Worcestershire Local Enterprise Partnership

Worcestershire European Structural and Investment (ESI) Funds Strategy

Draft

October 2013

Submitted Version

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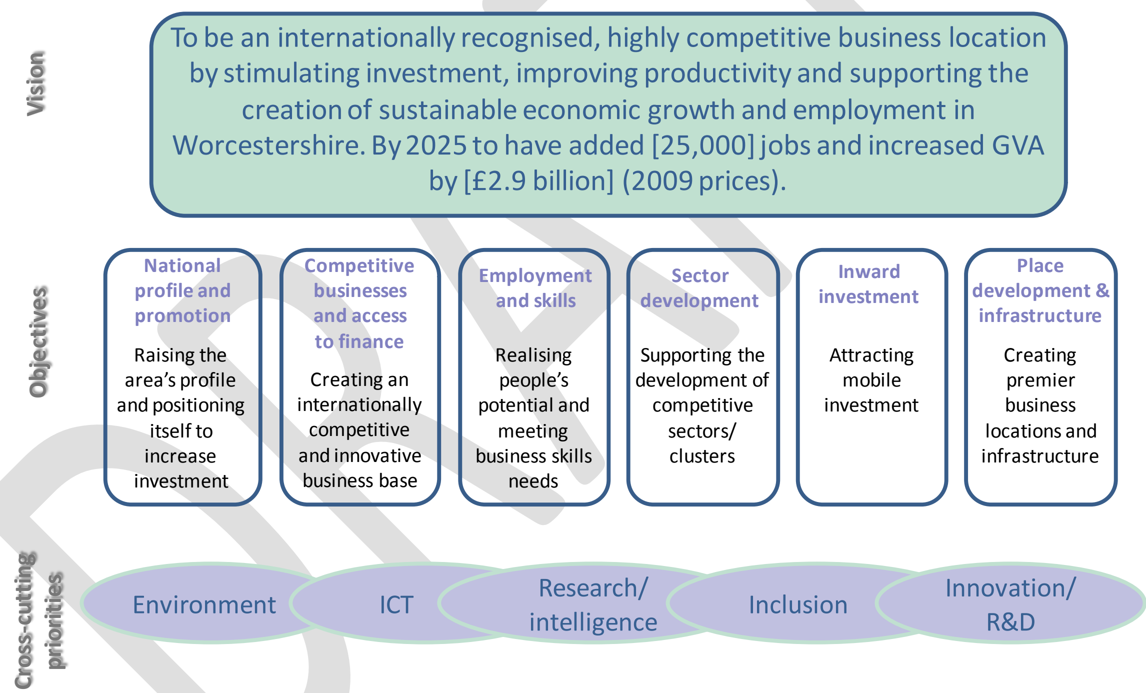
Executive Summary

Worcestershire Local Enterprise Partnership (LEP) has made substantial progress in developing and implementing its first Business Plan ("The Outlook is Bright in Worcestershire", November 2012). Working with its partners, it is now formulating the Worcestershire Strategic Economic Plan (SEP) and this Draft Worcestershire European Structural and Investment (ESI) Funds Strategy.

The Worcestershire economy has substantial potential for growth if a number of barriers can be removed and opportunities realised. The emerging SEP sets out an ambitious, but achievable, vision to by 2025 grow the local economy by [25,000] jobs and to increase Gross Value Added (GVA) by [£2.9 billion] (2009 prices). A comprehensive programme of actions is being developed within the framework set out in Figure 1 to achieve this vision.

Figure 1: Emerging SEP vision, objectives and cross-cutting priorities



Over the period 2014 to 2020, Worcestershire is set to receive support under the more developed region strand of the ESI Funds. European funding totaling £58.3 million (€68.1 million) has been notionally allocated to the area. Worcestershire has an established track record in successfully delivering European funded projects.

The Draft ESI Funds Strategy has five priorities, which reflect the emerging SEP and the ten European Union thematic objectives, as follows:

1. **SME business competitiveness**
    - Worcestershire Enterprise Programme
    - Worcestershire Business Growth and Infrastructure Programme
    - Worcestershire Trade and Investment Programme
2. **Research, Technological Development and Innovation (RTDI) and ICT**
    - Worcestershire Innovation and R & D Programme
    - Worcestershire Optimising Business ICT and Broadband Programme
3. **Environment, place and infrastructure**
    - Worcestershire Green Places, Sites and Transport Programme
    - Worcestershire Low Carbon and Resource Efficiency Programme
4. **Employment and skills**
    - Worcestershire Employment and Skills Strategy
5. **Social and economic inclusion**
    - Worcestershire social and economic inclusion programme

The ESI Funds will contribute to achieving the emerging SEP vision by, amongst other things:

- supporting [4,700] new and existing enterprises;
- creating [1,600] jobs;
- assisting [12,600] individuals to access employment, training or other support.

This draft Worcestershire ESI Funds Strategy is based on the notional funding allocation. However, the WLEP strongly believes it has the capacity and capability to bring forward further programmes and projects to meet the business needs of Worcestershire and deliver additional economic growth and jobs.

The WLEP and its partners are reviewing the current governance, delivery and performance management arrangements to ensure that they are robust and appropriate to deliver the emerging SEP and the Draft ESI Funds Strategy. In addition, WLEP is working with Greater Birmingham and Solihull LEP to agree co-governance and joint working arrangements for the North Worcestershire area where their boundaries overlap.

The Draft Worcestershire ESI Funds Strategy will be further developed and expanded in discussions with partners and Central Government over the coming months.

Contents

1 Introduction

1.1 Overview

Worcestershire is located to the south west of the West Midlands conurbation and comprises six local authority district areas: Bromsgrove, Malvern Hills, Redditch, Worcester, Wychavon and Wyre Forest (see Figure 1.1). It is largely rural by area, but over 70% of the population lives in urban areas.

Figure 1.1: Worcestershire

The Worcestershire economy has substantial potential to contribute to growth but its performance in terms of Gross Value Added (GVA) and productivity has been relatively poor[1]. Whilst there are areas of high technology and strengths in sectors such as manufacturing, tourism, horticulture/food and cyber/defence[2], the economy has underperformed and without intervention is forecast to continue to do so. Despite its attractive environment and good accessibility, Worcestershire has secured relatively limited levels of foreign direct investment[3]. There are concerns over the current supply of employment land and the availability of skilled workers. In addition, there are significant pockets of deprivation in Worcester, Redditch and Wyre Forest. More generally, there are variations in performance across the area between towns and in urban/rural areas. Worcestershire Local Enterprise Partnership (WLEP) and its partners are currently developing the Worcestershire Strategic Economic Plan (SEP), which will set out the economic ambitions for Worcestershire and how they will be realised and the challenges addressed.

Over the period 2014 to 2020, Worcestershire is set to receive support under the more developed region strand of the European Structural and Investment (ESI) Funds. The area has a notional allocation of European funding totalling £58.3 million (€68.1 million). Worcestershire has a substantial track record in successfully delivering European funded projects either internally or in partnership with other areas in particular in the West Midlands[4]. For many of these projects, Worcestershire has been particularly successful in securing private sector match funding, which in some cases represents 90% of match funding.

Led by WLEP, the partners in Worcestershire have been developing this ESI Funds Strategy to determine how these resources are to be used over the programme period. The Draft Strategy has been formulated to be consistent with, and contribute to, the emerging SEP, as well as the EU regulations that set out requirements for expenditure within specific thematic objectives. The ESI Funds Strategy will be further developed and expanded in discussions with partners and Central Government over the coming months.

The Draft Strategy has been developed through an extensive engagement process which has included working with the WLEP Board, its Business Board, the Leaders Panel, various thematic sub-groups and a Task and Finish Group. In addition, WLEP has collaborated with other LEPs (including Greater Birmingham and Solihull LEP in relation to North Worcestershire, where the boundaries overlap), the opt-in service providers and other organisations, including various Worcestershire networks and partnerships. Specific work is underway with the Greater Birmingham and Solihull LEP to agree co-governance and joint working arrangements. Appendix A sets out details of the timeline and engagement programme and Appendix B includes a list of the organisations consulted.

1 For example, it is ranked 29th out of the 39 LEPs in terms of GVA per worker (2011) and 34th in terms of average annual GVA growth (%) between 2006-2011.

2 Worcestershire has a growing cluster of specialist cyber security businesses focused in Malvern.

3 For example, the WLEP area secured only 5 out of 63 inward investment projects in the West Midlands.

4 In terms of the European Regional Development Fund (ERDF), most of the investment (around £13 million in total being delivered between 2013-2015) is largely Small and Medium sized Enterprises (SME) targeted at competitiveness and includes a business loan fund, SME advice and grants (including in relation to resource efficiency and specific sectors), business broadband optimisation, proof of concept and a SME graduate programme. With regards to the European Social Fund (ESF), Worcestershire has invested considerable amounts on supporting vulnerable Key Stage 4 (KS4) learners, those Not in Employment, Education or Training (NEETs) and adult and community learning.

1.2 European Structural and Investment (ESI) Funds Strategy

WLEP has already made substantial progress in developing and implementing its first Business Plan. It is now formulating the Worcestershire SEP. The emerging SEP sets out an aspirational but achievable vision, with targets to grow the economy in terms of jobs and GVA above projected reference case[5] levels and to improve productivity by removing barriers to growth and realising opportunities. The ESI Funds Strategy will contribute to achieving the emerging SEP vision, which is:

> To be an internationally recognised, highly competitive business location by stimulating investment, improving productivity and supporting the creation of sustainable economic growth and employment in Worcestershire. By 2025 to have added in total [25,000] jobs and increased GVA by [£2.9 billion] (2009 prices).

The EU regulations for the new programme require that EU funding is spent on 10 thematic objectives: Research, Technological Development and Innovation - RTDI (Thematic Objective 1 - TO1); ICT (TO2); SME competitiveness (TO3); Low carbon (TO4); Climate change adaptation (TO5); Environmental protection (TO6); Sustainable transport (TO7); Employment (TO8); Social inclusion (TO9); and Education, Skills and Lifelong Learning (TO10). These have been grouped into five priorities, which will contribute to delivering the SEP objectives and cross-cutting priorities (which are set out in Section 2.3 below), as follows:

- SME business competitiveness;
- Research, technological development and innovation (RTDI) and Information and Communication Technology (ICT);
- environment, place and infrastructure;
- employment and skills; and
- social and economic inclusion.

To help achieve its vision and in response to the additional roles and responsibilities being given to LEPs by the Government, WLEP and its partners are reviewing the current local governance, delivery and performance management arrangements.

1.3 Structure of the Strategy

The ESI Funds Strategy continues in six sections, as follows:

- Section 2 - reviews the local area and assesses the rationale and focus for intervention;
- Section 3 - describes the Worcestershire ESI Fund priorities;
- Section 4 - sets out the financial allocations, including the split between thematic objectives, details about match funding and the proposed use of technical assistance;

[5] The reference case is what would be expected to happen without public sector intervention.

- Section 5 - presents the forecast outputs, results and value for money;
- Section 6 - discusses governance, delivery arrangements, risk and performance management; and
- Section 7 - sets out the approach to eligibility and compliance.

2 The Local Area - Rationale for Intervention

2.1 Rationale for intervention

2.1.1 Introduction

An extensive analysis of the socio-economic conditions and trends in Worcestershire has been carried out in developing the SEP and ESI Funds Strategy[6]. Although Worcestershire's economy has significant strengths and the area offers residents a good quality of life, there remain some major challenges. The mix of opportunities and challenges varies across the LEP area and the ESI Funds Strategy has been designed to address these.

This section summarises the socio-economic conditions in Worcestershire and the relevant policy background, along with the market failures and barriers that will be addressed and the future drivers of the WLEP area economy. A more detailed analysis of contextual issues, including district level data, can be found in Appendix C. Appendix D includes a summary of results of the consultations, which have also informed the local area analysis.

The rationale for the Strategy is based on the development of logic chains for each EU Thematic Objective, linking context, objectives, inputs, activities, outputs and results. These are set out in Appendix E.

2.1.2 Socio-economic conditions

A summary of Worcestershire's position in terms of each of the headline EU thematic objectives of the ESI Funds Programme 2014-2020 is presented below. Further details are set out in Appendix C (1).

Research, Technological Development and Innovation (RTDI)

- The University of Worcester is a considerable asset to the WLEP area; providing skilled labour to the economy and being the fastest growing university in the country for the past three years. The University has an emerging provision of enterprise space and is also focusing on graduate entrepreneurship. It is also home to a number of National Research Centres including the Centre for People @ Work; Centre for Rural Research; National Pollen and Aerobiology Research Unit; and Centre for Ethical Leadership. However, links between the business community and the University of Worcester, and other regional HEIs, are currently limited in scope and scale.
- In line with the idea of "Smart Specialisation", research and innovation activity may be most effectively targeted at those sectors where Worcestershire has particular strengths, such as manufacturing (including high-technology industries), horticulture and food, cyber security/defence and tourism. Notably, with over 5% of employment in

6 The results of these analyses are set out in a Data Review document.

medium-high and high-technology manufacturing, Worcestershire ranks 3rd among all of the LEP economies on this indicator.

- Reflecting the sectoral structure, Worcestershire has a number of emerging and developing SMEs, as well as large established companies such as Worcester Bosch, Yamazaki Mazak and Malvern Instruments, that have a primary or secondary focus on engineering and technology. However, currently there is no effective engineering and technology hub that interacts with the commercial engineering and technology community.
- Notwithstanding these sectoral and technological strengths, Worcestershire has a more limited knowledge economy in terms of services.
- In order to act upon the opportunities relating to Worcestershire's key growth sectors, and address the below average productivity performance (ranked 29th among the LEP economies[7]) more generally, further investment is required in Research, Technological Development and Innovation (RTDI).

ICT

- Whilst coverage of superfast broadband in Worcestershire is above the national average at 68.3%, average sync speeds and superfast broadband take-up rates are below the national average.
- Worcestershire is currently investing to extend the coverage of superfast broadband to 90% of premises by 2015. However, important information and knowledge deficiencies remain in the business community about the benefits of advanced ICT products and services, facilitated by superfast broadband, in supporting growth and productivity.

SME Competitiveness

- Whilst the SME base relative to the population and the self-employment rate are relatively high, Worcestershire continues to suffer from below average business start-up rates and consequently a low rate of "enterprise churn".
- The productivity of SMEs is below average, reflecting low value added activities and a lack of innovation and research activity.
- The WLEP area has a relatively high rate of patents per 100,000 working age residents and a high proportion of employment in 'contestable' (i.e. export and import intensive) industries. However, despite this, the actual rate of exporting is low.
- Worcestershire has had limited success in terms of attracting inward investment

[7] LEGI analysis based on Regional Gross Value Added, ONS, 2011; BRES, NOMIS, ONS, 2011

historically, despite a number of locational advantages. As such, growth and job creation has principally come from the indigenous business base, which is primarily made up of SMEs.

- A number of barriers to SME growth exist in Worcestershire, including access to finance. Indeed, in a recent survey of manufacturing businesses 35% stated that access to finance was constraining their ability to grow.
- On the basis of the above, further intervention is required to encourage entrepreneurship, improve access to finance (grants, loans and equity), ensure better integration in the global market place and a higher level of inward investment.

Low Carbon

- The Low Carbon Environmental Goods and Services (LCEGS) sector in Worcestershire is valued at over £1 billion in terms of sales and supports an estimated 7,600 jobs and over 400 businesses.
- Worcestershire exhibits a number of strengths in the Low Carbon Environmental Goods and Services (LCEGS) sector:
  - good support for LCEGS sector companies through Metnet and Worcestershire Business Central[8], which includes a resource efficiency business support programme for local SMEs;
  - new centres of excellence are planned for engineering, construction and food production – all of which have a positive impact on the LCEGS sector's ability to support the development of a low carbon economy;
  - leading UK manufacturer of energy efficient boilers and renewable energy options including solar and ground/air source heat pumps;
  - a strong and established horticulture sector, with examples of exemplar low carbon projects;
  - strong automotive supply chain (with links to Jaguar Land Rover) which may support the development of low carbon vehicles; and
  - waste to energy facilities are increasing in capacity and power generation.

Climate Change Adaptation, Environmental Protection and Sustainable Transport

- Worcestershire benefits from an attractive natural and historic environment and this is reflected in the above average life satisfaction rating for Worcestershire. However, in

[8] Worcestershire Business Central is a single point of contact for all Worcestershire business support needs, whether it be for start-ups, growing businesses, developing skills or finding property.

the longer term this high quality natural environment may be threatened by increasing carbon emissions and sub-optimal energy efficiency in domestic and non-domestic buildings. Notably, local CO_2 emissions (kilo tonnes per 1,000 population) is estimated at 7.8, which is higher than both the West Midlands average (7.2) and the GB average (7.4)[9].

- Linked to climate change, a major issue for Worcestershire's businesses and residents is flooding. Over the last few years, floods have occurred as a result of rivers such as the Severn, Avon and Teme bursting their banks and through flash flooding as a result of intense rainfall. Notably, Worcestershire has the second largest percentage land area at risk of flooding in the West Midlands region.
- A further resource issue in Worcestershire relates to the water supply for businesses in the horticulture sector, which is worth £70 million to the Worcestershire economy, representing 20% of the West Midlands horticulture output. Notably, increasing regulation, droughts, and the longer-term risks of climate change threaten the sustainability of this industry and the rural livelihoods it supports.
- Worcestershire has historically lacked strategic employment sites, which has led to lost foreign direct and local investment, although the Game Changers programme has been developed over the past year to address this weakness. Importantly, there is a real opportunity and desire to ensure that such sites meet BREEAM standards.
- Many SMEs in Worcestershire face increasing and fluctuating energy costs, which seriously affect profitability and in some cases the viability of businesses. As such, there is a need to support measures that help improve energy efficiency among local businesses.

Employment

- Worcestershire has seen one of the sharpest falls in employment in recent years; between 2009 and 2011 employment fell by 2.3%. Notwithstanding this, overall unemployment rates have stayed below regional and national averages. Youth unemployment and long-term unemployment has, however, increased in recent years. Notably, youth unemployment, which has, historically, been below the national average has for the last three years crept above the national average and now amounts to some 2,500 individuals (18-24 years).
- An important characteristic of unemployment in recent years is that a much greater proportion of the unemployed are out of work for 6 months or longer. Indeed, in Worcestershire the number of unemployed for 6 months or longer has increased from 1,400 in 2008 to nearly 4,000 in 2013. This represents a significant barrier to employment, particularly if workers that have been jobless for extended periods come

[9] LEGI analysis based on DECC, 2012

to be seen as unemployable.

- Nearly half of jobs in Worcestershire are in highly skilled (SOC 1-3) occupations, which is above the regional and national averages. Nevertheless, more than a third of the jobs can be categorised as low skilled jobs (SOC 6-9), which is above the national average but below the regional average.
- Reflecting the occupational structure of the Worcestershire economy, workplace based earnings are below regional and national averages. Interestingly, residence based earnings exceed workplace based earnings, suggesting that residents benefit from well-paid jobs outside of Worcestershire.

Social Inclusion

- Income deprivation represents a significant issue in Worcestershire with around a quarter of the population living in a household with a median income less than £17,678 per annum (i.e. less than 60% of the median household income for England - the official Government definition of poverty). Importantly, this income deprivation restricts people in terms of their housing choices, education opportunities and skills, and employment prospects. The highest level of income deprivation is in Wyre Forest (particularly in Kidderminster) where nearly a third of all households represent low income households. Income deprivation is also relatively high in Worcester and Redditch.
- On a broader measure of deprivation (based on the Index of Multiple Deprivation), it is estimated that approaching 16% of Worcestershire's Lower Layer Strategic Output Areas (LSOAs) are in the most deprived 30% of SOAs in England. A significant proportion of these are concentrated in Redditch, Worcester and Wyre Forest.
- No rural areas in Worcestershire are identified as deprived according to the IMD, however, residents of rural areas account for 20% of all working-age people receiving DWP benefits in Worcestershire. As such, rural Worcestershire is significantly more deprived when assessed against the location of deprived people as opposed to the location of deprived areas.
- So whilst Worcestershire as a whole can be considered to be an affluent and prospering area, there are pockets of multiple deprivation that needs to be addressed. Income deprivation is a particular issue for Worcestershire.

Education, Skills and Lifelong Learning

- With regards to qualifications, 32.5% of Worcestershire's working age population are qualified to NVQ level 4 or above, below the Great Britain rate of 34.4% but above the regional rate of 27.8%. However, the overall performance of Worcestershire masks some spatial variations across the WLEP area with Wyre Forest and Redditch not performing as well on this indicator.

- Approaching a quarter (22.0%) of the working age population is qualified to NVQ level 1 or below, which is just over the national rate of 21.9%, but below the regional rate of 26.5%.
- In terms of securing a highly skilled workforce for the future, it is encouraging that an above national average share of pupils is attaining five or more GCSEs Grades A-C. Nevertheless, nearly 1,000 or 5.4% of 16-18 year olds are categorised as NEETs (not in education, employment or training).
- According to a recent National Employers Skills Survey, 10% of staff in Worcestershire have skills gaps, which is a higher share than in both the West Midlands and England. Furthermore, 19% of all establishments report having staff members that are not fully proficient. Skills shortages relate to technical and practical skills (including job specific skills), as well as 'softer skills', including the right attitude, motivation and social skills.
- Recently the WLEP has been working to support significantly improved links between businesses and schools. There are also proposals for development of the Further Education offer in Worcestershire.
- Further investment is required to upskill the unemployed, as well as those already in employment, in order to ensure that they benefit from the growth anticipated in Worcestershire.

2.1.3 *Strategic policy context*

The ESI Funds Strategy has been developed to be consistent with the policy priorities of the EU's growth strategy (Europe 2020) and Common Strategic Framework (CSF).

It is also consistent with the Coalition Government's key priorities of driving growth, together with reducing the national deficit, based on a larger and more dynamic private sector, with increased business investment. Relevant policy documents include the 'Plan for Growth', which aims 'to achieve strong, sustainable and balanced growth that is more evenly shared across the country and between industries', and the 'Strategy for Sustainable Growth', which sets out plans for 'a sustainable economy that is greener, more enterprising, more technologically advanced, more balanced across the regions and grounded in diverse sources of sectoral strength.'

Further information on the strategic policy context is set out in Appendix C (2).

2.1.4 *Market failures and barriers to growth and jobs*

The ESI Funds Strategy has been designed to tackle a range of market failures and barriers to the growth of Worcestershire (see Appendix C (3) for further details), including:

- *Externalities* – these are spillovers from economic and social activities. Positive externalities include training and technological development. Negative externalities include environmental pollution. In the absence of business-appropriate training they also include increased income inequality and unsustainable out-commuting;

- *Information failures* – these may lead to underinvestment in particular areas, including new technologies (such as superfast broadband), innovation and energy efficiency.
- *Barriers to growth* – these include basic skills, higher-level and sector-specific skills deficits, infrastructure, the environment and suitable business and residential accommodation.

2.1.5 Future drivers and trends

In developing the Strategy, consideration has been given to the key drivers of future change. In the medium to longer term, economic growth and population forecasts indicate the following:

- modest economic growth at the national level in 2013 and steady but slow growth over the next few years (by 2.1% in 2017);
- GVA in Worcestershire is forecast by Cambridge Econometrics to grow by a total of 23.6% under the reference case (without intervention) scenario by 2025 compared to regional growth of 23.8% and UK growth of 25.7%. Employment is forecast to grow by 6.0% by 2025, below the regional and national averages of 7.7% and 6.5% respectively.
- Worcestershire's 16-64 working age population is projected to fall, whereas the 16-64 working age population in the West Midlands will increase. This is a common feature of many rural areas. However, allowing for changes in the retirement age, working age population is forecast to increase, albeit at a lower rate than the West Midlands.
- Major economic investment in Birmingham and Solihull. Developments particularly at Longbridge, Birmingham City Centre, HS2, Solihull's 'UK Central' and through Jaguar Landrover's anticipated £1.5 billion investment in Solihull.

There are also a number of structural trends which have informed the Strategy:

- *Major economic restructuring of the UK economy* **-** Given the significant public sector cuts and reduced consumer spending in the UK and locally, Worcestershire cannot afford to rely on the public sector and retail sectors in the future. It will therefore be important to build upon the significant potential of the traded manufacturing base of Worcestershire.
- *The ascent of the BRIC (Brazil, Russia, India and China) economies* - economic growth is increasingly taking place outside the UK and other western economies. This should be viewed as a market opportunity rather than a threat. Together with trade with Europe the opportunities for Worcestershire firms to export to growing parts of the world will need to be exploited.
- *The re-emergence of manufacturing opportunities in advanced economies* - the new era of manufacturing will be marked by highly agile, networked enterprises that use information and analytics as skilfully as they employ talent and machinery to deliver products and services to diverse global markets. It is important that Worcestershire responds to the evolving nature of manufacturing and the changing global competitive environment, in order to thrive and grow.

- *Adoption of low carbon and environmental goods and services* - leaders in the next economy will invent and deploy clean economy goods and services.
- *Intensity of outsourcing and off-shoring/on-shoring (repatriation)* - in the future, the intensity of outsourcing is likely to increase. There will also be significant opportunities to repatriate supply chains, for example, in the automotive sector.

Further evidence on future trends and drivers are set out in Appendix C (4).

2.2 SWOT analyses

The preceding analysis shows that Worcestershire has significant strengths and opportunities on which to build - these are summarised in Table 2.1. The ESI Funds Strategy has been designed to realise these opportunities for growth.

Table 2.1: Strengths and opportunities analysis

Strengths	Opportunities
Business • Large business base (but many are 'lifestyle' businesses) • Employment in high/medium high technologies • High skilled workers/higher order occupations • Key sectors – manufacturing, tourism, horticultural/food, defence/cyber • High patent registration rate **People** • Low unemployment/high employment rate • Relatively high life satisfaction • Increasing demand for high level skills **Place** • Motorway and rail access • Attractive environment • Central strategic location • History and heritage • Defined employment locations **Strategic** • Strong existing partnership (public/private)	**Business** • Development of key growth sectors and growth businesses, including social enterprises • Development of targeted programmes (e.g. business support, supply chains, skills strategy delivery) • Cross-sector efficiency – ITC/ broadband, renewable energy/energy efficiency • High potential for internationalisation • Major economic and demographic growth in Birmingham and Solihull **People** • University of Worcester • Older workers • Retention of graduates/young people • Reduced out-commuting • Comprehensive Further Education offer linked to business needs • Improved business-school linkages • Linkages to other Higher Education Institutions **Place** • Key strategic sites (which will be brought forward through the Game Changers programme) • Worcester City – retail, office and leisure • New/improved infrastructure – transport, utilities and broadband • Links to HS2 and Birmingham Airport (UK Central) **Strategic** • New financing mechanisms and use of assets • Collaborative service delivery

The Strategy will also address the challenges (weaknesses and threats) that are faced by Worcestershire, which are summarised in Table 2.2.

Table 2.2: Weaknesses and threats analysis

Weaknesses	Threats
Business • Low GVA growth/productivity • Relatively low earnings • Relatively poor employment performance • Relatively low levels of workplace training • Lack of access to finance • Low employment in knowledge intensive services • Relatively low levels of inward investment • Lack of larger employers • Low level of vacancies • Limited innovation and research activity • Lack of centres of excellence and business-HEI collaboration • Underdeveloped national/international profile **People** • Skills deficits in engineering and manufacturing (particularly the automotive sub-sector) • Poor basic skills in some areas • Pockets of deprivation • Youth unemployment • Long-term unemployed • Net outflow of commuters – patterns vary across areas with consequential difference in residential and workplace-based incomes **Place** • Current lack of strategic sites (but Game Changers will address) • Affordability of housing in some areas • Some access pinch points • Limited broadband take-up **Strategic** • Public sector cuts (but opportunities for outsourcing/local procurement)	**Business** • Under-performance of key sectors – services • Key employer decisions • Increased demand for higher level skills – but lack of supply • Spatial variation in performance – economic divergence across LEP area • Major economic and demographic growth in Birmingham and Solihull **People** • Ageing population – increased dependency • Supply of labour – forecast decline in 16-64 population • Out-migration of younger cohorts **Place** • Supply of readily available strategic and other employment sites/premises and housing • Vulnerability of key infrastructure and resources to flooding and climate change **Strategic** • Ongoing public sector cuts and pace of restructuring • Lack of public sector match funding for EU programme

2.3 Emerging WLEP Strategic Economic Plan

Emerging WLEP SEP Vision

To be an internationally recognised, highly competitive business location by stimulating investment, improving productivity and supporting the creation of sustainable economic growth and employment in Worcestershire. By 2025 to have added in total [25,000] jobs and increased GVA by [£2.9 billion] (2009 prices).

