaders. Recognising that self-employment is an increasing trend, particularly amongst 25+ returnees to the area, we will ensure that we effectively support those with a desire to establish their own business and instil an enterprising mindset in our young people.

**Enhance leadership and management skills** - As part of the overall principle of supporting linked interventions, it is important that business people receiving support have the skills required to make the most of this. Accordingly, both basic and specific business skills and higher level leadership and management skills will be key elements on the path to growth.

## Beneficiaries

The benefits/beneficiaries of the **Profitable and ambitious small and micro businesses priority** will be small and medium sized enterprises across the LEP area, residents of the YNYER through increased employment and skills development opportunities and the LEP area economy as a whole.

## Finance

Profitable and ambitious small and micro businesses: Finance		EUSIF	
Strategic Objective	Thematic Objective	Transition	More developed
Innovative, growing small businesses	TO1	£1.53m	£3.42m
	TO2		£1.00m
	TO3	£2.91m	£6.36m
	EAFRD (Art 15)	£0.15m	£0.35m
	EAFRD (Art 20)	£0.30m	£1.08m
More entrepreneurs who start and grow a business	TO3	£0.89m	£1.37m
	TO10	£0.30m	£0.64m
	TO8	£0.30m	£0.70m
	EAFRD (Art 16)	£0.15m	£0.35m
	EAFRD (Art 20)	£0.30m	£1.00m
Ambitious business leaders	TO10	£0.75m	£1.80m
Total		<b>£7.58</b>	<b>£18.07</b>
		<b>GRAND TOTAL</b>	<b>£25.65</b>

## Outputs

The activities supported through the Profitable and ambitious small and micro businesses priority are expected to deliver the outputs shown in the following table.

### Profitable and ambitious micro business: Overall Targets

Output	Target
Number of enterprises receiving support	1511
Number of new enterprises supported	262
Employment increase in supported enterprises	517

<b>Number of enterprises co-operating with research entities</b>	130
<b>Number of enterprises supported to introduce new-to-the-market products</b>	20
<b>Number of enterprises supported to introduce new-to-the-firm products</b>	40
<b>Additional enterprises accessing ICT products and services including broadband</b>	80
<b>Private sector investment matching public support to enterprises</b>	
<b>Total number of participants</b>	1989
<b>Number of unemployed participants</b>	136
<b>Number of inactive participants</b>	136
<b>Number of employed (including self-employed) participants</b>	1578
<b>Number of participants aged 15-24</b>	578
<b>Jobs created (EAFRD)</b>	160
<b>Participants trained (EAFRD)</b>	2500

## Priority 2: A global leader in food manufacturing, agritech and biorenewables

Overview	Finances
We will drive growth and exports by building on our international reputation and connections in these sectors of global significance. We want to grow and cross fertilise two sectors in which we are internationally recognised to make our area a global leader in both aspects of our bio-economy.	£12.89m of ERDF
	£1.45m of ESF (also see priority 3)
Why	EAFRD £2.2m
We have leading edge assets in the food manufacturing, agri-tech and bio-renewables sectors (the 'bio-economy') with a worldwide reputation and the potential to create thousands of new jobs.	

This priority is focused on the growth of our most distinctive and disproportionately concentrated sector – the bio-economy. We have world leading, high value assets and businesses in agri-tech and biorenewables as well as a large number of local food and agricultural businesses that can be better connected to and benefit from these strengths. Activity will help to further boost and utilise our R&D and innovation assets, support growth of the sector and ensure businesses adopt and benefit from low carbon and resource efficiency measures.

At a strategic level, the evidence and rationale for making this area a priority is based on the following facts:

- Across Europe the bio-economy sectors have a reported turnover of some 2 trillion Euros<sup>1</sup> and the global market for biochemicals has been predicted to increase tenfold.
- The R&D base in York competes internationally in agri-tech and biorenewables. It is home to the Biorenewables Development Centre and two internationally recognised research groupings at the University of York, the Centre for Novel Agricultural Products and the Green Chemistry Centre of Excellence. The Food and Environment Research Agency (FERA) at Sand Hutton complements these resources.
- Whilst the overall 'bio-economy' sector incorporates a number of different sectors – for instance agri-tech, agriculture, food production and processing and biorenewables – there are strong connections between these sector and advantages in developing them together.
- Businesses are facing rising energy and resource bills and there are wider pressures and reasons to cut carbon emissions. Encouraging efficient, low carbon business helps to meet European and national policy goals and to achieve economic objectives.

### Objectives

The objectives of the Global leader in food manufacturing, agritech and biorenewables priority are as shown below.

- World class innovation in agritech and biorenewables

<sup>1</sup> Statistic taken from BioVale proposal consultation document, July 2013

- Agriculture and food business connected to new opportunities
- Low carbon businesses

## Proposed Activities

Activities in the Global Leader Programme are designed to complement mainstream support services. They are shown in the table below, along with the Thematic Objective to which each relates.

### Objective 2(a) World class innovation in agritech and biorenewables

Core activity	SEP Actions	EUSIF activity	TO
<b>Grow international competitiveness in agritech</b>	Deliver Sand Hutton/FERA agritech campus master plan	Incubation space and other equipment (e.g. demonstration and user-test facility space, and open access equipment/technical facilities) which leads to the delivery of other proposed activities	TO1
	Develop an agritech innovation programme connecting businesses to R & D and centre of expertise	Building collaborative research between enterprises, research institutions and public institutions including; <ul style="list-style-type: none"> <li>graduate start up schemes and support for HE Institution spin outs delivering innovation including social enterprises</li> <li>supporting the on-going identification and development of new opportunities to exploit innovation as markets continue to develop over the course of the programme period</li> </ul>	
		Bringing new products and business processes to the market including; <ul style="list-style-type: none"> <li>stimulating the demand for new (or improved) services, processes and products in agri-tech</li> <li>increasing business demand for use of R &amp; D</li> <li>programmes to drive innovation</li> </ul>	
		Sector specific support for intermediate, technical and higher level skills (ESF T10)	
<b>Capitalise on biorenewables and</b>	Create a 'one stop shop' on	Incubation space and other equipment (e.g. demonstration and user-test facility space, and open access equipment/technical facilities) which leads to the delivery of	

<b>low carbon assets</b>	biorenewables innovation	other proposed activities	
	Promote technology transfer and specialist business advice	Building collaborative research between enterprises, research institutions and public institutions	TO10
	Establish tailored incubator and grow on space	Ensure there is an adequate supply if incubation especially for high growth potential firms, grow on space and support services where there is market failure	TO1
	Build biorenewables and low carbon supply chains	Build the market in in low carbon environmental technologies, goods and services	TO4

#### Objective 2(b) Agriculture and food businesses connected to new opportunities

<b>Connect our agricultural sector to agritech and biorenewables</b>	Connect agricultural businesses to food, agri-tech and biorenewables expertise and supply chains	Knowledge transfer and information sharing (EAFRD)	TO1 EAFRD Art 15
		Provision of advice (EAFRD)	TO1 EAFRD Art 15

#### Objective 2(c) Low Carbon Businesses

<b>Strategic activity</b>		<b>EUSIF activity</b>	<b>TO</b>
<b>Support investment in energy and resource efficiency</b>	Support programme for energy efficiency, renewable energy generation and waste prevention	Adoption of domestic energy efficiency and low carbon construction techniques including ultra-low carbon exemplar demonstrator buildings	TO4
		Adoption of low carbon technologies to build the market in the Low Carbon Environmental Goods and Services (LCEGS) sector supply chain (including support to SMEs to deploy local carbon solutions and support to diversify technologies from one sector to another)	
		Assist the market to develop, design and manufacture materials, goods and services with embedded low carbon technologies	
		Deployment of localised Carbon Capture and Utilisation, Energy Storage and Waste to	

		Energy projects and infrastructure	
		Energy efficiency in enterprises including industrial processes designing out waste, recovery of 'waste' heat energy and CHP	
		Moving to renewable and low carbon fuels to generate heat and power	
		Actions aligned to the Governments Waste Prevention Programme which drive low carbon innovation in relation to waste and re-use	
		Building retrofit and energy efficiency especially whole building solutions and exemplifying next phase technologies which are near to market	
		Skills/employment development for low carbon including via Higher Apprenticeships, University Technical Colleges and placements /working with industry	TO10
		Skills/employment for retrofitting and low carbon heating	
		Adaption skills for all sectors to support low carbon transition including eco-innovation and skills to drive change	
		Help those without jobs and labour market entrants gain accredited low carbon skills/employments	TO8
Also see Priority 3 Inspired People TO10 ESF activities			



## Core activities

**Grow our international competitiveness in Agritech** - FERA at Sand Hutton is a key asset for agriculture and related food and energy businesses. This world class facility sits at the heart of the UK agritech strategy and has potential to double in size, creating 800 jobs and boosting the economy by £100m. It has an excellent case to be at the core of the new national agritech 'catalyst' programme and to become an exemplar 'catapult' centre. Investment will build an innovation cluster around the FERA business, supporting investment in R&D, technology transfer and creating major new business and export opportunities.

**Capitalise on our biorenewables and low carbon assets** – The BioVale Vision is for a Yorkshire and Humber wide biorenewables based<sup>2</sup> innovation cluster focused on centres of expertise in the University of York. This would connect to low carbon and biomass developments at Drax, low carbon energy and chemicals in the Humber, and expertise in other R&D institutions and universities. The proposal will make it easier for business to access the world class innovation assets in the region and will promote technology transfer, build supply chains and bridge gaps between sectors. We will develop an integrated bio-economy delivery plan in collaboration with neighbouring LEP areas to drive the sector's growth, incorporating all relevant parts of this Priority.

**Connect our agricultural sector to agritech and biorenewables expertise and opportunities** – Growth of the food manufacturing, agritech and the biorenewables sectors will create major supply chain and innovation opportunities. These include those from investment in agri-innovation, potash mining, low carbon transformation at Drax and offshore wind energy development. We will seek to ensure local SMEs, including farms, are aware of supply chain opportunities and enhance their capacity to secure them. We will also exploit opportunities for inward investment and reinvestment based on the supply chains of major investors.

**Support investment in energy and resource efficiency** – There is great potential to turn waste into a source of renewable energy and an income stream, as well as to implement other energy saving, waste reduction and energy microgeneration activities in farms and SMEs. However, market failures including access to finance (barriers to market entry) and lack of awareness (imperfect information) are preventing take up. This programme will open up grants, advice and other support that encourage small scale take up of low carbon and sustainable technologies across the LEP area.

## Beneficiaries

The beneficiaries of the 'global leader in food manufacturing, agri-tech and biorenewables' will be YNYER businesses within these sectors and their supply chain and residents in terms of employment.

## Finance

Global leader in food manufacturing, agri-tech and biorenewables: Finance		EUSIF (£m)	
Strategic Objectives	TO	Transition	More developed
World class innovation in agri-tech and biorenewables	TO1	£1.41m	£5.39m
	TO10	£0.45m	£1.00m
Agriculture and food business connected to new opportunities	EAFRD (Art 15)	£0.30m	£0.60m

<sup>2</sup> Biorenewables specialisms include high value chemicals, natural products, next generation biofuels and biowastes

Low Carbon businesses	TO4	£1.64m	£4.45m
	EAFRD (Art 21)	£0.30m	£1.0m
Total		£4.1m	£12.44m
		GRAND TOTAL	£16.54m

### Outputs

The activities supported through the 'global leader in food manufacturing, agritech and biorenewables' priority are expected to deliver the outputs shown in the following table:

#### A global leader: Overall Targets

Output	Target (excluding match funding outputs)
Number of enterprises receiving support	951
Number of new enterprises supported	82
Employment increase in supported enterprises	415
Number of enterprises co-operating with research entities	179
Number of enterprises supported to introduce new-to-the-market products	30
Number of enterprises supported to introduce new-to-the-firm products	45
Private sector investment matching public support to enterprises	
Estimated greenhouse gas reductions	83425
Total number of participants	1156
Number of unemployed participants	78
Number of inactive participants	78
Number of employed (including self-employed) participants	1000
Jobs created (EAFRD)	90
Participants trained (EAFRD)	2500

## Priority 3: Inspired people

Overview	Finances
We want to have one of the best workforces in the country, with ambitious and enterprising young people, excellent employability skills and qualifications that meet business needs now and in the future. Achieving that will drive business growth and competitiveness and support employment and incomes	£33.27m of ESF
Why	
Businesses need people with the right skills and qualities to flourish and grow. The same skills help people to get jobs and progress in their careers. There is a strong link between skills (especially higher level ones) and business productivity. On average, businesses that invest in training perform far better than those that do not. Likewise, people with better skills are far more likely to be employed and to earn more. Skills are as vital to jobs and inclusion as to business success.	

This priority is focused on the skills and attributes of our present and future workforce. It includes attainment and qualifications, but also the employability and attitude skills that many employers see as crucial to success and actively seek in new recruits. It includes sector specific needs as well as issues and skills that affect employers across our economy.

At a strategic level, the evidence and rationale for making this area a priority is based on the following facts:

- A highly skilled workforce is recognised as a key driver of productivity and one that also supports enterprise and innovation. A fifth of UK economic growth is due to improvements in workforce skills.
- Businesses that develop their skills do better. ‘Low training’ companies are between 2 and 2.5 times more likely to go out of business as ‘high training’ companies.
- People with better skills are more likely to be employed, to contribute more to productivity, and to earn more. The earnings advantages associated with achieving higher qualifications are: Level 2 (+15%); Level 3 (+13%); Level 4 (+28%); Level 5 (+23%) – these are additive percentages<sup>3</sup>.
- Whilst qualifications levels across most of the LEP area are above national average, they are not rising as fast as nationally – so our advantage in this area will diminish unless we act. Additionally, there are localised areas where skills levels are lower, most notably on the Yorkshire Coast.

### Objectives

The objectives of the ‘Inspired people’ Priority are as shown below.

- A productive workforce for growing businesses
- Inspired people making the right job choices
- Empowered communities delivering support and inclusion

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<sup>3</sup> Statistics from “The Big Picture: skills and employment needs in a global context” presentation by Professor Mike Campbell OBE to LCR skills network, June 28 2012

## Proposed EUSIF Activities

Activities that we intend to take forward through this Strategic Priority are shown in the table below.

### Objective 3(a) A productive workforce for growing businesses

YNYER core activities	Actions in SEP	EUSIF activity	TO
Increase productivity by investing in the workforce	Research and communicate sector needs	Development of general and industry specific business skills in rural areas	TO10
		Developing better links between business and educators, Further Education providers and other education partners to equip students with the skills to start and grow a business as well as meet local business needs	
		Support for change in the local economy to meet skills gaps at all levels, including for SMEs and the social economy	
		Support for activities to start and grow a business from promoting entrepreneurship (including social enterprises), self-employment to providing leadership and management training/advice within Small and Medium Sized Enterprises to develop internal capabilities and growth potential	
		Actions to encourage employer collaboration to meet workforce skills needs, particularly in new/emerging and growth sectors where there are specific skills gaps and shortages.	
	Develop specific training packages that meet local priority sector and investor needs	Support for intermediate, technical and higher level skills for specific industries and sectors identified as driving growth in local economies	
		Support for collaborative projects, placements internships or other activities with SMEs that enable students and graduates to gain relevant experience and skills	
		Investment to improve the leadership and management skills of SMEs in the area, particularly where they reflect the requirements of growth sectors or support the advancement of other elements of the European agenda (e.g. skills required to grow the low carbon economy and support greater resource efficiency).	

<b>Build competitive advantage through higher level skills</b>	Promote the benefits of higher level skills to business and encourage their uptake	Building capacity in SMEs to provide project/placement/ internships opportunities and enhance contribution of higher level skills to SME growth. Programmes to specifically engage the most disadvantaged groups or face particular local disadvantages in higher level skills.	TO10
		Working with education providers and businesses to ensure that businesses are aware of the benefits of investing in training (including technical and higher level skills) and that provision recognises and responds to changing business needs.	
		Support for residents to develop higher level skills, including through vocational learning routes	
		To create opportunities for jobs through supporting funding for strategically important tourist projects and through supporting and promoting tourism, recreation and leisure	
	Graduate and postgraduate retention	Activities to enable SMEs to give work placement, internships leading to job opportunities for graduates and postgraduates particularly in rural areas and in sectors identified as promoting economic growth	
		Innovative programmes developed with SME involvement to give graduates and postgraduates employability and vocational skills in priority sectors	
<b>Support high quality apprenticeships and internships</b>	Promote Higher Level Apprenticeships	Brokering opportunities between young people and local employers to encourage work placements, apprenticeships, traineeships, graduate placements and direct employment in growth and high employment sectors.	
		Skills support for apprenticeships and traineeships (but not direct funding of training or wage costs) including improvements to the recruitment, assessment and facilities for training.	
		Promotion of the use of Higher Level Apprenticeships (especially in manufacturing and industrial strategy priority sectors) by developing a supportive environment for HLAs.	
		Skills support for apprenticeships and traineeships (but not direct funding of training or wage costs) including improvements to the recruitment, assessment and facilities for training	
	Create hubs to promote apprenticeships and simplify take up for business	Programmes to enable small and micro businesses particularly in rural areas or areas of disadvantage to upskill existing employees and take on apprentices	

	Promote widened use of placements, internships and work experience	Work with SMEs and micro businesses to widened use of placements, internships and work experience	
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### Objective 3(b) Inspired people making the right job choices

YNYER core activities	Actions in SEP	EUSIF activity	
<b>Increase employability by connecting business to education</b>	Mainstream employability into education and roll out employability charter activity	Activities that focus on increasing the employability and work readiness of young people, including work placements, internships and other support.	<b>TO8</b>
		Activities that focus on subjects in most demand by employers, including alerting young people and unemployed people to employment opportunities through more effective careers advice and guidance and targeted skills development initiatives.	
	Develop links between business and education providers	Innovative approaches to getting businesses involved in shaping provision offered by education providers particularly in relation to skills gaps, priority sectors, rural provision and encouraging involvement by small and micro businesses	
	Promote 'careers inspiration' through better advice and guidance linked to local business needs and opportunities	Support the National Careers Service offer and build on it by supporting activities which offer enhanced and targeted IAG to young people and adults	
<b>Build skills, attitude and ambition to help people access jobs</b>	Build self-employment and enterprise skills	Using self-employment as a route out of worklessness	
		Providing additional or more intensive work for people to move towards work, enter work (including self-employment) and to progress in work	
	Intensive support to help people upgrade skills, move towards or enter work, including workless people and those facing redundancy	Additional and innovative approaches to training in a vocational context for those with low level skills in maths, English and ICT to support them in finding work or progressing in work; and to enable them to achieve vocational qualifications and continue to upskill	
		Support for intermediate, technical and high level vocational provision for the unemployed and for career progression	
		Supporting low skilled people in low paid work to help them progress	
		Skills and training packages in response to redundancies	

		Support for intermediate, technical and high level vocational provision for the unemployed and for career progression	
		Training provision for the unemployed, extending/enhancing mainstream provision and building on what we know to have worked well locally and in other LEP areas.	
		Additional and innovative approaches to training for the unemployed, including marginalised groups, to help bring them to and support them in learning and developing employability skills	
		Helping older workers to re-train, re-enter or stay engaged in the labour market	
		Responding flexibly to employer demand in local labour markets where Local Enterprise Partnerships and their partners identify specific needs. This may include demands highlighted by Universal Credit Local Support Service partnerships and health and wellbeing boards to help Universal Credit claimants progress into the labour market support their career progression (better pay/hours/work) and move from the hidden economy into legitimate work.	
Overcome rural employment challenges, including travel difficulties		Overcoming the challenges brought about by the limited range of employment in some rural areas	
		To create opportunities for jobs through funding to businesses and entrepreneurs to support the creation and development of SMEs and micro businesses including the uptake of new/improved business processes and technology	
Connect young people not in employment/education or training to local employers and opportunities		Providing support to embed programmes for young people not in employment, education or training such as traineeships and apprenticeships	
		Reducing the number of young people not in employment, education or training and those at risk of disengaging (including through engagement and preparation activities, access to Apprenticeships, traineeships and personal coaching)	
		Brokering opportunities for young people and supporting local employers to take on young people who are not in employment, education or training (including those with complex barriers) including through traineeships, apprenticeships, work experience and graduate	

		placements	
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**Objective 3(c) Empowered communities delivering support and inclusion**

YNYER core activities	Actions in SEP	EUSIF activity	
<b>Develop strong communities and active inclusion</b>	Develop the capacity of the community and social enterprise sectors to meet local needs	Supporting local 'Community Grant' type activity	TO9
		Developing the capacity of voluntary/community sector organisations to support the delivery of services to those furthest from the labour market.	
		Initiatives that support enterprise and social enterprise as a route to economic activity and inclusion, including support for capacity building and the development of social investment models.	
	Community led local development activity to build inclusion and employability	Via a Local Impact Fund and an extension of the LEADER model, provide support to develop the capacity of social enterprises and community groups to address local support needs as well as support for the delivery of other bottom-up active inclusion measures.	
		Supporting bottom up active inclusion activity in particular geographic locations, for example, through Community Led Local Development	
		Promote a dynamic and inclusive rural economy with fair access to services and basic amenities	
		Tackling barriers to work for individuals with complex needs to include (but not limited to) addressing a combination of caring responsibilities, access to transport, literacy and numeracy skills, health issues and digital inclusion.	



