

Sheffield City Region  
European Structural & Investment Funds Strategy  
February 2016

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**Our vision:**

**TO CREATE A CITY REGION WITH A  
STRONGER AND BIGGER PRIVATE  
SECTOR  
THAT CAN COMPETE IN  
GLOBAL AND NATIONAL MARKETS**



**Sheffield  
City Region**  
Local Enterprise  
Partnership

## FOREWORD

I am pleased to submit this 'Refreshed' European Funding Strategy to Government, on behalf of the Sheffield City Region Local Enterprise Partnership and its Partners, as the basis for how we will deploy EU Structural and Investment Funds to engender economic growth for all within in our the City Region, in line with our Strategic Economic Plan.

This Refresh maintains the position of our original ESIF Strategy that seeks to support and supplement our wider Growth Plan for the Sheffield City Region. It continues to offer a coherent and consistent strategic approach, largely focused on the needs of the private sector businesses which alone can create the increased wealth we need but with measures to ensure the wider Civil Society will benefit.

As the Programme moves from Strategy to implementation we look forward to seeing the c€200m ESIF Funds contributing to the transformation of the SCR economy that drives not only local wealth generation but across the wider 'North' as part of the Northern Powerhouse.

To date our local contribution has seen a functional and successful ESIF Committee established with a broad range of partners. The prospect of Intermediary Body status for the selection of projects will only further enhance local input into decision making and ensure that ESIF projects meet local needs.

This ESIF programme remains vitally important and a significant tool to drive growth, create jobs and encourage social inclusion and we remain firmly of the view that given additional resources the impact we propose would be even more significant.



**James Newman**  
**Chairman**  
**Sheffield City Region ESIF Committee**



## SUMMARY

Our vision is:

**To create a City Region with a stronger and bigger private sector that can compete in global and national markets.**

- Our EU Structural Investment Fund strategy (ESIF) is just one contributor – but a very important contributor – to achieving our vision through our Growth Plan.
- Our Growth Plan, and hence our ESIF, are evidence driven and private sector led, and have been formulated following extensive stakeholder engagement
- Our Growth Plan and our ESIF focus on business need but is inclusive of the needs of our wider society.
- Our Growth Plan and ESIF have been designed with flexibility to enable the delivery of a comprehensive and integrated economic strategy.
- Structural and Investment Funds will support 3 Priorities for action:
  - Supporting Business Growth – **new, existing, exporting and incoming** businesses
  - Developing our **skills** base and **labour** mobility;
  - Improving and enhancing our **infrastructure**.
- Our activities will:
  - **Create** jobs and businesses;
  - **Increase** productivity;
  - **Move** our economy up the value chain;
  - **Increase** skills;
  - **Increase** employment levels;
  - **Benefit** the whole City Region (urban and rural) and all its residents.
- We expect to deliver through a small number of large-scale sub-programmes, in many cases through a commissioning process.
- We will provide effective and trustworthy governance taking account of national and EU regulations and requirements.



## INTRODUCTION TO THE ESIF REFRESH

This ESIF Strategy Refresh builds very much on the contents of the original but provides an opportunity to update some areas of intervention, identify progress to date and align presentation to the final version of the SCR Growth Plan and its three Priorities of Business Growth, Skills and Infrastructure.

The key changes to the original ESIF Strategy are:

- 1) The ESIF strategy's presentation is now aligned more closely to the SCR Growth Plan. Whilst the contents of the ESIF strategy remains largely unchanged the previous interventions, particularly in respect to Business Growth have been 'rebundled' to provide greater flexibility in promoting Calls to meet the changing economic circumstances facing the City Region. In this respect only Access to Finance and Innovation Capital retain specific 'allocations' under the 'Business banner' given a number of clear strategic interventions the SCR consider necessary to support.
- 2) The Managing Authorities have confirmed the financial allocations for the City Region, which now includes an appropriate amount for Derbyshire Dales, together with the associated outputs. Our Plan attempts to disaggregate the headline outputs for each Priority Area and provides a full breakdown of the Programme requirements.
- 3) Following an invitation from the Managing Authority, the SCR has submitted a Sustainable Urban Development (SUD) strategy which looks to focus interventions to support our aspirations of having a Green and Inclusive economy.
- 4) Following the completion of the SCR Devolution Deal we are in the process of securing Intermediary Body status for our ERDF and ESF Programmes in respect to project selection. Our role in formally appraising Local Strategic Fit should ensure that only projects that meet local need will be progressed. It is expected that that IB status will be confirmed in the first half of 2016.
- 5) Finally, and where appropriate, brief 'progress to date' reports are provided reflecting the position that has been achieved over the past 12 months. In particular we have worked closely with the MA's to put in place the ESIF Committee and other structures and contributed to the publication of 18 Calls for Proposals and 3 Opt-In submissions.