2.3.1 Existing Business Plan and progress to date

The WLEP launched its Business Plan "The Outlook is Bright in Worcestershire" in November 2012 which was based on extensive and widespread stakeholder engagement. The WLEP has made significant progress in developing and implementing early initiatives which are framed by four strategic objectives namely: National Profile and Promotion; Access to Finance; Employment and Skills; and Planning, Development and Infrastructure. In addition to cross cutting themes such as reducing regulatory burdens, the Business Plan identifies five key sectors - manufacturing, cyber security and defence, tourism, horticulture and food production and environmental technology - which are the priority focuses for growth.

The WLEP's delivery achievements so far include:

- Growing Places programme supporting major schemes including Worcestershire County Cricket Club development (£1.25 million), Evesham Vale Skills Centre (£0.1 million), Hoo Brook Link Road (£0.9 million), Evesham Country Park (£1 million) and Redditch Eastern Gateway (£1 million);
- WLEP Planning and Development Charter: WLEP-wide spatial plan promoting inward investment on key sites, infrastructure schemes, housing and employment/economic opportunities; Game Changers Programme of flagship sites ready for expanding indigenous businesses or new external investors with the top four strategic sites spearheading the offers; and a series of Development Management initiatives, which establish a business friendly planning culture;
- launched a new business-backed access to finance portal which is the delivery model for a range of signposted contacts; variety of funding and specialist expertise; and a series of events with Find It In Worcestershire, Chamber of Commerce and other partners to support businesses in becoming "investor ready";
- priority employment and skills initiatives have: increased apprenticeships to 5,700 starts in 2011/12 (including a 50% increase at Level 3); an innovative Schools and Business Programme where all Worcestershire secondary schools and local businesses are pioneering a structured, tailored work placement scheme throughout the year; developing an engineering skills facility and new UK Cyber Training Centre; promoting Worcestershire as a place for job opportunities and lifestyle package for exiting Armed Forces personnel;
- published the Worcestershire Manufacturing Study which is shaping the next stage of the WLEP manufacturing strategy; working with Liverpool City Region LEP, five West Midlands LEPs and SEMTA to establish a cohesive approach which supports, equips and expands local workforces with manufacturing, engineering and production skills at all levels in the automotive, aerospace and wider engineering and production sectors;
- produced a Cyber Security Study for this essential, dynamic, globally exporting and growing business sector which originated in the successful Malvern Hills Science Park. A county-wide Cyber Security Strategy will nurture and harness wider sectoral growth;
- developing tourism through Destination Worcestershire as the place to live, work, play and invest in. Supporting improved tourism infrastructure in terms of high quality hotel and conference provision to meet business needs, such as the Worcestershire County Cricket Club development;

- producing a Regulators and Business Charter and delivery plan signed by WLEP and Worcestershire Regulatory Services with National Regulators' support. Delivery includes co-ordinated business start-up and expansion regulatory support packages;
- lobbying for and securing significant funding for major schemes such as Worcestershire Parkway, Bromsgrove Railway Station and M5 Junctions 4, 6 and 9; and
- rural public and third sector partnerships to successfully drive and deliver the current LEADER Project and the Redundant Buildings Grant Scheme with The Marches LEP (£1.5 million).

With a clear strategic framework provided by the current WLEP Business Plan, delivery underway and constant engagement to extend the WLEP reach to wider and diverse stakeholders, the WLEP believes it has a robust platform from which to develop its SEP and ESI Funds Strategy now required by Government.

2.3.2 *Emerging SEP*

The WLEP and its partners have been working together to develop the SEP, which extends the framework and scope of the Business Plan and sets out a broader economic vision and ambitions for the area. It reflects the more significant roles and responsibilities the LEPs have been asked to take on. The WLEP timeline in Appendix A sets out the activities that the WLEP has undertaken to date and its future key milestones. The engagement programme summarised in Appendix A shows the extensive nature of the consultation process, which has included local, regional and national organisations, across third, public and private sectors and Government, as well as LEPs across the National LEP Network. A summary of the results of the consultations is included at Appendix D.

Building on the constructive relationship which exists between WLEP and Greater Birmingham and Solihull LEP, we are exploring how best to connect the respective SEP/ESI Funds commitments to work together cohesively and to coordinate support effectively for beneficiaries in Wyre Forest, Redditch and Bromsgrove (overlapping areas in North Worcestershire).

In developing the SEP, the WLEP has considered the implications of three future scenarios or options (see Appendix E):

a) ***Business as Usual*** – continuing to implement existing policies and achieving growth in line with the reference case Cambridge Econometric forecasts. However, given the current deficit reduction policies it uncertain that the reference case growth forecasts could be achieved because of barriers that would remain without public sector intervention;

b) ***Smart Efficiency*** – a programme of additional interventions to enhance productivity through targeting opportunities to remove barriers and enhance GVA growth in particular in key sectors; and

c) ***Smart Efficiency and Growth*** – smart efficiency plus additional focus on inward investment, a business growth package and interventions to address supply-side constraints.

It has selected the **Smart Efficiency and Growth** option as the basis for the SEP, which comprises focused programmes to:

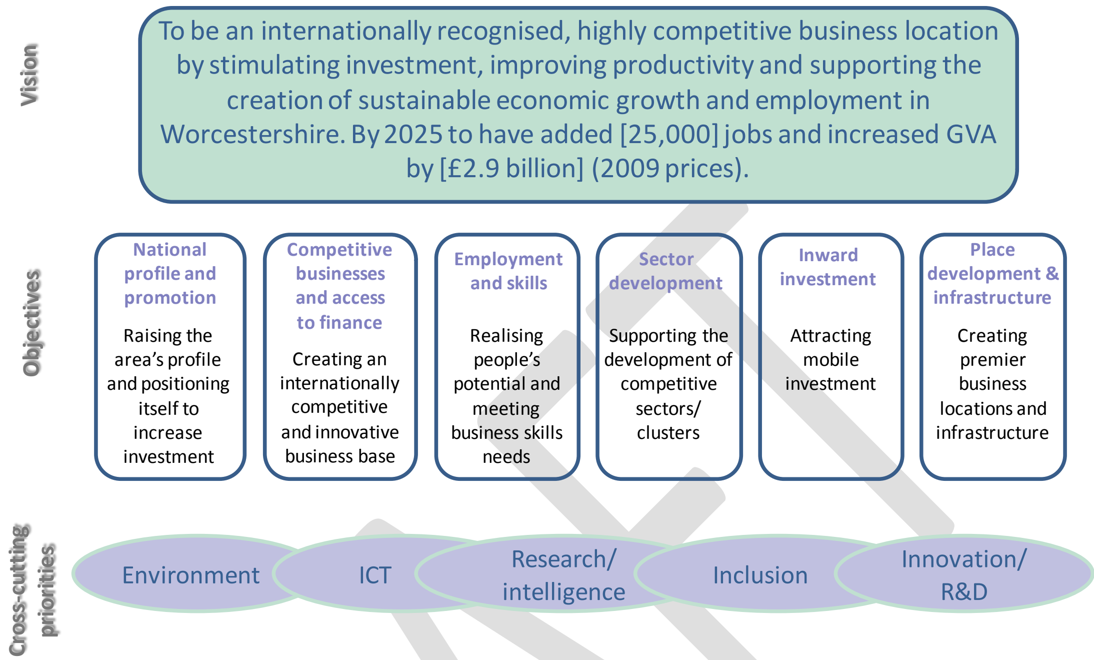
- develop a model which co-ordinates offers and interventions, locally and nationally, to improve productivity and support business start-up, growth, exporting and innovation more effectively;
- co-ordinate and attract inward investment;
- support the development of target sectors – which will continue to be a major focus for growth;
- ensure the supply of suitably skilled labour and increase employment;
- raise the profile of Worcestershire as a business location; and
- ensure the availability of readily available premises and relocation sites with high quality infrastructure and attractive business environments.

The Smart Efficiency and Growth Programme is forecast to deliver by 2025: [25,000] jobs and an increase in GVA of [£2.9 billion (2009 prices)][10] – the growth rates for Worcestershire in both cases would be higher than the reference case projections for the UK and West Midlands. Productivity (GVA/employment) is expected to increase above the reference case West Midland's level. The ESI Funds will be a key component in realising these ambitious, but realistic and deliverable, growth targets.

The WLEP believes the SEP vision, objectives and cross cutting priorities is an ambitious and challenging option which is grounded in reality and the robust foundations of the current Business Plan. Figure 2.1 overleaf depicts the SEP framework that will steer the ESI Funds strategy and will be developed in further detail in coming months to submit to Government in January 2014.

[10] This would equate to 10,000 additional jobs and £760 million in GVA above the reference case in 2025.

Figure 2.1 SEP's vision, objectives and cross-cutting priorities



WLEP and its partners have established a broad spatial strategy which will see growth focused on:

- the Game Changer Programme – key strategic sites (including Malvern Hills Technology Park, Redditch Eastern Gateway, South Kidderminster Enterprise Park and Worcester Growth Corridor) which will be brought forward by the private and public sectors working together where necessary;
- motorway corridors and junctions – including extending 'UK Central' corridor proposals to include Junctions 2 and 3 of the M42 and the M5 corridor between Junctions 6 and with major improvements to Junctions 4 and 6;
- Worcester City – realising the full potential of the City as a destination for business and visitor investment;
- town centres – as important centres of local growth and employment;
- smart growth and diverse enterprise in rural areas; and
- public transport 'nodes' – in particular, Bromsgrove and Worcester Parkway railway stations, with fast links to HS2 and Birmingham Airport.

WLEP has established governance and organisational arrangements to suit its original purpose which comprise: the WLEP Board; the Business Board; local authorities' Leaders' Panel; Strategic Objectives' Sub-Groups; Task and Finish Groups; and the Finance, Audit, Risk and Appointments Committee. These mechanisms are supported by the WLEP Executive team. Worcestershire

County Council acts as the Accountable Body for the LEP. These governance, delivery, appraisal and performance management arrangements are now being reviewed in response to the Government-driven changes in the roles and responsibilities of LEPs. A shared model of local authority working and financial instruments are also being considered.

3 ESI Funds Priorities

3.1 Strategic priorities

The ESI Funds are key to delivering the emerging SEP vision, objectives and cross-cutting priorities. As noted, consultation has taken place with a wide variety of organisations and individuals (see Appendix B), the results of which are set out in Appendix D. Based on the analysis presented in Section 2, the consultations and the emerging SEP the following five priorities have been identified for the Worcestershire ESI Funds programme: SME business competitiveness; RTDI and ICT; Environment, Place and Infrastructure; Employment and Skills; and Social and Economic Inclusion.

The five priorities incorporate all of the ten EU Thematic Objectives. Appendix F sets out Logic Chains for each of the ESI Funds priorities and the EU Thematic Objectives, which show the linkages between the context, rationale, inputs, indicative activities, outputs and results.

In addition, the ESI Funds Strategy includes two cross-cutting themes, as required by the European Commission – environmental sustainability and equal opportunities. (Further details about these are set out in Appendix G).

The relationship between the five priorities and the EU thematic objectives and the emerging SEP objectives and cross-cutting priorities is shown in Table 3.1.

Table 3.1: Strategic priorities

Worcestershire ESI Funds Priorities	EU thematic objectives	SEP objective/ cross-cutting priorities
SME business competitiveness	TO3	Competitive business, inward investment and sector development
Research, Technological Development and Innovation (RTDI) and ICT	TO1, TO2	Innovation, R & D, ICT
Environment, Place and Infrastructure	TO4, TO5, TO6, TO7	Place, development and infrastructure, environment
Employment and skills	TO8, TO10	Employment and skills
Social and economic inclusion	TO9	Inclusion

At this stage, the draft ESI Funds Strategy identifies indicative activities that reflect the programme and project proposals that are under discussion. More specific details will be included as the Strategy is developed. A programme of work is underway to achieve this, combining specific sub-groups, the Task and Finish Group and the WLEP Board.

The ESIF Funds Strategy focuses on ERDF and ESF, although rural priorities have been considered in the Strategy. The allocation of the European Agricultural Fund for Rural Development (EAFRD) is awaited. The Measures identified for the EAFRD link to the EU Thematic Objectives and would fit with the following four Worcestershire ESI Funds priorities:

SME business competitiveness; RTDI and ICT; Environment, place and infrastructure; and employment and skills.

3.2 SME business competitiveness

This priority provides support to entrepreneurship, business development, targeted inward investment and exporting, as well as funding financial investment initiatives to help improve competitiveness and growth. It will also ensure that suitable strategic sites and premises are available. WLEP is minded to accept the 'opt in' offers of MAS, UKTI and the GrowthAccelerator which, if accepted, would be tailored to Worcestershire and the benefits maximised. The proposed business support services would be available across the WLEP area, or to relevant growth sectors, regardless of location.

The WLEP will build on and develop the work of Worcester Business Central as an Enterprise Hub in order to deliver its support to business. This will co-ordinate assistance and provide a single business 'portal' for businesses and integrate assistance (both physical and on-line) from local and national service providers.

Indicative activities under this priority set out to capitalise upon, and address, the following opportunities and challenges:

- whilst Worcestershire has a relatively high number of SMEs relative to its population base and a high self-employment rate, the overall volume of new business creation is relatively low in the area;
- the productivity of local businesses is also below the national average and businesses are finding it increasingly difficult to access finance;
- Worcestershire has performed relatively poorly in attracting non-EU inward investment, despite its many locational advantages; and
- continued global integration is likely to be key driver of future growth, however, this potential is currently not fully realised by local businesses despite a large proportion of employment being in sectors that have got a higher than average propensity for trade.

The **indicative activities** include:

- Worcestershire Entrepreneurship Programme
  - business start-up support;
  - promoting enterprise in schools;
  - promoting enterprise in under-represented groups;
  - graduate start-up support/ graduate work placements;
  - incubation/start-up accommodation;
  - start-up support for social enterprises;
  - reducing regulatory burden/positive regulatory support;

    - financial support – including grants; and
    - financial investments – comprising loan and equity finance with elements locally run.
- Worcestershire Business Growth and Infrastructure Programme
    - supply chain development;
    - enhanced MAS programme;
    - business skills and advice;
    - access to professional advice;
    - Knowledge Transfer Partnerships (KTPs);
    - workforce development;
    - enhanced GrowthAccelerator Programme;
    - growth sector support programmes;
    - support for existing social enterprises;
    - public procurement opportunities;
    - eligible support in relation to Game Changers and Growth Corridors/Centres Programme;
    - financial support – including grants; and
    - financial investments – comprising loan and equity finance with elements locally run.
- Worcestershire Investment and Trade Programme
    - enhanced UKTI Investment and Trade Programme;
    - targeted inward Investment/trade Programme; and
    - targeted place marketing to promote key sectors and assets.

WLEP has been working with other LEPs to develop collaborative approaches to enhancing business competitiveness where this is both efficient and effective. For example, as noted, we have been in discussion with Gloucestershire LEP, The Marches LEP and the West of England LEP about a coordinated approach to the cyber sector. In addition, the WLEP has been working with Greater Birmingham and Solihull LEP to ensure an integrated and coordinated approach.

WLEP is keen to make use of financial instruments in the 2014-20 ESI Funds programme to underpin its growth strategy and support its SEP and bridge gaps in the private sector. For example, the LEP is part-funding an on-going project that is exploring the gaps and the market failures in the SME segment of finance market, as well as the priorities for and the likely level of demand for financial instruments. WLEP is exploring the opportunity to, together with other LEPs and partners, operate a local loan fund and collaborate as part of a wider equity finance scheme.

3.3 RTDI and ICT

This priority will help to develop and exploit Worcestershire's knowledge base, particularly in terms of technology and engineering, cyber security and horticulture, and encourage greater collaboration between SMEs and HEIs/centres of excellence. The WLEP would work with the University of Worcester and other Universities (including in the West Midlands and beyond) to develop packages of support to assist businesses to innovate, conduct research and development and make effective use of ICT. In addition, private sector innovation in areas such as cyber security will be supported. Science Parks will be an important focus for activity.

Indicative activities under this priority set out to capitalise upon, and address, the following opportunities and challenges:

- for many local businesses a lack of finance represents a key barrier to innovate and conduct research. Information and financial market failures mean that SME's often struggle to access finance;
- significant funding is available for infrastructure but more is needed to encourage demand for ICT by providing information about the benefits to businesses; and
- there is currently limited collaboration between the local business community and HEIs/centres of excellence leading to economic inefficiencies. In order to address this, the local partners have, for example, been working to develop an engineering skills facility and a new UK Cyber Training Centre.

The indicative activities under this priority include:

- Worcestershire Innovation and R&D Programme
  - support to innovation and R & D infrastructure, e.g. engineering and technology hub;
  - innovation initiatives (for example, KTPs, graduate placements, contract research, collaboration, innovation vouchers); and
  - smart specialisation targeting in particular manufacturing (supply chains), horticulture and cyber security.
- Worcestershire Optimising Business ICT and Broadband Programme
  - digital connectivity support (particularly in rural areas – including stimulating demand); and
  - ICT and digital technology adoption.

The approach to RTDI will be based on the concept of Smart Specialisation. The LEP is proposing a two tier approach to Smart Specialisation, with a joint approach being considered for the advanced manufacturing sector and its supply chain, given the size, innovative strength and importance of this sector across the five LEPs in the West Midlands. This cross LEP approach will be complemented with activities that focus on specific local circumstances.

There is a strong history of collaboration in RTDI activities across the West Midlands between the public, private and university sectors, including through previous structural funds programmes, which the WLEP will seek to build on.

3.4 Environment, place and infrastructure

This priority will support investment in the creation of environmentally more sustainable places and infrastructure. It will include actions to reduce carbon emissions and improve resource efficiency.

The **indicative activities** under this priority include:

- Worcestershire Green Places, Sites and Transport Programme
  - 'greening' the Game Changer and other sites through support to address environmental sustainability, resource efficiency and green infrastructure;
  - Forrestry Enterprise Zones;
  - supporting sustainable transport; and
  - sustainable agriculture/horticulture initiatives securing multiple benefits of resource protection, resilience to climate change, environmental enhancement and added product value. (These will be integrated with initiatives supported through the EAFRD).
- Worcestershire Low Carbon and Resource Efficiency Programme
  - support to retro fit initiatives;
  - resources efficiency and energy performance improvement initiatives;
  - environmental 'area-based' (rural and urban) initiatives – e.g. landscape scale project (Value of Evesham);
  - low carbon energy projects;
  - training for low carbon jobs; and
  - reducing the regulatory burden.

Again, there is a strong history of collaboration in the low carbon economy, climate change, and the natural environment across the West Midlands between the public, private and voluntary sectors. WLEP is building on this and working with LEPs and other organisations to develop cross-LEP programmes to deliver the low carbon theme and related priorities. Opportunities to achieve economies of scale and scope are being explored in relation to programmes, such as low carbon business, innovation, energy, procurement and green infrastructure hubs.

WLEP has been working closely with the LNP and other organisations to develop programmes and projects. For example, it has been working with the Worcestershire Local Nature Partnership (LNP) and Natural England to develop the Local Environment and Economic Development toolkit.

3.5 Employment and skills

The employment and skills priority will address current and future labour market issues by helping specific groups to access employment and improve their skills.

Indicative activities under the Worcestershire Employment and Skills Programme will include:

- support employability of unemployed and economically inactive people (e.g. tackling youth unemployment; supporting older workers; tackling long-term unemployed; and assisting other disadvantaged groups (such as Black and Minority Ethnic groups, lone parents, those with health problems and those with no qualifications);
- support access to lifelong learning, skills upgrading and workforce trainings (e.g. skills for growth – addressing general, area and sector-specific skills issues);
- improved collaboration between employers and education and training systems;
- enhanced Department for Work and Pensions (DWP) 'Opt in' Programme; and
- enhanced Skills Funding Agency (SFA) 'Opt in' Programme.

WLEP and its partners have recently developed a Worcestershire Employment and Skills Strategy, which will guide investment in this priority. Specific current activities include work to develop the transferrable skills of those leaving the Armed Forces and work with the West Midlands and Liverpool City Region LEPs in relation to engineering skills. There will continue to be a focus on higher level skills and on developing the Further Education and Higher Education contribution. Support will be tailored to reflect spatial differences within Worcestershire. This will include variations between the north and south, as well as urban and rural areas. Specific issues such as home working will also be addressed. Assistance will be available in terms of personalised support, pre-employment programmes, apprenticeships and assistance to access opportunities.

3.6 Social and economic inclusion

There is a need to ensure that economic success is shared and that social inclusion and deprivation are tackled. This priority is focused at ensuring diverse groups, communities of interest and disadvantaged areas can access economic opportunities. The potential use of a Community Led Local Development (CLLD) type approach to the delivery of aspects of this priority will be explored with partners and stakeholders.

Indicative activities under this priority will include:

- support to reduce the number of people at risk of poverty and exclusion;
- employability support for inactive and unemployed people facing multiple disadvantages;
- support for low-skilled workers to increase chances of better paid employment and to reduce income deprivation;
- locally developed community development programmes; and
- tailored Big Lottery 'opt in' programme.

3.7 Cross cutting themes: sustainable development and equality

The European Commission's adopted legislative proposals for cohesion policy for 2014-2020 identify a series of common principles applicable to all Funds. These include the promotion of equality between men and women and non-discrimination, and sustainable development. The WLEP ESI Funds Programme embeds the two cross-cutting themes of **environmental sustainability** and **equal opportunities** within it. These follow on and build upon the similar themes and experience developed through the West Midlands European Competitiveness and Employment programme 2007-2013[11]. Projects funded through the Programme will be expected to embed best practice in both themes as appropriate. The cross cutting themes are integral to the Worcestershire ESI Funds Strategy. Specific proposals for the integration of cross cutting themes will be developed during the course of establishing and developing Programme Priorities.

With regard to **environmental sustainability**, it is recognised that Worcestershire has an attractive natural landscape, Areas of Outstanding Natural Beauty and a rich history. As such, the quality of the natural and built environment is of critical importance to the local economy. The Programme will therefore seek to minimise waste and conserve resources through a sustainable approach. At the same time, it will recognise the requirements for sustainable development that protects the area from damaging development and land use activity, and enhances biodiversity and diverse and important environmental, landscape, townscape and historic features and characteristics. In terms of environmental sustainability priorities, the Programme will support a range of actions under the three key Strategic priorities: SME Business competitiveness; RTDI and ICT; and Environment, place and infrastructure. Environmental sustainability is currently being developed through the Core Strategies of the Worcestershire districts, and these existing approaches will provide a framework for the ESI Funds Programme.

In terms of **equal opportunities**, the Programme will promote gender equality, together with the importance of preventing discrimination on the basis of sex, racial or ethnic origin, religion, disability, age or sexual orientation. The Programme will seek to reduce inequalities at all levels within Worcestershire and the purpose of the equal opportunities cross cutting theme will be to highlight opportunities to do so and encourage the benefits arising from them to be maximised. The overall aim will be to secure economic and jobs growth through appropriate investment and to link opportunities and need; respecting individuals' gender, race, disability, age, religion and sexual orientation. Under the equal opportunities theme, the Programme will support a range of actions under the Employment and skills priority, including tackling youth unemployment, supporting older workers, tackling long-term unemployed, assisting other disadvantaged groups, supporting the achievement of specific skills/qualifications, and enhancing the DWP's and SFA's 'Opt In' Programmes.

Successful implementation of the cross cutting themes will require that they are embedded through all stages of the Programme and project lifecycle through: governance, development, appraisal, selection, and monitoring and evaluation. The integration of cross cutting themes will

[11] Regional Competitiveness and Employment Objective 2007 – 2013 West Midlands European Regional Development Fund Operational Programme

be the subject of monitoring and evaluation over the life of the Programme, and these will form part of the Programme's overall monitoring and evaluation. Where appropriate, case studies of good practice will be developed.

Under the provisions of the technical assistance procedure, funds will be available to support such activities which grow the understanding, commitment and capacity of management bodies and beneficiaries to effectively implement the cross cutting themes.

Further details about the emerging cross cutting theme provisions and actions are set out in Appendix G. The WLEP is establishing working groups of experts that will be developing the environmental sustainability and equal opportunities cross-cutting themes.

4 Financial Allocations

4.1 Proposed allocation

The WLEP notional allocation is some £58.3 million (€68.1 million), which is split 50% ERDF and 50% ESF. Table 4.1 summarises the proposed annual spending profile.

Table 4.1: Proposed annual spending profile - £ million (€ million in brackets)

	2014	2015	2016	2017	2018	2019	2020	Total
Basic allocation	7.3 (8.5)	7.4 (8.7)	7.5 (8.8)	7.7 (9.0)	7.9 (9.2)	8.0 (9.4)	8.2 (9.6)	54.0 (63.1)
Performance reserve						2.1 (2.5)	2.1 (2.5)	4.3 (5.0)
Total	**7.3 (8.5)**	**7.4 (8.7)**	**7.5 (8.8)**	**7.7 (9.0)**	**7.9 (9.2)**	**10.1 (11.8)**	**10.4 (12.1)**	**58.3 (68.1)**

This draft of the WLEP ESI Funds Strategy is based on the notional funding allocation. However, the WLEP strongly believes it has the capacity and capability to bring forward further programmes and projects to meet the business needs of Worcestershire and deliver additional economic growth and jobs.

The WLEP's greater ambition would require a larger ESI Funds allocation, as well as negotiating match funding from other local and national funding sources. The WLEP seeks the government's confirmation that its emerging SEP and the draft ESI Funds Strategy establish the right strategic direction based on the evidence, knowledge, expertise and a good track record. In the meantime, the WLEP will work with partners and stakeholders to further define and develop its programme, including schemes which can exceed and deliver more than the current allocation allows.

4.2 Thematic objective allocation

Table 4.2 summarises the ERDF and ESF allocation by thematic objective. These allocations will be reviewed and may need to be revised as the programme is further developed and, for example, discussions continue with ‘opt-in’ service providers. Further details of the proposed funding are set out in the separate accompanying spreadsheet.

Table 4.2: ERDF and ESF allocation by thematic objective			
Thematic objective	**ERDF**	**ESF**	**Total**
TO1 – RTDI	[5,000,000]		[5,000,000]
TO2 – ICT	[1,027,440]		[1,027,440]
TO3 – SME competitiveness	[15,245,008]		[15,245,008]
TO4 – low carbon	[5,830,722]		[5,830,722]
TO5 – Climate change adaptation	[269,440]		[269,440]
TO6 – Environmental protection	[1,500,000]		[1,500,000]
TO7 – Sustainable transport	[281,000]		[281,000]
TO8 – Employment		[8,690,510]	[8,690,510]
TO9 – Social inclusion		[5,865,921]	[5,865,921]
TO10 – Skills		[14,597,179]	[14,597,179]
Total	**[29,153,610]**	**[29,153,610]**	**[58,307,220]**

The allocation of funding across the thematic objectives is based on an assessment of opportunities and needs, whilst also adhering to the minimum spend requirements in the draft EU regulations. It reflects the priorities identified through the formulation of the emerging SEP, the consultations and the emerging programme and project proposals.

4.3 'Opt-in' model

WLEP has been in discussion with each of the organisations offering an 'opt-in' service and has been exploring how these would contribute to delivering the SEP and ESI Funds Strategy. Discussions are ongoing regarding the precise nature of the service to be provided in Worcestershire in order to ensure that they are tailored to local needs and priorities and the expected outputs and results. However, subject to the satisfactory outcome of these negotiations, the WLEP Board has decided to 'opt-in' to the following 'opt-in' offers:

- UK Trade and Investment;
- The Manufacturing Advisory Service;
- GrowthAccelerator;
- The Skills Funding Agency (SFA);
- The Big Lottery (for Social Inclusion); and
- Department for Work and Pensions (DWP).