		Tailored support measures to target specific geographies or groups experiencing high rates of social exclusion and poverty (e.g. troubled families and people with low levels of basic skills).	
		Tackling barriers to work in a holistic way, including through supporting early action before problems become entrenched, outreach activities and access to locally provided services. This may include addressing issues such as: caring responsibilities; debt and money management; digital inclusion; reducing drug and alcohol dependency; educational attainment (particularly lack of basic literacy and numeracy and ESOL); family, parenting and relationship intervention; access to flexible and affordable childcare, health problems (including mental health); homelessness; learning difficulties and disabilities ; life skills; offending: and access to transport.	
		Activities that provide people with experience of a working environment to help them build their skills and confidence, e.g. work experience placements.	
		Developing locally specific inclusion initiatives, including through Community Led Local Development and community based learning approaches.	
Activities that promote social inclusion through delivering environmental benefits		Supporting activities that are designed to promote social inclusion whilst also tackling environmental issues such as environmental protection, waste recycling, energy efficiency, and renewable energy	

## Core activities

**Increase productivity by investing in the workforce** - There is a need to upskill the workforce, especially where there are skills gaps, and to meet the needs of growing and locally important sectors. Needs include science, engineering and technical skills in fields such as agri-tech, food, energy and biorenewables, vehicle/component manufacture (e.g. caravans, coaches, aircraft), as well as customer skills in the visitor economy and care skills linked to an ageing population. Higher level skills will be included in upskilling activity where appropriate.

**Build competitive advantage through higher level skills** – We will seek to ensure both that there is an improving stock of people with higher level skills, and that businesses make best use of them to enhance growth and productivity. That includes postgraduates who are especially important to innovation, R&D and our Smart Specialisation approach.

**Increase employability by connecting business to education** – Businesses make it clear that ‘employability skills’ are vital. These skills include a good attitude, basic skills such as English and Maths, and ‘soft’ skills like communication, teamwork and creativity. There will be value in rolling out existing good practice such as the Employability Charters in Scarborough and the Humber into education across the LEP area. That will mainstream employability into teaching and curriculums, and make links to work experience and careers information, advice and guidance (IAG). Achieving all that will require good relationships between businesses, education and skills providers (including schools, FE and HE) and work to enable businesses (including SMEs) to influence what is taught. It is widely recognised that IAG is problematic. It needs to be high quality, impartial and tuned in to the opportunities and needs in local businesses and growth sectors. This will be reflected in relevant activity and a ‘careers inspiration’ approach that motivates as well as informs young people.

**Support high quality apprenticeships and internships** – We will increase and better match the supply of and demand for apprenticeships. Apprenticeships must be an attractive and high quality option for young people, and support should be provided to employers to make taking on an apprentice easier, and to encourage other high quality work experience (e.g. internships and placements). That will include ensuring there is ‘apprenticeship hub’ or equivalent provision across the LEP area to make it easier for employers to take on apprentices, and enhancing the quality, range and flexibility of apprenticeship provision – including more high level apprenticeships.

**Build skills, attitude and ambition to help people access jobs** – There are pockets of deprivation and unemployment on the Yorkshire Coast in particular, but these issues affect people throughout our area, even in seemingly prosperous communities. Barriers to employment include confidence and ambition, health, personal and family issues, skills, poor work experience, and travel difficulties to work or college. Working with people to address these issues will help them to build employability skills and get a job, widen the labour pool for employers, and build inclusive communities. Youth unemployment is a particular problem, so this group and those who are not in employment, education or training (or at risk of becoming so) will be a priority.

**Develop strong communities and active inclusion** – Sustainable solutions require community input and ownership, and we will focus on a community led approach to enhancing inclusion and employability. This will utilise and strengthen the capacity available through the voluntary and community sector, which is more concentrated in this LEP area than elsewhere in Yorkshire.

## Beneficiaries

Priority groups for support under this thematic objective include:

- Residents of the YNYER facing the highest levels of poverty and social exclusion

- Young people and adults facing multiple barriers to employment
- Troubled families
- Groups requiring additional support to transfer to Universal Credit
- Voluntary and community sector organisations, including social enterprises

## Finance

Inspired People: Finance		EUSIF	
Strategic Objectives	TO	Transition	More developed
A productive workforce for growing businesses	TO10	£4.81m	£15.06m
Inspired people making the right job choices	TO8	£1.37m	£4.18m
Empowered communities delivering support and inclusion	TO9	£2.00m	£5.85m
Total		£8.18m	£25.09
		TOTAL	£33.27

## Outputs

The activities supported through the Inspired People Priority are expected to deliver the outputs shown on the following table.

### Inspired People Programme: Overall Targets

Output	Target (excluding match funding outputs)
Number of enterprises receiving support	482
Total number of participants	11682
Number of unemployed participants	4156
Number of inactive participants	2585
Number of employed (including self-employed) participants	2586
Number of participants aged 15-24	1547

## Priority 4: Successful and distinctive places

Overview	Finances
<p>We will ensure a high quality of environment and life goes hand in hand with good economic growth and housing across the LEP area – consistent with the vision of attracting entrepreneurs and the skilled employees they will need. We will realise strategic opportunities to unlock and transform growth and development prospects in prioritised locations to benefit local economies and the entire LEP area</p>	<p>£11.84m of ERDF</p> <p>£1.95m EAFRD</p>
Why	
<p>Our market and coastal towns and the centres of York and Harrogate are where business, people and place issues come together. We are a large geographical area with both areas of opportunity and need. These areas are what make York, North Yorkshire and East Riding distinctive, each having its own assets and opportunities to build future growth. These form the basis of this priority but they all have some common market failures and barriers (e.g. flooding) when it comes to growth.</p>	

This priority within the Strategic Economic Plan has a broader scope but this ESIF plan specifically aims to enable growth through better flood and water management and support this area's high quality rural and coastal visitor economy offer through targeted infrastructure investment.

At a strategic level, the rationale for Successful and Distinctive Places a priority is:

- Our area contains a number of overlapping functional economic areas. These areas have their own distinctive challenges and opportunities, so local place based responses are needed.
- The rural nature and hilly terrain of much of York, North Yorkshire and East Riding means that there are often physical constraints or resource capacity issues that raise the cost of development beyond the point of its financial viability. Equally, localised responses are needed that fit the community and environmental needs of specific areas.
- There is wide evidence to show that higher quality environments and quality of life attract business investment and support successful economies. Community led approaches have been shown to be successful in advancing these goals (e.g. through LEADER programmes)
- The areas high quality environment also plays a significant role in a vibrant visitor economy which provides potential for sustainable economic growth across the rural and coastal areas, this requires future investment in the visitor economy infrastructure, including blue and green infrastructure.
- Some aspects of place based development – notably large scale infrastructure - are outside the scope of ERDF or ESF investment. Recognising this, proposed activities focus on elements that are generally smaller scale, community led and which deliver environmental as well as economic goals.

### Flooding

The risk to businesses, and therefore to economic development, posed by flooding is a significant climate change challenge for the UK. Flood damages in England have risen by around 60% over the past 25 years and already exceed £1bn per annum in direct costs. Parts of the YNYER were very severely affected by the major floods of 2007, and the tidal surge event in December 2013 with very significant and long lasting consequences. Although difficult to accurately quantify, it is clear that the large-scale damages to stock and loss of revenue for YNYER businesses ran into many millions of pounds. One man lost his life and many thousands suffered stress, trauma, mental and physical health problems.

Therefore, there is a strong rationale for using a proportion of the resources available through this Strategic Objective to support activities that will further strengthen the area's resilience to flooding, in doing so providing important stability to our businesses and unlocking growth opportunities on strategic employment sites across the YNYER.

## Objectives

The objective of this priority is:

- Environmental quality and community needs

## Proposed Activities

Activities that we intend to take forward through this Strategic Priority are shown in the table below, along with the Thematic Objective to which each relates.

### Objective 4(a) Environmental quality and community needs

Strategic activities	SEP Actions	EUSIF Activity	TO
<b>Ensure a strong and growing coastal economy (the Yorkshire Coast)</b>	Implement flood prevention measures, capitalising on green and blue infrastructure	Investment in aspects of Flood Risk Management Plans that help to deliver Strategic Economic Plan objectives.	TO5
		Support innovative approaches to water and flood management that maximise sustainable growth for local communities and in particular the tourism economy.	
		Investments in green and blue infrastructure, including strategic environmental mitigation, where this can be shown to support wider economic development objectives, for example linked to the delivery of priority development sites.	TO6
<b>Sustainable growth in the Dales, Moors and Wolds – local/community led approaches</b>	Raise the quality of the visitor infrastructure	Support funding for strategically important tourist projects (through EAFRD).	TO6
		Support and promote tourism, recreation and leisure (through EAFRD).	
		Support for destination development and marketing (through EAFRD).	
	Optimise the potential of the environmental economy	Investments in green and blue infrastructure, including strategic environmental mitigation, where this can be shown to support wider economic development objectives, for example linked to the delivery of priority development sites.	
<b>Business led investments in market towns</b>	Community led local development	CLLD activity through ESF/ERDF and EAFRD (LEADER)	
	Also see Priority 3 Inspired People TO10 ESF activities		

## Core Activities

**Ensure a strong and growing coastal economy** – The **Yorkshire Coast** has one of the finest coastlines in Britain, with famous seaside towns such as Scarborough, Bridlington, Whitby and Filey. All of these towns have seen significant change over the years and have had to look towards raising the quality of their visitor offer whilst also looking to new economic opportunities, such as offshore wind, potash mining and creative and digital industries. There is a need to invest in the infrastructure to enable new employment and housing land to be made available, new facilities exploit new growth opportunities, and improvements to raise the quality of the coastal visitor offer. As well as on rivers, flood risks can be marked in areas close to the coast and to the Humber estuary. We will respond to these pressures where they affect economic success and future development, adopting a sustainable approach that fully utilises and takes account of green and blue infrastructure.

**Sustainable growth in the Dales, Moors and Wolds** - We have significant rural upland areas covering the Yorkshire Dales, North York Moors and Yorkshire Wolds, outstanding landscapes with small towns acting as service hubs for jobs and visitors. But these are areas with future challenges where investment is needed to ensure sustainable economic communities rather than large scale growth.

**Business led investments in market towns** – the LEP area has well over 30 market towns and these are pivotal to our distinctive identity, quality of life and economic prospects. We will support local business led action tuned to the needs of the market towns and communities they are based within, and designed to attract and retain visitors and customers.

## Beneficiaries

The beneficiaries of the activities delivered through this Strategic Priorities will be:

- YNYER businesses and the overall economy through reduced flooding risks, amenity improvements and biodiversity
- The wider YNYER economy, through the creation of new employment and apprenticeship opportunities
- YNYER businesses, residents and the economy through the employment opportunities and commercial benefits of transport infrastructure improvements
- The YNYER environment

There will also be additional low carbon benefits through reduced the flows into the drainage system resulting in less pumping.

## Finance

Successful and distinctive places : Finance		EUSIF	
	Thematic Objective	Transition	More developed
Environmental quality and community needs	TO5	£3.62m	£4.14m
	TO6	£2.37m	£1.71m
	EAFRD (Art 21)	£0.45m	£1.5m
Total		<b>£6.44m</b>	<b>£7.35m</b>
		<b>TOTAL</b>	<b>£13.79m</b>

## Outputs

The activities that we are proposing under ‘enabling economic development through investment in flood and coastal risk management’ do not naturally lend themselves to quantification against the standard ERDF output measures. However, they very much align with the ‘improving the economic viability of areas’ ERDF result indicator and represent an extremely worthwhile intervention given the recent history of flooding in this area and the devastating effect on local businesses that would occur were the scenes from 2007 to be repeated.

### Successful and distinctive places : Targets

Output	Target (excluding match funding outputs)
Private sector investment matching public support to enterprises	
Estimated greenhouse gas reductions	<b>195849</b>
Infrastructure site development	<b>93 hectares</b>
Jobs created (EAFRD)	<b>90</b>



## Priority 5: A well connected economy

Overview	Finances
We will strive to ensure that businesses across our area are well connected to their customers, markets and workforce. Our transport, mobile and broadband network must not act as a barrier to growth but instead be an enabler for thriving, prosperous places where businesses are able to grow.	£2.0m of ERDF £2.0m of EAFRD
Why	
It is widely recognised that transport and connectivity have a direct impact on economic performance and business success. Good connectivity is an enabler for growth and it can help stronger economies in the LEP area to grow further and weaker ones to recover.	

This priority is focused on ensuring that the economy is well connected to its markets either through improved sustainable transport or telecommunication networks.

The rationale for the Priority of a Well Connected Economy is:

- The key to business connectivity is quick, easy and reliable access for the flow of goods and services. Well managed transport networks that achieve this, with minimal congestion, enable businesses to become more competitive and reduce transport costs. Consequently, investment in transport can lead to sustainable economic growth.<sup>4</sup>
- Targeted investments in transport infrastructure can unlock specific growth sites and better connect our major settlements to places elsewhere in the LEP area and beyond. We envisage that this is outside the scope of ERDF or ESF investment. However, appropriate investment in existing road and rail infrastructure and in low carbon transport solutions is required to underpin growth, tackle pinch points constraining new development, and to prevent the deterioration of transport networks/services from constraining economic performance in the LEP area.
- Although there has been significant investment recently to ensure that the area is not disadvantaged through the lack of superfast broadband, some of our rural areas still do not feature in the plans to be connected. Tackling this is critically important in supporting rural businesses.

### Objectives

The objectives of this priority are as follows:

- Transport that underpins growth and low carbon goals
- Access to UK and international markets

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<sup>4</sup> Transport – an engine for growth, Department of Transport, August 2013

## Proposed Activities

### Objective 5(a) Transport that underpins growth and low carbon goals

Strategic activity	SEP Actions	EUSIF Activity	TO
Invest to ensure the existing transport network promotes growth	Support sustainable transport initiatives	Invest in and support local sustainable transport initiatives	TO4
Invest to ensure the existing transport network promotes growth and low carbon goals	Promote and invest in low carbon technologies in transport network	Assist the market to develop, design and manufacture materials, goods and services with embedded low carbon technologies	

### Objective 5(b) Access to UK and international markets

Strategic activity	SEP Actions	EUSIF Activity	TO
Ensure world class ICT and broadband	Ensure rural areas such as Rural Business Parks are well served and supported by world class ICT and broadband	Extend the roll out of high speed communications networks where the market is failing particularly where this is proving a barrier to SDME growth	TO2
		Enhancing demand for high speed communication networks	
		Support SMEs and social enterprises in their development of ICT products and services and improve their ability to exploit e-commerce opportunities	
		Intermediate, technical and higher level workforce and management skills training and support	TO10

## Core Activities

**Invest to ensure the existing transport network promotes growth** - A well maintained and effective transport network supports continued economic growth,<sup>5</sup> as does a sustainable approach that promotes low carbon travel options and reduced congestion.

**Ensure world class ICT and broadband** - Whilst superfast broadband is being rolled out across much of York and North Yorkshire, gaps remain, notably in business parks at the edge of market towns and across parts of the East Riding. Closing these gaps and those in the East Riding, plus 4G access in the future, will be critical in supporting future business growth and competitiveness across our area. The relevant section of the supporting Transport Body paper provides further detail on improving access to superfast broadband.

## Beneficiaries

The beneficiaries of the activities delivered through this Strategic Priorities will be:

- YNYER businesses, residents and the economy through the employment opportunities and commercial benefits of transport infrastructure improvements
- The YNYER environment.

## Finance

Successful and distinctive places : Finance		EUSIF	
Strategic Objectives	Thematic Objective	Transition	More developed
Transport that underpins growth and low carbon goals	TO4	£0.60m	£1.40m
Access to UK and international markets	TO2 EAFRD (Art 21)	£1.0m	£1.0m
<b>Total</b>		<b>£1.60m</b>	<b>£2.40m</b>
		<b>TOTAL</b>	<b>£4.00m</b>

## Outputs

A Well Connected Economy: **Targets**

Indicator	Target (excluding match funding outputs)
Estimated greenhouse gas reductions	52033
Jobs created (EAFRD)	90

<sup>5</sup>"an efficient transport system depends on effective maintenance" (Transport – an engine for growth, Department for Transport, August 2013)

### **3. Cross Cutting Issues – Sustainable Development and Low Carbon, Social Inclusion and Equalities, Innovation and Community Led Local Development**

The Strategic Economic Plan and this Implementation Plan takes account of and contributes to the EU cross cutting themes of sustainable development and equality, and the processes of social innovation and community led local development. In this section we set out how these (and related) themes will be proactively taken forward and implemented.