Our ESIF Allocations are summarised in Euro's below:



Sheffield City Region European Structural & Investment Fund Strategy 2014-20

PRIORITY ALLOCATIONS TRANSITION REGIONS									
Thematic Objective	Priority	Business Growth	Access to Finance	Innovation Capital	Skills & Labour Mobility	Low Carbon	Social Inclusion	SUD	TOTAL
		€	€	€	€	€	€	€	€
1. Innovation		8,669,286	-	12,161,851	-	-	-	-	20,831,137
2. ICT		3,215,988	-	-	-	-	-	-	3,215,988
3. SME Competitiveness		36,404,735	16,666,667	-	-	-	2,451,881	2,103,455	57,626,738
4. Low Carbon		-	-	-	-	15,946,510	-	8,509,535	24,456,045
<b>ERDF TOTAL</b>		<b>48,290,009</b>	<b>16,666,667</b>	<b>12,161,851</b>	-	<b>15,946,510</b>	<b>2,451,881</b>	<b>10,612,991</b>	<b>106,129,908</b>
8i - Access to employment		1,861,672	-	-	14,772,622	-	-	-	16,634,294
8ii - Young People in labour market		289,295	-	-	2,295,597	-	-	-	2,584,892
<b>8. Employment</b>		<b>2,150,968</b>	-	-	<b>17,068,218</b>	-	-	-	<b>19,219,187</b>
9i - Active Inclusion		3,387,207	2,441,940	-	7,809,707	-	5,684,975	-	19,323,829
<b>9. Social Inclusion (ESF)</b>		<b>3,387,207</b>	<b>2,441,940</b>	-	<b>7,809,707</b>	-	<b>5,684,975</b>	-	<b>19,323,829</b>
10iii - Access to lifelong learning		1,051,945	-	-	27,178,615	-	-	-	28,230,560
10iv - Skills for the labour market		157,248	-	-	4,062,737	-	-	-	4,219,985
<b>10. Skills</b>		<b>1,209,192</b>	-	-	<b>31,241,353</b>	-	-	-	<b>32,450,545</b>
<b>ESF TOTAL</b>		<b>6,747,367</b>	<b>2,441,940</b>	-	<b>56,119,278</b>	-	<b>5,684,975</b>	-	<b>70,993,561</b>
<b>ESIF TOTAL</b>		<b>55,037,376</b>	<b>19,108,607</b>	<b>12,161,851</b>	<b>56,119,278</b>	<b>15,946,510</b>	<b>8,136,855</b>	<b>10,612,991</b>	<b>177,123,469</b>

PRIORITY ALLOCATIONS MORE DEVELOPED REGION									
Thematic Objective	Priority	Business Growth	Access to Finance	N/A	Skills & Labour Mobility	Low Carbon	Social Inclusion	N/A	TOTAL
		€	€	€	€	€	€	€	€
1. Innovation		3,672,257	-	-	-	-	-	-	3,672,257
2. ICT		805,293	-	-	-	-	-	-	805,293
3. SME Competitiveness		5,734,905	2,564,103	-	-	-	795,268	-	9,094,276
4. Low Carbon		-	-	-	-	4,255,100	-	-	4,255,100
<b>ERDF TOTAL</b>		<b>10,212,455</b>	<b>2,564,103</b>	-	-	<b>4,255,100</b>	<b>795,268</b>	-	<b>17,826,926</b>
8i - Access to employment		293,145	-	-	2,378,982	-	-	-	2,672,127
8ii - Young People in labour market		74,567	-	-	605,136	-	-	-	679,703
<b>8. Employment</b>		<b>367,711</b>	-	-	<b>2,984,119</b>	-	-	-	<b>3,351,829</b>
9i - Active Inclusion		505,906	364,723	-	1,176,526	-	870,629	-	2,917,784
<b>9. Social Inclusion (ESF)</b>		<b>505,906</b>	<b>364,723</b>	-	<b>1,176,526</b>	-	<b>870,629</b>	-	<b>2,917,784</b>
10iii - Access to lifelong learning		183,555	-	-	4,735,730	-	-	-	4,919,285
10iv - Skills for the labour market		38,468	-	-	992,482	-	-	-	1,030,950
<b>10. Skills</b>		<b>222,024</b>	-	-	<b>5,728,211</b>	-	-	-	<b>5,950,235</b>
<b>ESF TOTAL</b>		<b>1,095,641</b>	<b>364,723</b>	-	<b>9,888,856</b>	-	<b>870,629</b>	-	<b>12,219,848</b>
<b>Total</b>		<b>11,308,096</b>	<b>2,928,826</b>	-	<b>9,888,856</b>	<b>4,255,100</b>	<b>1,665,897</b>	-	<b>30,046,774</b>