In addition, the WLEP is also continuing to explore whether to contribute an appropriate level of ESI Fund resources to the European Investment Bank Opt-in for social housing retrofit.

WLEP would monitor the performance of the 'opt-in' service providers and will seek to agree suitable break clauses in each agreement.

4.4 Match funding

The estimated match funding by source is summarised in Table 4.3. This assessment is based on a review of past performance and an analysis of the emerging programme and project proposals.

Table 4.3: Match funding	
	£
ERDF source of match	
Private	[12,239,440]
Public – local	[11,050,822]
Civil society	[531,098]
Opt in	[5,332,250]
Sub total	[29,153,610]
ESF source of match	
Private	[3,710,000]
Public - local	[9,680,162]
Civil society	[765,000]
Opt in	[14,998,448]
Sub total	[29,153,610]
TOTAL	**[58,307,220]**

4.5 Financial instruments

WLEP recognises the important role that financial instruments can play in increasing the efficiency of ESI Funds. It has been working with the other West Midlands LEP's to assess the feasibility of creating a Financial Engineering Instrument, which would build upon the lessons learned and expected returns of the Advantage West Midlands legacy funds. Consequently, resources have been identified within the WLEP ESI Funds Programme to support loan and equity finance with elements of the scheme run locally.

4.6 Technical Assistance

Up to half of £211 million (€247) million set aside for Technical Assistance is available to LEPs and local partners to support delivery of their ESI Funds Strategies in 2014-2020. WLEP is seeking Technical Assistance totalling [£2.92] million (5% of its notional allocation) to ensure the effective and efficient delivery of the Worcestershire ESI Funds Strategy.

4.7 Greater Birmingham and Solihull LEP

With the North Worcestershire area (which comprises the districts of Bromsgrove, Redditch and Wyre Forrest) being part of both the WLEP and the Greater Birmingham and Solihull LEP areas, collaboration across the two LEPs will be key to ensuring the effective and efficient investment of EU funding in the overlapping area.

The WLEP and Greater Birmingham and Solihull LEP have forged a mutually constructive working relationship since their inception where Chairs, Board Members and Executive Officers exchange views and participate in respective workshops and Sub Groups on a regular basis. North Worcestershire is represented on both LEP Boards, as well as through officer level involvement in parallel mechanisms which are currently overseeing the development and delivery of both SEPs and ESI Funds Strategies. This arrangement has already proved invaluable in supporting initiatives of joint interest such as aligning co-funding through Growing Places to support the Hoobrook Link Road Scheme which opens up significant employment and housing land opportunities.

The primary concern of both LEPs is to stimulate economic growth and create jobs. In doing this they recognise that businesses must be able to access prompt, assured and consistent support services, help and advice whichever signposted route they pursue. It is the confirmed intention of both LEPs that the operating landscape for businesses is simple, co-ordinated and effective in response to any business need. Both LEPs have therefore agreed the following "rules of engagement" which will be developed in further detail during the next few months with a view to signing an agreement or Protocol which will guide joint working in support of business growth and job creation in the North Worcestershire area from January 2014 onwards. The agreement will join up common programmes and initiatives to strengthen business and job opportunities, as well as respecting unique LEP offers which would meet diverse needs in specific localities in either LEP. The agreement will also ensure that there will be neither duplication nor gaps in services and offers by both LEP activities and priorities.

Discussions between both LEPs has established a common understanding and commitment to further detailed work on a North Worcestershire solution and the framework for further detailed negotiations and agreement between both LEPs is as follows:

- once each LEP's separate negotiations with the major national 'Opt-In' programmes are clear, both will work to achieve co-ordinated and consistent expectations from MAS, UKTI, SFA and so forth to serve North Worcestershire businesses and will align final service level agreements between both LEPs and national providers accordingly;
- comparing and agreeing the detailed delivery proposals and mechanisms for the common agenda and priorities in North Worcestershire derived from both LEPs' strategic objectives, cross cutting priorities and sector priorities; and aligning how programmes and services will co-ordinate and consolidate delivery in a combined response to businesses in North Worcestershire (i.e. consistent synchronised signposting and support to businesses via both LEP's respective support people, organisations and networks);
- share and agree programme and project development appraisal processes to ensure consistent assessment and a co-ordinated response to initiatives submitted in North

Worcestershire (i.e. projects submitted to both LEPs are subject to one consistent assessment procedure, measured against agreed shared criteria and, subject to joint LEP agreement to support, receive 50:50 funding from each LEP's ESI Funds programme); and

- develop and agree a joint performance management system which incorporates consistent monitoring, review and reporting of programme and project delivery to both LEP Boards.

Both LEPs have begun preparing a joint, practical and fully worked up solution for North Worcestershire which underpins a WLEP and Greater Birmingham and Solihull LEP agreement or protocol to be established by January 2014, which will be based upon the respective final ESI Funds Strategies and SEPs. The outcomes of these discussions will also help shape respective LEP governance reviews.

5 Outputs, Results and Value for money

5.1 ERDF outputs and results

The Worcestershire ESI Funds programme will contribute to all of the common ERDF outputs and results indicators. Table 5.1 summarises the estimated ERDF outputs and results of the WLEP ESI programme.

Table 5.1: ERDF outputs and results	
ERDF outputs	
No. enterprises supported	[3,738]
No. new enterprises supported	[1,010]
No. jobs created (FTE)	[1,554]
No. enterprises co-operating with research institutions	[350]
No. enterprises supported to introduce new to the market products	[175]
No. enterprises supported to introduce new to the firm products	[587]
No. additional enterprises accessing ICT products and services including broadband	[75]
Private investment matching public sector support to enterprises (£)	[12,465,428][12]
Estimated annual decrease of Greenhouse Gases (GHG) (Tonnes of CO^2 equiv)	Tba
No. of companies supported with business resource efficiency	[400]
Infrastructure site development including Green Infrastructure (GI) (Ha)	tba

Further details of these outputs are set out in the separate accompanying spreadsheet.

The WLEP ESI programme will contribute towards delivering all of the following ERDF results:

- businesses actively innovating to bring new products to the market;
- increase in SME productivity;
- Increase in SME jobs created;
- increase in business start-ups;
- increase in the energy efficiency of companies, buildings and transport;
- smart specialisation;
- support for enterprises in development of ICT products and services including broadband;
- increase in companies deploying low carbon practises, processes, services or products; and
- improving the economic viability of areas through infrastructure, investments including GI.

[12] Note: includes 'Opt-in' private sector investment

5.2 ESF outputs and results

The estimated ESF outputs and results of the WLEP ESF Programme are summarized in Table 5.2. Again, the programme will contribute to all of the common ESF outputs and results.

Table 5.2: ESF outputs and results	
ESF outputs	
No. of participants	[12,600]
No. of unemployed (including long-term unemployed) participants	[5,375]
No. of inactive participants	[4,300]
No. of employed (including self-employed) participants	[2,925]
No. of participants aged 15 – 24	[3,025]

The accompanying spreadsheet sets out further details of these outputs. The following ESF results will be delivered by the WLEP ESI programme:

- inactive participants newly engaged in job searching upon leaving;
- participants in education/training upon leaving;
- participants gaining a qualification upon leaving;
- participants in employment upon leaving; and
- participants engaging in positive activities that address barriers to work.

5.3 Value for money

The forecast outputs have been estimated by reference to past and current programme and project evidence on unit cost benchmarks, including existing EU structural funds projects in Worcestershire, the West Midlands European Regional Development Fund Operational Programme 2007-2013 (Version 2 November 2011), West Midlands European Social Fund Regional Strategic Framework 2011-2013 (2011) and the RDA Impact Assessment (2009).

The forecast outputs will need to be reviewed and revised as the programme is further developed over the coming months.

Specific consideration has been given to the issue of additionality, with the design of the proposed interventions taking into account how best to minimise deadweight, displacement and leakage effects and maximise multiplier impacts:

- deadweight – the proposed programmes and projects represent activities that would not otherwise be funded or that would be implemented at a much lower scale and/or with less reach. In terms of the latter, European funding will enhance and accelerate these schemes, ensuring that they are of sufficient scale to make a real difference to the performance of the WLEP economy and able to benefit those most in need;

- displacement – in delivering the proposed activities, any displacement at the national and European level will be limited as far as possible. A key focus for intervention will be supporting growth sectors, which will enable Worcestershire to share in the strong global expansion in these industries rather than displace existing local firms. The support proposed is designed to remove constraints and realise growth that might otherwise be lost. Consequently, it is anticipated that the level of displacement will be relatively low. WLEP will actively achieve this by, amongst other things:
    - targeting support to key, high growth sectors, in particular horticulture and food, manufacturing, tourism and cyber security / defence;
    - working with adjacent areas to develop supply chain and other linkages;
    - promoting investment opportunities to a national and international audience; and
    - using innovative funding sources for critical investment projects currently acting as a barrier to growth.
- leakage – it is important that the employment created through the proposed programmes benefits target groups and local people. The sectors and new businesses attracted to the WLEP area will require people with a range of skills, from managerial to elementary level. The WLEP area has a significant pool of available labour. However, in order to ensure that local benefits are maximised, and that disadvantaged individuals or areas are not excluded, employment and skills forms a key priority of the Strategy, with a range of measures relating to skills development and local recruitment. The focus will be on matching skills to employer needs; and
- multiplier effects – supply chain development initiatives will allow businesses to develop good relationships with suppliers and clients in order to ensure that local businesses can take advantage of opportunities created by the expansion of larger employers. These will include, for example, networking events and collaborative activities between large businesses and their suppliers.

Given the above, it is expected that the proposed investments will maximise the additionality of European funding and provide value for money. Nevertheless, the aim will be to deliver greater outputs (and results) than forecast through the efficient and effective delivery of the Programme.

6 Governance, delivery, risk and performance management

6.1 Proposed governance and delivery arrangements

Establishing robust and effective governance and management arrangements will be essential if the programme is to be successful. At the national level this will involve the National Growth Board and its sub-committees, along with Managing Authority Departments. Local European ESI Teams will work with the LEPs to offer advice, assess projects and provide technical support. They will be the interface between the LEPs and the National Growth Board.

The local governance and delivery structures are being reviewed to ensure that the appropriate arrangements are in place to: support all funding programmes (including local ESI project commissioning and bidding processes); ensure Board support to projects/programmes; agree and monitor 'opt-in' arrangements; establish local management information processes (see Section 6.7) and work with the Local European ESI Fund Teams. WLEP is currently in the process of commissioning external advice and support to assist in its review of governance and delivery arrangements.

WLEP has been focusing on wider delivery arrangements with partners and others since launching its current Business Plan in November 2012. The WLEP has deliberately used a combination of Sub Groups, Task and Finish Groups and cross cutting theme groups to extend and deepen its reach and involve business, public and third sector interests to determine and consolidate delivery of its strategic objectives and specific initiatives. This embedded delivery ethos provides a sound foundation for continued positive impact and outcomes in Worcestershire and will be integral to the new governance arrangements from 2014 onwards. The various Sub Groups and Theme Groups comprise cross-sector representation and ensure local substance and effectiveness to the delivery of WLEP ambitions while the WLEP Board has responsibility for strategic co-ordination and decisions, including the resolution of any potential conflicts of interest.

In order to ensure efficient and effective delivery of the ESI Funds programme, WLEP will make use of:

- National 'opt-ins' (see Section 4.3 above);
- Commissioning – WLEP will work closely with delivery partners to develop locally tailored investment proposals;
- Collaborative schemes – discussions are ongoing regarding co-investment with other LEPs in the West Midlands and elsewhere (see Section 6.3 below) in relation to financial instruments, innovation, the environment and sector specific initiatives;
- Calls for projects – where there are no credible delivery partners, WLEP will seek to secure competitive bids in response to specific calls for projects that meet particular ESI Funds priorities; and

- Community-led local development – WLEP is exploring the potential to use the community-led local development type approach (see Section 6.4 below).

6.2 Partner support

The WLEP meets the core Government requirement to incorporate wide stakeholder engagement to help shape its SEP and ESI Funds Strategy and ensure effective delivery over the next seven years (See Stakeholder Consultation Summary in Appendix D and the active involvement of partners and stakeholders in Appendix B). The engagement with organisations and groups has been structured to align with the objectives, priorities and themes of WLEP.

The WLEP has established stakeholder engagement at the heart of its activities in terms of producing and delivering its Business Plan "The Outlook is Bright in Worcestershire" (November 2012). The WLEP continues to broaden and deepen its reach with wide ranging perspectives and interests as Sub Groups, sector groups, cross cutting groups, WLEP partners and external alliances with others shape delivery plans and specific programme and project initiatives. WLEP collaborations have secured commitments in principle from these diverse interests and continued joint working is now identifying detailed theme programmes, specific projects and pipelines of initiatives with match resources which will augment the final strategy.

In developing the emerging SEP and ESI Funds Strategy, the WLEP has ensured that continuing and widespread discussions and consultations with diverse interests have been integral to the process across Worcestershire, with Government and national lead organisations as well as LEPs across the National LEP Network. LEP alliances are important to facilitate shared synergies between ambitions, programmes and bids. In particular, given the forthcoming change to the WLEP's remit, consultations have begun with interests from the third sector, civil society, rural areas, housing, new Worcestershire Local Nature Partnership/environment, social enterprise, social inclusion and key representatives form part of the WLEP Task and Finish Group overseeing the SEP/ESI Funds process. Discussions with other LEPs and National Programmes are also revealing opportunities to consolidate ambition and delivery with other geographies.

6.3 Collaboration

WLEP has been engaging extensively with other LEPs in the West Midlands and beyond which have shared interests in order to deliver improved outcomes. This has included specific work about collaborating on RTDI/smart specialisation, financial instruments and environmental activities. For example, WLEP has jointly commissioned with the other West Midlands LEPs a feasibility study into the use of financial instruments. It has also been working with partners in the Marches LEP on issues such as food and drink and social enterprise. In addition, it has been exploring potential options with Gloucestershire LEP and the West of England LEP on cyber security. Thematic and other sector specific opportunities for collaboration have been identified with 'Opt-in' service providers – for example, through MAS in relation to the food and drink sector in Lincolnshire. These and other discussions will continue.

Worcestershire is also part of the Local Government Association's (LGA's) Economic Growth Advisor Programme and will be working as part of the Shared Learning Network focusing in particular on inward investment and the community led local development type approach.

6.4 Local Led Community Development

The WLEP is exploring the use of the Community led Local Development type approach to focus on specific community programmes within particular geographies including rural areas. Possible areas for such an approach would be: Warndon and Grosshill (Worcester City), Oldington and Foley Park (Kidderminster), Pickersleigh (Malvern Hills) and Batchley and Smallwood (Redditch). These are most deprived areas in Worcestershire. WLEP will seek to build upon the success and lessons learned through the 2007-2013 Worcestershire LEADER Programme in order to learn lessons and ensure rapid and effective delivery.

6.5 Other European Programmes

WLEP will seek to ensure that complementary investment is secured from other European programmes. These may include:

- Horizon 2020 – the EU Framework Programme for research and development will be considered in relation to opportunities for Research, Technology Development and Innovation (RTDI), employment and SME support, enhancement of R&D infrastructure and a supportive 'growth environment' for SMEs;
- COSME – the Competitiveness of Enterprises and SMEs Programme may provide opportunities for intervention direction through access to finance and expert markets;
- the European Territorial Co-operation Programme – exploring approaches for cross-border collaborations; and
- LIFE – particularly in terms of opportunities for integrated projects in the areas of climate change mitigation.

6.6 Risk

In developing the ESI Funds Strategy, WLEP has been considering the issue of risk. A risk register is being finalised. The risks have been grouped under the following types: strategic; operational; financial; and implementation. An assessment of the severity associated with each risk is being carried out based upon a judgment about impact and probability. The key risks identified include:

- managing the overlap with the Greater Birmingham & Solihull LEP – as noted, discussions are ongoing with Greater Birmingham and Solihull LEP with regard to agreeing the co-governance and delivery arrangements for North Worcestershire;
- conflicts of interest - WLEP will be responsible for managing any conflicts of interest that may arise with strategic and project level decisions, within the context of the guidance that

Government's 2014-2020 Design & Implementation work streams are currently drafting. Investment decisions will be published on the WLEP website and 'conflict of interest procedures' will be implemented;

- delivery capacity and capability – successful delivery of the ESI Funds Strategy will be achieved through effective partnership working with Government, local authorities, business, education, voluntary and community sectors across the LEP area; in addition to the 'opt-in' match funders and future grants recipients. Lessons learnt and good practice from delivery of the 2007-13 ERDF and ESF programmes will be taken forward to 2014-2020;
- establishment and momentum of the Programme – it will be important that the Programme be launched and gains momentum at the earliest opportunity;
- engagement with the private and civil society sectors – ensuring that there is continued 'buy in' from the private, public and civil society sectors will be key to successful delivery;
- enabling new processes – establishment of new arrangements, processes and procedures will be essential, learning from good practice from previous administrative arrangements by DCLG, the Regional Development Agencies (RDAs) and others;
- effective and efficient project appraisal – ensuring that project applications through 'calls for projects' can be speedily considered; and
- issues of non-delivery - a mechanism to ensure 'active' project monitoring to reduce problems with non-delivery.

A risk management and mitigation strategy will be developed as part of the review of governance and delivery arrangements.

6.7 Monitoring and evaluation

WLEP will work with Worcestershire County Council and the Local ESI Funds Team to develop and implement a robust performance management system. This will include arrangements to monitor selected 'strategic outcome' indicators, along with the inputs and gross and net additional outputs and results of programmes and projects.

The approach will build upon best practice and guidance. It will take account of the specific vision and objectives of WLEP and its partners and combine:

- a bottom-up (or micro) analysis of projects; and
- a top-down (or macro) analysis of changes in strategic outcome indicators.

The bottom-up approach involves the identification of the inputs, outputs and results associated with individual projects. It is based upon detailed project-level information and analyses. The top-down analysis will consider changes in strategic outcome indicators (such as GVA and employment) and, where feasible, using historic information identify long-term trends in the WLEP and comparator areas.

Each of the approaches has its advantages and disadvantages. For example, while the bottom-up approach can provide a detailed understanding of the effects of key elements of the ESI Funds programme (and other interventions), it is often difficult to discern the wider, induced or less tangible impacts. On the other hand, the top-down approach can provide an overall understanding of how the WLEP area is performing, although up-to-date indicators are often not available and it may be difficult to attribute impacts to specific interventions as opposed to external factors.

A clear and simple performance management system will be established to collect monitoring information for each project. The monitoring information in relation to the performance of individual projects will be collated in the form of quarterly summary reports for presentation to the WLEP Board. An annual report will also be produced that sets out the overall performance of the WLEP area against the key strategic outcome indicators.

It is also proposed that arrangements are agreed for an independent evaluation of the WLEP ESI Funds (and other) programme(s). A brief for the study would be developed and the assignment competitively tendered.

WLEP is establishing a working group, supported by external advisors, to develop robust monitoring and evaluation arrangements, which learn the lessons from the previous programmes.

7 Eligibility and compliance

WLEP and its partners have designed the Worcestershire ESI Funds Strategy so that:

- proposed strategic activities are eligible for investment under the European Regulations governing use of the ESI Funds (or likely to lead to projects which will be eligible);
- likely delivery routes give confidence of compliance with the European Regulations (including any specific requirements for Thematic Objectives);
- strategic activities align with those in the framework of European Growth Programme priorities and will therefore contribute to delivery of Europe 2020 goals. Consideration has been given to alignment with other European funds; and
- proposals take account of state aid requirements.

Appendix A - Timeline and Engagement Programme

Timeline	Actions
Mid-April 2013	**Government Requirements announced** External briefings and liaison with BIS WM; DCLG and West Midlands European Service (WMES); WM LEP Chairs and Executive Directors; surrounding LEPs; National LEP Network; BIS (London) and DCLG (London) **Internal preliminary discussions and briefings** with WLEP Board, WLEP Business Board, Worcestershire Leaders' Panel (Chief Executives and Leaders of all local authorities -Worcestershire County Council, Wyre Forest District Council, Redditch Borough Council, Bromsgrove District Council, Worcester City Council, Malvern Hills District Council, Wychavon District Council) **WLEP and BIS WM Relationship Channel** hold Kick-Off meeting **WLEP Executive** bilaterals identifying additional stakeholders, knowledge, expertise and evidence to bring into the emerging process; briefing existing Sub Groups steering strategic objectives, cross cutting or sector delivery of extant Business Plan to ensure contributions to Draft SEP/ESI Funds Strategy
May 2013	**WLEP Board** meeting establishing WLEP scope, approach, timeline and interpretation of Government requirements; broad discussion converting WLEP Business Plan into outline Strategic Economic Plan ambition and principles; formation of the WLEP Task and Finish Group to oversee the process on behalf of the WLEP Board while the Board retains decision-making responsibilities. **WLEP Executive** bilaterals identifying additional stakeholders, knowledge, expertise and evidence to bring into the emerging process; briefing existing Sub Groups steering strategic objectives, cross cutting or sector delivery of extant Business Plan to ensure contributions to Draft SEP/ESI Funds Strategy **WLEP and Leaders' Panel Liaison** **WLEP SEP/ESI Funds Strategy Task and Finish Group** formed comprising representatives from WLEP Board and key stakeholders from public, private and third sectors and specifically from themes merging into the future WLEP remit (housing, Local Nature Partnership/ environment etc). WLEP TFG lead and oversee process by: ○ starting with published WLEP Business Plan "The Outlook is Bright in Worcestershire" (November 2012), develop a new Strategic Economic Plan and Investment Strategy approach ○ preparing contract brief to secure supplementary European/investment

	knowledge and expertise to supplement WLEP Board and Executive work ○ scoping out and delivering WLEP stakeholder engagement process with partner leads ○ sharing evidence, analysis, knowledge and expertise from respective organisations, partnerships and sectors ○ TFG representatives providing "constructive critical challenge" throughout evolving process **WLEP Internal Liaison** with Strategic Objective Sub Groups, sector Sub Groups and cross cutting Sub Groups **WLEP External Liaison** across National LEP Network, with West Midlands LEPs and surrounding LEPs establishing potential synergies and alliances **WLEP and BIS WM Liaison** (WLEP co-ordinating WLEP partners knowledge/expertise; BIS WM co-ordinating DCLG, DEFRA, DWP, DfT, WMES, Cabinet Office)
June 2013	**WLEP Executive** bilaterals identifying additional , stakeholders, knowledge, expertise and evidence to bring into the emerging process; briefing existing Sub Groups steering strategic objectives, cross cutting or sector delivery of extant Business Plan to ensure contributions to Draft SEP/ESI Funds Strategy **SEP and ESI Funds Strategy Development discussions, meetings and liaison held via:** **WLEP SEP & ESI Funds Strategy Task and Finish Group** meeting **WLEP Business Board** and wider business community consultation **WLEP Planning Development & Infrastructure Sub Group** **WLEP Access to Finance Sub Group** **WLEP Employment and Skills Board** **WLEP National Profile and Promotion Sub Group** **WLEP Manufacturing, Defence and Cyber Security, Food/Horticulture, Tourism Sector Groups** **WLEP Business and Regulations Sub Group** **WLEP Armed Forces Sub Group** **WLEP and Worcestershire Local Transport Board** **WLEP and Leaders' Panel Liaison** alongside individual authority bilaterals **WLEP and BIS WM Liaison** (WLEP co-ordinating WLEP partners knowledge/expertise; BIS WM co-ordinating DCLG, DEFRA, DWP, DfT, WMES, Cabinet Office) **WLEP and Worcestershire Local Nature Partnership** and environment network **Individual WLEP Liaison meetings** – UKTI, MAS, Growth Accelerator, TSB

	WLEP, WCC and WMES European Funding Workshop for Worcestershire stakeholders **WLEP Executive bilaterals** and collective discussions with other WLEP partner and network leads; other LEPs across the network **AMION/GHK Consultancy** confirmed in supporting WLEP Board and Executive to develop the SEP and ESI Funds Strategy
July 2013	Government Supplementary Guidance, Growth Deal Guidance and first Opt-In prospectuses published. SEP and ESI Funds Strategy Development discussions, meetings and liaison held via: **WLEP SEP & ESI Funds Strategy Task and Finish Group** meeting receiving AMION/GHK evidence and analysis **Special WLEP Board** receiving AMION/GHK evidence and analysis **WLEP Business Board** and wider business community consultation receiving AMION/GHK evidence and analysis **WLEP Planning Development & Infrastructure Sub Group** **WLEP Access to Finance Sub Group** and portal launch **WLEP Employment and Skills Board** **WLEP National Profile and Promotion Sub Group** **WLEP Manufacturing, Defence and Cyber Security, Food/Horticulture, Tourism Sector Groups** **WLEP Business and Regulations Sub Group** **WLEP Armed Forces Sub Group** **WLEP and Worcestershire Local Transport Board** **WLEP and Leaders' Panel Liaison** alongside individual authority bilaterals **WLEP and Worcestershire Social Entrepreneurs Network** **WLEP and BIS WM Liaison** (WLEP co-ordinating WLEP partners knowledge/expertise; BIS WM co-ordinating DCLG, DEFRA, DWP, DfT, WMES, Cabinet Office) **WLEP Executive bilaterals** and collective discussions with other WLEP partner and network leads; other LEPs across the network **Joint West Midlands LEPs, BIS WM and WMES Event** **West Midlands LEPs' Smart Specialisation Workshop**

	Individual WLEP Liaison meetings – UKTI, MAS, Growth Accelerator, TSB **WLEP and Social Housing Network** **WLEP and BIS WM Liaison** (plus DWP, Jobcentreplus, Defra, Cabinet Office, DCLG, WMES)
August 2013	SEP and ESI Funds Strategy Development discussions, meetings and liaison held via: **WLEP SEP & ESI Funds Strategy Task and Finish Group** meeting receiving further AMION/GHK evidence and analysis; early scope of Draft SEP and ESI Funds Strategy **Special WLEP Board** receiving further AMION/GHK evidence and analysis; early scope of Draft SEP and ESI Funds Strategy **WLEP Business Board** and wider business community consultation receiving further AMION/GHK evidence and analysis; early scope of Draft SEP and ESI Funds Strategy Further AMION/GHK evidence/analysis and early scope of Draft SEP and ESI Funds Strategy shared with leads for groups/networks below as follows: **WLEP Planning Development & Infrastructure Sub Group** **WLEP Access to Finance Sub Group** **WLEP Employment and Skills Board** **WLEP National Profile and Promotion Sub Group** **WLEP Manufacturing, Defence and Cyber Security, Food/Horticulture, Tourism Sector Groups** **WLEP Business and Regulations Sub Group** **WLEP Armed Forces Sub Group** **WLEP and Worcestershire Local Transport Board** **Special WLEP and Leaders' Panel Liaison meeting** alongside individual authority bilaterals **WLEP and Social Enterprise Focus Group** **WLEP and Local Nature Partnership** with Environment Network **WLEP and BIS WM Liaison** (WLEP co-ordinating WLEP partners knowledge/expertise; BIS WM co-ordinating DCLG, DEFRA, DWP, DfT, WMES, Cabinet Office) **WLEP Executive bilaterals** and collective discussions with other WLEP partner and network leads; other LEPs across the network