#### **3.1. Our Approach**

A number of key issues cannot be framed within a single component of this Plan; to be meaningfully applied they need to run right through it, affecting both the content of actions and the way they are delivered. Based on partner engagement, evidence and guidance, we have identified four such themes:

- Sustainable Development and Low Carbon
- Social Inclusion and Equalities
- Innovation – Social Innovation and Smart Specialisation
- Community Led Local Development

#### **3.2. Sustainable Development and Low Carbon Ambitions**

This theme includes three elements:

- integrating social, environmental and economic aspects of development to ensure that it contributes to quality of life now and in the future
- protecting and enhancing the environment
- responding to climate change by both reducing carbon emissions and adapting to a changing climate – for instance through flood prevention.

The LEP and the Strategic Economic Plan is committed to all three goals and will put in place actions and mechanisms to take them forward in line with the UK Government's principles for Sustainable Development<sup>6</sup>. We will work with relevant partners and experts to put this into practice, including our three Local Nature Partnerships, both National Park Authorities (covering the North York Moors and the Yorkshire Dales) and third sector environmental organisations.

Content on sustainable development, including low carbon, is covered within each of the priorities of the strategy. Over and above that content the following general principles and commitments apply to strategic decision making and project development:

- Contribute to the carbon reduction goals in the LEP area (and beyond), including through shifts in energy generation and energy efficiency measures;
- Consider and adopt 'adaptation' measures in response to a changing climate and related pressures, including flood risk, coastal erosion and impacts on land use, health, habitats and industry;
- Promote mechanisms such as resource efficiency which reduce environmental impacts and enhance economic competitiveness;

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<sup>6</sup> These are: Living within environmental limits; Ensuring a strong, healthy and just society; Achieving a sustainable economy; using sound science responsibly; and promoting good governance.

- Value and where possible enhance ‘green and blue infrastructure’ such as habitats, water courses and features, and important landscapes and the ‘ecosystems services’ they provide such as climate regulation, amenity value and flood prevention;
- Pursue supply chain development and procurement approaches that deliver environmental benefits, for instance through the way in which use of local goods and services can reduce distances travelled and CO2 emissions;
- Take opportunities to encourage sustainable and low carbon transport, for instance through promoting of cycling, walking and public transport, and use of ICT and local services to avoid unnecessary or long journeys;
- Apply the polluter pays principle to all activities; and
- Set demanding environmental standards for buildings and infrastructure – BREEAM ‘excellent’ for new build, BREEAM ‘very good’ for refurbishment, and CEEQUAL ‘very good’ for infrastructure projects.

### 3.3. Social Inclusion and Equalities

This theme includes two main strands: anti-discrimination policies in line with the Equality Act, 2010<sup>7</sup>; and wider strategic and project level activity to support social inclusion.

The LEP is committed to the three key elements under the Public Sector Equality Duty in relation to our decision making and delivery, those being:

- To eliminate unlawful discrimination
- To advance equality of opportunity
- To foster good relations

We will seek evidence on the economic and employment circumstances of different groups and use that information in targeting of activity. Readily available evidence includes that on youth unemployment and that is set out in the evidence section and has been used to inform priority setting.

More broadly, we will look to ensure that people from all groups and all areas across York, North Yorkshire and East Riding benefit from economic growth and opportunities, and to narrow gaps between those who are most and least disadvantaged<sup>8</sup>. That will include action to:

- Support those who are unemployed to get a job, through improvement of skills and employability and connection to opportunities;
- Create more opportunities for local employment, through business growth and job creation, and encouragement of apprenticeships and other mechanisms that help local people to access them;
- Support community led development and third sector (‘civil society’) capacity to support social inclusion, employment and wellbeing;
- Ensure connections to the Health and Wellbeing boards that support economic activity and wellbeing; and
- Ensure that the needs of social enterprise are covered in mainstream business support.

We have worked and consulted with Your Consortium and others in the third sector in the preparation of this strategy and will continue and deepen working relationships as we move forward. That will for instance

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<sup>7</sup> The equality duty covers nine groups with protected characteristics: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

<sup>8</sup> See for instance the report of the York Fairness Commission, 2012, for relevant principles and approaches

include ensuring that the sector is represented on the LEP area's Skills and Employability Board, and consideration of a place on the main LEP Board when its membership is reviewed.

### 3.4. Innovation – Social Innovation and Smart Specialisation

Innovation, whether defined in strict technical terms or as the wider capacity to do things differently and better, is vital to economic success and social progress. It is all the more important in an era of tight finances where cost effectiveness and efficiency are paramount, and in a global market where innovation is crucial to market share, profitability and growth. Reflecting this content, the LEP area will pursue innovation in three main ways: social innovation, smart specialisation and wider business innovation.

**Social innovation** – is the process of finding and implementing new ways to tackle problems facing society or groups within it, drawing on local communities and the third sector as well as businesses, individuals and researchers. At this stage we are not proposing a specific social innovation project. However we will keep opportunities to apply the concept under review, especially in relation to (ESF related) employability, inclusion, health and wellbeing challenges, and to low carbon and climate change imperatives where community engagement and exchange of ideas can help to develop new solutions.

**Smart specialisation** – is about making economic development effective through focusing it on the most pronounced and concentrated R&D assets and sectoral strengths in our area. Our area's stand out R&D and sectoral strengths mirror each other and are in the area of agri-tech and biorenewables, and their wider application within low carbon, food manufacturing and agricultural industry. It is singled out as Priority 2 within this strategy, with focus on application of sector specific innovation strengths.

**Business innovation** – Whilst sector focused innovation activity is a key priority, that will reach a small proportion of our economy overall. The evidence section makes clear that there is a far wider 'innovation deficit' within businesses across the region, and a second strand of innovation activity will address this without undermining the more concentrated activity focused on agri-tech and biorenewables. This will cover the need for innovation based on technical expertise and R&D, and more general application of new ideas and approaches to improve products, services and business performance. This is a core activity within Priority 1 of this strategy, linked to SME support and to connecting businesses to expertise across the UK.

### 3.5. Community Led Local Development

Community Led Local Development (CLLD) is a specific, locally driven approach to development, often (but not necessarily) linked to EU funding. It is defined as a sub-regional process which can *"mobilise and involve local communities to contribute to achieving the Europe 2020 Strategy goals of smart, sustainable and inclusive growth"*.

This approach has been operating across the LEP area through LEADER in rural areas, Fisheries Local Action Groups (FLAGS) in coastal areas, and across our market towns through community led area partnerships and town teams. In our experience CLLD can focus on and make a real difference to the economic growth of smaller local areas.

The knowledge and lessons learned gained through these existing CLLD programmes in our LEP area (and others) and the community led groups involved in it is valuable in informing how it can provide an effective mechanism to stimulate growth in the future. One conclusion is that the CLLD approach has the potential to benefit localities across the LEP area (e.g. market towns), not just the more remote and coastal areas where it has generally been applied to date. Other lessons are that CLLD activity needs to be focused on clear local priorities and link proposed activities to anticipated outcomes.

### Our Approach to CLLD

Each area will determine its own eligible priorities under a local CLLD strategy which will be based upon the needs of the local area/CLLD communities. It is anticipated that CLLD will provide a valuable test bed for social innovation and that partners will be actively encouraged to pilot such activity.

Each LAG will be expected to produce its own local development strategy, and show how this aligns with the overall EUSIF strategy. While no ERDF/ESF eligible activities consistent with the strategy have been ruled out for CLLD activity, the following table shows indicative activities which we think are most suitable for CLLD delivery. LAGs will have to make a strong business case to deliver other activity, and demonstrate that it does not duplicate main programme activity.

	Deliverable through CLLD?	Indicative activity through CLLD
<b>Profitable and ambitious micro business</b>		
Building the growth capabilities of SMEs	Yes	SME networking, local supply chain development through networks, social enterprise support, digital inclusion for hard to reach SMEs
Fostering a more entrepreneurial culture	Yes	Local peer mentoring, social enterprise stimulation
Supporting businesses to commercialise and collaborate	Yes	Social innovation pilots
Ambitious business leaders	Yes	Local engagement & pilot activities
Developing better links between business and education	Yes	Small scale pilot activities
<b>Global leader activities</b>		
Building collaborative research between enterprises, research institutions and public institutions	Unlikely	-
Building the market in low carbon goods and services	Unlikely	-
Ambitious business leaders	Unlikely	Local engagement & pilot activities
<b>Inspired people activities</b>		
Increase employability by connecting business to education	Yes	Engagement with hard to reach groups
Build skills, attitude and ambition to help people access jobs	Yes	Engagement with hard to reach groups
Increase productivity by investing in the workforce	No	-
Support high quality apprenticeships and internships	limited	Engagement with hard to reach groups
Technical and higher level skills	No	-
Leadership and management skills	Yes	Local engagement and pilot activities
Enhancing access to lifelong learning	Yes	Engagement with hard to reach groups, financial inclusion, digital inclusion
Active inclusion	Yes	All activities except CDFI

CLLD can help to tie together broad thematic priorities and local place based needs. Hence whilst its focus is on places (Priority 4) it provides a mechanism in which to deliver skills, access to work and training and business support and social enterprise.

### Why do we want to use CLLD?

Community Led Local Development can make a real difference to the lives of local people and businesses across York, North Yorkshire and East Riding by:

- providing a unique long term investment opportunity of up to seven years, with the benefits of the investment remaining within the designated local area
- empowering local communities to identify challenges in their area and tailor their own innovative solutions
- increasing local interest and engagement by supporting projects to work with the community – improving partnership working and ability to access and effectively use both European and wider funding streams.

### Where?

York, North Yorkshire and East Riding is a large geography with specific issues affecting different local areas. Analysis of economic geography and evidence (see Strategic Economic Plan) highlights a series of economic geographies based around common issues. Together with the existing LEADER and FLAG areas these will form the basis of the CLLD approach in the future.

At this interim stage, our working proposals are for a CLLD areas geography that is aligned as follows:-

#### Dales, Moors & Wolds

- **Yorkshire Dales** – Current LEADER area but with the addition of its neighbouring market towns and service centres
- **North York Moors** – Current LEADER area but with addition of its neighbouring market towns
- **Wolds, Wetlands and Waterways** - Current LEADER area but with addition of its neighbouring market towns

#### Yorkshire Coast

- **Coastal strip (East Riding up to Filey)** – Current FLAG but extending north to include Filey
- **Scarborough Town** – new LAG, area with high levels of disadvantage

#### A1/A19 Corridor

- **Northallerton/Thirsk** – new LAG but with existing local community partnership, area significantly affected by major reductions in public sector employment, but in a location with potential growth opportunities;

#### West Yorkshire Connected (collaboration with the Leeds City Region)

- **Skipton** – New LAG based on high growth business opportunities

#### Hull and Humber Connected (collaboration with Humber LEP)

- **Selby/ Goole/Thorne** – New LAG in collaboration with Humber LEP, Leeds City Region and Sheffield City region)
- **Hull Fringe** – New LAG

#### York & Connected (collaboration with the Leeds City Region)



- **York LAG**

#### **Delivery and collaboration**

At this stage the potential Local Action Groups and areas suggested above need further refinement and development locally. This will involve collaboration between key partners, stakeholders, including across local boundaries and with and neighbouring LEPS. A process will be established to develop these proposals further, with each area preparing a Local Development Strategy.

It is proposed that the maximum 5% (approx. £5m) of the YNYER ESIF allocation is attributed to CLLD approach, with the level for each LAG area determined through the development of their Local Development Strategies.

## 4. The 'Opt In' model

The Opt-in model has been developed to allow Local Enterprise Partnerships to access both match funding and administrative support from key national programmes whilst retaining influence and strategic control of how services funded by European Structural and Investment Funds are delivered locally. In the delivery of key activities set out in this Plan it is proposed to draw on the opt-in offers of the following.

These opt-ins are currently under discussion and will be confirmed shortly.

Strategic Priority/ Programme	Objectives	Opt-in organisation	Indicative EU Allocation (£m)
1) Profitable and ambitious small and micro businesses	Innovative, growing small businesses	UKTI	3.00
		MAS	3.00
2) A global leader in food manufacturing, agri-tech and biorenewables	World class innovation in agri-tech and biorenewables	Link to MAS and UKTI opt-ins above	
3) Inspired people	A productive workforce for growing businesses	Skills Funding Agency	20.00
	Inspired people making the right job choices	DWP	5.00
	Empowered communities delivering support and inclusion	Big Lottery	2.00

## 5. Access to finance

The York, North Yorkshire and East Riding LEP and Humber LEP jointly commissioned Regeneris to look at the potential for Financial Instruments and access to finance. The following provides the main outcomes of this report.

### 5.1. Economic Prospects

The economic environment has changed substantially over the last 4-5 years within the region and across the two LEP areas. Recession and a slow recovery have had an impact on most sectors of the economy, with SMEs facing a tough operating environment. This has stimulated much stronger demand regionally for debt finance as the traditional lenders have reduced their lending activities and dampened demand for all types of equity investment as plans for start-up, expansion, restructuring or changes in ownership have been put on hold. Anecdotal evidence suggests that demand for debt finance has certainly been stronger locally across the two LEP areas, whilst the picture for equity finance is not yet clear.

There are signs of economic recovery, although this remains patchy and sluggish across the region and amongst some sectors. Our research suggests that this is slowly feeding through into stronger business confidence and, anecdotally, a stronger demand for start-up and expansion finance for early stage and expansion activities but this uplift remains volatile. Our consultant's recent consultations with fund managers and intermediaries in the region (as part of another assignment) suggest a slow but steady improvement in economic conditions and strengthening in demand for finance.

Whilst it is not possible to be precise at this stage about how this is playing out within the region, our expectation is that this strengthening of demand has to date been stronger in the region's larger urban areas.

### 5.2. Business Base and the Demand for Finance

The two LEPs account for a substantial part of the regional economy and its business base – between half and two fifths of the business count. Whilst the picture is complicated, the analysis highlights a number of important observations:

- The business base in the YNYER LEP area has a slightly larger proportion of micro and small businesses than the regional average given its rural character, whilst that in Humber is similar to the regional picture. SMEs are a very important source of wealth creation, employment and growth in both areas.
- The business base as a whole is less dynamic than for the region and UK as a whole in terms of start-ups and subsequent growth, in large part reflecting the economic geography of the area (absence of very large economic centres) and sectoral mix (over reliance on declining sectors and underrepresentation of faster growing private sectors).
- However, there are notable exceptions to this including a number of enterprise hot-spots. This includes areas of North Yorkshire which have strong travel to work and trading relationships with larger neighbouring urban areas (e.g. Harrogate and Richmond), as well as York itself.
- Future business growth across the two LEP areas is likely to be broadly based as the economy emerges out of recession, but with growth focused on professional services, retail and distribution. There are a number of other sectors which provide good longer term opportunities for future growth, including renewable energy (and the supply chain), chemicals, health technologies and logistics, culture and tourism.
- Whilst the available evidence on the importance of the commercialisation of R&D as an economic driver is only partial at this stage, the evidence suggests that the focus of some activity around the University of

York in particular and to a lesser extent the University of Hull. This will generate some demand for proof of concept and seed funding.

- A number of important sectors in the rural parts of the YNYER LEP area (e.g. farming and other land based sector, agri-processing, tourism) continue to face challenges, especially around issues of business survival and diversification.

### 5.3. Availability and Take-up of SME Finance

Much of the available data on the provision of finance to SMEs is only available at a national or regional level. Although there is the need to be cautious, the available evidence suggests that:

- SMEs in the region are less likely to seek term loan finance and also less likely to secure this finance where they do seek it than for the UK as a whole (although they are more successful in securing with overdrafts)
- The overall level of equity finance provided to SMEs is slightly less than the North West and North East economies, allowing for variations in the size of their economies, and there is anecdotal evidence of a greater reluctance on the part of SME owner managers to give up equity in return for new investment
- There is less provision of early stage venture capital linked to the commercialisation of R&D and high tech sectors, due mainly to a lack of major high sectors and commercialisation activity.

These observations are in practice due to a combination of demand and supply considerations, including the role which the public sector plays (currently and historically) in the provision of SME finance. The Stage Two report will examine the need for and supply of finance from SMEs in the two LEP areas in more detail, including a more rigorous examination of the nature and strength of market failures.

The financial crisis and recession has, we believe, strengthened the market failure arguments for public sector intervention in SME finance both generally across the region and within the two LEP areas. Irrespective of the complex changes which have occurred over the past 3-4 years in demand for different types of finance at different stage of SME development, the private sector is far less active in these market areas now. These changes have manifested themselves in strong demand for the debt finance in particular provided by Finance Yorkshire and local projects, whilst demand for expansion equity has been patchy.

An analysis of the take-up of SME finance from Finance Yorkshire within Humber and North Yorkshire areas provides an important source of evidence of potential future demand. The highest investment rate (per VAT registered business) is in Richmondshire, Harrogate and York (all above the regional average). This is in starkest contrast to the level of investment in a number of the LEP local authorities, with minimal investments in Ryedale, Scarborough, Hambleton, and North and North East Lincolnshire. Whilst this disparity is partly explained by the differences in the mix and dynamism of the local economies and their businesses bases (and their labour market and supply chain linkages to the major urban areas of West Yorkshire), it may also be due in part to the fairly centralised delivery approach of Finance Yorkshire. This will be analysed in more detail in Stage two.

On balance, the available evidence suggests that there is a strong need for finance amongst SMEs that is unmet due to market failure, covering all stages of business development and most types of finance. Finance Yorkshire and other local projects are going some way to addressing this currently, but they are failing to secure sufficient penetration in some areas and steps need to be taken to ensure suitable provision post-2014

Whilst we would not expect these needs and the associated market failures in the two LEP areas to be fundamentally different to those in the region as a whole, there are some differences:

- A proportionately higher demand for micro-finance from both start-up and micro-businesses in both LEP areas due to the structure of the business base (including to some extent social and community

enterprise), although there may be the need to stimulate demand and provide investment readiness support in local authority areas in particular (reflecting very low take-up rates currently).

- Linked to this, a greater need for debt finance in certain sectors of particular importance in the rural economy, linked to underlying issues of long term sustainability, diversification and under capitalisation.
- Less need for seed and early stage venture capital finance for high tech and high growth businesses (especially in the Humber LEP area). However, there could be a need for this type of finance linked to particular sectoral opportunities, including for example health technologies and renewables.
- Possibly less need for larger amounts of finance for owner succession.