PRIORITY ALLOCATIONS SHEFFIELD CITY REGION									
Thematic Objective	Priority	Business Growth	Access to Finance	Innovation Capital	Skills & Labour Mobility	Low Carbon	Social Inclusion	SUD	TOTAL
		€	€	€	€	€	€	€	€
1. Innovation		12,341,543	-	12,161,851	-	-	-	-	24,503,394
2. ICT		4,021,281	-	-	-	-	-	-	4,021,281
3. SME Competitiveness		42,139,640	19,230,769	-	-	-	3,247,149	2,103,455	66,721,014
4. Low Carbon		-	-	-	-	20,201,610	-	8,509,535	28,711,145
<b>ERDF TOTAL</b>		<b>58,502,464</b>	<b>19,230,769</b>	<b>12,161,851</b>	-	<b>20,201,610</b>	<b>3,247,149</b>	<b>10,612,991</b>	<b>123,956,834</b>
8i - Access to employment		2,154,817	-	-	17,151,604	-	-	-	19,306,421
8ii - Young People in labour market		363,862	-	-	2,900,733	-	-	-	3,264,595
<b>8. Employment</b>		<b>2,518,679</b>	-	-	<b>20,052,337</b>	-	-	-	<b>22,571,016</b>
9i - Active Inclusion		3,893,113	2,806,663	-	8,986,233	-	6,555,604	-	22,241,613
<b>9. Social Inclusion (ESF)</b>		<b>3,893,113</b>	<b>2,806,663</b>	-	<b>8,986,233</b>	-	<b>6,555,604</b>	-	<b>22,241,613</b>
10iii - Access to lifelong learning		1,235,500	-	-	31,914,345	-	-	-	33,149,845
10iv - Skills for the labour market		195,716	-	-	5,055,219	-	-	-	5,250,935
<b>10. Skills</b>		<b>1,431,216</b>	-	-	<b>36,969,564</b>	-	-	-	<b>38,400,780</b>
<b>ESF TOTAL</b>		<b>7,843,008</b>	<b>2,806,663</b>	-	<b>66,008,134</b>	-	<b>6,555,604</b>	-	<b>83,213,409</b>
<b>Rural (EAFRD)</b>		<b>3,525,777</b>	-	-	-	-	-	-	<b>3,525,777</b>
<b>Total</b>		<b>69,871,249</b>	<b>22,037,432</b>	<b>12,161,851</b>	<b>66,008,134</b>	<b>20,201,610</b>	<b>9,802,753</b>	<b>10,612,991</b>	<b>210,696,020</b>



## Chapter 1

# SHEFFIELD CITY REGION – THE PLACE, THE CHALLENGE AND THE OPPORTUNITY

The Local Enterprise Partnership's purpose is to engender growth across the Sheffield City Region. Our Growth Plan<sup>1</sup> sets out how Sheffield City Region's economy will grow in the short, medium and long term. Delivering that growth will require resources. EU Structural Funds are one resource that will help to deliver that growth, and therefore **this EU Structural Investment Fund (ESIF) strategy is entirely focused on delivering the City Region's growth plans.**

We have developed our Strategic Economic Plan (SEP)<sup>2</sup>, and since the ESIF is in essence an adjunct to our Growth Plan and SEP **this strategy has been designed with flexibility to adjust as the Growth Plan progresses.**

The **private sector is taking a strong lead** in the development of our Growth Plan, and so they are very much in the lead in the development of this strategy. In particular, the LEP's Growth Plan Steering Group, which is heavily private sector dominated, and includes representatives of all the LEP's Sector Groups<sup>3</sup>, has guided the contents. However engagement with the wider community has influenced our strategy to **take account of the wider needs of our Civil Society.**

We will maximise **integration or at least alignment of the ESIF with other funding streams at our disposal**, marrying the best of local and national approaches and the functions of the new Combined Authority<sup>4</sup>.

### 1.1 Growth Plan

Our Growth Plan is ambitious, but it is also credible. Our initiatives are about building on existing successes and scaling them up, or about taking transformational ideas from one sector and applying them to others.

Our plan is ambitious because it has to be. At its heart our economy is still recovering from decades of industrial job losses. Although our economy has grown from the mid-1990s until 2008 like other city regions, somewhat uniquely our private sector did not grow during this period – as industrial sector losses offset growth in service and other sectors. Our plan will finally lay this legacy to rest – using our industrial expertise in new ways, and restructuring the skills base and business base to fully contribute to UK plc. We have set targets to narrow our economic gap over the next 10 years through the creation of 70,000 net additional jobs, increase GVA by 10% (or £3bn) and create 6,000 additional start-up businesses beyond our baseline growth rates. The benefits this will bring will be felt by UK plc through higher levels of productivity, innovation and exports in key sectors such

<sup>1</sup> <http://sheffieldcityregion.org.uk/about/growthplan/>

<sup>2</sup> <http://sheffieldcityregion.org.uk/wp-content/uploads/2014/03/SCR-Growth-Plan-March-2014.pdf>

<sup>3</sup> Advanced Manufacturing and Materials; Creative & Digital Industries; Healthcare Technologies; Low Carbon; Property & Construction; Retail; Sport Leisure & Tourism; Logistics; Business & Professional Services.

<sup>4</sup> <http://sheffieldcityregion.org.uk/about/the-sheffield-city-region-authority/>

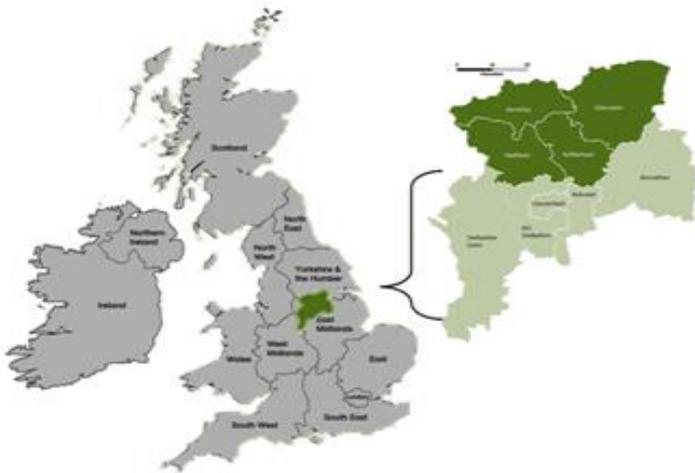


as digital technologies, engineering, manufacturing and low carbon. The benefits will also come in the form of a reduced cost of the SCR on public finances by addressing the area's legacy of unemployment.