	Individual WLEP and National Opt In meetings – UKTI, MAS, Growth Accelerator, TSB **WLEP and Social Housing Network** scoping shared ambitions **WLEP and BIS WM Liaison** (plus DWP, Jobcentreplus, Defra, Cabinet Office, DCLG, WMES)
September 2013	SEP and ESI Funds Strategy Development discussions, meetings and liaison held via: **WLEP SEP & ESI Funds Strategy Task and Finish Group** consider first Draft SEP (outline) and ESI Funds Strategy **Special WLEP Board** consider first Draft SEP (outline) and ESI Funds Strategy **WLEP Business Board** and wider business community consultation receiving further AMION/GHK evidence and analysis; early scope of Draft SEP and ESI Funds Strategy First Draft SEP (outline) and ESI Funds Strategy shared with leads for groups/networks below as follows: **WLEP Planning Development & Infrastructure Sub Group** including housing theme **WLEP Access to Finance Sub Group** **WLEP Employment and Skills Board** **WLEP National Profile and Promotion Sub Group** **WLEP Manufacturing, Defence and Cyber Security, Food/Horticulture, Tourism Sector Groups** **WLEP Business and Regulations Sub Group** **WLEP Armed Forces Sub Group** **WLEP and Worcestershire Local Transport Board** **Special WLEP and Leaders' Panel Liaison meeting** alongside individual authority bilaterals **WLEP and Social Enterprise Focus Group** alongside Social Enterprise West Midlands and Social Enterprise UK discussions and support **WLEP and Social Housing Network** developing shared ambitions **WLEP and Local Nature Partnership** with Environment Network **WLEP and Natural England Local Economic Development and Environment Toolkit Level 1 Workshop** - constructive challenge and scoping Worcestershire's environment assets in supporting and delivering WLEP SEP/ESI Funds Strategy

	ambitions **WLEP and Third Sector Social Inclusion Workshop** - constructive challenge and scoping third sector activities and potential in supporting and delivering WLEP SEP/ESI Funds Strategy ambitions **WLEP and Rural Focus Group** - constructive challenge and scoping rural activities and potential in supporting and delivering WLEP SEP/ESI Funds Strategy ambitions **Series of BIS' Themed Workshops -**Partnership and Governance; Monitoring and Evaluation, **BIS WM Opt-In Fair (UKTI, MAS, GA, SFA, BLF, SEWM, DWP)** and ongoing individual bilateral WLEP discussions **WLEP and BIS WM Liaison** (WLEP co-ordinating WLEP partners knowledge/expertise; BIS WM co-ordinating DCLG, DEFRA, DWP, DfT, WMES, Cabinet Office) **WLEP Executive bilaterals** and collective discussions with other WLEP partner and network leads; other LEPs across the network; WM LEPs' collective discussion
October 2013	**Special WLEP Board** approve Draft SEP (outline) and ESI Funds Strategy (4 October) **Draft SEP (outline) and EU Investment Strategy to Government** (7 October) **LEPs National Network Summit** 9 October **WLEP Annual Conference and publication of WLEP Annual Report 2013** 10 October to report WLEP achievements and promote SEP/ESI Funds Strategy headline ambitions SEP and ESI Funds Strategy Development discussions, meetings and liaison held via: **WLEP SEP & ESI Funds Strategy Task and Finish Group** meeting to consider delivery of Draft SEP (outline) and ESI Funds Strategy; converting draft into delivery of detailed ambitions, programmes and flagship projects **WLEP Board** consider delivery of Draft SEP (outline) and ESI Funds Strategy; converting draft into delivery of detailed ambitions, programmes and flagship projects Converting Draft SEP (outline) and ESI Funds Strategy into delivery of detailed ambitions, programmes and flagship projects hared with leads for

	groups/networks below as follows: **WLEP Business Board** and wider business community consultation **WLEP Planning Development & Infrastructure Sub Group** including housing theme **WLEP Access to Finance Sub Group** **WLEP Employment and Skills Board** **WLEP National Profile and Promotion Sub Group** **WLEP Manufacturing, Defence and Cyber Security, Food/Horticulture, Tourism Sector Groups** **WLEP Business and Regulations Sub Group** **WLEP Armed Forces Sub Group** **WLEP and Worcestershire Local Transport Board** **Special WLEP and Leaders' Panel Liaison meeting** alongside individual authority bilaterals **WLEP and Social Enterprise Focus Group** **WLEP and Social Housing Network** **WLEP and Local Nature Partnership** with Environment Network (including LEDE Toolkit work to Levels 2 and 3) **WLEP and Third Sector Social Inclusion Network** **WLEP and Rural Focus** **WLEP Board and WLEP Executive with AMION/GHK Consultancy** develop the detailed SEP document and ESI Funds Strategy document with corresponding strategic delivery; performance management; WLEP governance and partnership review; delivery and financial models; local authority shared working model; National Opt-In negotiations; Growth Deal preparations; and continuing stakeholder consultations; with additional external challenge provided by an independently appointed Panel **WLEP Opt-In National Programmes negotiations - UKTI, MAS, GA, SFA, BLF, DWP, EIB** and ongoing individual bilateral WLEP discussions **WLEP and BIS WM Liaison** (WLEP co-ordinating WLEP partners knowledge/expertise; BIS WM co-ordinating DCLG, DEFRA, DWP, DfT, WMES, Cabinet Office) **WLEP Executive bilaterals** and collective discussions with other WLEP partner and network leads; other LEPs across the network; WM LEPs' collective discussion **Ongoing discussions** with Greater Birmingham and Solihull LEP about co-governance and delivery arrangements. **Government evaluates submission** and returns clarification questions to LEPs by mid-October;

	Formal Government National Growth Board response to WLEP Draft EU Investment Strategy late-October Government & WLEP discussions to further develop the strategy
November 2013	**WLEP Board and WLEP Executive with AMION/GHK Consultancy** develop the detailed SEP document and ESI Funds Strategy document with corresponding strategic delivery; performance management; WLEP governance and partnership review; delivery and financial models; local authority shared working model; National Opt-In negotiations; Growth Deal preparations; and continuing stakeholder consultations; with additional external challenge provided by an independently appointed Panel **WLEP SEP & ESI Funds Strategy Task and Finish Group** to consider detailed development progress of SEP and ESI Funds Strategy alongside Government's formal feedback **Special WLEP Board** to consider detailed development progress of SEP and ESI Funds Strategy alongside Government's formal feedback to WLEP on Draft Strategic Economic Plan & EU Investment Strategy SEP and ESI Funds Strategy Development discussions, meetings and liaison held via: SEP and ESI Funds Strategy delivery of detailed ambitions, programmes and flagship projects hared with leads for groups/networks below as follows: **WLEP Business Board** and wider business community consultation **WLEP Planning Development & Infrastructure Sub Group** including housing theme **WLEP Access to Finance Sub Group** **WLEP Employment and Skills Board** **WLEP National Profile and Promotion Sub Group** **WLEP Manufacturing, Defence and Cyber Security, Food/Horticulture, Tourism Sector Groups** **WLEP Business and Regulations Sub Group** **WLEP Armed Forces Sub Group** **WLEP and Worcestershire Local Transport Board** **Special WLEP and Leaders' Panel Liaison meeting** alongside individual authority bilaterals **WLEP and Social Enterprise Focus Group** **WLEP and Social Housing Network** **WLEP and Local Nature Partnership** with Environment Network (including LEDE Toolkit work to Levels 2 and 3) **WLEP and Third Sector Social Inclusion Network** **WLEP and Rural Focus**

	WLEP Opt-In National Programmes negotiations - UKTI, MAS, GA, SFA, BLF, DWP, EIB and ongoing individual bilateral WLEP discussions **WLEP and BIS WM Liaison** (WLEP co-ordinating WLEP partners knowledge/expertise; BIS WM co-ordinating DCLG, DEFRA, DWP, DfT, WMES, Cabinet Office) **WLEP Executive bilaterals** and collective discussions with other WLEP partner and network leads; other LEPs across the network; WM LEPs' collective discussion; **Ongoing discussions** with Greater Birmingham and Solihull LEP about co-governance and delivery arrangements.
December 2013	**WLEP allocation of Structural and Investment Fund confirmed by Government** **WLEP submission of Draft Strategic Economic Plan to Government** **WLEP Board and WLEP Executive with AMION/GHK Consultancy** continue developing the detailed SEP document and ESI Funds Strategy document with corresponding strategic delivery; performance management; WLEP governance and partnership review; delivery and financial models; local authority shared working model; National Opt-In negotiations; Growth Deal preparations; and continuing stakeholder consultations; with additional external challenge provided by an independently appointed Panel **WLEP SEP & ESI Funds Strategy Task and Finish Group** to consider detailed development progress of SEP and ESI Funds Strategy **Special WLEP Board** to consider detailed development progress of SEP and ESI Funds Strategy alongside Government's formal feedback to WLEP on Draft Strategic Economic Plan & EU Investment Strategy SEP and ESI Funds Strategy discussions, meetings and liaison held via: **WLEP Business Board** and wider business community consultation **WLEP Planning Development & Infrastructure Sub Group** including housing theme **WLEP Access to Finance Sub Group** **WLEP Employment and Skills Board** **WLEP National Profile and Promotion Sub Group** **WLEP Manufacturing, Defence and Cyber Security, Food/Horticulture, Tourism Sector Groups** **WLEP Business and Regulations Sub Group** **WLEP Armed Forces Sub Group** **WLEP and Worcestershire Local Transport Board**

	Special WLEP and Leaders' Panel Liaison meeting alongside individual authority bilaterals **WLEP and Social Enterprise Focus Group** **WLEP and Social Housing Network** **WLEP and Local Nature Partnership** with Environment Network (including LEDE Toolkit work to Levels 2 and 3) **WLEP and Third Sector Social Inclusion Network** **WLEP and Rural Focus** **WLEP Opt-In National Programmes negotiations - UKTI, MAS, GA, SFA, BLF, DWP, EIB** and ongoing individual bilateral WLEP discussions. **WLEP and BIS WM Liaison** (WLEP co-ordinating WLEP partners knowledge/expertise; BIS WM co-ordinating DCLG, DEFRA, DWP, DfT, WMES, Cabinet Office). **WLEP Executive bilaterals** and collective discussions with other WLEP partner and network leads; other LEPs across the network; WM LEPs' collective discussion**.** **Ongoing discussions** with Greater Birmingham and Solihull LEP about co-governance and delivery arrangements.
January 2014	**WLEP allocation of Structural and Investment Fund confirmed by Government** **WLEP Board and WLEP Executive with AMION/GHK Consultancy** continue developing the detailed SEP document and ESI Funds Strategy document with corresponding strategic delivery; performance management; WLEP governance and partnership review; delivery and financial models; local authority shared working model; National Opt-In negotiations; Growth Deal preparations; and continuing stakeholder consultations; with additional external challenge provided by an independently appointed Panel **WLEP SEP & ESI Funds Strategy Task and Finish Group** to consider Final SEP and ESI Funds Strategy **WLEP Board** to approve Final Strategic Economic Plan and EU Investment Strategy SEP and ESI Funds Strategy discussions, meetings and liaison held via: **WLEP Business Board** and wider business community consultation **WLEP Planning Development & Infrastructure Sub Group** including housing theme **WLEP Access to Finance Sub Group** **WLEP Employment and Skills Board** **WLEP National Profile and Promotion Sub Group** **WLEP Manufacturing, Defence and Cyber Security, Food/Horticulture,**

	Tourism Sector Groups **WLEP Business and Regulations Sub Group** **WLEP Armed Forces Sub Group** **WLEP and Worcestershire Local Transport Board** **Special WLEP and Leaders' Panel Liaison meeting** alongside individual authority bilaterals **WLEP and Social Enterprise Focus Group** **WLEP and Social Housing Network** **WLEP and Local Nature Partnership** with Environment Network (including LEDE Toolkit work to Levels 2 and 3) **WLEP and Third Sector Social Inclusion Network** **WLEP and Rural Focus** **WLEP Opt-In National Programmes negotiations - UKTI, MAS, GA, SFA, BLF, DWP, EIB** and ongoing individual bilateral WLEP discussions **WLEP and BIS WM Liaison** (WLEP co-ordinating WLEP partners knowledge/expertise; BIS WM co-ordinating DCLG, DEFRA, DWP, DfT, WMES, Cabinet Office) **WLEP Executive bilaterals** and collective discussions with other WLEP partner and network leads; other LEPs across the network; WM LEPs' collective discussion **Submit Final Strategic Economic Plan** to Government; convert into Delivery from April 2014 onwards **Submit Final EU Structural and Investment Fund Strategy** to Government 31 January 2013 for agreement by National Growth Board 31 January 2013
February 2014	**WLEP Board and WLEP Executive with AMION/GHK Consultancy** continue refining strategic delivery; performance management; programme and project management; Growth Deal preparations; and continuing stakeholder consultations; **WLEP SEP & ESI Funds Strategy Task and Finish Group** shaping SEP and ESI Funds Strategy delivery, programme and performance management **WLEP Board** shaping SEP and ESI Funds Strategy delivery, programme and performance management SEP and ESI Funds Strategy discussions, meetings and liaison held via: **WLEP Business Board** and wider business community consultation **WLEP Planning Development & Infrastructure Sub Group** including housing theme **WLEP Access to Finance Sub Group** **WLEP Employment and Skills Board**

	WLEP National Profile and Promotion Sub Group **WLEP Manufacturing, Defence and Cyber Security, Food/Horticulture, Tourism Sector Groups** **WLEP Business and Regulations Sub Group** **WLEP Armed Forces Sub Group** **WLEP and Worcestershire Local Transport Board** **Special WLEP and Leaders' Panel Liaison meeting** alongside individual authority bilaterals **WLEP and Social Enterprise Focus Group** **WLEP and Social Housing Network** **WLEP and Local Nature Partnership** with Environment Network (including LEDE Toolkit work to Levels 2 and 3) **WLEP and Third Sector Social Inclusion Network** **WLEP and Rural Focus** **WLEP Opt-In National Programmes negotiations - UKTI, MAS, GA, SFA, BLF, DWP, EIB** and ongoing individual bilateral WLEP discussions **WLEP and BIS WM Liaison** (WLEP co-ordinating WLEP partners knowledge/expertise; BIS WM co-ordinating DCLG, DEFRA, DWP, DfT, WMES, Cabinet Office) **WLEP Executive bilaterals** and collective discussions with other WLEP partner and network leads; other LEPs across the network; WM LEPs' collective discussion **Government National Growth Board agree WLEP EU Investment Strategy** by 28 February 2014
March 2014	**WLEP SEP & ESI Funds Strategy Task and Finish Group** shaping SEP and ESI Funds Strategy delivery, programme and performance management **WLEP Board** shaping SEP and ESI Funds Strategy delivery, programme and performance management. SEP and ESI Funds Strategy discussions, meetings and liaison held via: **WLEP Business Board** and wider business community consultation **WLEP Planning Development & Infrastructure Sub Group** including housing theme **WLEP Access to Finance Sub Group** **WLEP Employment and Skills Board** **WLEP National Profile and Promotion Sub Group** **WLEP Manufacturing, Defence and Cyber Security, Food/Horticulture, Tourism Sector Groups** **WLEP Business and Regulations Sub Group** **WLEP Armed Forces Sub Group** **WLEP and Worcestershire Local Transport Board**

	Special WLEP and Leaders' Panel Liaison meeting alongside individual authority bilaterals **WLEP and Social Enterprise Focus Group** **WLEP and Social Housing Network** **WLEP and Local Nature Partnership** with Environment Network (including LEDE Toolkit work to Levels 2 and 3) **WLEP and Third Sector Social Inclusion Network** **WLEP and Rural Focus** **WLEP Opt-In National Programmes negotiations - UKTI, MAS, GA, SFA, BLF, DWP, EIB** and ongoing individual bilateral WLEP discussions **WLEP and BIS WM Liaison** (WLEP co-ordinating WLEP partners knowledge/expertise; BIS WM co-ordinating DCLG, DEFRA, DWP, DfT, WMES, Cabinet Office) **WLEP Executive bilaterals** and collective discussions with other WLEP partner and network leads; other LEPs across the network; WM LEPs' collective discussion
April 2014	**WLEP Board and WLEP SEP & ESI Funds Strategy Task and Finish Group** **WLEP Board and WLEP Executive c**onvert SEP and ESI Funds Strategy into Delivery Plans alongside agreed delivery models and mechanisms through liaison held via: **WLEP Business Board** and wider business community consultation **WLEP Planning Development & Infrastructure Sub Group** including housing theme **WLEP Access to Finance Sub Group** **WLEP Employment and Skills Board** **WLEP National Profile and Promotion Sub Group** **WLEP Manufacturing, Defence and Cyber Security, Food/Horticulture, Tourism Sector Groups** **WLEP Business and Regulations Sub Group** **WLEP Armed Forces Sub Group** **WLEP and Worcestershire Local Transport Board** **Special WLEP and Leaders' Panel Liaison meeting** alongside individual authority bilaterals **WLEP and Social Enterprise Focus Group** **WLEP and Social Housing Network** **WLEP and Local Nature Partnership** with Environment Network (including LEDE Toolkit work to Levels 2 and 3) **WLEP and Third Sector Social Inclusion Network** **WLEP and Rural Focus** **WLEP Opt-In National Programmes negotiations - UKTI, MAS, GA, SFA, BLF,**

	DWP, EIB and ongoing individual bilateral WLEP discussions **WLEP and BIS WM Liaison** (WLEP co-ordinating WLEP partners knowledge/expertise; BIS WM co-ordinating DCLG, DEFRA, DWP, DfT, WMES, Cabinet Office) **WLEP Executive bilaterals** and collective discussions with other WLEP partner and network leads; other LEPs across the network; WM LEPs' collective discussion.
May 2014	**WLEP SEP & ESI Funds Strategy Task and Finish Group** **WLEP Board and WLEP Executive** shaping SEP and ESI Funds Strategy delivery, programme and performance management through liaison held via: **WLEP Business Board** and wider business community consultation **WLEP Planning Development & Infrastructure Sub Group** including housing theme **WLEP Access to Finance Sub Group** **WLEP Employment and Skills Board** **WLEP National Profile and Promotion Sub Group** **WLEP Manufacturing, Defence and Cyber Security, Food/Horticulture, Tourism Sector Groups** **WLEP Business and Regulations Sub Group** **WLEP Armed Forces Sub Group** **WLEP and Worcestershire Local Transport Board** **Special WLEP and Leaders' Panel Liaison meeting** alongside individual authority bilaterals **WLEP and Social Enterprise Focus Group** **WLEP and Social Housing Network** **WLEP and Local Nature Partnership** with Environment Network (including LEDE Toolkit work to Levels 2 and 3) **WLEP and Third Sector Social Inclusion Network** **WLEP and Rural Focus** **WLEP Opt-In National Programmes negotiations - UKTI, MAS, GA, SFA, BLF, DWP, EIB** and ongoing individual bilateral WLEP discussions **WLEP and BIS WM Liaison** (WLEP co-ordinating WLEP partners knowledge/expertise; BIS WM co-ordinating DCLG, DEFRA, DWP, DfT, WMES, Cabinet Office) **WLEP Executive bilaterals** and collective discussions with other WLEP partner and network leads; other LEPs across the network; WM LEPs' collective discussion.
June 2014	**WLEP SEP & ESI Funds Strategy Task and Finish Group**

	WLEP Board and WLEP Executive liaison held via: **WLEP Business Board** and wider business community consultation **WLEP Planning Development & Infrastructure Sub Group** including housing theme **WLEP Access to Finance Sub Group** **WLEP Employment and Skills Board** **WLEP National Profile and Promotion Sub Group** **WLEP Manufacturing, Defence and Cyber Security, Food/Horticulture, Tourism Sector Groups** **WLEP Business and Regulations Sub Group** **WLEP Armed Forces Sub Group** **WLEP and Worcestershire Local Transport Board** **Special WLEP and Leaders' Panel Liaison meeting** alongside individual authority bilaterals **WLEP and Social Enterprise Focus Group** **WLEP and Social Housing Network** **WLEP and Local Nature Partnership** with Environment Network (including LEDE Toolkit work to Levels 2 and 3) **WLEP and Third Sector Social Inclusion Network** **WLEP and Rural Focus** **WLEP Opt-In National Programmes negotiations - UKTI, MAS, GA, SFA, BLF, DWP, EIB** and ongoing individual bilateral WLEP discussions **WLEP and BIS WM Liaison** (WLEP co-ordinating WLEP partners knowledge/expertise; BIS WM co-ordinating DCLG, DEFRA, DWP, DfT, WMES, Cabinet Office) **WLEP Executive bilaterals** and collective discussions with other WLEP partner and network leads; other LEPs across the network; WM LEPs' collective discussion **ERDF and ESF Operational Programmes expenditure to commence**
July 2014	**WLEP SEP & ESI Funds Strategy Task and Finish Group** **WLEP Board and WLEP Executive** through liaison held via: **WLEP Business Board** and wider business community consultation **WLEP Planning Development & Infrastructure Sub Group** including housing theme **WLEP Access to Finance Sub Group** **WLEP Employment and Skills Board** **WLEP National Profile and Promotion Sub Group** **WLEP Manufacturing, Defence and Cyber Security, Food/Horticulture, Tourism Sector Groups**

	WLEP Business and Regulations Sub Group **WLEP Armed Forces Sub Group** **WLEP and Worcestershire Local Transport Board** **Special WLEP and Leaders' Panel Liaison meeting** alongside individual authority bilaterals **WLEP and Social Enterprise Focus Group** **WLEP and Social Housing Network** **WLEP and Local Nature Partnership** with Environment Network (including LEDE Toolkit work to Levels 2 and 3) **WLEP and Third Sector Social Inclusion Network** **WLEP and Rural Focus** **WLEP Opt-In National Programmes negotiations concluded - UKTI, MAS, GA, SFA, BLF, DWP, EIB** **WLEP and BIS WM Liaison** (WLEP co-ordinating WLEP partners knowledge/expertise; BIS WM co-ordinating DCLG, DEFRA, DWP, DfT, WMES, Cabinet Office) **WLEP Executive bilaterals** and collective discussions with other WLEP partner and network leads; other LEPs across the network; WM LEPs' collective discussion. **WLEP submission of Final Strategic Economic Plan to Government** **Growth Deals expected to be in place in April 2015**

Appendix B - List of Consultees

List of WLEP Partners and Stakeholders

3SDL
Abbey Park Golf and Country Club
ACT
Action for Children
Age UK Herefordshire and Worcestershire
Armed Forces 143 Brigade (Midlands)
Asiri Foods
Association of Parish Councils
Avoncroft Museum Bromsgrove
BBC Herefordshire and Worcestershire
Beacon CiC
Beer and Partners
Bewdley Brewery
Bewdley Development Trust
Birds Brewery
Borwell Limited
Boughton Butler
Brockencote Hall, Chaddesley Corbett
Bromsgrove District Council
Buffets our Business
Caldecott Farms
Chris Green Media
Chrysalis Performance Limited
CLD Trust
Clive's Fruit Farm
CMCA-UK
Community First
Community Housing
Community Regeneration, North Worcestershire
Coomber Electronics
Country Land Association
CROWN Community Action Wyre Forest
CSI in Kidderminster
Elim Conference Centre, Malvern
Encription
Environment Agency
EPIC CiC
e-Response Recruitment
Evesham Vale Growers
Farmstay

Federation of Small Businesses (Worcestershire)
Festival Housing Limited
First Solution
Focus Training
GH Styles Apple Juice Producers
Grumpy Farmer Poultry Farm
H Dayus Butchers
Hallmark Hulme
Hanley Castle High School
Harris Lamb
Harrison Clark
Health and Safety Executive (Worcestershire)
Heart of England Fine Foods
Herefordshire and Worcestershire Chamber of Commerce
Herefordshire and Worcestershire Fire and Rescue
Hewett Recruitment
Hewitt Recruitment
HM Revenue and Customs (Worcestershire)
Hodgehill Farm Shop
Holywell Springwater
Hotelshop
IASME Consortium
Impetus
Inkberrow Design
Institute of Directors (Worcestershire)
ISO Quality Services
Jinney Ring Craft Centre, Hanbury
Jobcentre Plus (Worcestershire)
Kanesfoods.co.uk
King Charles First School
LAG, LEADER Project, Worcestershire
Little Ginger Pig Company
Malvern Hills District Council
Malvern Hills Science Park
Malvern Solar
Malvern Theatres
Meconopsis Developments
MFG Solicitors
Midwest Rural Enterprise CiC
Modus Creative
Museum & Art Gallery Worcester
National Apprentice Service
Natural England
NEW College
New Hope

Newsquest
NFU
Nicklins
Nineveh Ridge Care Farm
North Worcestershire Economic Development and Regeneration Service
Oakland International
OGL Limited
Oldyarr Farm Shop
Oliver James Foods
One Creative Environments
Opportunity Vale of Evesham
Pegoty Hedge
Pete Cullen Consulting
Peter Millichip Sports
Planning Prospects
Postcode Anywhere
Pye Hill Farm
Ramblers Association
Redditch Borough Council
Robert West Engineering
Rockline Industries Limited
Roots HR
Rotec Limited
Rural Experience
Sanctuary Housing
Severn Valley Railway
Shaw Trust
Shelsley Walsh Hill Climb
SME Solicitors
South Bromsgrove High School
Speller Metcalfe
Spokes CiC
St Andrew's Hotel, Droitwich
St Francis Group
St Georges Brewery
Stanbrook Abbey
Stirchley Bacon
Stone Manor Hotel, Kidderminster
Stourport Manor Hotel
Sutcliffe and Co
Swan Theatre, Worcester
Taylor Property Development
The Fold
The Pudding Shop
The Village Shop

Thomas Vale Construction
Three Counties Show Ground
Three Counties Showground, Malvern
Tipple Tourism
Titania
University of Worcester
UTC
Vestia
Webbs Garden Centre
West Midlands Safari Park
Wingates
Wood Norton Hotel, Evesham
Worcester Bosch Group
Worcester City Council
Worcester College of Technology
Worcester News
Worcester Racecourse
Worcester Research Company
Worcester Warriors
Worcestershire Ambassadors
Worcestershire Armed Forces Community Covenant Partnership
Worcestershire Association of Carers
Worcestershire Community Land Co-operative
Worcestershire County Council
Worcestershire County Cricket Ground
Worcestershire Local Nature Partnership
Worcestershire Regulatory Services
Worcestershire Rural Hub
Worcestershire Voices
Worcestershire Wildlife Trust
Wychavon District Council
Wyre Forest District Council
Yamazaki Mazak Limited
Young Farmers

Appendix C - Rationale for intervention

1. Socio-economic conditions

(ii) Business

Economic performance - The overall value of the Worcestershire economy in 2011 was estimated at approaching £9.2 billion, which represents nearly a tenth of the West Midlands economy. The Worcestershire economy was hard hit during the early stages of the economic crisis and saw its GVA decline by 8% in real terms between 2007 and 2009. Encouragingly though, from 2009 the Worcestershire economy has shown a relatively strong recovery, with an annual growth rate of 0.7%, representing the 7th highest annual average growth rate among the LEP economies[13].

Despite this recent recovery, the Worcestershire economy continues to be characterised by below average productivity – GVA per worker is estimated at £40,036, representing 86.8% of the Great Britain average[14], whilst GVA per person is estimated at£16,165- 94.6% of the West Midlands average and 77.6% of the Great Britain average[15].

Enterprise base - In 2012 there were some 22,155 VAT and/or PAYE based enterprises[16] (or 23,515 active enterprises in 2011[17]) in Worcestershire. There were 2,325 new enterprises in 2011, an increase of 6.9% on the previous year but still significantly below the number of births preceding the economic crisis (2,785 in 2006). The increase in the number of births in Worcestershire between 2010 and 2011 was below the West Midlands increase of 9.8% and the United Kingdom increase of 11.2%.

In 2011, there were 2,170 business deaths in Worcestershire, a decrease of 13.5% compared to the previous year. Worcestershire performed better than the West Midlands as a whole, which only saw a decrease of 10.5%, and the United Kingdom, which only saw a decrease of 7.9%. Worcestershire is also characterised by relatively high business survival rates. Among businesses that started in 2009, 76.4% were still active in 2011 compared to 73.6% in the West Midlands and 73.8% across the United Kingdom[18].

Worcestershire has a high number of Small and Medium sized Enterprises (SMEs) relative to its population base (6.2 SMEs per 1,000 working age population)[19] and a high self-employment rate (10.6%)[20], although the "enterprise churn rate" is relatively low[21] which may be indicative of limited competition and a high proportion of lifestyle businesses. Moreover, Worcestershire's enterprise base is characterised by a relatively large proportion (21.4%) of enterprises with a turnover of less than £49,000[22].