There is also merit in considering the finance needs of sectors which are excluded from ERDF support due to State Aid restrictions. This includes retail, construction and some parts of the transport sector.

## 5.4. Future Requirements

The detailed development of the options for the approach to and delivery of the SME finance across the two LEP areas, including the role for Financial Instruments and related business support, will be undertaken in Stage Two. However, Regeneris have presented initial suggestions on the basis of the stage one analysis and our wider experience of SME finance in the UK and the Yorkshire and Humber region.

### Scale of Activity

Prior to undertaking the full market assessment, it is difficult to be precise about the size of the finance gaps and the extent to which this is explained by market failure. However, it is possible to use the experience of the current Finance Yorkshire JEREMIE project and the size of the business base in the two LEP areas to reach an initial conclusion.

Regeneris would judge the current Finance Yorkshire fund to be broadly appropriate size and mix of finance types given the needs of the market and existence of market failures. If a regional JEREMIE project were to be introduced for the period 2014-20, it is likely to have an overall fund size of around £100m and an ERDF contribution of £50m. Assuming that the Humber and YNYER LEP contributions were broadly in line with the size of their economies and SME business bases, their share would be around:

- Humber LEP – around £5-6m, although this would need measures to both stimulate demand improve the accessibility of the finance and enhance investment readiness (in response to the current low levels of take-up in some local authority areas in particular). However, a higher level could be justified to reflect the policy emphasis on encouraging start-up activity and the opportunities that exist in the renewables sector. The LEP is currently proposing £8m, although some of this higher amount would need to cover the revenue costs of operating a fund.
- YNYER LEP – Between £12-£14m, although the lower end of this range may be more appropriate due to the higher figure being skewed by the extent of the small firm sector in this particular estimation method.

Scenarios for the Potential ERDF Contributions to SME Finance FIs (£50m Regional ERDF Fund)			
	Implied ERDF Contributions £m		
	Business Base Estimate	Population Base Estimate	Finance Yorkshire Penetration Rate Estimate
Humber LEP	(9%) £5	(11%) £6	(2.4%) £1
YNYER LEP	(29%) £14	(19%) £9	(17.9%) £9

### Mix of Finance and Needs of Different Types of SMEs

On balance our experts would suggest that the type of finance is split in the following way. The thrust of the approach is provision of sizeable sums of finance into term debt finance and expansion equity (circa 70%). Allocating this proportion of funding to these types of finance will be important in terms of addressing the main area of demand, the underpinning funding mechanism (in particular the scale of term debt and the stream of prepayments this generates) and the scope to generate legacy returns (in particular the level of equity finance).

The proposed allocation to start-up and micro-finance reflects the high volume, lower value and high risk focus of the activity. In the case of seed or early stage venture capital, whilst demand as a whole is likely to be less, the average finance required will be relatively high and the risks significant.

Indicative Focus of SME Finance Provision for Humber and YNYER LEPS			
Finance	SME Focus	Indicative Finance Offer	Indicative Proportion of Finance
Micro Finance	Finance for start-ups and micro-business	Grant based finance for start-ups and up to £20k for micro-businesses	15%
Loan Finance	Focus on traditional term finance for SMEs	Repayable loans between £20k and £200k	40%
Seed Finance	Proof of concept and early stage finance with a focus on high tech SMEs with the prospects for fast growth	Equity and mezzanine finance (possibility of grant for POC activity)	15%
Expansion Finance	Focus on larger expanding SMEs	Mix of equity and mezzanine financing	30%

There is also the need to consider the possible delivery of finance for social and community enterprises through a CDFI approach.

### 5.5. Delivery Approaches

The initial suggestion for the approach to delivery is set out below:

Indicative Delivery Approaches			
Finance	Approach	Advantages	Disadvantages
Micro Finance	Whilst there could be a case for delivering start-up and micro-finance through a regional JEREMIE approach, there could be greater merit in a more localised delivery approach	A localised approach would ensure a more tailored and targeted approach  Higher local penetration of finance where required.	Potential for higher delivery costs through lack of economies of scale;  Less scope to secure the required management and delivery expertise

Regional JEREMIE Fund	Commissioning provision through a regional JEREMIE Fund of Funds. Focus on loan, early stage venture capital and expansion finance	<p>Scale and critical mass and shared delivery costs</p> <p>Scope to secure necessary development and financial expertise;</p> <p>Integrated approach to delivery of a range of finance types; sharing of substantial development costs;</p> <p>Tried and tested approach and delivery expertise available within the region.</p>	<p>Loss of targeted localised approach;</p> <p>Loss of control and ownership.</p>
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Whilst some partners may be tempted to adopt a sector based approach to an FI (for example, targeted at the film or renewables sector), our experts' advice is to target particular sectors within a fund of funds approach rather than through the establishment of separate funds. Whilst fund managers will need to ensure appropriate sector expertise in-house, it minimises the risk of very costly delivery from setting up and running small sector specific funds.

## 6. Resources and Funding Allocations

### 6.1. Overview - influence and resources

Making the impact we seek requires a mixture of investment and influence. Both can be mechanisms for getting new or different things delivered, and it is important to make the most of both routes.

The influencing role of the strategy, the LEP board and senior partners is pivotal. Making the case for our area to national decision makers, showing what we can deliver, and changing how things are done nationally and how far they are delegated locally can have a real impact.

Where influence or new approaches are not enough on their own to effect the progress we seek, we will use the whole array of available resources to do so. Those include existing public and private resources, new private sector investments, and Government funds such as Regional Growth Fund and Growing Places.

The sections that follow set out our proposals for allocating EU Strategic Investment Funds (and not other sources of funding). They match up the EU requirements and core themes for funding with the priorities and activities in this Plan.

The table below sets out funding allocations at a strategic level for EU Strategic and Investment funds. It is based on five 'strategic priorities', which correspond to the five Priorities in the strategy. Allocations are further split between the relevant Objectives within this strategy. A detailed and separate spreadsheet provides further detail on the spend profile allocations, including market failure based rationales, outputs and sources of match funding.

### 6.2. Technical Assistance

Based on guidance, our understanding is that Government will make an allocation of Technical Assistance for ERDF and ESF available to LEPs to support the preparation and administration of the European Growth Programme, and that this will be additional to the funding allocated to priorities in the following Table. Allocations in the table are made on that assumption hence specific technical assistance figures are not included.

Technical assistance will also be used to fulfil a secretariat role and to retain a strategic overview of the EU Programmes, reporting to the LEP Board. It will also support delivery, intelligence and monitoring.



### 6.3. Overview of Funding Allocations (£m<sup>9</sup>)

Strategic Priority/ Programme	Objectives	EU Funding Allocation (£m by objective)	EU Allocation (£m by priority)	% <sup>10</sup>
1) Profitable and ambitious small and micro businesses	Innovative, growing small businesses	17.10	<b>25.65</b>	27%
	More entrepreneurs who start and grow a business	6.0		
	Ambitious business leaders	2.55		
2) A global leader in food manufacturing, agri-tech and biorenewables	World class innovation in agri-tech and biorenewables	8.25	<b>16.54</b>	18%
	Agriculture and food business connected to new opportunities	0.90		
	Low carbon businesses	7.39		
3) Inspired people	A productive workforce for growing businesses	19.66	<b>33.27</b>	36%
	Inspired people making the right job choices	5.55		
	Empowered communities delivering support and inclusion	7.85		
4) Successful and distinctive places	Environmental quality and community needs	13.79	<b>13.79</b>	15%
5) A well connected economy	Transport that underpins growth	2.0	<b>4.0</b>	4%
	Access to UK and international markets (Broadband)	2.0		

Additional detail is available in the supporting spreadsheet covering the different EU funding streams and splitting out the allocation for East Riding of Yorkshire (which is classified as a transitional area and has a stipulated minimum funding allocation and rules on how that is spent reflecting that status) from the rest of the LEP area.

### 6.4. Results/Outputs table

The spreadsheet contains details of expected outputs at a detailed level, including for the five Priorities and the Objectives within them. Table below sets out the total outputs across all five priorities.

<sup>9</sup> Figures are in £ based on guidance, which assumes a fixed exchange rate of 1 euro = £0.8562 for purposes of developing this initial. Actual payment will depend on fluctuations in exchange rates over the programme period.

**Programme Level Outputs**

**Output Targets 2014-2020**

<b>ERDF Indicators</b>	<b>Target</b>
Number of enterprises receiving support	2944
Number of new enterprises supported	344
Number of jobs created	932
Number of enterprises cooperating with research entities.	309
Number of enterprises supported to introduce new-to-the-market products	50
Number of enterprises supported to introduce new-to-the-firm products	85
Additional enterprises accessing ICT products and services including broadband	80
Private investment matching public support to enterprises	
Estimated GHG reductions	331307
Infrastructure site development including green infrastructure (hectares)	93 hectares
<b>ESF Indicators</b>	<b>Target</b>
Total number of participants (a. + b. + c.)	14827
a. Number of unemployed (including long-term unemployed) participants	3470
b. Number of inactive participants	2799
c. Number of employed (including self-employed) participants	5164
Number of participants aged 15-24	2125
<b>EAFRD Indicators</b>	<b>Target</b>
Jobs created in supported projects	430
Total participants trained	5000

## 7. Governance & delivery (EUSIF specific)

This section sets out overall governance principles and particular details required for managing European funding programmes. Further details on governance, business planning, prioritisation and appraisal mechanisms are covered in the supporting Local Growth Deal Implementation Plan.

### 7.1. Partnership principles

The York, North Yorkshire and East Riding LEP Board brings together businesses, universities and local authorities and will take overall responsibility for the strategy and driving progress. Delivery will be through collaboration:

- Where businesses already have plans to grow we will let them get on with the job. We will only become involved where we can help to remove barriers to delivery or to enhance the scale and pace of progress.
- Where local partners have established shared goals and delivery mechanisms we will use these as a foundation. We will concentrate on using our influence to ensure that priorities maximise economic benefits and to secure resources for their implementation.
- Where there are existing resources or organisations outside the LEP area that we can make good use of, we will do so. That will involve collaborating with delivery organisations and neighbouring LEP areas where they can cost effectively deliver for or with us.
- The LEP will ensure the right skill sets exist and work with the most appropriate organisations to deliver priorities.

Our preference is for using existing bodies to manage funds and day to day delivery where appropriate. The role of the LEP and its governance structures will be to set the vision and outcomes which will guide allocation of resources at a project level, and to ensure results meet expectations. The LEP Board will approve investment funds at a strategic programme level and these programmes will then be managed through Programme Board structures.

Several organisations who are delivering national programmes have offered a series of 'Opt-Ins'. These allow the LEP to benefit from the expertise and capacity of national providers whilst also providing match funding required by EU funds. The LEP proposes to take advantage of the following opt-ins:

- UK Trade & Investment
- Manufacturing Advisory Service
- Skills Funding Agency
- Big Lottery
- DWP

### 7.2. Governance

The Strategic Economic Plan is owned and will be delivered by the region as a whole. The development of the strategy involved a series of Task and Finish Groups of key regional players, with representatives from the public, private and voluntary and community sectors, the higher education sector, skills and Local Strategic Partnerships all of whom consulted widely within their constituent communities in order to develop a consensus around priorities for action.

The Task Groups remit was to:

- Agree the economic analysis
- Determine the strategy, priorities and indicative actions

At a senior level the overall LEP Board will provide overall leadership and guide key decisions, including the balance between themes/programmes and strategic review. Given its make up and expertise the LEP Board will also play the role of a Programme Board leading on Business Growth elements of the Plan (priorities 1 and 2).

Two other Boards – a Skills and Employability Programme Board and an Infrastructure Programme Board will feed into the LEP Board and lead on the relevant priorities. They will provide local management and ensure partners are engaged in delivery of the programme and monitoring of performance. The box summarises the priorities that each Board will have ownership of and manage:

EU Plan Strategic Priority	Programme Board
Overall Strategic direction and performance management	LEP Board
Profitable and ambitious small and micro business	
A global leader in food manufacturing, agri-tech and biorenewables	
Inspired People	Skills and Employability Programme Board
Successful and distinctive places	Infrastructure Programme Board
A well connected economy	

The following sub-sections provide a high level overview of key elements of our approach to governance.

### 7.3. Ensuring Openness and Transparency

An open approach is important to the LEP. Each Programme Board will develop an annual delivery plan and maintain a working relationship with a range of existing structures to ensure collaboration and partnership working across the region. The annual delivery plan, agendas and minutes will be published and made available electronically and via the LEP Website. Additionally an annual report will be published detailing investments made and progress against objectives.

### 7.4. Membership and Decision Making

The three Boards are at different stages of establishment. The LEP Board is well established and is due to be reviewed. The Skills Board was established at the beginning of 2014, informed by proposals from a Skills Task and Finish Group which reported in September 2013. The Infrastructure Board will combine partnerships that already exist but needs to be formed in its own right. Board membership will be reviewed on an annual basis to ensure they remain effective and representative of the region.

Wherever possible decision will be made by consensus, however if this is not possible, a majority vote will prevail with the Chair having the casting vote. Those with observer status at a meeting would not be eligible to vote.

## 7.5. Managing Conflict of Interest

All members of the LEP Thematic-boards will be required to submit details of all entities in which they have an interest and to publicly declare any vested interest or conflict of interest in any discussion or project which will be discussed within LEP Business. Where appropriate, members will be asked to leave the room whilst discussions and decisions are made.

## 7.6. Project Approval and Procurement Processes

This EU Structural Investment Funds Investment Framework integrates a range of EU funds. These are:

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

Wherever possible we will use an integrated approach, bringing different strands of funding together to achieve greatest impact and value for money. We will develop and agree clear appraisal mechanisms for strategic assessment of proposals seeking to use Single Local Growth Fund and/or European funds. These will be objective and robust, but also as simple and streamlined as possible and proportionate to the sum of money involved.

### Role of the LEP

Our role will be to advise on and endorse proposals; projects will then be submitted to the National Managing Authority, who will ensure eligibility and make final funding decisions. We will retain a close working relationship with the Managing Authority to ensure applications are eligible and of a high quality.

Delivery of EU funded projects will be a five stage process:

<b>LEP role</b>	Stage 1	LEP Publish the annual delivery plan and commission activity
	Stage 2	Local Appraisal
<b>Managing Authority role</b>	Stage 3	National Appraisal
	Stage 4	Contracting
<b>LEP role</b>	Stage 5	Monitoring & evaluation

### Publication of opportunities

The investment framework will be published along with an annual business plan detailing priority actions and investments. Access to this information will be via a range of online and offline mechanisms and detailed in the LEP communications plan.

### Local Selection criteria

All investments will need to demonstrate they are responding to local need, contribute to the strategic priorities of the LEP and cross cutting themes, and deliver value for money. The procedure for selecting operations may take a variety of forms. For example:

**Open bidding:** where an open invitation is published for applications for the support of LEP priorities; or

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

**Non-competitive selection:** where a single project sponsor (or perhaps two or more) is either selected as appearing to be the only suitable and capable vehicle for delivering the desired outcomes or outputs and they are invited to submit an application for financial assistance.

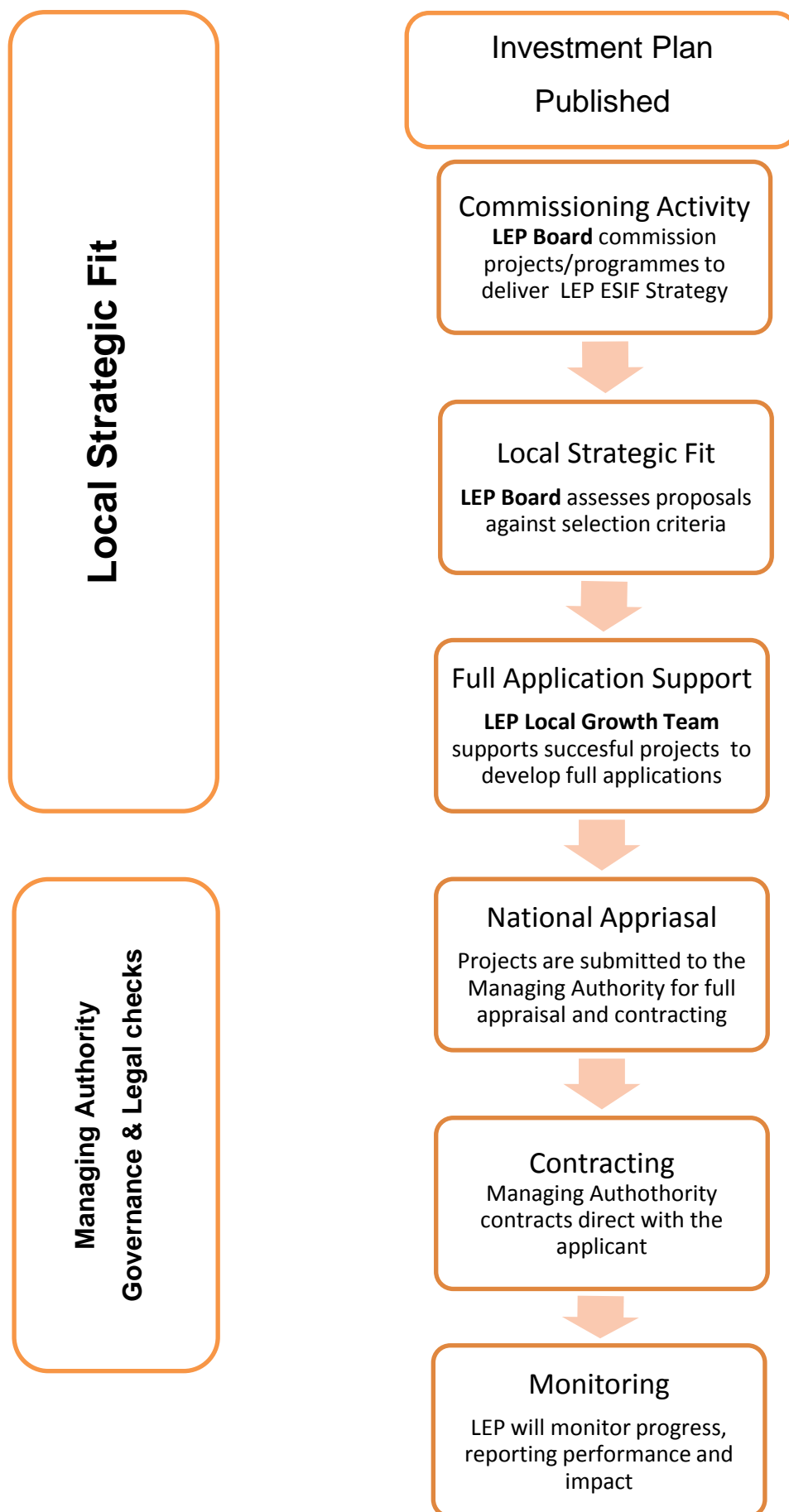
The LEP will ensure that all processes and criteria take full account of the need to secure compliance with the requirements of the Public Procurement Regulations (which implement EC Public Procurement Directives) or the need for suitable competitive tendering where the Regulations do not apply. Principles and **selection criteria** will include those based on:

- Strategic fit
- Market Failure
- Additionally
- Outcomes & Outputs
- Value for Money
- Contribution to Cross Cutting Themes
- Evidence of Private sector involvement
- Evidence of Match funding
- Environmental Standards

### **Submitting to the Managing Authority**

Once approved by the LEP Programme Board, Technical Assistance will support applicants to develop a full application for submission to the Managing Authority. The final decision on approval rests with the Managing Authority and the contract for delivery will be between the Managing Authority and the Applicant.