## 1.2 SCR – The Place

The Sheffield City Region has a diverse economy comprising a dynamic core city, important towns and market towns, fabulous countryside and a significant rural economy. The City Region encompasses more than 1.8 million people and approximately 700,000 jobs.

Figure 1.1: The Sheffield City Region is at the heart of the country



The City Region is located at the strategic heart of the country. It is comprised of the nine local authority areas of Barnsley, Bassetlaw, Bolsover, Chesterfield, Derbyshire Dales, Doncaster, North East Derbyshire, Rotherham and Sheffield.

Barnsley is also part of the Leeds City Region LEP area (although not treated as such for the purpose of ESIFs), while Bassetlaw, Bolsover, Chesterfield, Derbyshire Dales and North-East Derbyshire are also part of the D2N2 LEP area.

The Local Authorities comprising of South Yorkshire (Barnsley, Doncaster, Rotherham and Sheffield) represent a Transition Region. The remaining Districts fall in the East Midlands and have been categorised as More Developed Regions.

### 1.2.1 Demographic profile

There are approximately 1.8 million people living in the City Region and this population is growing. The two largest authorities in the City Region, in terms of population are Sheffield and Doncaster.

The City Region comprises both urban and rural areas and this is reflected in how the population density varies across the City Region. Within the City Region there are 5.2 people per hectare. This figure is at its highest in Chesterfield and Sheffield (15.7 and 15 people per hectare) and is at its lowest in the Derbyshire Dales and Bassetlaw (0.9 and 1.8 people per hectare).



The results from the 2014 Mid-Year Population Estimate indicate that the population of the Sheffield City Region grew by more than 97,000 people or 5.6% between 2001 and 2014. In absolute and proportional terms the highest level of population growth occurred in Sheffield out of the districts in the City Region.

Table 1.1: SCR Population

Authority	Population, 2014	% SCR population	Population Density (persons per ha)	% change population 2001 - 2014
Barnsley	237,800	13.0	7	7.5
Doncaster	304,200	16.6	5.3	4.6
Rotherham	260,100	14.2	9	3.3
Sheffield	563,700	30.8	15	8.5
Bassetlaw	114,100	6.2	1.8	3.7
Bolsover	77,200	4.2	4.7	4.9
Chesterfield	104,300	5.7	15.7	3.8
Derbyshire Dales	71,300	3.9	0.9	2.6
North East Derbyshire	99,400	5.4	3.6	1.9
Sheffield City Region	<b>1,832,100</b>	<b>100.0</b>	<b>5.2</b>	<b>5.6</b>

Source: Mid-Year Population Estimates 2014

#### • Age

The Sheffield City Region has an ageing population, with a higher proportion of the population aged 45 and over than the average for England as a whole. This reflects both those aged between 45 – 64 (26.1% in SCR compared to 25.3% in England) and those aged 65 and over (18.5% in SCR compared to 17.64% in England). This is a particular issue in some of the more rural authorities that comprise the City Region such as the Derbyshire Dales and North East Derbyshire.

The City Region has a higher proportion of people aged between 16 and 24. This is driven by the number of people within this age category in Sheffield and as such appears to reflect the influence of the two Universities that are located here on demographic trends.

All authorities in the City Region have a lower proportion of the population aged between 25 and 44, when compared with the national average.

Table 1.2: SCR Age Profile

Authority	Population, 2014	Percent Age 0 - 15	Percent Age 18 - 24	Percent Age 25 - 44	Percent Age 45 - 64	Percent Age 65 and over
Barnsley	237,800	18.4	8.2	25.0	27.5	18.5
Doncaster	304,200	19.0	8.3	25.4	26.6	18.2
Rotherham	260,100	19.2	8.2	24.4	26.9	18.8
Sheffield	563,700	18.2	14.4	26.3	22.6	16.2
Bassetlaw	114,100	17.5	7.8	22.8	28.7	20.5
Bolsover	77,200	17.9	8.1	24.6	27.8	19.4
Chesterfield	104,300	17.1	8.1	24.6	27.7	20.0
Derbyshire Dales	71,300	15.7	6.5	19.1	31.4	24.9
North East Derbyshire	99,400	16.1	7.4	21.6	29.1	23.4
Sheffield City Region	1,832,100	18.2	10.0	24.8	26.1	18.5
England	54,316,600	19.0	9.1	26.7	25.3	17.6

Source: Office for National Statistics, 2014 Mid-Year Population Estimates

#### • Gender



The gender breakdown in the Sheffield City Region is shown in the table below. This illustrates that 49.4% of the area's population is male and 50.6% is female.