Inward investment - Worcestershire has had limited success in terms of attracting inward investment in the past, with the LEP area securing only 5 out of 63 inward investment projects in the West Midlands, resulting in 442 jobs[23]. As such growth and job creation has primarily come from the indigenous business base, which is principally made up of SMEs but

13 LEGI analysis based on Regional Gross Value Added, ONS, 2007-2011
14 LEGI analysis based on Regional Gross Value Added, ONS, 2011; BRES, NOMIS, ONS, 2011
15 LEGI analysis based on Regional Gross Value Added, ONS, 2011; Mid-Year Population Estimates, NOMIS, ONS, 2011
16 UK Business: Activity, Size and Location, ONS, 2012
17 Business Demography, ONS, 2011
18 Ibid.
19 LEGI analysis based on UK Business: Activity, Size and Location, ONS, 2012; Mid-Year Population Estimates, NOMIS, ONS, 2012
20 LEGI analysis based on Annual Population Survey, ONS, 2011-2012
21 LEGI analysis based on Business Demography, ONS, 2011
22 UK Business: Activity, Size and Location, ONS, 2012
23 West Midlands European Service, May 2013, West Midlands' ERDF Socio-Economic Framework: Draft West Midlands' Overview (Version 5)

also includes a number of large and well-known employers, such as Worcester Bosch, QinetiQ, Yamazaki Mazak, Morgan Motors, GKN and Brintons. However, there are significant barriers to growth. For example, in a recent survey of manufacturing businesses 35% stated that access to finance was constraining their ability to grow[24].

Employment base - Whilst output has recovered strongly since 2009, the performance in terms of employment has been less impressive. In fact, employment fell by 2.3% between 2009 and 2011, which is one of the sharpest falls in employment among the LEP economies during this period[25].

Sectoral structure - In terms of specific sectors, Worcestershire has particular strengths in relation to manufacturing (including high-technology industries), horticulture and food, tourism and defence/cyber security. Indeed, with over 5% of employment in medium-high and high-technology manufacturing Worcestershire ranks third among the LEP economies[26]. Overall, the manufacturing sector accounts for over 14% of employment. Reflecting the concentration of economic activity in the production industries - Worcestershire has been defined as a “Producing Place” by the LEP Chairs Network. In addition, a small but important cluster of defence/cyber security businesses are located in Malvern, while the proportion of people employed in tourism-related industries in the WLEP area (9.2%) is higher than both the regional (7.8%) and national (9.0%) averages.[27]

Figures 1.1 and 1.2 compare the relative size of sectors within Worcestershire (as shown in the brackets) to their size nationally (as signified by the location quotient), as well as comparing the projected growth rates at the Worcestershire and national levels, based on forecasts produced by Cambridge Econometrics (2013). The analysis of future expected performance, both in terms of GVA and employment, supports the identification of manufacturing, horticulture/agriculture and food as key sectors. It also suggests that Worcestershire has some strengths in relation to construction and the property market.

[24] Worcestershire LEP, 2013, Economic Profile and Baseline Statistics Research Report on the Manufacturing Sector in the Worcestershire LEP area
[25] LEGI analysis based on BRES, NOMIS, 2009-2011
[26] Ibid.
[27] Based on BRES, NOMIS.

Figure 1.1: Worcestershire sector level analysis – GVA

Wood & paper (0.4%)
Non-metallic min. prods (0.8%)
Metals & metal prods. (3.3%)
Electrical equipment (0.9%)
Other manuf. & repair (1.2%)
Water sewerage & waste (1.7%)
Motor vehicles trade (2.7%)
Retail trade (6.2%)
Arts (0.7%)
Other services (2.1%)

Agriculture (1.5%)
Food, drink & tobacco (2.7%)
Textiles (0.7%)
Printing & recording (0.8%)
Chemicals (1.0%)
Electronics (1.3%)
Machinery etc (2.3%)
Motor vehicles (1.2%)
Other trans. Equipment (1.6%)
Construction (7.2%)
Real estate (5.2%)
Residential & social (4.5%)

Location Quotient above 1

Electricity & gas (0.5%)
Wholesale trade (3.0%)
Warehousing & postal (1.5%)
Food & beverage services (2.2%)
IT services (5.6%)
Financial & insurance (4.8%)
Legal & accounting (1.6%)
Head offices & manag. Cons. (1.1%)
Archit. & engin. services (1.7%)
Business support services (4.9%)
Education (5.1%)
Health (5.7%)
Recreational services (1.1%)

Mining & quarrying (0.1%)
Pharmaceuticals (0.0%)
Land transport (1.5%)
Air transport (0.0%)
Accommodation (0.7%)
Media (0.5%)
Other professional services (1.1%)
Public admin. & def. (2.6%)

Location Quotient below 1

Forecast growth rate lower than UK

Forecast growth rate higher than UK

Figure 1.2: Worcestershire sector level analysis – employment

Agriculture (1.8%)
Food, drink & tobacco (1.3%)
Textiles (1.0%)
Wood & paper (0.6%)
Printing & recording (1.1%)
Chemicals (0.5%)
Non-metallic min. prods (0.8%)
Electronics (0.3%)
Machinery etc (1.2%)
Motor vehicles (0.8%)
Other trans. equipment (0.6%)
Motor vehicles trade (2.3%)
Retail trade (10.3%)
Land transport (2.5%)

Metals & metal prods (2.3%)
Electrical equipment (0.7%)
Other manuf. & repair (1.2%)
Water sewerage & waste (1.0%)
Food & beverage services (5.9%)
Real estate (2.6%)
Health (8.1%)
Residential & social (5.9%)
Art (1.2%)
Recreational services (1.9%)
Other services (2.8%)

Location Quotient above 1

Mining & quarrying (0.0%)
Pharmaceuticals (0.0%)
Media (0.8%)
Financial & insurance (1.6%)
Public admin. & def (2.7%)
Education (6.3%)

Electricity & gas (0.2%)
Construction (6.7%)
Wholesale trade (3.6%)
Air transport (0.0%)
Warehousing & postal (1.7%)
Accommodation (1.1%)
IT services (2.2%)
Legal & accounting (1.7%)
Head offices & manag. cons. (2.2%)
Archit. & engin. services (0.9%)
Other professional services (1.9%)
Business support services (7.8%)

Location Quotient below 1

Negative forecast growth rate

Positive forecast growth rate

Notwithstanding these sector strengths, Worcestershire is represented by a more limited knowledge economy in terms of services. The limited scope and scale of the knowledge based service economy is reflected in the below average productivity and average annual earnings. The WLEP area has a relatively high rate of patents per 100,000 working age residents over the period 2005 - 2010 (61 compared with an England average of 48 and a West Midlands average of 46).

With global integration continuing to be a key driver for growth, it is encouraging that employment in highly "contestable" (i.e. export and import intensive) industries account for a relatively high proportion of employment in Worcestershire (19.1%)[28]. However, it is understood that this potential is not being realised – with actual exports being relatively low. Indeed, according to a recent survey of manufacturing businesses only 38% of companies export goods outside of the UK[29].

Low carbon economy - A key area of focus for the ESI Funds is the low carbon economy. Notably in this regard, Worcestershire exhibits a number of strengths in the Low Carbon Environmental Goods and Services (LCEGS) sector[30]:

- good support for LCEGS sector companies through Metnet and Worcestershire Business Central, which includes a resource efficiency business support programme for local SMEs;
- new centres of excellence are planned for engineering, construction and food production – all of which have a positive impact on the LCEGS sector's ability to support the development of a low carbon economy;
- leading UK manufacturer of energy efficient boilers and renewable energy options including solar and ground/air source heat pumps;
- a strong and established horticulture sector, with examples of exemplar low carbon projects;
- strong automotive supply chain (with links to Jaguar Land Rover) which may support the development of low carbon vehicles; and
- waste to energy facilities are increasing in capacity and power generation.

Overall, the LCEGS sector in Worcestershire LEP is valued at over £1 billion in terms of sales and supports an estimated 7,600 jobs and over 400 businesses[31].

Occupational structure - Perhaps surprisingly, given the below average productivity rate and average annual earnings, the work-place based occupational structure in Worcestershire is relatively strong, with 48.8% of workers employed in highly skilled (SOC 1-3) occupations (compared with 39.7% in the West Midlands and 43.6% in Great Britain). Equally, the proportion of workers employed in low skilled (SOC 6-9) occupations is reasonable low at 36.0% (compared with 37.8% in the West Midlands and 34.7% in Great Britain)[32].

[28] LEGI analysis based on UK Input-Output tables and BRES, ONS, 2011

[29] Worcestershire LEP, 2013, Economic Profile and Baseline Statistics Research Report on the Manufacturing Sector in the Worcestershire LEP area

[30] Innovas, 2013, Supporting the Low Carbon Economy under the 2014-20 EU funding programme in the Marches, Worcestershire and Stoke & Staffordshire LEPs

[31] BIS, 2013, Low Carbon Environmental Goods and Services (LCEGS): Report for 2011/12 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/224068/bis-13-p143-low-carbon-and-environmental-goods-and-services-report-2011-12.pdf

[32] LEGI analysis based Annual Population Survey, ONS, 2012

(iii) People

Population base - Worcestershire has a population of some 567,000. Its population has grown by 10.6% since 1991 which is above the Great Britain average. The productive capacity of the Worcestershire economy is, however, somewhat restricted by a relatively high proportion of the population aged 65 and over (19.4% compared 17.0% in West Midlands and 16.6% in Great Britain). Consequently, the working age population is below the regional and national averages. This is further exacerbated by the fact that there is a trend of out-migration among younger cohorts. Indeed, the working age population grew by only 1.3% between 2006 and 2011, representing a third of the Great Britain growth (3.9%)[33].

Whilst a large proportion of Worcestershire's land area is rural, over 70% of the population lives in urban areas.

Average earnings - At £24,543 average annual earnings (workplace-based) in Worcestershire is below both the regional and national averages (99.7% of West Midlands and 92.4% of Great Britain)[34]. Interestingly though, average annual earnings among Worcestershire residents is 9% higher than those of its workforce[35], suggesting that its residents benefit from well-paid jobs outside of Worcestershire. Indeed, the net outflow of workers is estimated at 37,200 in Worcestershire, with outward commuting being most significant in Bromsgrove and Wychavon (55% and 35% of residents working outside the WLEP area) and among highly skilled/paid occupations[36].

Labour market performance - The Worcestershire labour market is characterised by relatively high economic activity and employment rates[37]. Consequently, unemployment rates are also significantly below regional and national averages. Nevertheless, young people and the long-term unemployed represent an increasing share of the unemployed[38] and thus face particular issues in terms of entering and/or reintegrating into the labour market. Whilst remaining below the regional and national averages, the claimants per vacancy ratio of 2.3[39] suggests that the key to getting people into employment is to create more jobs, as well as ensure that the underutilised workforce meets the skills requirements of the employers (including both technical/job-specific skills and "softer skills" such as he right attitude, motivation and social skills). This would also serve to mitigate a trend whereby some businesses prefer to poach employees from other companies rather than employ the workless, this is particularly evident in relation to engineers.

Qualifications - In terms of qualifications, 32.5% of Worcestershire's working age population are qualified to NVQ level 4 or above, above the regional rate of 27.8% but below the Great Britain rate of 34.4%. 22.0% of the working age population are qualified to NVQ level 1 or below, similar to the national rate of 21.9% and below the regional rate of 26.5%[40].

The University of Worcester is a considerable asset to the WLEP area; providing skilled labour to the economy and being the fastest growing university in the country for the past three years (based upon the percentage increase in applications to undergraduate programmes). Whilst a majority of students are enrolled on courses relating to education and health (e.g. teacher and nursing training), a growing proportion of students are enrolled on courses within the Business School and the recently established Institute for Science and

33 LEGI analysis based on Mid-Year Population Estimates, NOMIS, ONS, 2006-2011
34 ASHE, NOMIS, ONS, 2012
35 LEGI analysis based on ASHE, NOMIS, ONS, 2012
36 Annual Populations Survey, ONS, 2013
37 Ibid.
38 DWP Benefits, NOMIS, 2013
39 Jobcentre Plus vacancies, NOMIS, ONS, November 2012; Claimant count, NOMIS, ONS, November 2012
40 LEGI analysis based on Annual Population Survey, ONS, 2012

the Environment. The University has an emerging provision of enterprise space and is also focusing on graduate entrepreneurship. The University is also home to a number of National Research Centres including:

- Centre for People @ Work;
- Centre for Rural Research;
- National Pollen and Aerobiology Research Unit; and
- Centre for Ethical Leadership.

In terms of securing a highly skilled workforce for the future, it is also encouraging that an above national average share of pupils is attaining five or more GCSEs Grades A-C[41]. Nevertheless, , nearly 1,000 or 5.4% of 16-18 year olds are categorised as NEETs (not in education, employment or training)[42].

Social inclusion and poverty - Income deprivation is often considered to be the most important component of disadvantage. Indeed, people living on low incomes are restricted in terms of their housing choices, education opportunities and skills, and employment prospects. Over 130,000 people (24.7% of the population) in Worcestershire live in a household with a median income less than £17,678 per annum, which is less than 60% of the median household income for England (the official Government definition of poverty)[43].

Across Worcestershire the greatest proportion of the population on a low income live in Wyre Forest, with 28,049 people representing 28.4% of the population. This is the equivalent of 29.2% of households in the area. Redditch, Worcester and Wyre Forest have a greater proportion of the population and a greater proportion of households on low incomes when compared to the county average. As such, deprivation can be seen to be spatially concentrated in a number of locations across Worcestershire, with particular pockets of deprivation in the Redditch, Worcester and Kidderminster areas[44].

According to the Index of Multiple deprivation, in which income deprivation is one component, approaching a fifth (16%) of Worcestershire's Lower Layer Strategic Output Areas (LSOAs) are in the most deprived 30% of SOAs in England[45].

(iv) Place

Transport - Worcestershire benefits from being at the centre of the national motorway network (M5, M42 and M50) and also has access to the national rail network with regular services to Birmingham and London. It also has good access to Birmingham Airport via the M42 and has potential to benefit from developments arising as a result of any forthcoming investment in UK Central, including HS2.

Broadband - Whilst the coverage of superfast broadband in Worcestershire is above the national average at 68.3%, the LEP area underperforms on a number of key broadband measures:

- average sync speeds are estimated at 11.2 Mbps (UK average of 12.7 Mbps)
- 13.8% do not receive speeds of 2 Mbps (UK average of 10.1%); and
- take-up of superfast broadband stands at 6.3% of premises (UK average of 7.3%)[46].

41 Department for Education Performance Table, 2011
42 Department for Education, 2013
43 Pay Check, CACI, 2011
44 Ibid.
45 Index of Multiple Deprivation, DCLG, 2010
46 Ofcom, 2012, UK Broadband Speed http://maps.ofcom.org.uk/broadband/

This underperformance may, however, be mitigated by the recently confirmed investment of £20.75 million by BDUK, Worcestershire County Council and BT in Worcestershire's broadband infrastructure. This infrastructure investment aims to provide 90% of business and residential premises with access to superfast broadband by 2015. However, the deployment of broadband infrastructure is only part of the picture as there is a significant knowledge gap among SMEs in terms of how the opportunities offered by superfast broadband can transform their businesses. If not addressed, many businesses are unlikely to understand or realise the benefits of higher-level applications, and will therefore not invest in superfast broadband.

Housing - In terms of housing, and reflecting the demographic trends, including population growth, the number of dwellings in Worcestershire has increased significantly in the last decade. Indeed, in 2011 there were 246,190 dwellings, representing an increase of 7.7% compared to 2001. Whilst house prices have fallen following the economic crisis, affordability remains to be a significant issue in Worcestershire.

Environment and climate change - Worcestershire benefits from an attractive natural and historic environment and this is reflected in the above average life satisfaction rating for Worcestershire[47]. However, in the longer term this high quality natural environment may be threatened by increasing carbon emissions and sub-optimal energy efficiency in domestic and non-domestic buildings. Notably, local CO_2 emissions (kilo tonnes per 1,000 population) is estimated at 7.8, which is higher than both the West Midlands average (7.2) and the GB average (7.4)[48].

Linked to climate change, a major issue for Worcestershire's businesses and residents is flooding. Over the last few years, floods have occurred as a result of rivers such as the Severn, Avon and Teme bursting their banks and through flash flooding as a result of intense rainfall. In Worcestershire, approximately 10% of the land area is at risk of flooding. In the 2006 State of the Environment update, the number of properties at risk of flooding was around 4,000. This figure is now likely to have increased. Notably, Worcestershire has the second largest percentage land area at risk of flooding in the West Midlands region[49].

A further resource issue in Worcestershire relates to the water supply for businesses in the horticulture sector, which is worth £70 million to the Worcestershire economy, representing 20% of the West Midlands horticulture output. Notably, increasing regulation, droughts, and the longer-term risks of climate change threaten the sustainability of this industry and the rural livelihoods it supports[50].

Employment sites - Worcestershire currently lacks strategic employment sites, which has led to lost foreign direct and local investment, although the Game Changers programme is being developed to address this weakness. More generally, the shortage of suitable sites and premises is identified as a constraint on growth; limiting the options available to businesses that wish to move, expand or upgrade their premises.

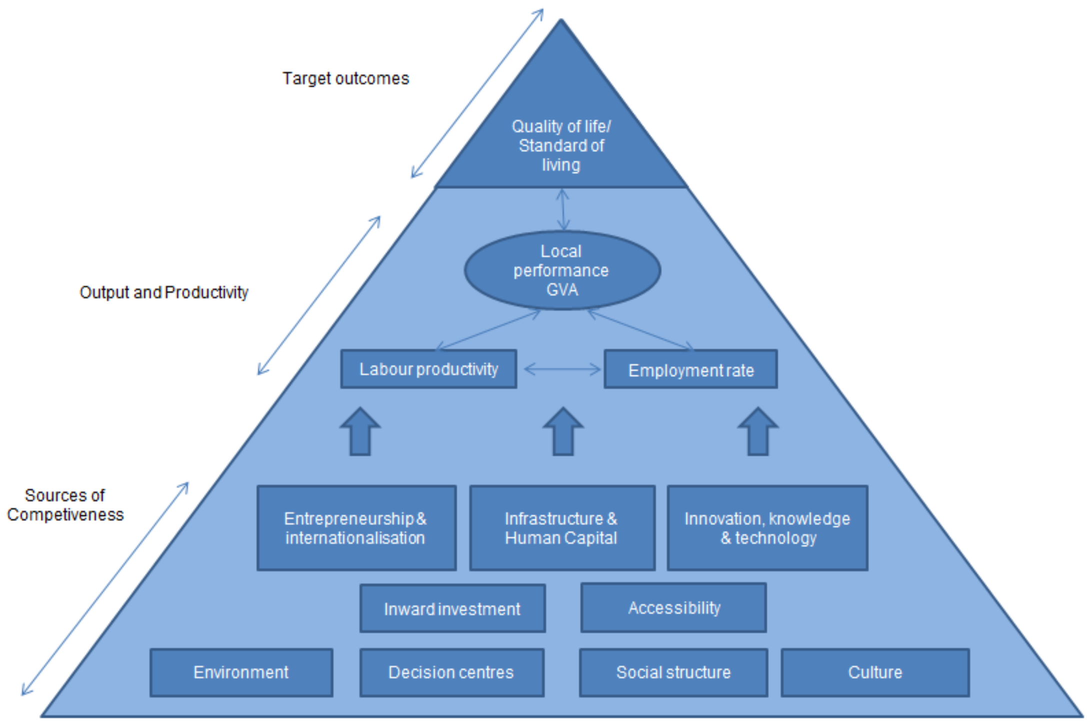
Local Economic Growth Index (LEGI) analysis

The Local Economic Growth Index (LEGI) analysis is based upon a comprehensive theoretical framework that describes the range, and inter-connectedness, of economic drivers that determine competitiveness and growth at the local and regional level. In particular, this

47 LEGI analysis based on Subjective Well-being Experimental dataset, ONS, 2011/12
48 LEGI analysis based on DECC, 2012
49 Worcestershire Partnership, 2012, Properties at risk of flooding http://www.worcestershirepartnership.org.uk/cms/pdf/Properties%20at%20Risk%20of%20Flooding.pdf
50 Getting to the Heart of Horticulture: Opportunities and challenges for the horticulture and potato sectors in the West Midlands

framework provides a starting point for examining and reviewing the current profile and performance of the WLEP economy.

Figure 1.3: The Pyramid Model of Local and Regional Competitiveness



Source: Adapted from Begg (1999), Camagni (1999), EC (1999), Jensen-Butler (1996), Lengyel (2003)

Notably, LEGI provides an evidence-based assessment of the local economy and helps to understand the fundamental characteristics of the economy, allowing the identification of key areas of strength that can be acted upon and challenges that have to be mitigated. Importantly, the LEGI tool allows some indicative separation between the sources or determinants of competitiveness and productivity and the socio-economic outcomes of such sources or determinants. Importantly, this enables the analysis to attempt some distinction between cause and effect so that the profile can be used as a diagnostic tool as well as a descriptive tool. As such, the analysis is structured to comprise indicators that measure:

- the quality of life and standard of living (the top of the pyramid);
- the output and productivity (the results of competitive pressures); and
- the sources or determinants of competitiveness and growth (e.g. infrastructure, human capital, innovation, entrepreneurship, etc.)[51].

Clearly, it will not provide answers to all policy questions but it represents a key component of successfully developing priorities and actions that have an 'unequivocal' evidence base. Another key benefit of the tool is that is presents and synthesises a wealth of disparate data sources into a readily accessible format. Furthermore, it allows LEP areas (and local authority districts) to be benchmarked and assessed against comparator areas (LEP areas, regions and the national average).

[51] Due to a lack of comparable and robust data some sources of competitiveness have not been quantified and measured in the LEGI analysis (i.e. those at the bottom of the pyramid).

Whilst the content of LEGI is inevitably driven by the availability of local/LEP level data, it seeks to reflect national and EU policy objectives, LEP growth plans and sources of competitiveness and growth as far as possible.

Below we set out further detail on the thematic areas, and underlying indicators, that have been incorporated in the LEGI analysis:

Table 1.1 LEGI thematic areas, indicators and sources

Thematic area	Indicators	Sources
Quality of life & standard of living (top of the pyramid)	Average annual earning (£), residence-based Life satisfaction, average rating Local CO2 emissions per 1,000 population Share of population living in most deprived areas (%) Child poverty (%) Claimant unemployment rate (%)	ASHE, NOMIS, ONS, 2012 Subjective Well-being Experimental dataset, ONS, 2011/12 DECC, 2012 Index of Multiple Deprivation, 2010 HMRC, 2010 DWP Benefits, NOMIS, December 2012
Output and productivity (revealed competitiveness)	GVA per person (£) Labour productivity, GVA per worker (£) Employment rate (%), two-year average Change in GVA (%) Employment growth (%) Change in working age population (%)	Regional Gross Value Added, ONS, 2011; Mid-Year Population Estimates, NOMIS, ONS, 2011 Regional Gross Value Added, ONS, 2011; BRES, NOMIS, ONS, 2011 Annual Population Survey, ONS, 2011-2012 Regional Gross Value Added, ONS, 2006-2011 BRES, NOMIS, 2009-2011 Mid-Year Population Estimates, NOMIS, ONS, 2006-2011
Infrastructure & human capital	Highest qualification attainment by share of working age population (16-64): NVQ4+ Highest qualification attainment by share of working age population (16-64): NVQ1 or no qualifications (%) Superfast broadband take up: share of premises (%) Change in total business rateable value (%) Planning decisions (major development) within 13 weeks: share of total (%)	Annual Population Survey, ONS, 2012 Annual Population Survey, ONS, 2012 OFCOM, 2012 Commercial and Industrial Floorspace and Rateable Value, ONS, 2005-2010 DCLG, 2012/13
Entrepreneurship &	Number of SMEs (VAT and PAYE based) per	Business Demography, ONS, 2012;

Thematic area	Indicators	Sources
internationalisation	1,000 working age population	UK Business: Activity, Size and Location, ONS, 2012
	Enterprise churn rate (sum of births and deaths): share of enterprise stock (%)	Business Demography, ONS, 2012
	Self-employment rate (%), two-year average	Annual Population Survey, ONS, 2011-2012
	Employment in highly 'contestable' (export/import intensive) industries: share of total (%)	UK Input-Output tables and BRES, ONS, 2011
	Foreign-owned enterprises: share of total (%)	IDBR, 2010
Innovation, knowledge & technology	Number of patent applications per 100,000 working age population	OECD Regional Database, 2005-2010; Mid-Year Population Estimates, 2010
	Highly skilled (SOC 1-3): share of total (%), two-year average (workplace-based)	Annual Population Survey, ONS, 2011-2012
	Low skilled (SOC 6-9): share of total (%),two-year average (workplace-based)	Annual Population Survey, ONS, 2012
	High technology employment: share of total (%)	BRES, NOMIS, ONS, 2011
	Knowledge-intensive services: share of total (%)	BRES, NOMIS, ONS, 2011

Quality of life and standard of living

The most successful communities are those which offer residents a high standard of living and quality of life. Ultimately, it is a high standard of living that local leaders strive to provide both their existing and potential residents, local community groups work towards and businesses seek to offer for their employees. In an era when there is intense competition for the most knowledgeable and the most skilled it is vital that efforts to bring about economic development and growth ensure a high quality of life and standard of living at the same time.

We have measured the quality of living and standard of life in the Worcestershire LEP area using key indicators relating to average annual earnings, life satisfaction, local CO2 emissions, extent of deprivation and child poverty and the claimant unemployment rate. Individual values on these indicators have been combined to create a composite index score[52] for quality of life and standard of living (Table 1.2).

In summary:

- The quality of life and standard of living is generally relatively high in the Worcestershire LEP area, which largely reflects a relatively low child poverty rate and a below national average claimant unemployment rate.
- There are, however, some notable differences across the LEP area, particularly in terms average annual earnings and local CO2 emissions which means that the LEP overall is below the national average on these measures.

[52] Composite scores for each thematic area represent unweighted averages of underlying indicator scores. In all cases indicator scores are indexed against the national average (GB=100).

- It is also clear that there are wide variations of deprivation across the LEP area. Indeed, whilst the extent of deprivation in Bromsgrove, Malvern Hills and Wychavon is relatively low, nearly a quarter of the population in Redditch live in the most deprived areas of England.

Output and productivity

A high quality of life and standard of living stem not only from an active economy with high employment, but increasingly from high value added activities and a productive workforce. The 'revealed competitiveness' of the Worcestershire LEP area, in terms of output and productivity, is measured using indicators on GVA per person, GVA per worker, the employment rate and changes in GVA, employment and the working age population over the last few years (Table 1.3).

In summary:

- Whilst the Worcestershire LEP area exhibits a high employment rate, the output and productivity performance is relatively low. This is likely to reflect a relatively low productivity rate (and share of high value added activities) within the area.
- Indeed, gross value added (GVA) per person, a common measure of economic output, is estimated at £16,165. This represents 77.6% of the national average and is also below the average for the West Midlands region. Similarly, GVA per worker, a common measure of productivity, is estimated at £40,036, representing 86.8% of the national average. The difference in the relative performance of GVA per person and GVA per worker is indicative of a net out-commuting working population.
- The trajectory of the Worcestershire LEP's economy has been below the national average in terms of GVA, employment and working age population growth in recent years. The Worcestershire LEP ranks particularly low in terms of GVA and employment growth.

Infrastructure and human capital

In evaluating Worcestershire LEP's stock of human capital and infrastructure we have focused particularly on the skills profile of the resident workforce, broadband speed, the total value of the commercial and industry floor space and the effectiveness of the planning authority in terms of major developments. Notably, higher skills levels among the resident population are generally considered an essential prerequisite to raising productivity, facilitating the shift towards higher value-added, higher wage economic specialisation (Table 1.4).