## Process Overview



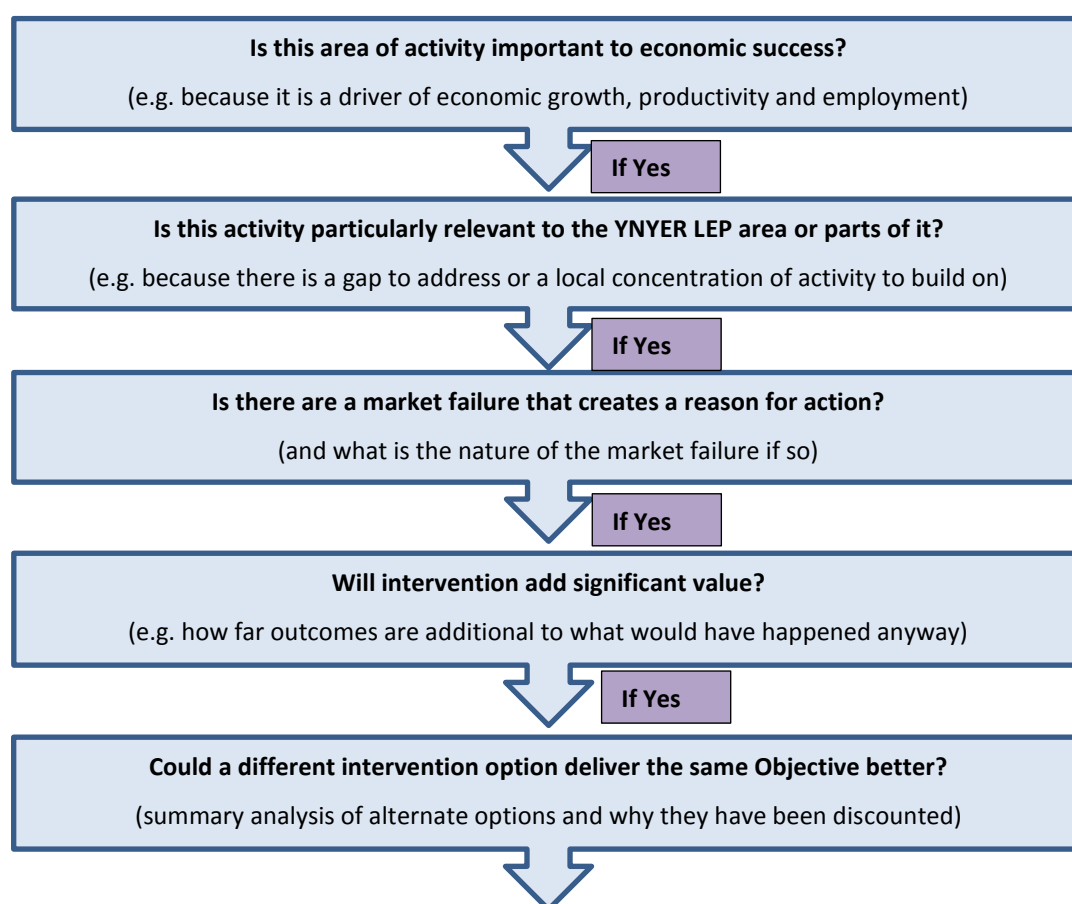
## ANNEX 1 - Evidence for Economic and Investment Strategy Interventions

### Introduction and approach

This document supports the York, North Yorkshire and East Riding Economic and Investment Strategy and sets out the logic chains and intervention rationales supporting the strategy's Priorities and Objectives where these are seeking European Funding. It focuses on three elements:

- It sets out the evidence supporting specific objectives in a clear and logical way, incorporating quantitative and qualitative elements and a focus on market failure
- It provides further content on additionality, making clear what is delivered on top of what would have been delivered anyway without funding
- It sets out value for money in relation to output levels

The document is structured around the five priorities in the strategy and, and after a discussion of priority wide evidence, adopts a common format for presenting evidence and rationale under each objective. This is essentially the logic chain for each Objective and covers the following elements/questions:



Additionality and options at a more strategic level are also discussed under each Priority overall before the Objectives under that Priority are considered individually. Where choices have been made between competing ways of the delivering the same objective the decisions taken and/or future approach are explained.



The evidence to interventions analysis presented makes use of a variety of sources. These include qualitative and quantitative information on LEP area performance, issues and opportunities, and independent national evidence (often from BIS) around additionality and value for money benchmarks.

Table 1 indicates the Objectives that are covered under each priority and the core activities included under each. It excludes those where no European funding is sought.

**Table 1: Overview of Priorities and Objectives covered in this analysis**

Priority	Objectives
1) Profitable and ambitious small and micro businesses	<ul style="list-style-type: none"> <li>• Innovative, growing small businesses</li> <li>• More entrepreneurs who start and grow a business</li> <li>• Ambitious business leaders</li> </ul>
2) A global leader in food manufacturing, agri-tech and biorenewables	<ul style="list-style-type: none"> <li>• World class innovation in agri-tech and biorenewables</li> <li>• Agriculture and food business connected to new opportunities</li> <li>• Low carbon businesses</li> </ul>
3) Inspired People	<ul style="list-style-type: none"> <li>• A productive workforce for growing businesses</li> <li>• Inspired people making the right job choices</li> <li>• Empowered communities delivering support and inclusion</li> </ul>
4) Successful and distinctive places	<ul style="list-style-type: none"> <li>• Environmental quality and community needs</li> </ul>
5) A well connected economy	<ul style="list-style-type: none"> <li>• Transport that underpins growth</li> </ul>

#### **Priority 1: Profitable and ambitious small and micro businesses**

##### **Priority Level Evidence and Intervention Logic**

This priority is focused on creating conditions which enable businesses with an ambition to grow to do so, and boosting innovation levels by connecting businesses to the best expertise. It will support the growth and profitability of existing businesses and the formation of new firms, including through action to enhance management and leadership skills that are critical to business success.

At a strategic level, the evidence and rationale for making this area a Priority is based on the following facts:

- Our business base is disproportionately dominated by small and micro businesses (we have 20% fewer medium and 50% fewer large companies than the UK average). Therefore we need to build on this base of small businesses and help firms to grow in number and size.
- Productivity is below national average and falling. Improving SME competitiveness will be central to a turnaround, and evidence makes clear that skills and innovation are key drivers of productivity and central to long term improvement.
- Businesses taking external advice are twice as likely to grow as those that do not. However, many businesses do not make use of such support, so a key task is to encourage businesses to better utilise external business support and advice, including on exports and market development.
- Business start-up rates are 20% below national average; which on top of smaller than average businesses, makes high total output growth harder to achieve. We need more new firms to start up to correct this structural imbalance in our economy and enable our economy to achieve its full potential.

The table illustrates the overall additionality, return on investment (RoI) and value for money benchmarks for relevant activity based on BIS research on evaluation of interventions at a regional and sub-regional level. It should be noted that there is wide variation between the RoI and value for money of different projects delivering the same broad type of intervention; hence the range shown is wide.

Strategic Intervention Type	Mean Additionality Percentage			Return on investment ratio GVA/£ (achieved/ achieved + future)	Cost per job
	Sub-regional	Sub-regional range	Regional		
<b>Business development &amp; competitiveness</b>	46	0-153	50	7.3/11.6	£14.2k

Overall this area of activity delivers good additionality and value compared to other types of intervention (e.g. infrastructure, skills) and is a good strategic option for assisting short term growth and employment. For these reasons it has been prioritised compared to other potential areas of investment, as far as guidelines for allocation of funding allow. Impacts, value and additionality vary by the type of business intervention adopted, which is now discussed under the three Objectives within this Priority.

#### **Objective 1i: Innovative, growing small businesses**

##### **Coverage**

Innovation and business support are at the heart of this objective, which is focused on helping existing businesses to become more productive and to grow. Specific activities are:

- Increase innovation in small businesses
- Improve business competitiveness through co-ordinated business support
- New market development
- Deliver business friendly planning, regulation and procurement

##### **Economic Importance and Drivers of Growth** (productivity and employment)

Growth is a function of employment and productivity. Different sources define drivers of productivity slightly differently, and one of the most established models is that produced by the UK Government which set out five drivers of productivity: innovation, enterprise, skills, investment and competition<sup>11</sup>.

The focus of this Objective responds directly to the importance of innovation as a driver of productivity, and also to enterprise – which covers how existing businesses (as well as new ones) seize economic opportunities. Both business support and innovation can lead to investment – another driver of productivity, and both can also help to either build skills in the workforce or to exploit external skills.

Evidence such as from the Witty review and the EU's Smart Specialisation approach is also relevant. It makes clear that collaboration with universities (and other expertise) locally, and engagement with centres elsewhere is important to ensure businesses are connected to the expertise that can best help them to innovate and grow.

##### **Relevance to York, North Yorkshire and East Riding**

Innovation data at LEP level is very limited. However it is clear that innovation in the wider Yorkshire and Humber area of which the LEP is part is very muted, and lower than in most parts of the UK. Business R&D

<sup>11</sup> DTI Economics Paper no.17, UK Productivity and Competitiveness Indicators, Department of Trade and Industry, March 2006

investment in the region has been around 0.5% of GVA<sup>12</sup> compared to 1.5% for England overall and it has had less patents granted than all but two other English regions. Expenditure on external R&D and external knowledge is also well below average.

The need to innovate more and the benefits that are likely to stem from it are clear. The comparatively low number of universities within the LEP area is likely to heighten the need to better uptake external R&D and that has informed the strategy's approach of using the University of York as a conduit to HE expertise across the UK. Additionally, contact with firms through business support and networks will steer them to external sources of innovation support where they are relevant to the business, including through networking with and learning from peers.

Economic indicators make clear that the LEP area also faces considerable challenges in terms of productivity. Key points are that:

- Productivity is significantly below England average across all three parts of the LEP area, just over 80% of England average in North Yorkshire, and nearer to 90% in York and East Riding.
- Productivity has declined consistently between 2005 and 2011 relative to England average. It is unclear how much that is due to economic structure and lower value sectors compared to national average, or to efficiency in the workplace. The decline has been particularly pronounced in York.
- Productivity per worker is also well below national average and declining.

We know that businesses taking external advice are twice as likely to grow as those that do not. By assisting businesses to operate more efficiently and to develop new capacities and markets, business support can play an important role in boosting productivity. Within the LEP area, there is already a well-established approach in place based on better connecting businesses to existing business support, for instance that provided through business networks. Hence there are strong and pronounced local reasons for prioritising this activity.

### **Market Failure**

Interventions can address a number of market failures act to prevent innovation, these include:

- *Positive externalities* – over time there is potential for one firm's R&D to become used by others who do not bear the cost of the R&D activity.
- *Imperfect information and uncertainty* – businesses can underestimate the value and importance of innovation to their future profits, causing them to underinvest as a result. Furthermore there is suboptimal awareness of the available R&D expertise and its applicability to businesses.

Market failures that apply to business support include:

- *Imperfect information and uncertainty* – businesses can be unaware of or undervalue the benefits of business support to productivity and competitiveness.
- *Barriers to entry* – real or perceived difficulties in entering new markets, notably exports, can prevent businesses from expanding their operations and reduce competition.

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<sup>12</sup> From BIS, Regional Performance Indicators, 2009 (data referred to spans from 1998-2007)

In short, there are clear market failures around business support and innovation, which mean that there is a case for interventions to correct them, such as those proposed in the strategy.

### **Additionality, Return on Investment and Value for Money**

The table illustrates mean gross additionality at sub-regional/regional level, the range of sub-regional additionality values<sup>13</sup> from lowest to highest, and value for money and cost per job benchmarks.

Intervention Type	Mean Additionality Percentage			Return on investment ratio GVA/£ (achieved/achieved + future)	Cost per job
	Sub-regional	Sub-regional range	Regional		
<b>Promotion/development of science, R&amp;D and innovation infrastructure</b>	23	0-100	44	3.4/8.3	£37.9k
<b>Individual enterprise support</b>	70	35-153	58	12.0/14.1	£8.3k
<b>Support for internationalisation of business</b>	86	43-130	59	n/a	n/a

Sub-regional additionality for **innovation** activity is often relatively low, but also extremely varied and significantly higher at a broader geographic scale. The approach to intervention in the LEP area is designed to achieve high additionality by connecting businesses with innovation assets across the UK, effectively broadening its scale and decreasing the likelihood of deadweight, as connections to R&D centres outside of the local area would be less likely to occur without intervention than with local ones.

GVA based Return on Investment (RoI) for Innovation is positive – with returns three and a half times greater than outlays. That is one of the lower RoI figures for business based economic development, however figures increases markedly if future impacts are also taken into account, which is highly relevant given that innovation will deliver benefits in the long term. Cost per job figures of around £38,000 per job are fairly high, but do not take into account the GVA and productivity benefits that also arise. All things considered, there is a strong case for innovation activity as part of our area's economic strategy. It fits with national and European policy and offers important long term and structural dividends that complement other actions in the strategy that deliver short term outputs.

**Business support** aimed at individual enterprises and to support exports have the two highest additionality ratios of any intervention type, meaning that they are particularly efficient at converting investment into added value impacts. Value for money and RoI statistics for individual enterprise support activity are also very high and present a strong case for investing in relevant activities to secure growth and employment outcomes over a relatively short time frame.

Our concentration of available resources on this theme – it has the largest allocation of ERDF funding of any of our objectives – reflects the benefits of investing in this area. Our approach of working through the UKTI opt in on exports and making connections to and better use of existing business support will further help to ensure additionality ratios are at the upper end of the likely range.

<sup>13</sup> BIS Occasional Paper no.1: Research to Improve the Assessment of Additionality, Department for Business, Innovation and Skills, October 2009 (data is taken from tables 8.1 and 8.2)

### Options analysis

Other potential approaches to **innovation** and the reasons they have not been included are summarised in the table.

Alternative Options	Reasons Discounted
Focus solely on connecting businesses to HE/R&D expertise within the LEP area	Would severely limit the expertise firms could draw upon, reducing impact and value for money
Fund experts to go into businesses and advise on innovation	Likely to be expensive, potential for limited range of R&D to be tapped
Create new business innovation hubs/centres	Expensive and likelihood of duplication, reducing additionality and value for money
Leave it to the market	Evidence suggests this is not working and innovation levels would remain low

Other potential approaches to **business support** and the reasons they have not been included are summarised in the table.

Alternative Options	Reasons Discounted
Focus on creating new business support infrastructure, specialist advisers and service, etc.	High cost, failure to capitalise on existing assets
Wholly sector focused approach	Limited impact as most businesses are not in targeted sectors, and growth in SMEs is required across many sectors
No intervention - leave it to the market	Low take up of support would mean productivity likely to remain low, with risk of further relative decline

In conclusion, the activities proposed have clear economic merit, local relevance, will deliver good value and additionality, and lead to better outcomes than alternative course of action.

### Objective 1ii: More entrepreneurs who start and grow a business

#### Coverage

This Objective supports the formation and growth of new businesses, and will help to correct the LEP area's relatively low business formation rates and to raise business stock levels. Specific activities are:

- Inspire and support new business starts

#### Economic Importance and Drivers of Growth

Enterprise – focused on the creation and growth of businesses - is identified as one of five drivers of Growth<sup>14</sup>. Enterprise is important as economic output and employment are in part determined by the number of businesses in a local area. Put simply, less businesses equals less growth. Along with closure/survival rates, enterprise levels are a key long term factor affecting the number of businesses per head of population.

#### Relevance to York, North Yorkshire and East Riding

Business start up rates in the LEP area are almost a quarter (23%) lower than England average. That position has deteriorated since 2003, when the gap was only 4%. Whilst survival rates for new starts are slightly above average, these are insufficient to make up the difference in terms of net new enterprises that start up and survive. Statistically:

- In 2011, there were 43.8 new businesses per 10,000 people in the LEP area compared to 54.0 per 10,000 in England

<sup>14</sup> DTI Economics Paper no.17, UK Productivity and Competitiveness Indicators, Department of Trade and Industry, March 2006

- Taking into account 3 year survival rates of 61.6% in the LEP area and 57.9% for England, that would mean 27.0 new businesses surviving 3 years in the LEP area compared to 31.3 in England

If lower net business formation rates continue, it will mean that long term economic output and growth are likely to fall further behind national average per head of population, especially given the smaller than average size of firms in the LEP area. Hence higher business formations rates (alongside not instead of growth of existing SMEs) is an important part of the growth agenda for the LEP area. There are positives to build upon in achieving the desired progress, for example the relatively high self-reliance and entrepreneurial instincts demonstrated by the high self-employment levels in the LEP area.

### Market Failure

A number of market failures are evident that act to deter new businesses from starting and growing. These include:

- *Barriers to entry* – there is market failure where factors prevent business from entering or competing in a market. Such factors can include access to finance or premises, as well as the confidence, expertise, skills and ambition needed to start and grow a business. Enterprise education and various aspects of business support can help to address these barriers where they exist.
- *Imperfect information and uncertainty* – potential entrepreneurs can be unaware of or underestimate the opportunities and markets that exist for new businesses, and may overestimate the difficulty of starting and running a business.

### Additionality, Return on Investment and Value for Money

Enterprise is included within the wider heading of ‘Individual enterprise support’ in BIS evaluation and additionality data. Figures for this are included in the table, including sub-regional/regional level data and ranges for additionality values<sup>15</sup> and value for money and cost per job benchmarks.

Intervention Type	Mean Additionality Percentage			Return on investment ratio GVA/£ (achieved/achieved + future)	Cost per job	Cost per new business
	Sub-regional	Sub-regional range	Regional			
<b>Individual enterprise support</b>	70	35-153	58	12.0/14.1	£8.3k	£74.2k

Value for money and RoI statistics for **individual enterprise support activity** overall are very high and present a strong case for investing in relevant activities to secure growth and employment outcomes over a relatively short time frame. It is unclear precisely what the cost per job figures are for the enterprise element of this activity, however, the cost per business created for new business specific activity is likely to be well below the £74,000 per business for overall enterprise support given its focus.