**Table 1.3: SCR Gender Profile**

Authority	Population	Males		Females	
		number	%	number	%
Barnsley	237,800	117,300	49.3	120,600	50.7
Doncaster	304,200	150,600	49.5	153,600	50.5
Rotherham	260,100	127,800	49.1	132,300	50.9
Sheffield	563,700	279,500	49.6	284,200	50.4
Bassetlaw	114,100	56,600	49.6	57,600	50.5
Bolsover	77,200	38,000	49.2	39,100	50.6
Chesterfield	104,300	51,200	49.1	53,100	50.9
Derbyshire Dales	71,300	35,100	49.2	36,200	50.8
North East Derbyshire	99,400	48,700	49.0	50,700	51.0
Sheffield City Region	1,832,100	904,800	49.4	927,400	50.6

Source: Office for National Statistics, 2014 Mid-Year Population Estimates

#### • Ethnicity

In 2011 92.4% or 1.67m residents of the Sheffield City Region classified themselves as White. This was above the national average of 85.4%. Within the City Region three authorities (Derbyshire Dales, Bolsover and North East Derbyshire) all had at least 98% of the population that considered themselves White. Sheffield is the most ethnic diverse area in SCR (16.3%), which is also higher than the national average.

Asian / Asian British is the next largest ethnic group within the City Region, with 3.8% of the resident population being within this category. This is followed by Black/ African/ Caribbean/ Black British (1.4%), Mixed/ multiple ethnic groups (1.4%), and finally other ethnic group (0.9%).

**Table 1.4: SCR Ethnicity Profile**

Authority	Population, 2011	White	Mixed/ multiple ethnic groups	Asian/ Asian British	Black/ African/ Caribbean/ Black British	Other ethnic group
Barnsley	231,221	97.9	0.7	0.7	0.5	0.2
Doncaster	302,402	95.3	1.1	2.5	0.8	0.4
Rotherham	257,280	93.6	1.0	4.1	0.8	0.5
Sheffield	552,698	83.7	2.4	8.0	3.6	2.2
Bassetlaw	112,863	97.4	0.9	1.1	0.5	0.2
Bolsover	75,866	98.1	0.7	0.8	0.4	0.0
Chesterfield	103,788	96.5	1.1	1.5	0.8	0.1
Derbyshire Dales	71,116	98.6	0.7	0.6	0.1	0.1
North East Derbyshire	99,023	98.0	0.8	0.8	0.2	0.1
Sheffield City Region	1,806,257	92.4	1.4	3.8	1.5	0.9
England	53,012,456	85.4	2.3	7.8	3.5	1.0

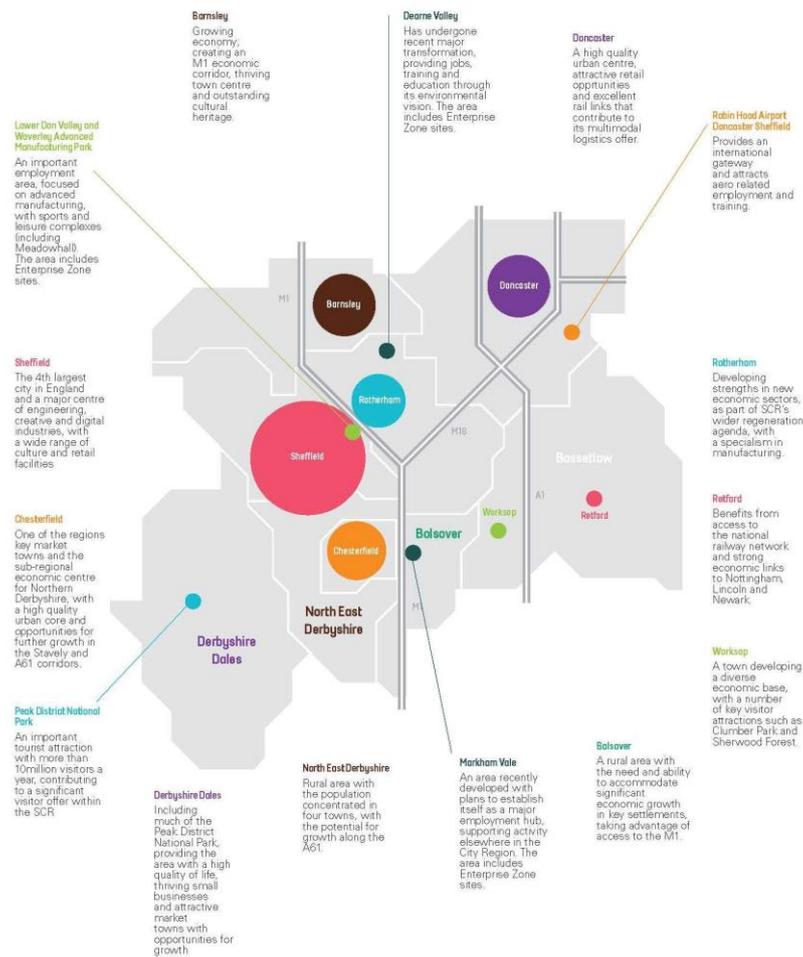
Source: Office for National Statistics, Census 2011