In summary:

- The Worcestershire LEP generally performs reasonably well in terms of the skills levels of the resident age population (the exceptions being Redditch and Wyre Forest). Around a third of the resident working age population is educated to degree level or above (NVQ4+).
- It would, however, appear that there are some inefficiencies in terms of major developments, with less than half the planning decisions being made within 13 weeks (a target for most planning authorities). Furthermore, the below average change in the total rateable value for commercial and industrial property is indicative of limited growth in the commercial and industrial property market, Take up of superfast broadband is also estimated to be relatively low in the LEP area.

Entrepreneurship and internationalisation

Here we consider the relative strength and competitiveness of local 'entrepreneurial culture' together with measures of internationalisation ('contestability', or export and import intensity, and foreign-ownership). Whilst inward investment represent the most direct and immediate form of employment generation, increasingly, the impetus for future local economic and employment growth is likely to rest with the quality of indigenous small and medium sized enterprises (SMEs), particularly those that exploit export and import opportunities (Table 1.5).

In summary:

- Whilst being characterised by a high business density of more than 6 SMEs per 1,000 working age population and a self-employment rate of approaching 11%, the Worcestershire LEP area has a relatively low enterprise churn rate, which is indicative of limited competition (or 'creative destruction').
- In terms of the internationalisation measures, it is clear that the Worcestershire LEP area has an above average share of employment in sectors that have a higher propensity to export and import. The proportion of foreign-owned enterprises is marginally below the national average[53], although they account for a substantially lower share of employment and turnover than the national average. Notably, foreign owned businesses account for a particularly high share of employment and turnover in Redditch and Worcester.

Innovation, knowledge and technology

In evaluating innovation, knowledge and technology we have focused on the occupational structure, employment in technology and knowledge-intensive sectors and patent applications (Table 1.6).

In summary:

- The Worcestershire LEP area has a comparatively strong high technology manufacturing base, particularly so in Redditch, which is reflected in its score and rank on this measures. However, it still only accounts for 5% of employment in the WLEP are and thus is likely to have only a limited impact of the overall economic growth and standard of living in the area.
- With the exception of Worcester, the WLEP area has a relatively low share of employment in knowledge-intensive services, accounting for 42% of employment compared to 48% nationally.
- Perhaps reflecting the strong performance in terms of high technology manufacturing, the Worcestershire LEP also performs strongly in terms of patent applications.
- In terms of the occupational structure of the LEP area, it would appear that the WLEP economy is slightly polarised, with comparatively high levels of both highly skilled workers and low skilled workers.

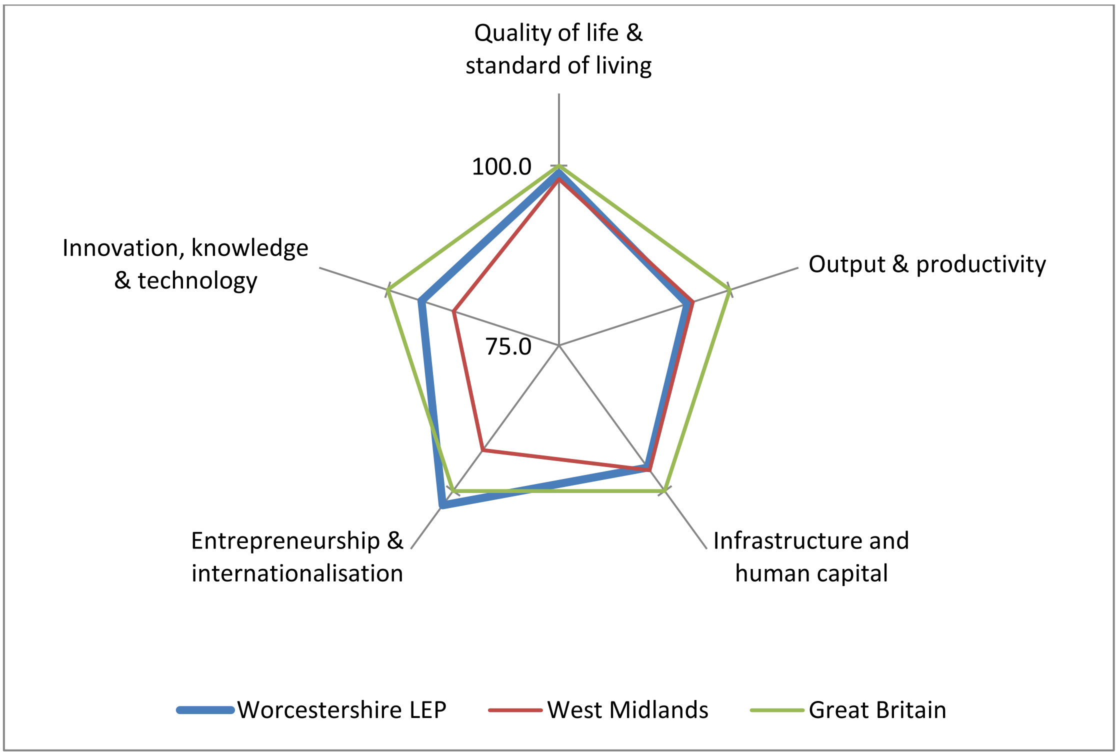
Overall profile and performance

The preceding analysis has benchmarked and evaluated the Worcestershire LEP area's relative performance against a range of key competitiveness factors. By way of summarising the profile and performance of the Worcestershire LEP area, the figure below presents how it scores on each of the thematic areas presented above. Figure 1.2 uses a radar graphic to compare Worcestershire LEP's economy overall, relative to the West Midlands region and GB

[53] For the majority of the enterprises in the IDBR database the country of ownership is unknown and thus the volume (and rate) of foreign owned enterprises should be considered as the minimum estimates rather than absolute figures.

as a whole, whilst Table 1.7 compares the individual performance of the constituent local authority districts.

Figure 1.4: LEGI summary – Worcestershire LEP



Source: LEGI analysis

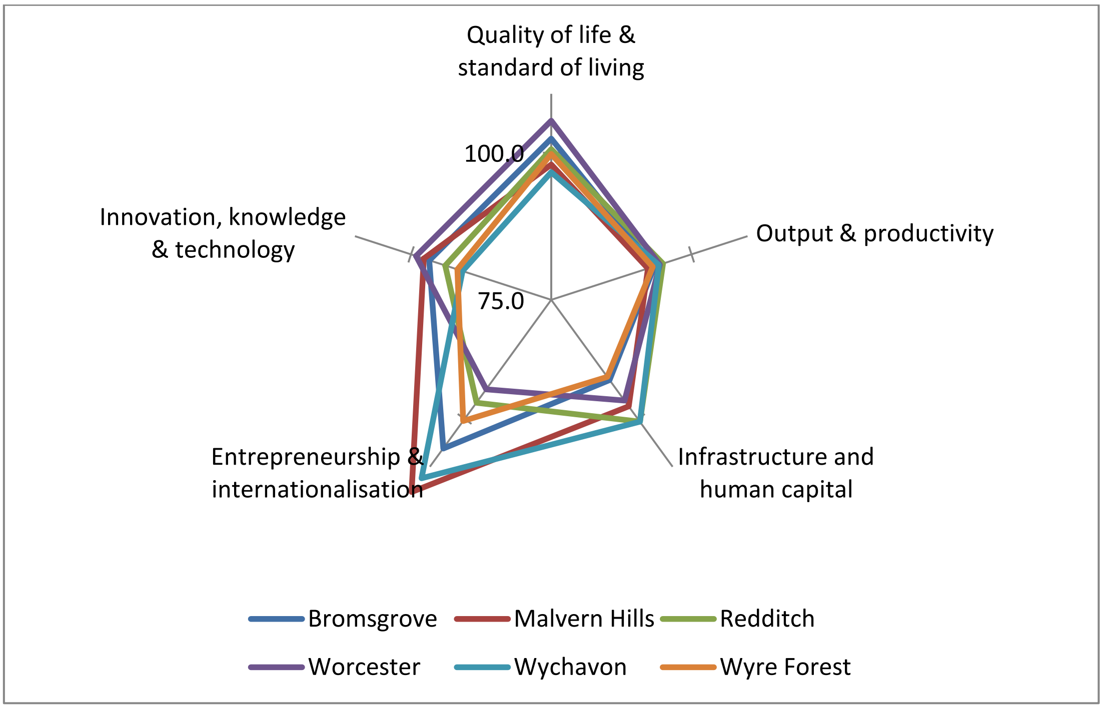
There are several key messages that emerge from the preceding analysis:

- In terms of the sources or determinants of competitiveness and productivity, the Worcestershire LEP's strongest comparative performance is in relation to entrepreneurship and internationalisation, with this largely reflecting a particularly high SME density rate and self-employment rate.
- Whilst the profile and performance in terms of innovation, knowledge and technology is generally below the national average, there are some encouraging aspects in relation to this thematic area, including a strong high technology manufacturing base, a strong performance in relation to patent applications and a high proportion of workers in highly skilled jobs. To a considerable extent, this reflects a significant number of engineering and technology firms located within the WLEP area. Such firms include emerging and developing SMEs, as well as large established companies such as Worcester Bosch and Yamazaki Mazak.
- Infrastructure and human capital represents an area in which the Worcester LEP exhibits the weakest comparative performance, in terms of its overall rank. To a considerable extent, this reflects its performance in relation to the infrastructure measures, particularly the speed of planning decisions in relation to major developments. Indeed, in terms of the qualifications of the resident working age population the Worcestershire LEP performs reasonably well.
- Notwithstanding the strong performance across some of the sources or determinants of competitiveness and productivity, it is the case that the LEP area still performs comparatively weakly in terms of the key measure of output and productivity (GVA per person/worker), whilst still maintaining a high employment rate. Worryingly, the

trajectory of GVA, employment and working age population growth has also been relatively weak in recent years.

- The comparatively weak performance in terms of output and productivity is also reflected in the performance of some of the standard of living measures, most notably average annual earnings. There are also pockets of deprivation across the LEP area, most notably in Redditch. Encouragingly though, the extent of child poverty and claimant unemployment rates are relatively low and life satisfaction is estimated to be slightly higher than the national average.

Figure 1.5: LEGI summary – Local authority districts



In summary:

- The thematic area in which all constituent local authority districts of the WLEP area perform comparatively well on is entrepreneurship and internationalisation, with this particularly reflecting the strong performance in terms of the SME density and self-employment rate, as well as the share of employment in highly ‘contestable’ sectors.
- The profile and performance in terms of innovation, knowledge and technology is also reasonable strong in some districts (Worcester, Redditch and Malvern Hills), with this particularly reflecting the strong performance in terms of high technology manufacturing and highly skilled work more generally.
- By contrast, infrastructure and human capital appear to be the thematic area with the most consistently weak performance, although this largely reflects the profile and performance in relation to the change in total rateable value and the speed of planning decisions as opposed to the skills levels of the resident working age population.
- The variant performance across the LEP in relation to some of the sources or determinants of competitiveness has resulted in some differences in terms of output and productivity and ultimately the quality of life and standard of living.

Table 1.2 Quality of life & standard of living

	Average annual earnings (£), 2012			Life satisfaction (average rating), 2011/12			Local CO2 emissions (kilotonnes) per 1,000 population, 2010			Share of population living in most deprived areas, 2008			Child poverty: share of all children (%), August 2010			Claimant unemployment rate (%), May 2013			Quality of life & standard of living	
Area	Value	Score	Rank	Value	Score	Rank	Value	Score	Rank	Value	Score	Rank	Value	Score	Rank	Value	Score	Rank	Score	Rank
Bromsgrove	£29,052	109.4	92	7.51	101.4	119	8.9	83.2	291	0.9%	108.9	69	8.1%	109.9	41	2.0%	101.6	97	102.4	145
Malvern Hills	£23,437	88.3	306	7.51	101.4	119	9.0	82.6	296	3.1%	106.7	118	10.5%	107.5	96	2.0%	101.6	97	98.0	236
Redditch	£22,103	83.2	347	7.51	101.4	119	5.6	131.8	89	23.0%	86.8	240	18.2%	99.8	252	3.2%	100.4	216	100.6	185
Worcester	£25,837	97.3	188	7.51	101.4	119	5.4	137.7	70	16.2%	93.6	205	15.9%	102.1	212	3.3%	100.3	228	105.4	92
Wychavon	£25,359	95.5	204	7.51	101.4	119	11.2	66.6	343	1.8%	108.0	93	11.0%	107.0	113	2.0%	101.6	97	96.7	251
Wyre Forest	£21,470	80.9	363	7.51	101.4	119	6.1	121.8	127	16.3%	93.5	206	16.7%	101.3	222	3.7%	99.9	251	99.8	205
Worcestershire LEP	**£24,543**	**92.4**	**27**	**7.51**	**101.4**	**14**	**7.8**	**95.2**	**24**	**N/A**	**N/A**	**N/A**	**13.4%**	**104.6**	**13.0**	**2.7%**	**100.9**	**16**	**98.9**	**22**
West Midlands	£24,617	92.7	8	7.27	98.2	10	7.2	103.4	5	N/A	N/A	N/A	20.7%	97.2	9	4.4%	99.2	9	98.1	6
Great Britain	£26,551	100.0	N/A	7.405	100.0	N/A	7.4	100.0	N/A	9.8%	100.0	N/A	18.0%	100.0	N/A	3.6%	100.0	N/A	100.0	N/A

Table 1.3 Output & productivity

	GVA per person (£), 2011			GVA per worker (£), 2011			Employment rate (%), January to December 2011-2012 (two-year average)			Average annual GVA growth (%), 2006-2011			Employment growth (%), 2009-2011			Change in working age population (%), 2006-2011			Output & productivity	
Area	Value	Score	Rank	Value	Score	Rank	Value	Score	Rank	Value	Score	Rank	Value	Score	Rank	Value	Score	Rank	Score	Rank
Bromsgrove	£16,165	77.6	267	£40,036	86.8	287	74.9%	104.5	122	1.5%	99.0	304	-4.1%	96.2	317	0.2%	96.3	292	93.4	288
Malvern Hills	£16,165	77.6	267	£40,036	86.8	287	71.1%	100.7	222	1.5%	99.0	304	-6.8%	93.5	359	-0.2%	95.9	307	92.3	321
Redditch	£16,165	77.6	267	£40,036	86.8	287	77.4%	107.0	62	1.5%	99.0	304	-3.2%	97.1	289	5.9%	102.0	92	94.9	227
Worcester	£16,165	77.6	267	£40,036	86.8	287	70.1%	99.7	246	1.5%	99.0	304	-0.1%	100.2	160	6.7%	102.8	68	94.3	246
Wychavon	£16,165	77.6	267	£40,036	86.8	287	76.9%	106.5	73	1.5%	99.0	304	-0.6%	99.8	184	-0.8%	95.3	321	94.2	253
Wyre Forest	£16,165	77.6	267	£40,036	86.8	287	74.1%	103.7	139	1.5%	99.0	304	-1.6%	98.8	233	-3.3%	92.7	368	93.1	299
Worcestershire LEP	**£16,165**	**77.6**	**28**	**£40,036**	**86.8**	**29**	**74.2%**	**103.8**	**15**	**1.5%**	**99.0**	**34**	**-2.3%**	**98.1**	**34**	**1.3%**	**97.4**	**31**	**93.8**	**27**
West Midlands	£17,486	83.9	8	£39,879	86.5	10	67.8%	97.4	9	1.8%	99.3	10	0.0%	100.3	3	3.8%	99.9	4	94.5	8
Great Britain	£20,843	100.0	N/A	£46,113	100.0	N/A	70.4%	100.0	N/A	2.4%	100.0	N/A	-0.3%	100.0	N/A	3.9%	100.0	N/A	100.0	N/A

Table 1.4 Infrastructure and human capital

	Highest qualification by share of working age population (16-64 years): NVQ4+ (%), Jan to Dec 2011-2012 (two year average)			Highest qualification by share of working age population (16-64 years): NVQ1 or no qual (%), Jan to Dec 2011-2012 (two year average)			Superfast broadband take up: share of premises (%), 2012			Change in total rateable value (%), 2005-2010			Planning decisions (major development) within 13 weeks: share of total (%), year ending March 2013			Infrastructure & human capital	
Area	Value	Score	Rank	Value	Score	Rank	Value	Score	Rank	Value	Score	Rank	Value	Score	Rank	Score	Rank
Bromsgrove	33.5%	99.9	161	20.9%	101.9	143	6.3%	99.0	197	19.8%	98.0	153	18.0%	60.3	318	91.8	308
Malvern Hills	38.9%	105.3	80	20.9%	101.9	142	6.3%	99.0	197	22.2%	100.3	108	38.0%	80.3	274	97.3	201
Redditch	24.9%	91.2	307	28.5%	94.3	326	6.3%	99.0	197	10.0%	88.1	307	88.0%	130.3	11	100.6	117
Worcester	33.4%	99.8	165	24.1%	98.7	235	6.3%	99.0	197	15.6%	93.7	218	47.0%	89.3	228	96.1	232
Wychavon	34.2%	100.6	152	20.2%	102.6	132	6.3%	99.0	197	21.2%	99.3	124	59.0%	101.3	148	100.5	120
Wyre Forest	25.0%	91.3	306	26.9%	95.9	303	6.3%	99.0	197	16.1%	94.3	210	33.0%	75.3	295	91.1	313
Worcestershire LEP	**31.6%**	**97.9**	**17**	**23.5%**	**99.3**	**18**	**6.3%**	**99.0**	**24**	**16.9%**	**95.0**	**22**	**46.6%**	**88.8**	**36**	**96.0**	**35**
West Midlands	27.1%	93.4	10	27.4%	95.4	11	6.6%	99.3	5	12.8%	91.0	9	61.0%	103.3	2	96.5	8
Great Britain	33.7%	100.0	N/A	22.8%	100.0	N/A	7.3%	100.0	N/A	21.9%	100.0	N/A	57.7%	100.0	N/A	100.0	N/A

Table 1.5 Entrepreneurship & internationalisation

	Number of VAT and/or PAYE based SME enterprises per 1,000 working age population, 2012			Enterprise churn rate (sum of births and deaths): share of total (%), 2012			Self-employment rate (%), January to December 2011-2012 (two year average)			Employment in highly 'contestable' (export/import intensive) industries: share of total (%), 2011			Foreign-owned enterprises: share of total (%), 2010			Entrepreneurship & internationalisation	
Area	Value	Score	Rank	Value	Score	Rank	Value	Score	Rank	Value	Score	Rank	Value	Score	Rank	Score	Rank
Bromsgrove	7.1	136.0	81	18.6%	97.5	284	10.7%	101.3	150	15.0%	96.4	272	0.9%	99.7	167	106.2	98
Malvern Hills	8.9	170.4	24	17.9%	96.8	313	15.0%	105.6	28	23.1%	104.5	46	0.5%	99.3	275	115.3	22
Redditch	4.3	82.7	259	20.1%	99.0	188	6.1%	96.7	342	21.8%	103.2	67	2.4%	101.2	21	96.6	248
Worcester	4.0	76.8	281	21.8%	100.7	102	7.2%	97.8	297	12.4%	93.8	332	1.1%	99.9	106	93.8	298
Wychavon	8.1	154.4	46	18.4%	97.3	290	13.6%	104.2	48	24.7%	106.1	35	1.2%	100.0	90	112.4	39
Wyre Forest	5.3	101.2	195	19.1%	98.0	242	11.2%	101.8	128	20.4%	101.8	99	0.5%	99.3	287	100.4	196
Worcestershire LEP	**6.2**	**118.9**	**13**	**19.1%**	**90.5**	**29**	**10.6%**	**112.8**	**14**	**19.1%**	**102.7**	**13**	**1.0%**	**87.4**	**14**	**102.4**	**11**
West Midlands	4.8	91.8	6	20.5%	96.9	4	8.5%	90.4	6	18.3%	98.4	7	1.0%	87.5	3	93.0	6
Great Britain	5.2	100.0	N/A	21.1%	100.0	N/A	9.4%	100.0	N/A	18.6%	100.0	N/A	1.2%	100.0	N/A	100.0	N/A

Table 1.6 Innovation, knowledge and technology

	Number of patent applications per 100,000 working age population, 2005-2010			Highly skilled - share of total (%), workplace-based, January to December 2011-2012			Low skilled - share of total (%), workplace-based, January to December 2011-2012			Employment in high/medium-high technology industries; share of total (%), 2011			Employment in knowledge-intensive service industries: share of total (%), 2011			Innovation, knowledge & technology	
Area	Value	Score	Rank	Value	Score	Rank	Value	Score	Rank	Value	Score	Rank	Value	Score	Rank	Score	Rank
Bromsgrove	61.1	106.4	114	45.5%	101.9	94	30.7%	103.9	65	3.0%	100.1	173	45.8%	97.5	174	96.7	115
Malvern Hills	61.1	106.4	114	50.4%	106.8	38	30.1%	104.5	57	5.2%	102.3	68	43.2%	94.9	227	97.8	113
Redditch	61.1	106.4	114	42.1%	98.5	151	40.5%	94.2	289	10.3%	107.4	11	37.6%	89.3	325	93.9	132
Worcester	61.1	106.4	114	53.1%	109.5	29	30.6%	104.1	61	3.0%	100.1	173	50.0%	101.7	99	99.1	104
Wychavon	61.1	106.4	114	36.0%	92.4	269	43.6%	91.0	343	5.5%	102.6	58	36.1%	87.8	346	90.8	167
Wyre Forest	61.1	106.4	114	34.1%	90.5	310	39.1%	95.6	259	4.8%	101.9	77	38.7%	90.4	314	91.7	154
Worcestershire LEP	**61.1**	**106.4**	**14**	**43.8%**	**100.2**	**12**	**36.0%**	**98.7**	**15**	**5.2%**	**102.3**	**3**	**42.1%**	**93.8**	**35**	**95.1**	**18**
West Midlands	45.6	98.8	6	39.7%	96.1	7	37.8%	96.9	7	4.3%	101.4	2	45.0%	96.7	9	90.4	6
Great Britain	47.7	100.0	N/A	43.6%	100.0	N/A	34.7%	100.0	N/A	2.9%	100.0	N/A	48.3%	100.0	N/A	100.0	N/A

2. Strategic, national and EU policy context

The policy priorities of the EU's growth strategy (Europe 2020) are that growth should be:

- smart, through more effective investments in education, research and innovation;
- sustainable, through a move towards a low-carbon economy; and
- inclusive, with a strong emphasis on job creation and poverty reduction.

The Common Strategic Framework (CSF) has a number of objectives to which Structural and Investment Funds will contribute: RTDI (Thematic Objective 1 - TO1); ICT (TO2); SME competitiveness (TO3); Low carbon (TO4); Climate change adaptation (TO5); Environmental protection (TO6); Sustainable transport (TO7); Employment (TO8); Social inclusion (TO9); and Skills (TO10).

The UK is currently in a period of wide-ranging policy reform and public funding austerity. The Coalition Government's key priorities of driving growth, together with reducing the national deficit are closely linked. The new model of sustainable and balanced growth is based on a larger and more dynamic private sector, with increased business investment.

The Government is committed to rebalancing the UK economy - structurally, geographically and sectorally. Its Plan for Growth aims 'to achieve strong, sustainable and balanced growth that is more evenly shared across the country and between industries' (HM Treasury, 2011).

The Strategy for Sustainable Growth (BIS, 2010) sets out long-term plans for 'a sustainable economy that is greener, more enterprising, more technologically advanced, more balanced across the regions and grounded in diverse sources of sectoral strength.' It states that sustainable growth must be driven by the private sector and requires investment in the UK's productive capacity.

In terms of the sectoral focus for growth, the Plan for Growth (2011) lists a number of sectors that could be targeted for growth (and proposals for how this could be encouraged). The priority sectors included advanced manufacturing, construction and tourism, which are important sectors in the Worcestershire economy.

3. Market failures and barriers to growth and jobs

The ESI Funds Strategy has been designed to tackle a range of market failures and barriers to the growth of Worcestershire, including:

- Externalities represent one of the main areas of market failure that needs to be addressed. Externalities are where businesses or individuals do not bear the full costs and/or benefits of their activity. For example, investment by a firm in research and technological development may benefit the sector as a whole, as well as the individual business. Where such externalities exist, the market will not deliver the efficient quantity of a good or service. When making business decisions people tend to ignore 'external' costs or benefits. Consequently, where there are 'external' benefits (positive externalities – e.g. education and training) there will be an under-production of the good/service in question from the point of view of society as a whole and where there are 'external' costs (negative externalities – e.g. environmental pollution) there will be an over-production.

- Another type of market failure relates to information failures, which may lead to underinvestment in particular areas, including new technologies (such as superfast broadband), innovation and energy efficiency. In markets such as those for new technologies, there can be a high degree of uncertainty. This can often lead to people not being confident enough to make investment decisions. Innovation, for example, is by definition an uncertain business. Those with ideas for creating a new product or process cannot be sure that the technology works, that there will be a market demand or that others will not get to the market beforehand with a similar or better product. An SME is often vulnerable financially because its success is tied to its core business and it cannot diversify its risks. In undertaking an investment in R&D, an SME is spending a large proportion of its budget in an area in which the returns and associated timescales are uncertain. There is at present no market to enable firms to insure against this risk because of the usual market failures associated with insurance markets (adverse selection and moral hazard). This risk therefore can and does lead to SMEs 'playing it safe'.
- In terms of barriers to growth, the lack of basic skills, higher-level and sector-specific skills deficits, infrastructure, the environment and suitable business and residential accommodation represent significant concerns.
- Unemployment among young people, including university graduates, represents a significant issue for Worcestershire and the UK as a whole. The delay in entering the labour market will impact on the lifetime earnings potential and may increase the likelihood of becoming disengaged from the labour market in the longer term. The effect of a situation whereby university graduates are forced to take jobs that do not use their skills may result in university graduates finding themselves demoted, at least in the eyes of potential employers, to the status of low-skilled workers, which will mean that their education goes to waste.
- Another significant barrier to growth, and important characteristic of unemployment in recent years, is that a much greater proportion of the unemployed are out of work for 12 months or longer. Some economists would argue that this represents the greatest barrier to employment, as opposed to a shortage of skills. Indeed, research has shown that businesses are wary of hiring people that have been unemployed for more than six months. Thus, if workers who have been jobless for extended periods come to be seen as unemployable, that represents a long-term reduction in the economy's effective workforce and hence its productive capacity.

4. Future drivers and trends

In order to develop an effective strategy it is important to understand the key drivers of future change. Whilst there remains very considerable uncertainty over the precise nature of future developments and trends, recent forecasts for the UK economy and of Worcestershire have been reviewed and the implications of key drivers of growth assessed.