We have allocated a significant resource to this activity given its importance to our economic future and the existence of market failures that need to be overcome. However, this figure is significantly smaller than for business support and innovation for existing businesses, given the far higher number of businesses who are

<sup>15</sup> BIS Occasional Paper no.1: Research to Improve the Assessment of Additionality, Department for Business, Innovation and Skills, October 2009 (data is taken from tables 8.1 and 8.2)

already established and the need to support their growth. Most enterprise support activity will be focused on providing help and advice to people who are thinking of starting a business. This will provide quicker returns than enterprise education activity, although that will also be supported where possible in a low cost way, for instance through influencing and making resources available and convenient for schools and colleges.

### Options analysis

Other potential approaches to **enterprise** and the reasons they have not been included are summarised in the table.

Alternative Options	Reasons Discounted
Focus wholly on enterprise education	This is a useful component of an approach, but will pay long term dividends, with limited short term outputs.
Focus on social enterprise instead of new businesses	Social enterprises represent only a small proportion of business starts, so a wider approach that also incorporates them will have greater impact
Wholly sector focused approach to new business support	Limited impact as most businesses are not in targeted sectors. Enterprise culture needs to be built, and growth in new start-ups achieved, across sectors.
No intervention - leave it to the market	Low enterprise levels will mean widening growth gap with national average

In conclusion, support for businesses formation addresses market failures and a marked local deficit in business start-ups. Evidence suggests that focused interventions can make a difference in addressing what is a key driver of productivity.

### Objective 1iii: Ambitious business leaders

#### Coverage

This Objective focuses on improving high level management and leadership skills that are often critical to business success and growth ambitions. Specific activities are:

- Enhance leadership and management skills

#### Economic Importance and Drivers of Growth

Skills is identified as one of five drivers of productivity<sup>16</sup> and a wealth of evidence makes clear the connection between skills and economic performance (see evidence for Objective 3i, ii and iii). As business leadership is a specific area of skills and integral to the ambitions and running of a business, it is covered separately to other skills needs and specifically related to business support, growth and ambitions. Hence it is important to growth both because it is a skillset that drives effective business operation, and also because business leadership has an inherent influence on other drivers of productivity such as innovation and investment – where management decisions will affect what a company does and its subsequent growth trajectory.

A 2012 BIS review of leadership and management skills<sup>17</sup> provides an excellent summary of the evidence about the extent to which and why leadership skills are important. It concludes that “Strong leadership and management is a key factor in fostering innovation, unlocking the potential of the workforce and ensuring organisations have the right strategies to drive productivity and growth”. It identifies that a single point improvement in management practices (rated on a five-point scale) is associated with the same increase in

<sup>16</sup> DTI Economics Paper no.17, UK Productivity and Competitiveness Indicators, Department of Trade and Industry, March 2006

<sup>17</sup> Leadership and Management in the UK – the key to sustainable growth: a summary of the evidence for the value of investing in leadership and management development, BIS, July 2012

output as a 25% increase in the labour force or a 65% percent increase in invested capital. Best practice management development can result in a 23% increase in organisational performance.

### **Relevance to York, North Yorkshire and East Riding**

There is very little specific LEP area based research into the quality of leadership and management skills locally and their importance to business. A major business survey carried out by Ekosgen and partners for the Skills Funding Agency in 2012<sup>18</sup> found that 21% of businesses thought that the importance of management skills would increase in the next three years. However it did not identify how far businesses thought management and leadership skills influenced business success, or how well these were developed.

The previously cited BIS research did look at how UK leadership and management skills compared to those elsewhere. It found that whilst these skills have been improving in the last ten years in the UK, it is *“clear that the UK is falling behind many of our key competitor nations in terms of leadership and management capability, which is undermining our productivity compared to those competitors. This is having a direct and detrimental impact on UK business profits, sales, growth and survival.”* Specific statistics are:

- Ineffective management is estimated to be costing UK businesses over £19billion per year in lost working hours.
- 43% of UK managers rate their own line manager as ineffective – and only one in five are qualified.
- Nearly three quarters of organisations in England reported a deficit of management and leadership skills in 2012. This deficit is contributing to our productivity gap with countries like the US, Germany and Japan.

As there is no reason to expect leadership and management skills in the LEP area to be significantly better than in the UK as a whole, this suggests that there is almost certainly considerable opportunity to enhance these skills locally and to enhance growth and productivity as a result.

The UKCES 2011 survey<sup>19</sup> found that 32% of UK SMEs had provided managers with some training or development to improve their leadership and management skills in the last 12 months. This proportion varied from 28% of micro businesses to 49% of small businesses and 67% of medium sized businesses. As the LEP area has smaller than average businesses, if anything, it is likely that businesses here will undertake less management training than UK average.

### **Market Failure**

The main reason(s) for a deficit in leadership and management skills and training is likely to be:

- *Imperfect information and uncertainty* – businesses (especially smaller ones) underestimate the value of leadership and management skills in influencing their profitability and growth.

In addition:

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<sup>18</sup> Ekosgen and partners/associates, Skills Research in York, North Yorkshire and East Riding August 2012, SFA/Skills Enhancement Fund, August 2012

<sup>19</sup> UKCES (UK Commission's Employer Skills) Survey 2011: UK Results, UK Commission for Employment and Skills, 2012



- *Positive externalities* – there is some evidence that, as with skills development and R&D more broadly, firms can be reluctant to invest in management training because they fear that those they have trained may demand higher wages or leave the business and apply their new skills elsewhere.

### **Additionality, Return on Investment and Value for Money**

Leadership and management skills and training is not singled out as an intervention type in additionality or RoI intervention analysis. Hence the figures provided below are a best fit basis showing what is available. They use 'Provision of Level 3 or above qualifications' for additionality and 'workforce/skills development' for additionality and RoI, cost per job and cost per skills assist data. Business support data is also shown as there is also some crossover with this activity.

Intervention Type	Mean Additionality Percentage			Return on investment ratio GVA/£ (achieved/achieved + future)	Cost per job	Cost per skills assist
	Sub-regional	Sub-regional range	Regional			
<b>Workforce/skills development</b>	50	36-62	58	0.9/1.0	£105.3k	£1.2k
<b>Provision of Level 3 or above qualifications</b>	50	36-57	62			
<b>Individual enterprise support</b>	70	35-153	58	12.0/14.1	£8.3k	

Value for money and RoI statistics for workforce skills and higher level skills interventions on the whole are modest. However, it is questionable how well these cover management and leadership skills, where the support on offer is more explicitly business related and (based on other evidence) likely to have a major influence on business success. We will integrate support with our SME business support and advice programmes to ensure the higher returns associated with business specific support are realised in offering targeted leadership and management skills support.

We have allocated a significant but modest resource to this activity given its quite specialised and targeted nature. This will also help to maximise its cost effectiveness, as will diagnostics that ensure training is focused on business leaders with growth aspirations.

### **Options analysis**

Other potential approaches to leadership and management skills are possible and the reasons they have not been included are summarised in the table.

<b>Alternative Options</b>	<b>Reasons Discounted</b>
Grants/subsidies for companies wanting to direct senior staff to long and formal qualifications.	Likely lower cost effectiveness as less targeted on business needs and businesses with growth aspirations
Focus on all businesses, not just SMEs	Need is greatest in smaller businesses and larger companies are likely to have in-house options to provide or fund such training
Build skills through mentoring and/or peer learning	This will be built into our business support and development model alongside training based approaches, but would be insufficient in scale and impact on its own
No intervention - leave it to the market	Low leadership and management skills would continue to undermine productivity and growth

In conclusion, developing business leadership and management skills can be pivotal to business growth and competitiveness, but needs to be well targeted and integrated with other business support to generate the best return.

## **Priority 2: A global leader in food manufacturing, agri-tech and biorenewables**

### **Priority Level Evidence and Intervention Logic**

This priority is focused on the growth of our most distinctive and disproportionately concentrated sector – the bio-economy. We have world leading, high value assets and businesses in agri-tech and biorenewables as well as a large number of local food and agricultural businesses that can be better connected to and benefit from these strengths. Activity will help to further boost and utilise our R&D and innovation assets, support growth of the sector and ensure businesses adopt and benefit from low carbon and resource efficiency measures.

At a strategic level, the evidence and rationale for making this area a Priority is based on the following facts:

- Across Europe the bio-economy sectors have a reported turnover of some 2 trillion Euros<sup>20</sup> and the global market for biochemicals has been predicted to increase tenfold between 2005 and 2015.
- The R&D base in York competes internationally in agri-tech and biorenewables. It is home to the Biorenewables Development Centre and two internationally recognised research groupings at the University of York, the Centre for Novel Agricultural Products and the Green Chemistry Centre of Excellence. The Food and Environment Research Agency (FERA) at Sand Hutton complements these resources.
- Whilst the overall 'bio-economy' sector incorporates a number of different sectors – for instance agri-tech, agriculture, food production and processing and biorenewables – there are strong connections between these sector and advantages in developing them together.
- Businesses are facing rising energy and resource bills and there are wider pressures and reasons to cut carbon emissions. Encouraging efficient, low carbon business helps to meet European and national policy goals and to achieve economic objectives.

The table illustrates the overall additionality, return on investment (RoI) and value for money benchmarks for relevant overall activity based on BIS research on evaluation of interventions at a regional and sub-regional level. As with Priority 1, business development is the best overall heading. More detailed sub-headings are used for specific objectives. It should be noted that there is wide variation between the RoI and value for money of different projects delivering the same broad type of intervention; hence the range shown is wide.

Strategic Intervention Type	Mean Additionality Percentage			Return on investment ratio GVA/£ (achieved/ achieved + future)	Cost per job
	Sub-regional	Sub-regional range	Regional		
<b>Business development &amp; competitiveness</b>	46	0-153	50	7.3/11.6	£14.2k

<sup>20</sup> Statistic taken from BioVale proposal consultation document, July 2013

**Objective 2i: World class innovation in agri-tech and biorenewables**

and

**Objective 2ii: Agriculture and food businesses connected to new opportunities****Coverage**

These two objectives are covered together given a high degree of cross-over between them. This gives a more connected and rounded presentation of the evidence for intervention and avoids duplication. Together, they involve business cluster/sectoral support and innovation which will build the bio-economy sector's innovation assets and activities, and promote the utilisation of these by food, agri-tech, agricultural and low carbon businesses to support their growth and development. Specific activities are:

- Grow our international competitiveness in agri-tech
- Capitalise on our biorenewables and low carbon assets
- Connect our agricultural sector, agri-tech and biorenewables based expertise and opportunities

**Economic Importance and Drivers of Growth**

This Objective responds to innovation as a driver of productivity and to the important role of focusing on the most outstanding assets and economic sectors/clusters in line with the principles of Smart Specialisation and the Witty review (as previously cited). Innovation is also closely related to other drivers of productivity – notably skills and innovation. By focusing on one overall bio-economy sector (made up of a number of related sub-sectors) rather than a wider spread of business sectors, we have taken the tough decisions required to focus energy and resources on excellence in the one key area that is best tuned to our area's strengths, assets and opportunities.

**Relevance to York, North Yorkshire and East Riding**

The LEP area has a wide and diverse agricultural base. Businesses in the agricultural sector are around 3.5 times more concentrated in the LEP area than national average, and more concentrated than any other sector locally, whilst food manufacturing accounts for around 35% of all manufacturing jobs. The biorenewables and energy sector is also highly concentrated, in the south east of our area in particular around the Drax and Eggborough power stations near Selby.

Additionally, there are key assets and opportunities in the sector. Assets include research institutions at the University of York and FERA (see Priority overview for more detail) and Askham Bryan, the fastest growing college in the UK specialising in land based disciplines. Opportunities include:

- the BioVale initiative led by the University of York and its partners which spans this LEP area and the Leeds City Region;
- major investments in low carbon energy, such as biorenewable and carbon capture and storage) at Drax and Eggborough power stations;
- expansion of the FERA Sand Hutton site to double its current size;
- the potential for potash mining at Whitby; and
- linkages to other low carbon energy development such as offshore wind.

## Market Failure

Interventions in this area address the market failures previously identified in relation to innovation, but also include aspects related to adoption of low carbon measures and cluster development. They include:

- *Positive externalities* – over time there is potential for one firm's R&D to become used by others who do not bear the cost of the R&D activity – this can deter innovation. In addition, negative externalities associated with pollution/carbon emissions are not fully borne by businesses, meaning that individual business decisions do not always tally with what is best for society or the economy.
- *Imperfect information and uncertainty* – businesses can underestimate the value and importance of innovation or adoption of new low carbon technologies to their future profits, causing them to underinvest as a result. There is suboptimal awareness of the available R&D expertise and its applicability to businesses.

## Additionality, Return on Investment and Value for Money

The table illustrates mean gross additionality at sub-regional/regional level, the range of sub-regional additionality values<sup>21</sup> from lowest to highest, and value for money and cost per job benchmarks. It shows relevant spheres of activity where data is available.

Intervention Type	Mean Additionality Percentage			Return on investment ratio GVA/£ (achieved/achieved + future)	Cost per job
	Sub-regional	Sub-regional range	Regional		
<b>Sector/cluster support</b>	27	0-130	42	7.7/8.7	£12.1k
<b>Promotion/development of science, R&amp;D and innovation infrastructure</b>	23	0-100	44	3.4/8.3	£37.9k

Sector/cluster support and innovation can both have relatively low additionality at sub-regional level, but compensate for this by offering high GVA per £ invested, and in the case of sector support, a low cost per job figure. Both activities are extremely varied in their impact and have higher additionality at a broader geographic scale. Hence collaboration with other areas – notably the Leeds City Region LEP on the Biovale proposal - will help to achieve cost effective impacts. The reach of the activity, which is national, further enhances its impact and cost effectiveness.

## Options analysis

Other potential approaches to sectors not included and the reasons why are summarised in the table.

Alternative Options	Reasons Discounted
Focus solely on individual business support, not on sectors, to avoid 'picking winners'.	That approach works for many businesses, as covered under business support, but if taken on fully would mean losing out on sizeable potential benefits from targeted sector development
Target support at a wider range of sectors	This would have benefits in responding to pressures from industries/localities to include their specific

<sup>21</sup> BIS Occasional Paper no.1: Research to Improve the Assessment of Additionality, Department for Business, Innovation and Skills, October 2009 (data is taken from tables 8.1 and 8.2)

	strengths, but would mean focusing on sectors that do not have any particular concentration in the LEP area, diluting resources and energy and diminishing impact in truly outstanding areas
Treat biorenewables/low carbon and agri-tech/food manufacturing as wholly separate	Misses out the considerable overlap and connective benefits between these sectors
Leave it to the market	Misses out on opportunities based on strong assets and pipeline investments, where interventions will lead to amplified benefits

### **Objective 2iii: Low Carbon Businesses**

#### **Coverage**

This objective is designed to support, widen and accelerate low carbon based progress and competitiveness within our economy. It includes resource efficiency and clean, low carbon energy generation activity within the bioeconomy sector (including food and farm businesses) where there are particular opportunities and in SMEs more widely. Specific activities are:

- Support investment in energy & resource efficiency

#### **Economic Importance and Drivers of Growth**

This activity will contribute to economic growth by helping SMEs to enhance their productivity and competitiveness by reducing long term energy and resource costs, and developing new and better products, services and processes. This activity will put businesses in a stronger position to survive and grow given likely increases in energy and resource costs over time.

#### **Relevance to York, North Yorkshire and East Riding**

There are aspects of low carbon activity and technologies that are particularly relevant to businesses in the bio-economy that is so prominent in the LEP area, including food, agriculture and biorenewables based businesses. These include ways of reducing high and often rising resource costs, for example, by turning farm waste into energy, anaerobic digestion can turn a cost into an income stream. Likewise, agricultural businesses can face costs for carbon intensive products such as fertilisers and other costs relating to pollution control, water use and energy requirements. Sustainable approaches can help to reduce these costs and environmental impacts. More widely, SMEs (of which the LEP area has a disproportionately high number) are the most likely to face information based or access to finance/technology based market failures that restrict use of low carbon solutions.

#### **Market Failure**

Interventions in this area address market failures including:

- *Negative externalities* – damage associated with pollution/carbon emissions is not fully costed or borne by businesses, meaning that individual business decisions do not always tally with what is best for society or the economy.
- *Imperfect information and uncertainty* – businesses often underestimate the benefits and cost savings associated with low carbon and resource efficiency measures, such as anaerobic digestion or energy efficiency improvement. Additionally, many businesses are not aware of what options there are or how to go about implementing them. These failures restrict adoption of new low carbon technologies and mean businesses miss out on long term cost savings and market opportunities.

### Additionality, Return on Investment and Value for Money

The table illustrates mean gross additionality at sub-regional/regional level and the range of sub-regional additionality values, as well as value for money and cost per job benchmarks as far as data is available.

Intervention Type	Mean Additionality Percentage			Return on investment ratio GVA/£ (achieved/achieved + future)	Cost per job
	Sub-regional	Sub-regional range	Regional		
Individual enterprise support	70	35-153	58	12.0/14.1	£8.3k
Sustainable consumption/production	n/a	42-90 <sup>22</sup>	56	n/a	n/a
Other business development and competitiveness	n/a	n/a	n/a	4.1/15.8	n/a

Data on low carbon interventions is limited, with sustainable consumption/production the best proxy, but only providing additionality data – which at 56% is reasonably good. This activity also falls under the ‘other business development’ umbrella which points to a very high GVA return on investment in the long term. Activity will combine a sector wide element and individual businesses support, which as demonstrated in the table provides good GVA returns and cost per job figures.

### Options analysis

Other potential approaches to low carbon business not included and the reasons why are summarised in the table.

Alternative Options	Reasons Discounted
Only carry out low carbon business support at a non-sector specific level	Specific benefits for the food and agricultural sector would be missed, which is key in the LEP area. Under our approach these benefits have a specific focus whilst other businesses can be assisted on low carbon and resource efficiency in a broader manner
Target other low carbon activities	Other activities such as resource efficiency and renewable energy generation will be covered, but a specific focus on areas such as housing retrofit or low carbon transport did not fit well with the LEP area’s needs and opportunities.
Leave it to the market	Businesses incur increasing costs and become less competitive, market opportunities are missed, and carbon emissions rise

### Priority 3: Inspired People

#### Priority Level Evidence and Intervention Logic

This priority is focused on the skills and attributes of our present and future workforce. It includes attainment and qualifications, but also the employability and attitude skills that many employers see as crucial to success and actively seek in new recruits. It includes sector specific needs as well as issues and skills that affect employers across our economy.