## 1.2.2 Economic Geography

The Sheffield City Region represents a functional economic geography with all parts contributing. The key facts about the SCR economy are provided in detail in the Independent Economic Review<sup>5</sup> but the contribution of each area can be summarised in the figure and table below:

Figure 1.2: Roles of places in the Sheffield City Region



<sup>5</sup> <http://sheffieldcityregion.org.uk/wp-content/uploads/2013/10/Independent-Economic-Review.pdf>



Table 1.5: Economic Geography

Economic Geography			
	Employees	High Skilled Occupations	GVA ('000s)
Sheffield	250,500	45%	11,199
Doncaster	112,600	33%	11,360
Rotherham	98,000	36%	
Barnsley	76,600	31%	
Chesterfield	48,100	29%	
Bolsover	27,700	36%	4,528
North East Derbyshire	26,000	51%	3,516
Bassetlaw	46,000	29%	
Derbyshire Dales	30,100	44%	

Source: Business register and Employment Survey, Annual Population Survey and Regional Account

• **SCR Assets**

SCR has a number of significant assets and strengths to build upon. Continuing to develop and promote these assets will represent an integral component of our offer to inward investors.

- Home to two Universities with world class research capabilities, with the country's largest engineering department by 2015, and a significant Further Education presence, covering a range of different specialisms.
- Has a central location at the heart of the UK, with 360°, multi-modal connectivity to other key markets, including international markets from the Airport.
- Home to the world renowned Advanced Manufacturing Park, as a centre of collaboration between business and Universities, that will be home to the most advanced manufacturing factory in the world.
- Not a traditional mono-centric city region, including Sheffield the 4th largest city in the country.
- Potential workforce of 1.1m and more than 120,000 jobs in the knowledge and data driven economy.
- Has a flexible and adaptable base of SME companies, focused on business to business supply chain.
- Significant capacity for the additional development of employment land (new and existing).
- The City Region will have a HS2 station; we are working to ensure that we maximise the major regeneration opportunity this represents.
- Home to the UK's number 1 Enterprise Zone for advanced manufacturing.
- Has a significant visitor economy including the Peak District National Park, which attracts more than 10 million visitors a year.

The historical legacy of manufacturing can be seen to continue to impact upon the area. The SCR is transforming to high value manu-services economy<sup>6</sup>. The ability to produce innovative, high value and data-led product solutions be it in relation to creative and digital industries or the aerospace and low carbon sectors, can be seen to characterise the knowledge based economy that is continuing to emerge.

Sheffield City Region does not have a single dominant sector; instead it has a much more diverse economic base. What differentiates the SCR in terms of its sector performance are the business to business linkages that comprise our City Region's supply chain. These data driven, supply chain linkages and opportunities are important to all sectors within our economy, e.g. advanced manufacturing, engineering, healthcare technologies, and CDI. As the world changes to take a more integrated view of the value chain rather than the

<sup>6</sup> The Work Foundation (2011) More than making things, a new future for manufacturing in a service economy



concept of the supply chain, manufacturing will increasingly take a wider definition and will be about much more than producing a component and selling it. The value chain recognises the importance of the pre and post-production processes. Examples are the increased use of servitisation and “Power by the Hour” developed by Rolls-Royce. In the future the benefits of mass customisation will encourage the customer to become involved in the design process. There will be greater opportunities for servitisation, maintenance, remanufacturing and recycling. Our diverse industry base, including its healthcare, creative and digital sectors, as well as the more traditional manufacturers, will be in strong position to benefit from these changes. To achieve these benefits will require cooperation and a sustained effort to assimilate new innovations and new skills.

### 1.3 The Economic Challenge

The Sheffield City Region faces a number of fundamental challenges. However, addressing these challenges will generate significant ‘wins’ for UK plc by transforming the export, trade and GVA contribution that the City Region makes to the national economy. An integral element of this will also involve reducing the costs associated with SCR plc, for example the number of people currently claiming Job Seeker Allowance. The best way to reduce the welfare burden is to help people access employment.

In developing our Growth Plan the SCR has sought to identify the opportunities for its transformation. To be able to do this the City Region needed a strong and compelling evidence base. The LEP commissioned Independent Economic Review (IER) of the SCR produced in summer 2013 used some of the best economic advisors in the country and highlighted the stark nature of these challenges. The report said we need to transform the inherent structural and fundamental weaknesses in our economy. These link directly to our industrial legacy and the area’s on-going transition from an economic base dominated by coal and steel to a competitive 21<sup>st</sup> century, high value manufacturing, knowledge and service led, economy.

A central component of the IER was its focus on the need to close and narrow the gap between the SCR and the national average. Realising these ambitions will transform the performance and thus the contribution of the area to UK plc.

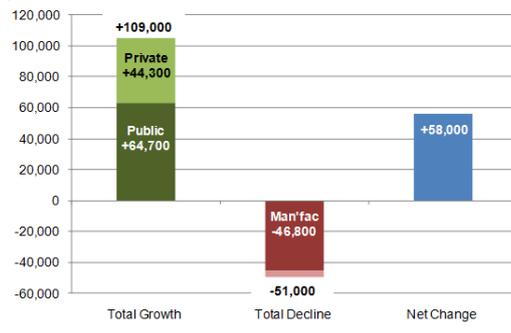
The completion of the IER provides a baseline position on which the Growth Plan and thus this ESIF has been developed. The IER evidenced the following issues to be addressed and which are integral in realising the potential of the SCR.