Most commentators predict a continuing period of slow growth. The scale of the slump is such that 'normal' patterns of economic growth cycles do not necessarily apply. However, taking a medium to longer term perspective, economic growth and population forecasts indicate:

- the latest independent average medium term growth forecast for the period 2013-2017 presented by HM Treasury suggests that the UK economy will grow in 2013 (albeit a relatively modest growth of 1.1%) and then steadily grow over the next few years (by 2.1% in 2017);
- reference case (without intervention) forecasts produced by Cambridge Econometrics estimate that the Worcestershire economy will grow to £2.1 billion (2009 prices) by 2025, representing a 23.6% increase on the baseline in 2013. In terms of employment, the Worcestershire economy is forecast to create an additional 15,600 jobs by 2025 (+6.0%). In comparison, the West Midlands and the UK are forecast to grow in total by 23.8% and 25.7% in terms of GVA and by 7.7% and 6.5% respectively in terms of employment; and

Figure 4.1(a): Forecast GVA growth

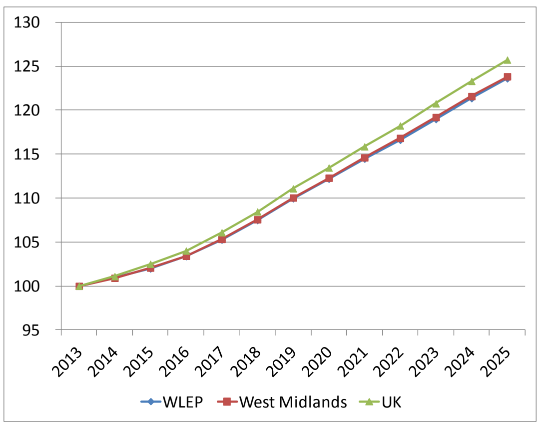
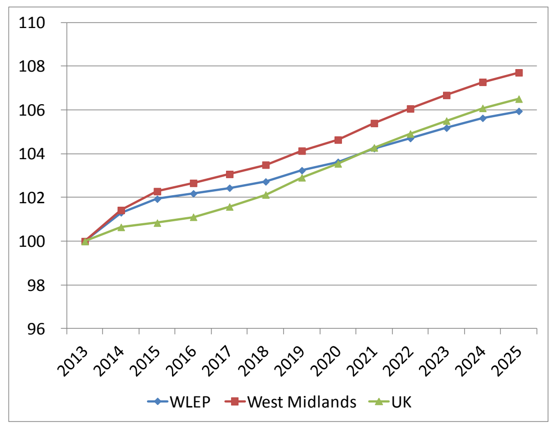


Figure 4.1(b): Forecast employment growth



- Worcestershire's working age population (16-64 years) is shrinking in absolute terms as well as in proportion to the total population as a result of demographic ageing. This trend is forecast to continue in the medium term, with the working age population forecast to fall by 3.1% in absolute terms by 2021 (from some 356,000 to 345,000). By contrast, in the West Midlands as a whole, the working age population is projected to grow by nearly 65,000 by 2021, representing an increase of 1.8%. However, after allowing for changes in the retirement age, the working age population of Worcestershire is forecast to increase, albeit at a lower rate than the West Midlands. Overall, the population is forecast to increase by approaching 5% by 2021 in Worcestershire. These demographic trends will have important implications on labour supply, consumer demand and housing
- Major economic investment in Birmingham and Solihull. Developments particularly at Longbridge, Birmingham City Centre, HS2, Solihull's 'UK Central' and through Jaguar Landrover's anticipated £1.5 billion investment in Solihull.

Further to the above headline forecasts, there are also a number of structural emergent trends:

- Major economic restructuring of the UK economy and other western economies are undergoing major economic restructuring. The core, structural problem of the 'old' economy was that much of the incremental employment growth, and to a lesser extent GVA growth, over the past couple of decades was accounted for by sectors such as retail and real estate, as well as the public sector. Notably, these sectors are characterised by their nontradable nature and localised demand profile (i.e. predominantly serving domestic markets). Given the significant public sector cuts and reduced consumer spending in the UK and locally, Worcestershire cannot afford to rely on these sectors in the future. It will therefore be important to build upon the significant potential of the traded manufacturing base of Worcestershire.

- The ascent of the BRIC (Brazil, Russia, India and China) economies - the other big structural shift in the global economy is that economic growth is increasingly taking place outside the UK and other western economies. Indeed, the last decade saw the BRIC economies becoming major players in the global economy, with their share of world GDP growing from a sixth to almost a quarter (in purchasing power parity (PPP) terms). This should be viewed as a market opportunity rather than a threat. Indeed, the 'winners' in the next economy will be those who support firms to tap into emerging markets through exports and new sources of aggregate demand.
- The re-emergence of manufacturing opportunities in advanced economies - a new era of truly global manufacturing opportunities and a strong long-term future for manufacturing, in advanced and developing countries, is emerging. The new era of manufacturing will be marked by highly agile, networked enterprises that use information and analytics as skilfully as they employ talent and machinery to deliver products and services to diverse global markets. It is important that Worcestershire responds to this evolving nature of manufacturing and act on the powerful trends shaping the global competitive environment, in order to thrive and grow.
- Adoption of low carbon and environmental goods and services - leaders in the next economy will invent and deploy clean economy goods and services. Rapid urbanisation worldwide has pushed up the global demand for environmentally friendly goods and services, such as energy efficient appliances and building technologies, smart grid, sustainable land use planning and infrastructure, and organic foods. Hence, UK low carbon and environmental goods and services generated £128.1 billion in sales in 2011/12 (£3.4 trillion globally). The sector is expected to show a steady increase in growth from 4.8% in 2011/12 to 5.9% by 2015/16. The West Midlands currently account for approximately 8% of the UK market in this sector (in terms of sales), primarily driven by alternative fuels, alternative fuel vehicles and wind. Worcestershire LEP accounts for approximately a tenth of the West Midlands sales, which is largely in line with its share of total employment. Currently, a relative small share of sales are made up of exports - £12.2 billion or less than 10% of sales for the UK as a whole.
- Intensity of outsourcing and off-shoring/repatriation - in the future, the intensity of outsourcing is likely to increase. This is likely to involve a broad range of functions – although those activities which are less likely to be involved, either because 'commoditisation probability' is low or else because such actions are likely to be unsustainable:
    - proximate tasks requiring face-to-face contact or the physical movement of products (e.g. retail (non-internet), wholesaling and construction);

- high knowledge content value add tasks consumed largely at source (e.g. healthcare, professional services); and
- public sector tasks (though some will be open to unbundling and outsourcing).

As well as the risks of off-shoring the outsourced activities, there are significant opportunities of repatriating supply chains, for example, in the automotive sector with substantial potential for local SMEs.

Appendix D - Consultation summary

WLEP Consultation Strategy

The WLEP incorporates stakeholder engagement as an integral part of the Strategic Economic Plan and EU Investment Strategy process (see corresponding WLEP timeline in Appendix A and the list of partners and stakeholders involved in Appendix B). The WLEP continues to broaden and deepen its reach with wide ranging perspectives and interests as Sub Groups, sector groups, cross cutting groups, WLEP partners and external alliances with others shape delivery plans and specific programme and project initiatives.

WLEP SEP & EUIS Task and Finish Group

The Task and Finish Group oversees the Strategic Economic Plan and ESI Funds Strategy process on behalf of the WLEP Board; comprising membership from the business community, Local Nature Partnership and environment sector, Worcestershire Voices (third sector strategic body), University of Worcester, Leaders' Panel and all local authorities, WLEP Board and Business Board, housing sector, rural sector, social inclusion sector, social enterprise sector and County Landowners Association.

WLEP Planning Development & Infrastructure Sub Group

The Sub Group drives the implementation of the WLEP and Local Planning Authorities' Planning Charter and incorporates the housing theme. It has membership from all authorities, statutory consultees (Environment Agency, Highways Authority, Highways Agency, English Heritage, Natural England, Local Transport Board etc) and the business community. Its purpose is to develop a) spatial plan which promotes inward investment around key sites, infrastructure schemes, housing and employment/economic opportunities; b) develop a Game Changers Programme of flagship sites ready for expanding indigenous businesses or new external investors; and c) Development Management initiatives which establish a business friendly planning culture.

WLEP Access to Finance Sub Group

The Sub Group has established and launched a new business-backed access to finance portal which is continually refreshed. The portal is the delivery model for a range of signposted contacts, variety of funding and specialist expertise which is a currently a major barrier to local business growth. A series of events and an awareness raising programme is underway with Find It In Worcestershire, Chamber of Commerce and other partners to support businesses in becoming "investor ready".

WLEP Employment and Skills Board

The ESB comprises business, education and skills providers as well as key funding and commissioning agencies alongside representatives from the Skills Funding Agency, national Apprenticeship Services and Jobcentre Plus. An ESB strategy frames the corresponding action plan with a focus on a) Skills and Workforce Planning - increasing apprenticeships, improving talent management and increasing private sector investment in skills; b) Strengthening the relationship between schools and businesses – building a clearer picture of skills required and harnessing opportunities created under academy status; and c) Increasing employability -

addressing youth unemployment, developing graduate level opportunities and building better mechanisms to identify job opportunities and support local recruitment and helping small business recruit.

WLEP National Profile and Promotion Sub Group

The Sub Group has been formed to steer the WLEP communications strategy namely; using website, social media channels and traditional media such as feature news and magazine articles, press releases, news feeds through BBC Midlands Today and local radio; creating an investment brochure and investment film marketing Worcestershire to the rest of UK, Europe and globally; and producing the, WLEP Annual Report 2013 and WLEP Annual Conference in October 2013.

Manufacturing Sector

The sectoral Sub Group has published the Worcestershire Manufacturing Study and the findings are shaping the next stage of the WLEP manufacturing strategy. WLEP, Liverpool City Region LEP and 5 West Midlands LEPs are working together with SEMTA to address a cohesive approach which supports, equips and expands local workforces with manufacturing, engineering and production skills at all levels in the automotive, aerospace and wider engineering and production sectors.

WLEP Defence and Cyber Security Sector

The Sub Group has produced a Cyber Security Study for this essential, dynamic, globally exporting and growing business sector in Worcestershire. With successfully established and new businesses growing in Malvern Hills science Park, a county-wide Cyber Security Strategy will nurture and harness wider sectoral growth as well as develop potential alliances with The Marches LEP, Gloucestershire LEP and West of England LEP.

Food/Horticulture Sector

A Sectoral Sub Group is forming to promote Worcestershire's significant food/horticulture production interests which contribute to the UK and global economy. There is much greater potential for enhanced locally provenanced and sustainable food production which can be further enhanced by new technologies. Through area-based and interconnected business working which consolidate local horticulture supply chains, inherent environmental assets can be maximised and support local businesses to grow further. There is a strong connection to Business and Regulators Sub Group focus to support start up and expanding sectoral SMEs while reducing regulatory burdens and promote the "Made in Worcestershire" brand. There is a synergy with the LNP/Environment sector group to integrate environmental sustainability principles and new technologies within future programmes, area and individual schemes.

Tourism Sector Group

Tourism is a longstanding inherent feature of Worcestershire life and important to the local economy. The established Sub Group has increased the profile of Destination Worcestershire as a place to live, work, play and invest in. The Group is focussing on improving tourism infrastructure in terms of high quality hotel and conference provision to meet business needs.

WLEP Business and Regulators Sub Group

The WLEP Board Champion has been established and Sub Group formed which brings regulators and businesses together. An action plan is in place to steer implementation of Regulators and Business Charter signed by WLEP and Worcestershire Regulatory Services with National Regulators' support such as Environment Agency, HMRC, HSE, HW Fire and Rescue. The strategic intentions and solid delivery to date is recognised by Better Regulation Delivery Office in BIS.

Priority action is focused on business start- up regulatory pack (actual, web-based, face to face networks alongside social media channels) which signpost SMEs to an easier step by step approach to regulations. This will be followed up to support the next stage in the business lifecycle where businesses are expanding and growing to export. The joint suite of positive regulatory support will provide tangible products/tools to develop communications and stakeholder messaging through all business channels for generic interests. WRS/WLEP prototype currently being tested out individually with businesses, Chamber of Commerce, Heart of England Fine Foods, NFU and FSB networks before October 2013 launch. WRS also co-ordinate inputs from National Regulators such as Environment Agency, HMRC, HSE, HW Fire and Rescue etc. The Sub Group has a priority sectoral focus with a range of businesses in the food production/horticulture sector to pilot a wider package of sector-based support. This aims to enhance the "Made in Worcestershire" ambition and consolidate the work of the Food/Horticulture Sub Group. Tailored consultations with large businesses will develop a Single Point of Contact/Account Management approach based on a consistent and co-ordinated relationship management with all local-national regulators (Primary Authority).

There is an innovative opportunity to become a national lead/pilot for streamlined regulations for new business sectors/technologies and align with the Innovations/Technology Research and Development theme in the Strategic Economic Plan and EU Investment Strategy. First major opportunities have been identified with the Food/Horticulture sector and the LNP/Environment sector.

WLEP Armed Forces Sub Group

Sub Group derived from WLEP and Worcestershire Armed Forces Covenant Group (of which WLEP is a key signatory) and implementing action plan in support of Employment and Skills Board objective and delivery. Matching with MoD/143 Brigade resources and DWP schemes to deliver joint initiatives as a possible National Pilot including Transition Fair to secure exiting service leavers with strategic management, logistics and engineering skills to meet business needs in Worcestershire; seminar on employer benefits of service leavers/reservists; participation in a joint WLEP/Armed Forces Leadership and Management Development Scheme for Worcestershire Young Business Leaders in November 2013; pilot a joint Armed Forces/JobCentrePlus "Work Club" initiative; support service leavers to become social entrepreneurs and entrepreneurs

WLEP and Worcestershire Local Transport Board

New and improved transport infrastructure is vital to the existing local economy and supporting business growth as well as providing additional incentive to significant inward investment. The WLEP and Local Transport Board are working jointly to promote the county's potential at the heart of the UK's strategic road, rail and air networks and are already successful in securing and lobbying for significant funding for major schemes such as Worcestershire Parkway, Bromsgrove Railway Station, M5 Junctions 4 and 6.

WLEP and Social Enterprise Focus Group

The Group is working with Worcestershire-wide networks and accessing shared learning and independent expertise from Social Enterprise West Midlands and Social Enterprise UK discussions. The Group is developing a strategy based on findings from an existing 2012 mapping study of social enterprise activities and their needs in the county. A package of co-ordinated support provided by various local networks is being shaped together with a project pipeline.

WLEP and Social Housing Network

Social housing perspectives are represented on the WLEP Business Board (Sanctuary Housing, Community First, Community Housing) and these Business Board members are leading consultations with wider interests and establishing joint working across the social housing agenda to explore and confirm potential solutions which fulfil housing objectives. Private sector house-builders insights and experience are being incorporated simultaneously into the WLEP Planning Development and Infrastructure Sub Group.

WLEP and Local Nature Partnership

As the established Worcestershire Environment Partnership transforms into Worcestershire Local Nature Partnership, joint working is shaping respective WLEP SEP/ESI Funds Strategy and LNP strategy. Both Partnerships are reinforcing shared priorities and aligned mechanisms. The LNP Chair, a member of the WLEP Task and Finish Group, acts as a conduit between both spheres of interest. As well as focusing on integrating environmental sustainability within the spatial planning work and Game Changers Programme, the WLEP and LNP are jointly using the Natural England Local Economic and Environment Development Toolkit and held a Level 1 Workshop to frame a constructive challenge and scoping of Worcestershire's environmental assets in supporting and delivering WLEP SEP/EUIS growth ambitions. There is a strong opportunity working under the WLEP Regulatory and Business Charter for potential innovation to research, develop and test innovatory environmental regulatory framework for new and emerging environment sectors.

WLEP and Third Sector Social Inclusion

A workshop identified issues around health, employment disadvantages of clusters of client groups, area deprivation, impact of European migration on existing infrastructure, challenges of local commissioning and the most effective way to respond to diverse social needs and supporting disadvantaged people into employment. A cross-sector Group has been formed to establish a county-wide benchmark from the evidence, analysis and consultation networks' intelligence; establish constructive challenge and joint scoping of successful third sector activities, potential gaps and transformational opportunities from lessons learned to date i.e. experience of LEADER project; as well as shaping new programme and proposals i.e. potential CLLD model. The Group will be strengthening co-ordinated network support, local commissioning opportunities and the importance of locally-led solutions under a coherent strategy which includes wider stakeholder engagement to develop substantive proposals which are integral to the support and delivery of WLEP SEP/ESI Funds Strategy objectives.

WLEP and Rural Focus Group

Worcestershire has an established track record in joint public-third sector working and shared resources to successfully deliver the current LEADER Project, elements EU funded programmes and DEFRA national programmes such as the Redundant Buildings Programme.

A Rural Group comprising diverse perspectives is working with the WLEP to provide constructive challenge and joint scoping of a future rural strategy and programme to deliver all WLEP SEP/ESI Funds Strategy objectives. This co-ordinated approach is based on considerable experience of successes and recognised future opportunities in the rural context and this group will simultaneously explore policy and funding opportunities to consolidate the WLEP SEP/ESI Funds Strategy priorities from other national programme sources in future.

Appendix E - Growth scenarios

(i) Overview

Cambridge Econometrics has prepared baseline employment and GVA forecasts for the WLEP area and each of the local authority districts within it. These projections, which are broken down by 45 sectors, provide an indication of the likely economic outcomes and structure in Worcestershire if there is no major market change or no new policy intervention (i.e. the reference case). The Cambridge Econometric forecasts have been used as the basis for modelling three future growth scenarios.

(ii) Business as Usual

The Business as Usual scenario would involve the continuing implementation of existing policies and achieving growth in line with the reference case Cambridge Econometric forecasts. However, given the current deficit reduction policies, it is uncertain whether the reference case growth forecasts could be achieved because of barriers that would remain without public sector intervention. In particular, without the successful implementation of current programmes/projects there would be concerns relating to labour and property market supply issues.

Table 1 sets out the baseline forecasts for the WLEP area in terms of both GVA and employment. Under the Business as Usual scenario, GVA within Worcestershire between 2013 and 2025 is forecast to grow in total by 23.6%, compared to growth at the regional and national level of 23.8% and 25.7% respectively. Employment within the WLEP area is forecast to increase by 6.0%, which is below the projected rate for the West Midlands of 7.7% and for the UK of 6.5%.

Table 1: Baseline forecasts – Business as Usual scenario

GVA (2009) prices)	2013 £million	2025 £million	Change	
			No. (£million)	%
WLEP	9,206	11,156	2,130	23.6
West Midlands	94,640	117,200	22,560	23.8
UK	1,288,966	1,620,622	331,656	25.7
Employment	**2013 (000s)**	**2025 (000s)**	**Change**	
			No. (000s)	**%**
WLEP	261.3	276.9	15.6	6.0
West Midlands	2,667.0	2,872.8	205.8	7.7
UK	32,086.2	34,176.0	2,089.8	6.5

Source: Cambridge Econometrics

(iii) Smart Efficiency

A Smart Efficiency scenario has also been modelled that seeks to reflect a programme of additional interventions to enhance productivity through targeting opportunities to remove barriers and enhance GVA growth, in particular in key sectors. As part of this scenario, there would be focused intervention to address supply and demand-side issues (see Appendix C).

Under the Smart Efficiency scenario, the forecast growth in employment within the WLEP area would remain the same as projected under the reference case (Business as Usual). However, GVA within Worcestershire would grow by 25.7% between 2013 and 2025, equal to the GVA growth rate forecast for the UK (see Table 2). The average GVA per employee figure within Worcestershire would therefore be slightly higher under the Smart Efficiency scenario, at £40,990, than under the Business as Usual scenario (£40,290).

Table 2: Smart Efficiency scenario

GVA (2009) prices)	2013 £million	2025 £million	Change	
			No. (£million)	%
WLEP	9,206	11,349	2,322	25.7
West Midlands	94,640	117,200	22,560	23.8
UK	1,288,966	1,620,622	331,656	25.7
Employment	**2013 (000s)**	**2025 (000s)**	**Change**	
			No. (000s)	**%**
WLEP	261.3	276.9	15.6	6.0
West Midlands	2,667.0	2,872.8	205.8	7.7
UK	32,086.2	34,176.0	2,089.8	6.5

(iv) Smart Efficiency and Growth

A third scenario – Smart Efficiency and Growth – has been modelled that reflects the Smart Efficiency scenario plus additional focus on inward investment, a business growth package and further interventions to address supply-side constraints. This scenario would comprise focused programmes to:

- develop a model which co-ordinates offers and interventions, locally and nationally, to improve productivity and support business start-up, growth, exporting and innovation more effectively;
- co-ordinate and attract inward investment;
- support the development of target sectors – which will continue to be a major focus for growth;
- ensure the supply of suitably skilled labour and increase employment;
- raise the profile of Worcestershire as a business location; and

- ensure the availability of readily available premises and relocation sites with high quality infrastructure and attractive business environments.

The Smart Efficiency and Growth scenario is forecast to deliver approximately 25,000 jobs and an increase in GVA of £2.9 billion (2009 prices) by 2025[54] – the growth rates for Worcestershire in both cases would be higher than the reference case projections for the UK and West Midlands (see Table 3). Productivity (GVA/employment) is expected to increase above the reference case West Midland's level. The employment rate would increase under this scenario to 78.7%.

Table 3: Smart Efficiency and Growth scenario

GVA (2009) prices)	**2013 £million**	**2025 £million**	**Change**	
			No. (£million)	**%**
WLEP	9,206	11,914	2,888	32.0
West Midlands	94,640	117,200	22,560	23.8
UK	1,288,966	1,620,622	331,656	25.7
Employment	**2013 (000s)**	**2025 (000s)**	**Change**	
			No. (000s)	**%**
WLEP	261.3	287.4	26.1	10.0
West Midlands	2,667.0	2,872.8	205.8	7.7
UK	32,086.2	34,176.0	2,089.8	6.5

54 This would equate to 10,000 additional jobs and £760 million in GVA above the reference case in 2025.

Appendix F - Investment programme logic chains

Priority 1: SME Business Competitiveness

Context: Whilst Worcestershire has a relatively high number of SMEs relative to its population base and a high self-employment rate, the overall volume of new business creation is relatively low in the area. The productivity of local businesses is also below the national average and businesses are finding it increasingly difficult to access finance. Furthermore, Worcestershire has performed relatively poorly in attracting non-EU inward investment, despite its many locational advantages. Global integration is likely to be a key driver of future growth, however, this potential is currently not fully realised by local businesses despite a large proportion of employment being in sectors that have got a higher than average propensity for trade.

Rationale for intervention: EU funding is required to make a successful impact and to benefit a significant number of businesses across Worcestershire, both in terms of access to finance and business support more generally. The EU funding will enable the development of a wider and larger programme approach which will assist businesses to access funding and business support much more quickly and easily than would be the case if there was a reliance on existing activities and/or providers (incl. lenders). The proposed interventions will address the market failure that currently exists in terms of imperfect/asymmetric information and growth externalities. Funding will improve businesses' understanding of the support available and enable support to be accessed more widely, providing SMEs with the information and resources to make efficient decisions. In doing so, the interventions will help to address the barriers to enterprise in Worcestershire

Inputs

ERDF - £15.2m

ESF – £1.5m

Match funding (private, public, civil society and opt in) - £16.7m

Total investment – £33.5m

Interventions

Worcestershire Entrepreneurship Programme

Worcestershire Business Growth and Infrastructure Programme

Investing in Worcestershire Programme

Activities

Activities will include:

- business start-up support
- incubation/start-up accommodation
- supply chain development
- financial investments and support
- enhanced UKTI Investment Programme

Outputs

No. Ents. Supported – 1,588
No. New Ents. Supp - 890
No. job created – 1,254
No. Ents New Mark – 25
No. Ents New Prods – 187
Ents. Private Match - £5m
No. of participants – 650

Results

SME productivity

SME jobs

Start ups

Smart specialisation

EU thematic objective logic chain

TO3: Small and medium sized enterprises competitiveness	
Contextual conditions	Relatively high number of SMEs and self employment rate However, volume of new business creation low, in part restricted by access to finance Productivity of local businesses below national average
Rationale	Imperfect/asymmetric information relating to SMEs' awareness of the availability of support Barriers to entry in terms of access to finance and support Positive externalities associated with investment in growth of SMEs
EU Growth Programme Framework priorities	Build the growth capacity of SMEs Foster a more entrepreneurial culture by reducing barriers to entrepreneurship and supporting entrepreneurs
Objectives	Emerging SEP objectives / cross-cutting priorities contributed to: • Creating an internationally competitive and innovative business base • Supporting the development of competitive sectors/clusters • Attracting mobile investment
Key delivery partners	Local authorities Manufactory Advisory Service UKTI GrowthAccelerator Private sector providers Higher Education Institutions (HEIs) and Further Education Institutions (FEIs)
Collaboration with other LEPs	Research underway exploring potential for financial instrument operating across the West Midlands' LEPs Sector specific collaborations being explored in relation to advanced manufacturing (West Midlands and Liverpool City Region LEPs) and cyber security/defence (Gloucestershire LEP, West of England LEP and Marches LEP) 'opt-in' service providers also identifying potential opportunities e.g. food/horticulture in Lincolnshire
Inputs	ERDF - £15.2m Match funding (including SME contributions, MAS 'opt-in', UKTI 'opt-in', local authority, GrowthAccelerator, potentially SLGF) - £15.2m Total - £30.5m
Activities	Worcestershire Enterprise Programme: • Business start-up support • Promoting enterprise in schools • Promoting enterprise in under-represented groups

	• Graduate start-up support/graduate work placements • Incubation/start-up accommodation • Start-up support for social enterprises • Reducing regulatory burden/positive regulatory support • Financial support – including grants • Financial investments – comprising loan and equity finance with elements locally run. Worcestershire Business Growth and Infrastructure Programme • Supply chain development • Enhanced MAS programme • Business skills and advice • Access to professional advice • Knowledge Transfer Partnerships (KKTPs) • Workforce development • Enhanced GrowthAccelerator Programme • Growth sector support programmes • Support for existing social enterprises • Public procurement opportunities • Eligible support in relation to Game changers and Growth Corridors/Centres Programme • Financial support – including grants • Financial investments – comprising loan and equity finance with elements locally run. Worcestershire investment and Trade Programme • Enhanced UKTI Investment and Trade Programme • Targeted inward investment/trade programme • Targeted place marketing to promote key sectors and assets
Outputs	Enterprises supported – 1,588 New enterprises supported - 890 Jobs created – 1,254 Enterprises supported introducing new to the market products - 25 Enterprises supported introducing new to the firm products - 187 Private investment matching public support to enterprises – £5,038,388
Results	Increase in SME productivity Increase in SME jobs Increase in business start-ups Smart specialisation

Priority 2: RTDI and ICT

Context: Worcestershire has got a number of sector strengths, including manufacturing (incl. high-tech), horticulture and cyber security. R&D and innovation has been identified as a key barrier for growth in each of these. With knowledge intensive services expected to be the key focus of economic growth in the future, it is notable that Worcestershire has a lower proportion of employment in such services than many other LEP areas.

Rationale for intervention: Worcestershire has a below average productivity rate and further support is needed in R&D&I in order to bring Worcestershire up on a higher trajectory in terms of high value added activities and productivity. In particular, EU funding is required to deal with market failures relating to imperfect information and knowledge, including lack of awareness of what support is on offer and where to go for support, difficulty in accessing finance to bring concepts to reality, lack of awareness of potential benefits of R&D&I and limited capacity to build relationships with universities and other research institutions. Priority will be given to existing and/or potential areas of strength and competitive advantage. In terms of ICT, national and local funding is already contributing significantly to meeting EU and national aspirations in terms of broadband coverage and speeds, the focus will therefore be to overcome information failures by advising and facilitating the use of ICT products and services by SMEs and social enterprises to support growth.