At a strategic level, the evidence and rationale for making this area a priority is based on the following facts:

<sup>22</sup> Regional data as sub-regional not available

- Skills is recognised as a key driver of productivity and one that also supports enterprise and innovation. A fifth of UK economic growth is due to improvements in workforce skills.
- Businesses that develop their skills do better. 'Low training' companies are between 2 and 2.5 times more likely to go out of business as 'high training' companies.
- People with better skills are more likely to be employed, to contribute more to productivity, and to earn more. The earnings premia associated with achieving higher qualifications are: Level 2 (15%); Level 3 (13%); Level 4 (28%); Level 5 (23%) – these are additive percentages<sup>23</sup>.
- Whilst qualifications levels across most of the LEP area are above national average, they are not rising as fast as nationally – so our advantage in this area will diminish unless we act. Additionally, there are localised areas where skills levels are lower, most notably on the Yorkshire Coast.

The table illustrates the overall additionality, return on investment (RoI) and value for money benchmarks for overall skills activity based on BIS research on evaluation of interventions at a regional and sub-regional level. The overall 'People and Skills' based interventions headings is used, which includes subheadings such as skills development, matching people to jobs, and educational infrastructure. More detailed sub-headings are used for specific objectives. As with other priorities, it should be noted that there is wide variation between the RoI and value for money of different projects delivering the same broad type of intervention, hence the range shown is wide.

Strategic Intervention Type	Mean Additionality Percentage			Return on investment ratio GVA/£ (achieved/ achieved + future)	Cost per job
	Sub-regional	Sub-regional range	Regional		
<b>People and Skills</b>	54	36-66	55	2.5/2.5	£43.3k

**Objective 3i: A productive workforce for growing businesses**  
**and**  
**Objective 3ii: Inspired people making the right choices**

### Coverage

These two objectives include a focus on workforce and skills needs from a business perspective and seeks to enhance the level and relevance of skills to improve business productivity profits and growth. They combine qualifications, employability skills and work experience, as well as actions to do with careers choices which benefit individuals and the economy. Specific activities are:

- Increase productivity by investing in workforce skills
- Build competitive advantage through higher level skills
- Support high quality apprenticeships and internships
- Increase employability by connecting business to education

### Economic Importance and Drivers of Growth

<sup>23</sup> Statistics from "The Big Picture: skills and employment needs in a global context" presentation by Professor Mike Campbell OBE to LCR skills network, June 28 2012

Skills is identified as one of five drivers of productivity<sup>24</sup> and a wealth of evidence makes clear the connection between skills and economic performance. Skilled people enable businesses to get started, to perform better and to innovate, whilst unskilled workers can hold companies back. For instance in UK manufacturing, lower skill levels were found to have a negative effect on labour productivity and on the types of machinery chosen, the way that machinery was used and the introduction of new technology. Some studies<sup>25</sup> suggest that a year's additional education can raise productivity by 5%-9% and 6%-12% in the manufacturing and service sectors respectively

Whilst all skills support growth, higher level skills have a particularly strong impact. The Leitch Review<sup>26</sup> found that increased skill levels accounted for a fifth of annual growth in the last 25 years, and that in the five years leading up to 2000 higher skills added 0.37 percentage points to annual growth. Additionally, Hanushek and Woessmann<sup>27</sup> found that a 10% increase in students reaching basic literacy increased annual growth by 0.3%, compared to 1.3% higher annual growth from a similar increase in high level skills.

Wide ranging evidence shows that many businesses value apprenticeships as a route to securing new workers, offering them ability to mould and train recruits to meet their requirements at relatively low cost. We were unable to find evidence that directly links taking on apprentices to productivity growth. Some UK research<sup>28</sup> has investigated this link and been unable to find a significant correlation, but it notes that this may well be because of limited data sets rather than there being no relationship. Businesses also stress the importance of employability skills<sup>29</sup> - incorporating basic English and maths skills, attitudes and ambition, and soft skills such as teamwork, communication and creativity. These skills can be enhanced during education, and also progressed through work experience and apprenticeships.

### **Relevance to York, North Yorkshire and East Riding**

Research by Ekosgen and partners for the Skills Funding Agency in 2012<sup>30</sup> investigated skills requirements in the LEP area, in part through a major survey of businesses. This demonstrated particular needs within the LEP area, and key findings include:

- Significant future employment demands will present skills needs, based on a combination of baseline economic growth, major initiatives, and 'replacement demand'. In total 30,000 recruits were forecast to be required between 2011 and 2015, with that figure rising to 91,000 by 2020.
- Replacement demand accounts for the bulk of the expected employment needs - 20,000 workers by 2015 and 67,000 by 2020. It will involve a mixture of upskilling within businesses and recruitment of new employees with the right skills. The largest volume of replacement demand needs is in large sectors such as health, business services, retail and education.

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<sup>24</sup> DTI Economics Paper no.17, UK Productivity and Competitiveness Indicators, Department of Trade and Industry, March 2006

<sup>25</sup> Lynch and Black, Beyond the incidence of training, evidence from a national employers survey, NBER working paper 5231, 1995

<sup>26</sup> Leitch Review of Skills, Lord Leitch, 2006

<sup>27</sup> The Role of Cognitive Skills in Economic Development, Hanushek and Woessmann, 2008

<sup>28</sup> Steven McIntosh, Jin Wenchao and Anna Vignoles, Research Report DFE-RR180 - Firms' engagement with the Apprenticeship Programme, University of Sheffield, Institute for Fiscal Studies and Institute for Education, November 2011

<sup>29</sup> <http://www.cbi.org.uk/business-issues/education-and-skills/in-focus/employability/> (accessed 6/9/2013)

<sup>30</sup> Ekosgen and partners/associates, Skills Research in York, North Yorkshire and East Riding August 2012, SFA/Skills Enhancement Fund, August 2012



- 17% of businesses currently employ apprentices – but 22% of those surveyed planned to employ one in the next three years. Apprenticeships and other models that combine learning and practical work experience were popular with employers and are expected to grow.
- Only 17% of firms said they employed graduates, with another 4% expecting to do so in the next three years. That is a low figure and suggests application of high level skills could be improved.
- 30% of firms said they did not plan to provide any formal training – a higher figure than in neighbouring LEP areas - and suggesting that business could be more aware of the value of skills.
- Specific, sector based skills gaps did not emerge strongly in the research, although in other areas specialist engineering and software development skills emerged as needs. However, employers did stress the importance of job-specific and ICT skills, work readiness and generic employability skills.

### Market Failure

A number of market failures act to prevent businesses addressing their skills needs, even though doing so would in principle be in their own financial interests. The main ones are:

- *Imperfect information and uncertainty* – businesses, most notably SMEs, underestimate the value of skills in influencing their profitability and growth.
- *Positive externalities* – there is evidence that some businesses, especially smaller ones do not invest in upskilling workers because they fear poaching of skilled workers by other firms, and training leading to wage demands<sup>31</sup>. Hence the value to the economy overall may be greater than to an individual SME.
- *Public goods* – many skills issues are intimately related to education, including what it taught, how it is taught, and careers choices. As education is a public good, it is not directly influenced by the market, meaning that mechanisms need to be found to exert influence on education so that it meets business and economic needs – for example to improve employability skills or produce more people with qualifications in STEM subjects.

### Additionality, Return on Investment and Value for Money

The figures below show data for the spread of skills and educational infrastructure sub-headings that are available. Educational infrastructure is also included for information, although the interventions covered here are more about people/business based connections to education than infrastructure. 'Hybrid' interventions refers to large, integrated people and skills programmes, sometimes including high level skills.

Intervention Type	Mean Additionality Percentage			Return on investment ratio GVA/£ (achieved/achieved + future)	Cost per job	Cost per skills assist
	Sub-regional	Sub-regional range	Regional			
<b>Workforce/skills development</b>	50	36-62	58	0.9/1.0	£105.3k	£1.2k
<b>Provision of Level 3 or above qualifications</b>	50	36-57	62			
<b>Educational infrastructure</b>	57	49-61	46	5.2/5.2	£34.0k	£6.5k

<sup>31</sup> Professor Ian Stone, Praxis no.5, Encouraging small firms to invest in training: learning from overseas, UKCES, June 2010

<b>Other people and skills/hybrid</b>	59	47-66	55	4.1/4.1	£24.0k	£5.4k
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Value for money and RoI statistics for workforce skills and higher level skills interventions on the whole are modest, however additionality percentages are about or just above average compared to interventions across all categories of activity. This is not a reason to avoid skills based activity, partly because that is intrinsic to ESF programme requirements and an integrated economic programme for our area, but also because the cost per job and GVA RoI data is unreliable in relation to skills<sup>32</sup> and GVA returns are likely to be notably higher than those suggested in the data. There is also evidence in some specific areas, such as apprenticeships, to suggest that deadweight in particular is low. Research concluded that taking on apprentices complements rather than substitutes for other training activity<sup>33</sup>.

Given the sizeable resources devoted to skills interventions, thorough appraisal and selection will be important in maximising value for money and impact. Whilst the 'hybrid' interventions category is based on a small sample, it appears to deliver returns quite efficiently, so the principle of integrating skills, employment and business development goals in interventions (which it involves) will be taken forward in our approach within the LEP area.

### Options analysis

Other potential approaches to skills are possible and the reasons they have not been included are summarised in the table.

<b>Alternative Options</b>	<b>Reasons Discounted</b>
Concentrate wholly on skills in priority sectors	As we only single out the bio-economy sector, this would leave skills untouched in a large majority of businesses and sectors
Focus on all businesses, not just SMEs	Evidence suggests SMEs are less likely to upskill employees or take on apprentices, so support should be targeted at them
Focus wholly on formal qualifications	Misses out employability skills, which employers tend to single out as a key need
Wholly locally focused approach	Whilst the flexibility to respond to local skills needs where they exist is helpful and part of our approach, many skills needs (e.g. employability skills, apprenticeships) apply across our area
Focus wholly on education	Would miss out current employees, who will be the majority of the workforce for many years
Focus wholly on educational infrastructure	Educational infrastructure is covered in our strategic economic plan local growth deal priorities
No intervention - leave it to the market	Key skills issues and their impact on productivity would go untouched

In conclusion, there is clear evidence that skills are a major influence on growth, relevant to our area, and that market failures exist that require intervention. Acting in a targeted and integrated way can address these issues and improve productivity.

<sup>32</sup> The methodology used in the PWC/BIS research for calculating RoI and cost per job impacts was based only on job creation outputs by skills projects, even though many of those projects evaluated were primarily designed to enhance GVA and productivity and not necessarily to create any or many jobs in the short term.

<sup>33</sup> Steven McIntosh, Jin Wenchao and Anna Vignoles, Research Report DFE-RR180 - Firms' engagement with the Apprenticeship Programme, University of Sheffield, Institute for Fiscal Studies and Institute for Education, November 2011

### **Objective 3iii: Empowered communities delivering support and inclusion**

#### **Coverage**

This objective is designed to support employment and inclusion by addressing barriers to work including those related to ambitions, health, travel, skills and family issues. It includes a focus (but not an exclusive one) on young people and on areas where unemployment and disadvantage is most widespread, and it is designed to build community capacity and ownership of local solutions.

Specific activities are:

- Build skills, attitudes and ambition to help people access jobs
- Develop strong communities and active inclusion

#### **Economic Importance and Drivers of Growth**

Activity under this objective is about social goals as well as economic growth. Nevertheless by addressing barriers and building capacities that provide routes into employment, it will increase employment and incomes and contribute to economic growth. Additionally, there is some crossover between this Objective and Objective 3ii in relation to employability skills, which assist people in life and help them to gain and progress in a job, but also support business success and productivity.

#### **Relevance to York, North Yorkshire and East Riding**

Economic activity rates in the LEP area are generally above national average – around five percentage points higher. However, the employment rate has fallen since pre-recession peaks and varies significantly across our area. The Yorkshire Coast has the most pronounced unemployment and associated exclusion issues, however, even seemingly prosperous places such as Harrogate and York have areas with significant social and employment issues at a local level, whilst smaller districts also have pockets of disadvantage, sometimes hidden within seemingly prosperous neighbourhoods. The proportion of young people not in employment, education or training is around 4.5-5.5%, but this has not fallen over time, and there is a need to ensure that all young people are able to make an economic contribution.

Analysis of incomes further makes clear that our area is less prosperous than sometimes perceived. The most rural and remote rural districts in our area, such as Craven, Hambleton, Ryedale and Richmondshire, have some of the lowest *median* incomes in Yorkshire. These are typically in the region of £340-£355 per week, lower for instance than in every district in South Yorkshire and all but one in West Yorkshire. When low incomes are set against the significantly higher living costs that apply in rural areas (research<sup>34</sup> shows these to be 10-20% higher than in urban areas), it demonstrates that our area faces issues of in-work poverty as well as unemployment.

#### **Market Failure**

The two main market failures that apply in our area in relation to this objective are:

- *Factor immobility* – because travel and access barriers make it difficult for many people, especially those on low incomes and/or without access to a car, to get to a place of work or study. In technical terms, this prevents labour, from being efficiently employed and hence distorts and undermines the efficient operation of markets.

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<sup>34</sup> Noel Smith, Abigail Davis and Donald Hirsch, A minimum income standard for rural areas, Loughborough University Centre for Research in Social Policy, published by Joseph Rowntree Foundation, November 2010

- *Equity issues* – because markets have generated an unacceptable distribution of income with social exclusion consequences.

### **Additionality, Return on Investment and Value for Money**

The main area of activity where evaluation based data allows calculation of RoI, additionality and value for money in terms of outputs is ‘matching people to jobs’. Figures for this are provided in the table.

Intervention Type	Mean Additionality Percentage			Return on investment ratio GVA/£ (achieved/achieved + future)	Cost per job	Cost per skills assist
	Sub-regional	Sub-regional range	Regional			
<b>Matching people to jobs</b>	52	41-62	53	0.8/0.8	£49.2k	£2.6k

Additionality levels are around average for matching people to jobs interventions. Whilst GVA returns are relatively low and cost per job figures quite high, these figures need to be taken in the context of social as well as economic objectives, and the much greater difficult and intensity work required to secure employment in deprived areas and for people who are some distance from the labour market. For instance, capacity building and personal development work may be required first to get a person to a stage where they are realistically able to gain and hold down a job. Reflecting this less direct route to employment, cost per job is quite high, but skills assist outputs are on average achieved at low cost. In addition to the outputs shown in the table, the average cost per person ‘assisted into a job’ is £4.7k – again a low figure and one which demonstrates value for money impacts are achievable.

### **Options analysis**

Other potential approaches to employment and inclusion are possible and outlined in the table together with the reasons for discounting them.

<b>Alternative Options</b>	<b>Reasons Discounted</b>
Rely on education to build inclusion long term	This has not worked to date – or there would not be the problem we face. It is unlikely to be a realistic solution on its own (although it can contribute)
Focus on business growth to drive employment, backed by a tougher benefits regime	This does not address the market failure based vicious cycle that exists, whereby some businesses avoid areas of disadvantage, adding to exclusion and employment barriers within them
Rely on skills solutions alone (as per objectives 3i and 3ii)	Misses the need to address wider barriers that cause unemployment and exclusion, e.g. travel, family, health or social/personal
No intervention - leave it to the market	Leaves people excluded and means that people and places that could be economically productive assets are instead a drain on resources

### **Priority 4: Successful and Distinctive Places**

and

### **Priority 5: A Well Connected Economy**

### **Priority Level Evidence and Intervention Logic**

These two priorities are covered together because they both have a focus on physical development, have fewer supporting objectives that are seeking EU funding, and are less well supported by evaluation based

intervention data – meaning that the same overall category ('Place/Regeneration through physical infrastructure') covers both priorities.

At a strategic level, the rationale for Successful and Distinctive Places a priority is:

- Our area contains a number of overlapping functional economic areas. These areas have their own distinctive challenges and opportunities, so local place based responses are needed.
- The rural nature and hilly terrain of much of York, North Yorkshire and East Riding means that there are often physical constraints or resource capacity issues that raise the cost of development beyond the point of its financial viability. Equally, localised responses are needed that fit the community and environmental needs of specific areas.
- There is wide evidence to show that higher quality environments and quality of life attract business investment and support successful economies. Community led approaches have been shown to be successful in advancing these goals (e.g. through LEADER programmes)
- Some aspects of place based development – notably large scale infrastructure - are outside the scope of ERDF or ESF investment. Recognising this, proposed activities focus on elements that are generally smaller scale, community led and which deliver environmental as well as economic goals.

The rationale for the Priority of a Well Connected Economy is:

- It is widely recognised that transport and connectivity have a direct impact on economic performance and business success. Transport is an enabler for growth and it can help stronger economies in the LEP area to grow further and weaker ones to recover.
- The key to business connectivity is quick, easy and reliable access for the flow of goods and services. Well managed transport networks that achieve this, with minimal congestion, enable businesses to become more competitive and reduce transport costs. Consequently, investment in transport can lead to sustainable economic growth.<sup>35</sup>
- Targeted investments in transport infrastructure can unlock specific growth sites and better connect our major settlements to places elsewhere in the LEP area and beyond. We envisage that this is outside the scope of ERDF or ESF investment. However, appropriate investment in existing road and rail infrastructure and in low carbon transport solutions is required to underpin growth, tackle pinch points constraining new development, and to prevent the deterioration of transport networks/services from constraining economic performance in the LEP area.

The table illustrates the overall additionality, return on investment (RoI) and value for money benchmarks for place based investment. It is based on BIS research on evaluation of interventions at a regional and sub-regional level. More detailed sub-headings are used for the relevant objective covered within each of the two priorities covered in this section. As with other sections, it should be noted that there is wide variation between the RoI and value for money of different projects delivering the same broad type of intervention, hence the range shown is wide.

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<sup>35</sup> Transport – an engine for growth, Department of Transport, August 2013

Strategic Intervention Type	Mean Additionality Percentage			Return on investment ratio GVA/£ (achieved/ achieved + future)	Cost per job
	Sub-regional	Sub-regional range	Regional		
Place/Regeneration through physical infrastructure	54	35-76	51	3.3/8.0	£63.3k

#### **Objective 4iii: Environmental quality and community needs**

##### **Coverage**

This objective is designed to support sustainable development integrating economic, social and environmental needs and goals in specific local areas. It focuses on community led and place based aspects of development that create the right conditions for economic growth and social cohesion, and includes environmentally led approaches such as investment in green and blue infrastructure, including to alleviate flood risks. It also includes sustainable approaches determined through community led local development approaches. These are relevant in sensitive rural environments such as the Dales, Moors and Wolds, but also more widely. Specific activities are:

- Implement flood prevention measures, capitalising on green and blue infrastructure
- Sustainable growth in the Dales, Moors and Wolds – local/community led approaches
- Business led investments in market towns

##### **Economic Importance and Drivers of Growth**

Activity under this objective is about social and environmental goals as well as economic growth. However, there is a strong logic chain that makes clear the importance of quality of place to economic success. There is considerable evidence, documented and anecdotal, that makes clear that businesses make locational and investment decisions based on quality and attractiveness factors, as well as other factors such as costs and access. Likewise skilled people – whom are also a key consideration in business location and intrinsic to commercial success – often also consider the quality of place/life offer as well as available jobs when making employment decisions, especially those who have multiple options. For these reasons, getting the quality of place and life offer right supports the economic drivers of business investment and skills. It also supports innovation which is linked to skills, and to enterprise based on influencing the locational decisions of potential entrepreneurs.