#### 1.3.1 Small private sector

During the last growth cycle (1998 – 2008) the SCR experienced a **net decrease in employment in the private sector**.

This was primarily as a result of the more than 45,000 jobs that were lost in manufacturing, which occurred as a result of the adoption of new technologies and cheaper labour costs abroad. The 9% increase in total employment in the SCR was largely attributable to growth in the public sector between 1998 and 2008. But, some private

Figure 1.3: Net employment change in the SCR, 1998-2008



Source: Annual Business Inquiry (ABI), SCR IER



sectors grew as well including CDI, Business, Professional and Financial Services (BPFS), logistics and sport, leisure and tourism.

In contrast to the 1998-2008 growth period, private sector employment in SCR has been growing during the recession and recovery of 2009-2013. Whilst this is a significant turnaround from past trends, growth in private sector employment in the city region remains at much lower rate than the national average (+4,300 jobs or +1%, compared to +5% nationally).

Recent evidence indicates that the City Region has experienced significant public sector job losses as a result of the government’s austerity drive (-10,900 jobs, a fall of 6%). This rate of decline is in line with the decline nationally.

The IER noted that the City Region had a very small private sector base, and it is clear that private sector employment growth in SCR, unlike in many other parts of the country, has not been sufficient to offset the decline in public sector employment.

SCR continues to have a higher than average share of employment in public services, reflecting the small size of the private sector locally.

This reinforces the message that there is a continued need to encourage private sector employment growth in SCR. The performance of our private sector can be seen to be reflected in the other challenges set out below, which all relate to the need to create a bigger and stronger private sector.

Figure 1.4: SCR employment change 2009-13

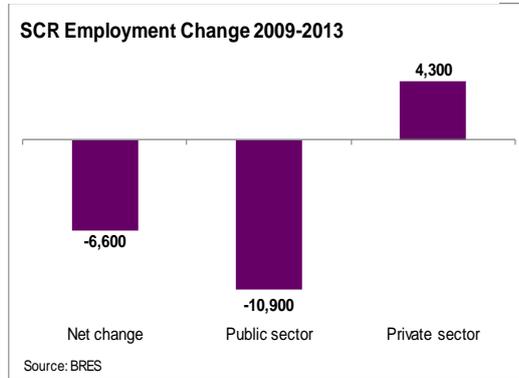
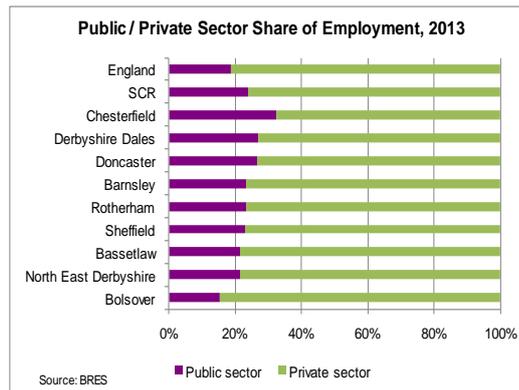


Figure 1.5 Public/Private Sector Share of Employment 2013



### 1.3.2 Enterprise Deficit

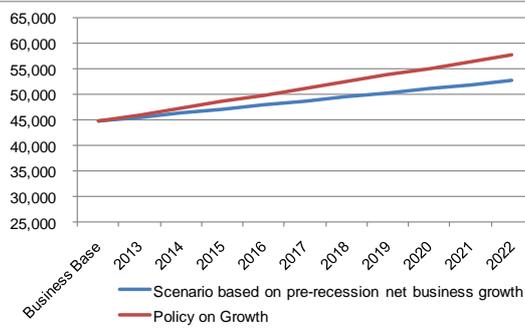
The IER concluded that the SCR and South Yorkshire have too few businesses relative to the size of its economy and working age population. This illustrated that the SCR has low levels of businesses in some of the most important high value added service sectors, with business density levels equivalent to 70% or less of the national average. The IER found that the number of new starts is two thirds of the equivalent national figure; with 4.4 births per 1,000 working age residents in the SCR and South Yorkshire compared to 6.8 in England.



Halving this gap over ten years could create an additional 6,000 enterprises and circa 9,000 jobs, equating to an additional 600 net new businesses per year; and the number of businesses in the SCR means that it will be vital to attract more existing businesses from outside the area to locate here, as the existing business base will not generate the scale of growth required. Attracting these businesses will require an appropriate supply of land and premises.