Inputs

ERDF - £6m

ESF - £1.4m

Match funding (private, and public) - £7.5m

Total investment – £14.9m

Interventions

Innovation and Research Programme

Optimising Business ICT and Broadband

Activities

Support to innovation and R&D infrastructure

Innovation initiatives

Smart specialisation

Digital connectivity support

ICT and digital technology adoption

Outputs

No. Ents. Supported – 1,500
No. jobs created - 300
No. Ents. Coop Resrch – 350
No. Ents. New Mark - 150
No. Ents. New Prods – 400
No. Ents using ICT – 75
Ents. Private Match - £3m
No. of participants - 650

Results

SME productivity

SME jobs

Start ups

Smart specialisation

EU thematic objective logic chain

TO1: Innovation	
Contextual conditions	Number of sector strengths, including manufacturing, horticulture and cyber security R&D and innovation identified as a key barrier of growth Relatively low proportion of people represented in key future growth sectors (knowledge intensive services)
Rationale	Imperfect/asymmetric information in terms of support on offer and where to go for support Information failures also in terms of market uncertainty Barriers to entry, particularly in relation to access to finance and capacity to build relationships Positive externalities associated with investment in new technologies and innovation
EU Growth Programme Framework priorities	Building collaborative research between enterprises, research institutions and public institutions Supporting businesses including social enterprises to commercialise Research & Development Physical infrastructure – incubation space and other equipment
Objectives	Emerging SEP objectives / cross-cutting priorities contributed to: • Creating an internationally competitive and innovative business base • Supporting the development of competitive sectors/clusters • Attracting mobile investment • Creating premier business locations and infrastructure • Innovation/R&D
Key delivery partners	HEIs, FEIs, private sector
Collaboration with other LEPs	Two tier approach to Smart Specialisation being developed across the five West Midlands' LEPs
Inputs	ERDF - £5m Match funding (including SME contributions, private sector, HEIs, potentially TSB, local authorities and potentially SLGF) - £5m Total - £10m
Activities	Support to innovation and R&D infrastructure Innovation initiatives Smart specialisation targeting (in particular, in terms of manufacturing, horticulture and cyber security)
Outputs	Enterprises supported – 1,200 Jobs created – 250 Enterprises co-operating with research institutions – 350 Enterprises supported to introduce new to the market products - 150 Enterprises supported to introduce new to the firm products – 400 Private investment matching public support to enterprises – £2,500,000

Results	Increase in SME productivity Increase in SME jobs Increase in business start-ups Smart specialisation

TO2: ICT	
Contextual conditions	National and local funding already contributing significantly to meeting EU and national aspirations in terms of broadband coverage and speeds Focus therefore on overcoming information failures, encouraging and facilitating the use of ICT by SMEs and social enterprises
Rationale	information failures relating to the need to promote the availability and value of ICT products and services
EU Growth Programme Framework priorities	Extend the roll-out and take up of high-speed communications networks where the market is failing, particularly where this is proving a barrier to SME growth Support SMEs and social enterprises in their development of ICT products
Objectives	Emerging SEP objectives / cross-cutting priorities contributed to: • Creating an internationally competitive and innovative business base • Supporting the development of competitive sectors/clusters • Creating premier business locations and infrastructure • ICT
Key delivery partners	HEIs, FEIs, private sector
Collaboration with other LEPs	Potential collaboration with adjacent LEPs
Inputs	ERDF - £1m Match funding (including SME contributions, private sector, HEIs, local authorities and potentially SLGF) - £1m Total - £2.1m
Activities	Digital connectivity support, particularly in rural areas – including stimulating demand ICT and digital technology adoption
Outputs	Enterprises supported – 300 Jobs created – 50 Support for enterprises in development of ICT products and services including broadband - 75 Private investment matching public support to enterprises – £527,440
Results	Increase in SME productivity Increase in SME jobs Increase in business start-ups Smart specialisation

Priority 3: Environment, place and infrastructure

Context: Worcestershire's natural and historic environment helps to define the county. It provides a strong sense of place and attracts and retains people and businesses. Indeed, the quality of the natural environment forms a key part of the Worcestershire 'offer' for businesses seeking to locate in the County with many indigenous business citing quality of life potential as being a key factor in their choice of business location. In terms of energy efficiency, SMEs are facing higher and fluctuating energy costs which seriously affect profitability and in some cases the viability of businesses. With regards to the LCEGS sector, Worcestershire exhibits a number of strengths, including business support (through Metnet and Worcestershire.Business.Central); a leading UK manufacturer of energy efficient boilers; a strong automotive supply chain which may support the development of low carbon vehicles; and waste to energy facilities are increasing in capacity and power generation.

Rationale for intervention: The main market failures in terms of low carbon and energy efficiency particularly relate to externalities, leading to over production and utilisation of what is socially optimal. Delivering sustainable and green sites has the potential to facilitate climate change adaptation and mitigation; and provide flood alleviation and water management. With regards to SMEs the business case for investing in energy efficient or low carbon technology is often compelling and sometimes overwhelming (both financially and socially), however, there remain a number of major barriers which mean that organisations either delay or do not implement projects. These barriers tend to fall into one of three categories: lack of awareness, lack of confidence and lack of funds. To support SMEs and allow the LCEGS sector to grow and meet the challenges faced, further support is required.

Inputs

ERDF - £7.9m

ESF - £1.5m

Match funding (private, public and opt in) - £9.4m

Total investment – £18.8m

Interventions

Sustainable Places and Sites Programme

Low Carbon and Resource-Efficiency Programme

Social Housing Retrofit Programme

Activities

Activities will include:

- ‘Greening’ the Game Changer and other sites
- supporting sustainable transport
- support to retro fit initiatives
- energy performance initiatives
- low energy carbon energy projects

Outputs

Site development - TBC
No. Ents. Supported - 650
No. New Ents. Supp - 120
No. Ents. Res. Effic - 400
Est. GHG reduction – TBC
Ents. Private Match - £4.4m
No. of participants - 650

Results

Energy efficiency

Ents. Low Carbon Use

Econ. through infrastructure

EU thematic objective logic chain

TO4: Low carbon	
Contextual conditions	SMEs facing higher and fluctuating energy costs Worcestershire already exhibits a number of existing strengths from which to build a low carbon economy
Rationale	Market failure arising due to the negative externalities ('external' costs) associated with carbon dioxide emissions
EU Growth Programme Framework priorities	Build the market in low carbon environmental technologies, goods and services Non domestic low carbon technologies and energy efficiency Whole place low carbon solutions Innovation and adoption of low carbon technologies
Objectives	Emerging SEP objectives / cross-cutting priorities contributed to: • Creating premier business locations and infrastructure • Environment
Key delivery partners	Local authorities, private sector
Collaboration with other LEPs	Ongoing discussions with West Midlands' LEPs regarding collaboration on low carbon economy
Inputs	ERDF - £5.8m Match funding (including local authorities, private sector, potentially housing sector) - £5.8m Total - £11.7m
Activities	Supporting sustainable transport Supporting agricultural/horticulture initiatives Support to retro fit initiatives Resource efficiency and energy performance improvement initiatives Environmental 'area-based' (rural and urban initiatives) Low carbon energy projects Training for low carbon jobs Reducing the regulatory burden
Outputs	Enterprises supported - 489 New enterprises supported - 91 Companies supported with business resource efficiency - 302 Annual decrease of Greenhouse Gases Private investment matching public support to enterprises – £3,257,851
Results	Increase in energy efficiency of companies, buildings and transport Increase in companies deploying low carbon practices, processes, services or products

TO5: Climate change adaptation	
Contextual conditions	SMEs facing higher and fluctuating energy costs Worcestershire already exhibits a number of existing strengths from which to build a low carbon economy
Rationale	Positive externalities of Investing in climate change adaption Negative externalities associated with pollution and environmental damage
EU Growth Programme Framework priorities	Enable economic development through investment in flood and coastal risk management
Objectives	Emerging SEP objectives / cross-cutting priorities contributed to: • Creating premier business locations and infrastructure • Environment
Key delivery partners	Local authorities, private sector
Collaboration with other LEPs	Ongoing discussions with West Midlands' LEPs regarding collaboration on climate change
Inputs	ERDF - £0.3m Match funding (including local authorities, private sector) - £0.3m Total - £0.5m
Activities	Supporting sustainable transport Supporting agricultural/horticulture initiatives Support to retro fit initiatives Resource efficiency and energy performance improvement initiatives Environmental 'area-based' (rural and urban initiatives) Low carbon energy projects Training for low carbon jobs Reducing the regulatory burden
Outputs	Enterprises supported - 4 Annual decrease of Greenhouse Gases Private investment matching public support to enterprises – £143,534
Results	Increase in energy efficiency of companies, buildings and transport Increase in companies deploying low carbon practices, processes, services or products

TO6: Environmental protection	
Contextual conditions	SMEs facing higher and fluctuating energy costs Worcestershire already exhibits a number of existing strengths from which to build a low carbon economy
Rationale	Positive externalities of Investing in environmental protection Negative externalities associated with pollution and environmental damage
EU Growth Programme Framework priorities	Investments in Green and Blue infrastructure and actions that support the provision of ecosystem services on which businesses and communities depend to increase local natural capital and support sustainable economic growth Investment in the uptake of innovative technologies and resource efficiency measures to increase environmental protection, resilience and performance of businesses and communities
Objectives	Emerging SEP objectives / cross-cutting priorities contributed to: • Creating premier business locations and infrastructure • Environment
Key delivery partners	Local authorities, private sector
Collaboration with other LEPs	Ongoing discussions with West Midlands' LEPs regarding collaboration on the natural environment
Inputs	ERDF - £1.5m Match funding (including local authorities, private sector) - £1.5m Total - £3.0m
Activities	'Greening' the Game Changer and other sites Forestry Enterprise Zones Supporting sustainable transport Supporting agricultural/horticulture initiatives Support to retro fit initiatives Energy performance improvement initiatives Environmental 'area-based' (rural and urban initiatives) Low carbon energy projects Reducing the regulatory burden
Outputs	Enterprises supported - 154 New enterprises supported - 29 Companies supported with business resource efficiency - 98 Annual decrease of Greenhouse Gases Infrastructure site development including Green Infrastructure Private investment matching public support to enterprises – £848,522
Results	Increase in energy efficiency of companies, buildings and transport Increase in companies deploying low carbon practices, processes, services or products

TO7: Sustainable transport	
Contextual conditions	SMEs facing higher and fluctuating energy costs Worcestershire already exhibits a number of existing strengths from which to build a low carbon economy
Rationale	Positive externalities of Investing in sustainable transport Negative externalities associated with pollution and environmental damage due to use of less sustainable modes of transport
EU Growth Programme Framework priorities	Promoting sustainable transport Removing bottlenecks in key network infrastructures
Objectives	Emerging SEP objectives / cross-cutting priorities contributed to: • Creating premier business locations and infrastructure • Environment
Key delivery partners	Local authorities, private sector
Collaboration with other LEPs	None anticipated at this stage
Inputs	ERDF - £0.3m Match funding (including local authorities/central government, private sector) - £0.3m Total - £0.6m
Activities	Supporting sustainable transport
Outputs	Enterprises supported - 4 Annual decrease of Greenhouse Gases Infrastructure site development Private investment matching public support to enterprises – £149,692
Results	Improving the economic viability of areas through infrastructure

Priority 4: Employment and skills

Context: Overall, worklessness (economic inactivity and/or unemployment) in Worcestershire is comparatively low, although for those affected it still represent a significant issue. Worklessness disproportionally affects a number of groups, including young and older people, particular ethnic groups; disabled and people with long-term health problems; lone parents; and people with no qualifications. An important characteristic of unemployment that has changed in recent years is that a much greater proportion of the workless are unemployed for 6-12 months or longer. With regards to skills, 10% of staff in Worcestershire have skills gaps; this is more than in both the West Midlands and England. At the same time, 19% of all establishments report having staff members that are not fully proficient. In the West Midlands over one-third of employers indicated that applicants do not have the correct skills required to fill hard to fill vacancies, with a lack of work experience and qualifications cited as key reason s. Skills deficiencies include technical and job-specific skills, as well as 'softer skills' such as the right attitude, motivation and social skills.

Rationale for intervention: Research has shown that businesses are wary of hiring people that have been unemployed for more than 6 months. Thus, if workers who have been jobless for extended periods come to be seen as unemployable, that represents a long-term reduction in the economy's effective workforce and hence its productive capacity. As such, it is important to quickly integrate the jobless into the labour market. For the long term unemployed, including those groups that are disproportionally affected by unemployment, mainstream provision is often not sufficient and additional support is therefore required. Moreover, with limited employment growth and thus opportunities for new entrants on the labour market, it has also become increasingly difficult for young people, including university graduates, to secure employment that match their skills sets. The effect of university graduates that are forced to take jobs that don't use their skills is that, as time goes by, they may find themselves demoted, at least in the eyes of potential employers, to the status of low-skilled workers, which will mean that their education goes to waste. Consequently, it is important to create the right conditions for new graduates and other young people to be supported in finding jobs that are appropriate for their skills, this could for example be achieved by offering more higher level apprenticeships.

Inputs

ESF – £21.1m

Match funding (private, public and opt in) - £21.1m

Total investment – £42.1m

Interventions

Employment and Skills Programme

DWP

Skills Funding Agency

Activities

Support employability of unemployed

Support access to lifelong learning

Improved collaboration between employers and education systems

Enhanced DWP 'Opt in' Programme

Enhanced SFA 'Opt in' Programme

Outputs

No. of participants – 9,300

No. of unemployed – 3,850

No. of inactive – 3,500

No. of employed – 1,950

No. aged 15-24 years – 2,100

Results

No. in jobs

No. in education/training

No. that gain qualifications

No. in positive activities

No inact. jobsearch

EU thematic objective logic chain

TO8: Employment	
Contextual conditions	Levels of unemployment and economic inactivity relatively low However, increased tendency for those that are unemployed to be so for longer
Rationale	Barriers to growth – lack of basic skills, higher-level and sector specific skills deficits Positive externalities from brining people into employment
EU Growth Programme Framework priorities	Access to employment for job-seekers and inactive people, including local employment initiatives and support for labour mobility Sustainable integration of young people, in particular those not in employment, education or training into the labour market
Objectives	Emerging SEP objectives / cross-cutting priorities contributed to: • Realising people’s potential and meeting business skills needs • Attracting mobile investment
Key delivery partners	Skills Funding Agency (SFA), local authorities, FEIs, private sector, DWP
Collaboration with other LEPs	None anticipated at this stage
Inputs	ESF - £8.7m Match funding (including SFA ‘opt-in’, DWP ‘opt-in’, local authorities, private sector) - £8.7m Total - £17.4m
Activities	Support employability of unemployed and economically inactive Enhanced DWP ‘opt-in’ Progamme
Outputs	Total number of participants - 3,895 Number of unemployed - 1,632 Number of inactive - 1,486 Number of employed - 777 Number aged 15-24 years - 884
Results	Participants in employment upon leaving Participants engaging in positive activities that address barriers to work Inactive participants newly engaged in job searching upon leaving

TO10: Skills	
Contextual conditions	Larger proportion of Worcestershire employees with a skills gap, compared to regional and national averages Employers reporting a skills shortage in terms of hard to fill vacancies Identified skills deficiencies, including technical and job-specific skills, as well as 'softer skills' Worklessness a particular issue for people with no qualifications
Rationale	Barriers to growth – lack of basic skills, higher-level and sector specific skills deficits Positive externalities associated with skills and training provision
EU Growth Programme Framework priorities	Enhancing access to lifelong learning, upgrading the skills and competencies of the workforce and increasing the labour market relevance of education and training systems; including improving the quality of vocational education and training and the establishment and development of work-based learning and apprenticeship schemes such as dual learning systems
Objectives	Emerging SEP objectives / cross-cutting priorities contributed to: • Realising people's potential and meeting business skills needs • Attracting mobile investment
Key delivery partners	SFA, local authorities, FEIs, private sector, DWP
Collaboration with other LEPs	None anticipated at this stage
Inputs	ESF - £14.6m Match funding (including SFA 'opt-in', DWP 'opt-in', local authorities, private sector) - £14.6m Total - £29.2m
Activities	Support access to lifelong learning, skills upgrading and workforce training Improved collaboration between employers and education training systems Enhanced Skills Funding Agency 'opt-in' Programme
Outputs	Total number of participants – 6,367 Number of unemployed – 2,702 Number of inactive – 1,766 Number of employed – 1,899 Number aged 15-24 years – 1,667
Results	Participants in education/training upon leaving Participants in employment upon leaving Participants gaining a qualification upon leaving Participants engaged in positive activities that address barriers to work

Priority 5: Social and economic inclusion

Context: Income deprivation is often considered to be the most important component of disadvantage. Over 130,000 people (24.7% of the population) in Worcestershire live in a household with a median income less than £17,678 per annum, which is less than 60% of the median household income for England (the official Government definition of poverty). Based on a broader measure of deprivation (IMD 2010), 16% of Worcestershire's Lower Layer Strategic Output Areas (SOAs) are in the most deprived 30% of SOAs in England.

Rationale for intervention: There is a need to ensure that economic success is shared across Worcestershire and that social exclusion and poverty is tackled. Indeed, if left to market forces it is unlikely that there will be an equitable distribution of opportunities and wealth. Interventions are particularly required to combat income deprivation/poverty which serves to restrict individuals in terms of their housing choices, education opportunities and skills, and employment prospects.

Inputs

ESF - £3.7m

Match funding (private, public, civil society and opt in) - £3.7m

Total investment – £7.3m

Interventions

Community Led Local Development Programme

Big Lottery Fund

Activities

Support to reduce number of people at risk of poverty and exclusion

Employability support

Support for low-skilled workers

Community development programmes

Tailored Big Lottery 'opt in' programme

Outputs

No. of participants – 1,350

No. of unemployed – 625

No. of inactive – 650

No. of employed – 75

No. aged 15-24 years – 250

Results

No. in jobs

No. in education/training

No. that gain qualifications

No. in positive activities

No inact. jobsearch

EU thematic objective logic chain

TO9: Social inclusion	
Contextual conditions	Pockets of severe deprivation within the LEP area Barriers to enterprise particularly high for disadvantaged groups Worklessness disproportionately affecting a number of groups
Rationale	Barrier to growth – long-term unemployment, high levels of unemployment among young people Institutional and administrative barriers to employment
EU Growth Programme Framework priorities	Active inclusion in particular with a view to improving employability
Objectives	Emerging SEP objectives / cross-cutting priorities contributed to: • Realising people's potential and meeting business skills needs • Inclusion
Key delivery partners	Local authorities, third sector (community and voluntary) organisations
Collaboration with other LEPs	None anticipated at this stage
Inputs	ESF - £5.9m Match funding (including Big Lottery 'opt-in', DWP 'opt-in', local authorities) - £5.9m Total - £11.7m
Activities	Support to reduce the number of people at risk of poverty and exclusion Locally developed community development programmes Tailored Big Lottery 'opt-in' programme
Outputs	Total number of participants – 2,338 Number of unemployed – 1,040 Number of inactive – 1,048 Number of employed – 249 Number aged 15-24 years – 474
Results	Inactive participants newly engaged in job searching upon leaving Participants in employment upon leaving Participants engaging in positive activities that address barriers to work Participants in education/training upon leaving Participants gaining a qualification upon leaving

Appendix G - Cross-cutting themes

(i) Introduction

The European Commission's adopted legislative proposals for cohesion policy for 2014-2020 include a series of common principles applicable to all Funds. As well as partnership and multi-level governance, and compliance with applicable EU and national laws, these include promotion of equality between men and women and non-discrimination; and sustainable development[55]. Delivery of the Programme should promote equality between men and women and prevent discrimination on the basis of sex, racial or ethnic origin, religion, disability, age or sexual orientation. The programme must also pursue the objectives set out in the framework of sustainable development and the Community promotion of the goal of protecting and improving the environment.

The WLEP ESI Funds Programme embeds the two cross-cutting themes of environmental sustainability and equal opportunities within it. These follow on and build upon the similar themes and experience developed through the West Midlands European Competitiveness and Employment programme 2007-2013[56].

The themes will support the objective of increased competitiveness for Worcestershire. Greater economic engagement of otherwise inactive or excluded groups can help to bolster the local economy, whilst basing economic growth upon a healthy and liveable environment will ensure that Worcestershire can maintain a competitive edge without degrading the essential environmental context upon which it depends. Projects funded through the Programme will be expected to embed best practice in both themes as appropriate.

(ii) Importance of Cross Cutting Themes

Cross cutting themes are integral to the Worcestershire ESI Funds Strategy and will inform the whole Programme, and will be embedded from the outset. They will be:

- included in the Programme's overall vision, objectives and cross cutting priorities;
- embedded in each priority, which will include specific environmental and equality objectives, indicators, and quantified targets;
- integrated in the objectives of key management and strategic decision making bodies in terms of relevant cross cutting theme issues; and
- project applications, development, appraisal, and monitoring and evaluation processes will include criteria on cross cutting theme integration.

Specific proposals for the integration of cross cutting themes will be developed during the course of establishing and developing Programme Priorities.

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55 Cohesion Policy 2014 -2020; Investing in growth and jobs
56 Regional Competitiveness and Employment Objective 2007 – 2013 West Midlands European Regional Development Fund Operational Programme

(iii) Environmental sustainability

Context

Worcestershire is located at the heart of England with an attractive natural landscape, Areas of Outstanding Natural Beauty and a rich history. The quality of the natural and built environmental is of critical importance to the local economy. It underpins primary industries such as agriculture and forestry, and is important to wider economic growth in relation to the attractiveness of the area as a place to live, to visit, and in which to invest – attracting visitors, businesses, and workers. The quality of the environment plays a key role in shaping the image and perception of the area and in attracting and retaining skilled workers. Consequently, it is essential that economic growth in Worcestershire is sustainable[57].

The programme will seek to minimise waste and conserve resources through a sustainable approach. At the same time, it will recognise the requirements for sustainable development that protects the area from damaging development and land use activity, and enhances biodiversity and diverse and important environmental, landscape, townscape and historic features and characteristics.

Various policies place emphasis on key environmental issues, including for example the creation of a sustainable development framework, conservation of urban and rural areas, the management of waste, energy generation and conservation, and reducing the need for travel where appropriate, together with planning for climate change, soil and water quality, and Green Infrastructure. These principles accord with the UK Sustainable Development Strategy Securing the Future and the five 'guiding principles' of sustainable development: living within the planet's environmental limits; ensuring a strong, healthy and just society; achieving a sustainable economy; promoting good governance; and using sound science responsibly. They also fit with the Government's policies in relation to sustainable development, as currently expressed though the National Planning Policy Framework which expounds a presumption in favour of sustainable development as a 'golden thread' running through both plan-making and decision-taking.

Design and Development

Environmental sustainability is being progressed through the planning and other policies of each local authority. The approaches being developed will form a framework for the design and development for the ESI Funds Programme.

Should a Strategic Environmental Assessment be required for the ESI Funds, this will also provide part of the overall framework.

Aim

The overall aim will be to strengthen economic, social and geographical cohesion by correcting imbalances between the Worcestershire area and other, more developed parts of the EU by investing in local development and economic growth while also respecting Sustainable Development principles.

The Environmental Sustainability theme objectives are to:

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[57] Worcestershire Local Economic Assessment 2010-2011: Key Issues Consultation

- support sustainable production and consumption through targeted support of businesses, R & D, partnerships and projects;
- protect natural and built resources through the careful design of projects and programme support systems; and
- support sustainable communities through packages of focused support that benefit people and localities as a means of creating greater economic wealth and advantages.

Actions under Strategic priorities

Under SME business competitiveness, the programme will support entrepreneurialism, business growth and infrastructure, and investment.

Under RDTI and ICT, the programme will support innovation and R&D infrastructure, support innovation initiatives, and develop growth sector initiatives, and digital connectivity support (particularly in rural areas) and ICT and digital technology adoption.

Under Environment, place and infrastructure, the Programme will develop green places, sites, and transport, together with a low carbon and resource and efficiency programme. WLEP has established a strong relationship with the LNP and has been working with Natural England to develop the Local Environment and Economic Development toolkit. This will support outcomes in terms of landscape scale horticulture development, ensuring that development meets minimum standards and environmental offsetting.

These priorities will include both development, and products, processes, and procedures. For each of these priorities, the Programme will address:

- identification and mitigation of negative environmental effects arising as a result of individual projects air, water, and land, plants and animals, and human beings;
- the efficient use of resources, in particular energy and water consumptions, through the use of the design and operation of individual projects;
- the quality of the built environment through the uses and application of design and materials, expressed through appropriate criteria that go beyond basic Building Regulation and other basic legislation (such as higher BREEAM ratings);
- the extent to which the need to travel is reduced (where appropriate) expressed through savings in miles or goods/miles; and
- the moderation or reduction of greenhouse gas emissions, in particular CO2, to achieve carbon savings.

Where projects require an Environmental Impact Assessment (EIA) to be carried out as part of statutory processes, the results will be taken into account when considering support under the Programme. Where an EIA is not required, the Programme will require a simplified assessment of the project in relation to land, water, and air quality; effects on plants and animals; and impacts on human beings to be considered as part of the appraisal process.

(iv) Equal Opportunities

Context

Regulations place a primacy on promoting gender equality, but also recognise the importance of preventing discrimination on the basis of sex, racial or ethnic origin, religion, disability, age or sexual orientation. The wider interpretation will be promoted through all stages of the implementation of the Programme.

The Regulations also place emphasis on investing in growth and jobs to strive for equality between those with a stake in economic growth and those suffering from exclusion. As a result there is emphasis on promoting employment and supporting labour mobility, promoting social inclusion and combating poverty, investing in education, skills and lifelong learning; and enhancing institutional capacity and an efficient public administration.

Furthermore, the Regulations also seek to ensure that there is appropriate territorial equality of opportunities between urban and rural areas within the overall framework of addressing the needs of developed and less-developed regions.

These are reflected in Europe 2020 strategy as the successor to the Lisbon Agenda for growth and jobs particularly in relation to 'Inclusive Growth' – fostering a high-employment economy delivering economic, social and territorial cohesion (as well as 'Smart growth' – developing an economy based on knowledge and innovation, and 'Sustainable growth' – promoting a more resource efficient, greener and more competitive economy).

The Government's strategy for Growth focuses on economic development and rebalancing the economy as part of the overall aim of reducing the country's deficit. Getting people into paid work is a central element of the Government's strategy to tackle social exclusion. Some groups face more difficulty in accessing the labour market, including certain minority ethnic groups, older people, and those with disabilities. The Programme has an important role to play in removing specific barriers and promoting equality of access to economic opportunities.

The programme will seek to reduce inequalities at all levels within Worcestershire and the purpose of the equalities cross cutting theme will be to highlight opportunities and encourage the benefits arising from them to be maximised.

Design and Development

The WLEP has been working with the Worcestershire Voices Board and various third sector interests to ensure that its strategies and actions promote equality.

The Worcestershire ESI Funds Programme will develop criteria within the aims, values and priorities of the Community Strategy to enable the equality aims of the European Programme to be achieved.

Aim

The overall aim will be to pursue economic growth and jobs through appropriate investment which makes the link between opportunities for economic growth and areas of economic need; respecting individuals' gender, race, disability, age, religion and sexual orientation to maximise the positive opportunities, through economic success, that the ESI Funds Programme can bring.

The equal opportunites theme objectives are to:

- enable all of Worcestershire's citizens to benefit from increased wealth and prosperity on the basis of equal opportunities through the growth of the economy;
- identify and address the needs of under-represented groups and those suffering from disadvantage or social exclusion; and
- ensure that the needs of both rural and urban areas are appropriately addressed.

Actions under Strategic priorities

Under the strategic priority of employment and skills, the Programme will tackle youth unemployment, support older workers, tackle long-term unemployed, assist other disadvantaged groups, support the achievement of specific skills/qualifications, and enhance the DWP's and SFA's 'Opt in' Programmes. In terms of inclusion, the programme will develop local community development programmes, and a tailored 'opt in' programme.

These priorities will include the need to develop means to address skills and training deficiencies, as well as barriers to accessing or creating opportunities for employment. For each of these priorities the Programme will address:

- the ways in which individual projects will impact, either positively or negatively, on target groups in society – where these are negative action to mitigate or remove such effects, and where positive, how these can be enhanced and maximised;
- to identify the qualitative aspects of jobs created and safeguarded in relation to addressing employment needs within disadvantaged areas and within target groups; and
- the balance between urban and rural target communities.

Where appropriate projects will be required to provide an Equality Impact Assessment (EqIA), the results will be taken into account when considering support under the Programme. Where an EqIA is not required, the Programme will require a simplified assessment of the project which will be considered as part of the appraisal process.

(v) Implementation of the Cross Cutting Themes

Implementation of the cross cutting themes will take into account:

- clearly articulating the objectives of the cross cutting themes from the start of the Programme;
- ensuring proposed indicators are observable, manageable and sufficiently focused on the actions to be supported;
- issuing practical and focused guidance at an early stage to inform project development;
- early consideration of the themes in project assessment procedures; and
- ensuring that requirements made of projects are proportionate to their scale.

Successful implementation of the cross cutting themes will require that they are embedded through all stages of the Programme and project lifecycle through: governance, development, appraisal, selection, and monitoring and evaluation. The integration of cross cutting themes will be the subject of monitoring and evaluation over the life of the Programme, and it is envisaged that these will form part of the Programme's overall monitoring and evaluation. Where appropriate, case studies of good practice will be developed.

Under the provisions of the technical assistance procedure, funds will be available to support such activities which grow the understanding, commitment and capacity of management bodies and beneficiaries to effectively implement the cross cutting themes.