##### **Relevance to York, North Yorkshire and East Riding**

The quality of place, life and environment is good in much of the LEP area, but also variable and open to improvement. Yorkshire Coast settlements such as Scarborough, Bridlington, Hornsea and Withernsea have the most obvious needs for environmental enhancement, but there are localised and different pressures and opportunities elsewhere.

Environmental issues affecting our area include those to do with climate change adaptation and flood risk. Significant areas of York, North Yorkshire and East Riding face high flood risks and have suffered damaging flooding in recent years. Economic impacts from this can be considerable and include costs of repairs, lost productive time and lost business. Additionally, flood risk can prevent future development for planning or risk avoidance reasons. As well as improved flood defences, sustainable approaches that use green infrastructure to soak up water upstream can prevent flooding downstream. Green infrastructure including green space, biodiversity, water courses and routes for cyclists and walkers can further add to an attractive environment that provides ecosystems services (the economic benefit of which can be calculated and valued) and can help to attract business investment, skilled people and entrepreneurs.

## Market Failure

Three main market failures apply in our area in relation to this objective:

- *Externalities* – negative externalities include environmental damage or increased flood risk that can come with additional development, but which is shared by other/existing businesses and communities in the locality.
- *Barriers to entry* – because perceptions of a poor environment or quality of life, or flood risks can deter businesses from locating in (or cause them to leave) locations that would otherwise make sense as bases for their business.
- *Public Goods* – many environmental, community based or flood prevention improvements provide benefits to all businesses within an area and cannot be restricted to paying customers. That deters individual businesses from investing in them, as other would ‘freeload’ on their investment.

## Additionality, Return on Investment and Value for Money

There is not a heading where evaluation based is available that neatly encompasses the activity envisaged within this objective, which combines community led aspects and environmental improvements, often at a small scale. We have used the ‘public realm’ heading below for data on RoI, additionality and value for money in terms of outputs. Whilst not ideal, this will give some indication of likely figures as the closest available place based heading.

Intervention Type	Mean Additionality Percentage			Return on investment ratio GVA/£ (achieved/achieved + future)	Cost per job	Cost per hectare remediated
	Sub-regional	Sub-regional range	Regional			
Public Realm	55	36-76	61	1.8/8.7	£118.9k	£1.4m

Additionality levels are slightly above average for public realm interventions, whilst GVA returns vary notably between the short term (when they are quite modest) to the long term (when they are much higher). This is as expected, as it will inevitably take some time for place based improvements to feed into investment and locational decisions downstream, and it demonstrates the long term gains that can result. Cost per job figures for this activity are high, but that reflects the evaluation methodology which only factored in direct jobs from improvements, not indirect or GVA benefits based on business investment, associated new development or improved business performance.

## Options analysis

Other potential approaches to place based and community led development are possible and outlined in the table together with the reasons for discounting them.

Alternative Options	Reasons Discounted
Focus on large scale infrastructure improvements	Unlikely to be eligible for funding. These are instead included in complementary local growth deal proposals
Top down proposals led from the centre	These have the advantage of being quicker and involving less process, but fail to secure the ownership and involvement of people and businesses, making them less successful in the long run
Image based/promotional campaigns to change perceptions of an area	These rely on the product being right if they are to work in the long term, although good communication

	of existing strengths or improvements made does have a role.
No intervention - leave it to the market	Leaves places and communities in a sub-optimal position for economic development and erodes growth prospects and social inclusion.

### **Objective 5iii: Transport that underpins growth and low carbon goals**

#### **Coverage**

This objective focuses on enhancing transport to enable access to employment and economic growth, with focus on low carbon modes and enhancements. These potentially include public transport, cycling, demand reduction (e.g. through home working, workplace travel planning, or car sharing) and more efficient management of the transport network to reduce emissions and congestion and enhance safety.

- Investment to ensure the existing transport network supports growth

#### **Economic Importance and Drivers of Growth**

Activity under this objective combines low carbon, economic and employment goals. Transport is a key enabler of economic growth as better access to workplaces allows businesses to recruit workers from a wider catchment area, enhancing the skills they can employ. Equally good transport links widen the markets businesses can serve, whilst reliability of transport services is important for employee commuting, securing supplies and serving customers.

However, transport is a significant source of carbon emissions and a sizeable share of these emissions are linked to the operation of the economy, whether linked to commuting or to business trade and operations. Reducing the carbon intensity of travel, either by more efficient car and freight journeys, travel avoidance or achieving switches to alternative modes can achieve environment goals at the same time as helping to prevent congestion – in turn enabling economic development and growth.

#### **Relevance to York, North Yorkshire and East Riding**

North Yorkshire and the East Riding are large areas with a dispersed population, and sizeable distances between many of their settlements. This can help to reduce congestion to some extent, but means that the economies of many places suffer from their remoteness from raw materials, markets and workforces. North-South connectivity is generally good, but East-West connections are often poor and there are specific transport problems and pinch points in our major centres and off the major motorway network. It can also be hard to travel to work or training from many smaller centres and rural areas, especially for those without access to a car. Improving transport connections and options can therefore help to connect people to economic opportunities and support business success.

Carbon emissions are above England average in seven of the nine unitary and district local authority areas in our area, and around a third of carbon emission in the LEP area are from transport. This proportion is higher in more rural and remote districts such as Hambleton and Richmondshire. Low carbon transport solutions are hence an important part of meeting transport, environmental, social and economic growth goals.



## Market Failure

The main market failures that apply in our area in relation to this objective are:

- *Externalities* – negative externalities from motor transport include environmental damage in the form of carbon emissions, air and noise pollution plus social impacts from traffic accidents or the severance effects of major roads.
- *Barriers to entry* – poor transport links and access can prevent firms locating in an area (or cause them to leave) even though that area may otherwise make sense as a base for their business. This distorts market operation and acts to suppress the economies of more remote areas.
- *Public Goods* – it is difficult to directly charge for many aspects of transport provision, such as road and rail infrastructure and maintenance, traffic management or facilities for pedestrians and cyclists. These provide benefits to all businesses within an area and cannot easily be restricted to paying customers, deterring individual businesses from investing in them.

## Additionality, Return on Investment and Value for Money

The BIS data sources we have used for additionality and value for money analysis have barely any coverage of transport. Only one scheme is reported as evaluated - at the regional level and with an additionality score of 46%. Likewise we do not consider other place and infrastructure headings to be closely related enough to transport to provide a useful indication of likely value for money, outputs or additionality. For those reasons no data table is provided for this objective. Nevertheless, transport authorities are well versed in thorough and complex transport appraisal mechanisms which assess the economic, social and environmental impacts of individual schemes and their return on investment. We will ensure appropriate use is made of such appraisal mechanisms in selecting transport based initiatives under this objective as we develop the programme for delivery.

## Options analysis

Other potential approaches to low carbon transport are possible and outlined in the table together with the reasons for discounting them.

Alternative Options	Reasons Discounted
Focus on all transport, not low carbon options	Unlikely to be eligible for funding, plus counterproductive in terms of progress to a low carbon economy
Focus only on local level and wholly carbon neutral forms of transport – walking, cycling	These will be part of our approach, but would not be realistic options for longer journeys or for most business needs
Focus only on avoidance of travel through IT solutions and journey planning	These will be part of our approach, but travel will still be essential for many economic purposes and low carbon transport options are needed to meet these needs
No intervention - leave it to the market	Leaves places and communities with major transport and access barriers to economic development and employment, and fails to address carbon emissions from transport

## ANNEX 2 – Output calculations (excluding EAFRD outputs)

Overall Programme Outputs	Target
Number of enterprises receiving support	2944
Number of new enterprises supported	344
Employment increase in supported enterprises	932
Number of enterprises co-operating with research entities	309
Number of enterprises supported to introduce new-to-the-market products	50
Number of enterprises supported to introduce new-to-the-firm products	85
Additional enterprises accessing ICT products and services including broadband	80
Private sector investment matching public support to enterprises	
Greenhouse gas reductions	331307
Site development	93 hectares
Total number of participants	14827
Number of unemployed participants	3470
Number of inactive participants	2799
Number of employed (including self-employed) participants	5164
Number of participants aged 15-24	2125

### Profitable and ambitious micro business PROGRAMME

#### Profitable & ambitious micro business: Overall Targets

Output	Target
Number of enterprises receiving support	1511
Number of new enterprises supported	262
Employment increase in supported enterprises	517
Number of enterprises co-operating with research entities	130
Number of enterprises supported to introduce new-to-the-market products	20
Number of enterprises supported to introduce new-to-the-firm products	40
Additional enterprises accessing ICT products and services including broadband	80
Private sector investment matching public support to enterprises	
Total number of participants	1989
Number of unemployed participants	136
Number of inactive participants	136

Number of employed (including self-employed) participants	1578
Number of participants aged 15-24	578

Thematic Objective 1: Targets		
Supporting business to commercialise and collaborate		Total Public Sector Investment £4.95m
Indicator	Target (excluding match funding outputs)	Notes
Number of enterprises receiving support	159	£4.95m / £31,146 (PWC figure for science/R&D business assist)
Number of enterprises co-operating with research entities	130	£4.95m/£38000 (Regeneris median figure).
Number of enterprises supported to introduce new-to-the-market products	20	Likely to be low so estimated 20
Number of enterprises supported to introduce new-to-the-firm products	40	Likely to be low so estimated 40

Thematic Objective 2: Targets		
Building the growth capabilities of SMEs (ICT)		Total public sector investment £1m
Indicator	Target (excluding match funding outputs)	Notes
Number of enterprises receiving support	120	£1m / £8300 (general business assist LN)
Number of new enterprises supported	12	£1m/£74.2k (cost per new business LN)
Employment increase in supported enterprises	68	£1m/ £14,669 (CRESR figure for job create from general business assist)
Additional enterprises accessing ICT products and services including broadband	80	Estimated 80 (from a total of 120) but could realistically be all of them?

Thematic Objective 3: Targets		
Building the growth capabilities of SMEs		Total public sector £11.26m (inc opt ins)
Indicator	Target (excluding match funding outputs)	Notes
Number of enterprises receiving support	808	£8.26m / £10,747 (general business assist) £4m/£100,000 (fei investment)
Number of new enterprises supported	165	£12.26m/£74.2k (cost per new business LN)
Employment increase in supported enterprises	168	£12.26m / £14,669 (CRESR figure for job create from general business assist)
Fostering a more entrepreneurial culture		Total public sector 6.27 (inc opt ins)
Number of enterprises receiving support	424	£3.27m / £8300 (general business assist) £3m/£100,000 (fei investment)

Number of new enterprises supported	85	£6.27m/£74.2K (cost per new business LN)
Employment increase in supported enterprises	281	£6.27m / £22,293 (the high intensity job creation figure from CRESR)

Thematic Objective 8: Targets		
Better links between business & education		Total public sector £1m
Indicator	Target (excluding match funding outputs)	Notes
Total number of participants	833	£1m / £1200 (standard skills assist LN)
Number of unemployed participants	58	Assumes 10% young people unemployed
Number of inactive participants	58	Assumes 10% young people inactive
Number of employed (including self-employed) participants	578	Assumes 50% participation by employed people
Number of participants aged 15-24	578	Assumes 50% participants young people

Thematic Objective 10: Targets		
Ambitious business leaders		Total public sector £6.63m
Indicator	Target (excluding match funding outputs)	Notes
Total number of participants	1156	£6.63m / £5,737 (a low intensity assist leading to a qualification from the CRESR numbers)
Number of unemployed participants	78	Assumes they'll almost all be employed
Number of inactive participants	78	Assumes they'll almost all be employed
Number of employed (including self-employed) participants	1000	Assumes they'll almost all be employed

## A global leader in food manufacturing, agri-tech and biorenewables

### A global leader: Overall Targets

Output	Target (excluding match funding outputs)
Number of enterprises receiving support	951
Number of new enterprises supported	82
Employment increase in supported enterprises	415
Number of enterprises co-operating with research entities	179
Number of enterprises supported to introduce new-to-the-market products	30
Number of enterprises supported to introduce new-to-the-firm products	45

Private sector investment matching public support to enterprises	
Estimated greenhouse gas reductions	83425
Total number of participants	1156
Number of unemployed participants	78
Number of inactive participants	78
Number of employed (including self-employed) participants	1000

Thematic Objective 1: Targets		
Supporting business to commercialise and collaborate		Total Public Sector Investment £6.79m
Indicator	Target (excluding match funding outputs)	Notes
Number of enterprises receiving support	218	£6.79m / £31,146 (PWC figure for science/R&D business assist)
Number of enterprises co-operating with research entities	179	£4.95m/£38000 (Regeneris median figure).
Number of enterprises supported to introduce new-to-the-market products	30	Likely to be low so estimated 20
Number of enterprises supported to introduce new-to-the-firm products	45	Likely to be low so estimated 40

Thematic Objective 4: Targets		
Building the market in low carbon goods and services		Total public sector £6.09m
Indicator	Target (excluding match funding outputs)	Notes
Number of enterprises receiving support	733	£6.09m / £8300 (general business support figure from LN)
Number of new enterprises supported	82	£6.09m / £74.2k (cost per new business LN)
Employment increase in supported enterprises	415	£6.09m / £14,669 (from CRESR).
Number of enterprises co-operating with research entities	106	Assumed that a quarter of all businesses supported.
Number of enterprises supported to introduce new-to-the-market products	10	Likely to be low so estimated 10
Number of enterprises supported to introduce new-to-the-firm products	15	Likely to be low so estimated 15
Estimated greenhouse gas reductions	83425 tonnes	Figures on cost per tonne saved (based on Ekosgen research) come out between £55 and £91 per tonne. Used mid-point (£73) = 62,329(calculated by dividing £14.3m by £73)

Thematic Objective 10: Targets		
Ambitious business leaders		Total public sector £6.63m
Indicator	Target (excluding match funding outputs)	Notes
Total number of participants	1156	£6.63m / £5,737 (a low intensity assist leading to a qualification from the CRESR numbers)
Number of unemployed participants	78	Assumes they'll almost all be employed
Number of inactive participants	78	Assumes they'll almost all be employed
Number of employed (including self-employed) participants	1000	Assumes they'll almost all be employed

## Inspired People PROGRAMME

### Inspired People Programme: Overall Targets

Output	Target (excluding match funding outputs)
Number of enterprises receiving support	482
Total number of participants	11682
Number of unemployed participants	4156
Number of inactive participants	2585
Number of employed (including self-employed) participants	2586
Number of participants aged 15-24	1547

Thematic Objective 8		
Output	Target (excluding match funding outputs)	Notes
Access to employment		Total public sector investment £10.55m
Total number of participants	3925	Total allocation is £10.55m. Assumed that 60% will be used for unemployed, 20% for inactive and 20% for employed. Within each of those breakdowns, assumed that 50% of the support is skills assists (£1,570), a quarter is low intensity (£8,104) and a quarter is medium intensity (£14,681).
Number of unemployed participants	2355	Based on the above, this is comprised of 2016 skills assists, 195 low intensity and 144 medium intensity
Number of inactive participants	785	Comprised of 387 skills assists, 193 low intensity and 193 medium intensity
Number of employed (including self-employed) participants	785	Comprised of 387 skills assists, 193 low intensity and 1medium intensity

Number of participants aged 15-24	589	Assume 15% of participants
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#### The Sustainable Communities and Social Innovation Programme: Overall Targets

Output	Target (excluding match funding outputs)	Notes
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**Total Public Sector match 7.84**

Number of enterprises receiving support	482	Assumes that 50% of the total allocation of £7.84m will be used on business/social enterprise support, of which £1m will be through CDFI. Therefore the calculation is £3.92/ £8300 + £1m/£100000.
Total number of participants	1508	Assumes that 50% will be used on individuals and classes each as a Social inclusion skills assist (LN) (£2600). So £3.92m/£2600
Number of unemployed participants	503	Assumed one third of the total of 2,726
Number of inactive participants	502	Assumed one third of the total of 2,726
Number of employed (including self-employed) participants	503	Assumed one third of the total of 2,726
Number of participants aged 15-24	377	Assumes 25% will be young people

#### Thematic Objective 10

Output	Target (excluding match funding outputs)	Notes
Skills		<b>Total public sector £21.03m</b>
Total number of participants	3894	£21.03m / £5400 (hybrid skills assist cost (LN)).
Number of unemployed participants	1298	Assumed one third of the total of 1,089
Number of inactive participants	1298	Assumed one third of the total of 1,089
Number of employed (including self-employed) participants	1298	Assumed one third of the total of 1,089
Number of participants aged 15-24	581	Assumed 15% will be young people.

## Successful and Distinctive Places

The activities that we are proposing under ‘enabling economic development through investment in flood and coastal risk management’ do not naturally lend themselves to quantification against the standard ERDF output measures. However, they very much align with the ‘improving the economic viability of areas’ ERDF result indicator and represent an extremely worthwhile intervention given the recent history of flooding in this area and the devastating effect on local businesses that would occur were the scenes from 2007 to be repeated.

Thematic Objective 5: Targets		
Output	Target (excluding match funding outputs)	Notes
		<b>Total public sector investment: 14.3m</b>
Private sector investment matching public support to enterprises		
Estimated greenhouse gas reductions	195849	Figures on cost per tonne saved (based on Ekosgen research) come out between £55 and £91 per tonne. Used mid-point (£73) = 62,329(calculated by dividing £14.3m by £73)

Thematic Objective 6: Targets		
Output	Target (excluding match funding outputs)	Notes
Investment in blue, green and recreational infrastructure		<b>Total public sector £7.37m</b>
Infrastructure site development	93 hectares	£7.37m / £79,151 (CRESR figure for cost of open space improved per hectare).

## A well connected economy

Thematic Objective 4: Targets		
		<b>Total public sector £3.8m</b>
Indicator	Target (excluding match funding outputs)	Notes
Estimated greenhouse gas reductions	52033	Figures on cost per tonne saved (based on Ekosgen research) come out between £55 and £91 per tonne. Used mid-point (£73) = 62,329(calculated by dividing £14.3m by £73)