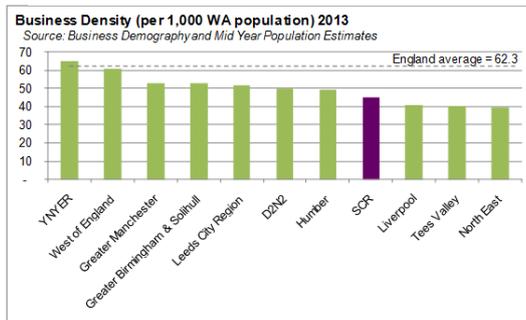
Since the IER was produced published data has indicated that the City Region's business base was significantly impacted on by the recession. For example, between 2008 and 2011 the number of active businesses decreased by 1,800, whilst nationally business numbers continued to rise. In recent years SCR has begun to recover from this, with increases in the business base in 2012 and 2013, although the City Region is yet to recover to its pre-recession business base. Cumulatively, the fall in the number of businesses established in SCR during the recession and prolonged recovery period (together with the continued growth in business starts observed nationally) has widened the gap in business density. If the SCR was to have a business density equivalent to the national average there would be an additional 20,300 businesses in the City Region. The SCR would need an additional 5,800 businesses to close the gap with the LEP average.

Figure 1.6 Growing the business base – the challenge



Source: APS, SCR IER

Figure 1.7 Business Density

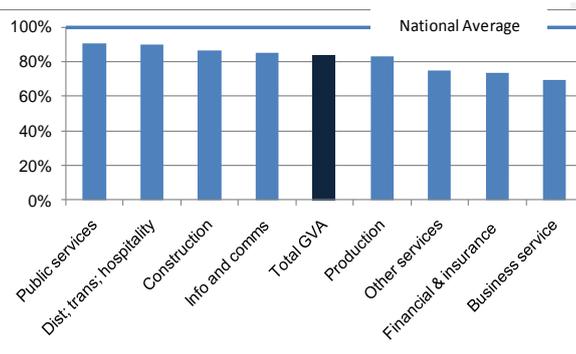


### 1.3.3 The Productivity Challenge

The IER demonstrated that GVA growth between 1998 and 2008 lagged behind the national average (57% compared to 63%). GVA per FTE was only 83% of the national average in 2011. To meet the national average (excluding London) the SCR would need to increase GVA by £3 billion or 11%.

This productivity challenge is affecting all sectors in South Yorkshire and reflects the low

Figure 1.8: SCR GVA per FTE by sector relative to national average



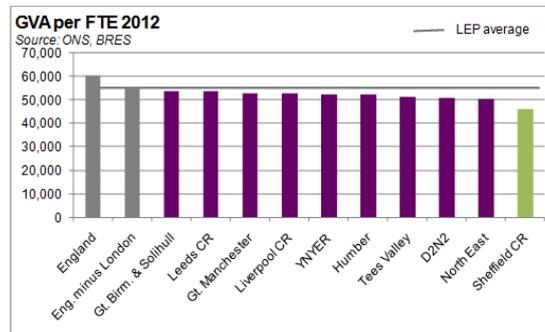
Source: BRES, SCR IER



proportion of people employed in higher skills occupations in the wider City Region.

Since the publication of the IER GVA gap has widened from £ 3 billion to £5.4 billion. This reflects that the upturn since the recession has been slow to become established in SCR. The SCR and its peers all have GVA per FTE and GVA per head below the national average. SCR has the lowest productivity of all comparator LEPs and there is nearly £5,000 GVA per FTE and £1,500 GVA per head difference between the City Region and its nearest comparator (North East).

Figure 1.9: SCR GVA per FTE 2012 by City Region



### 1.3.4 More jobs and highly skilled occupations

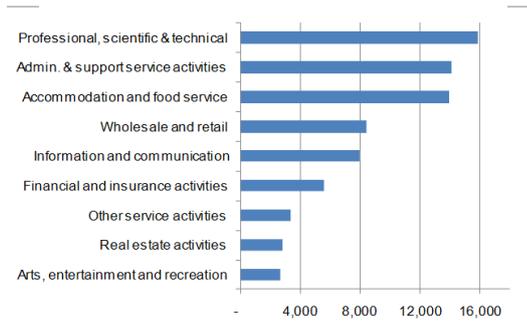
This productivity challenge is caused by two fundamental issues:

- The need for more jobs; and
- A shortfall in the number of higher skilled occupations.

The SCR currently has a shortfall of around 65,000 private service sector jobs, when compared with the employment density in other LEP areas. This position has worsened since 2009, with private sector services employment falling by 6.6% between 2009 and 2012. From 2009 to 2012, the SCR private sector services employment density fell consistently, from 72% to 65% of the England average. Additionally 70,000 jobs are required to reach the pre-recession peak employment level in the City Region.

To demonstrate the scale of the challenge in meeting this shortfall, trend based forecasts produced as part of the Growth plan evidence base show that the SCR will generate c.25,000 jobs over the next 10 years. Addressing this shortfall of c45,000 jobs will necessitate the SCR almost trebling this expected level of employment growth. South Yorkshire is expected to provide the significant majority of this growth.

Fig 1.10 Employment shortfall by sector



Source: BRES and Annual Population Survey (APS), SCR IER

However, it is important to view this challenge in the context that other comparator areas will also grow. Based on the forecast growth in other parts of the country the SCR would need to create 120,000 jobs to have closed the gap with the national average in 2023. This would require GDP growth of almost 5% and nowhere in the UK grows at this rate for such a



sustained period of time.

Of the shortfall of 65,000 jobs, over 60% need to be in activities not dependent upon local expenditure – business, professional and financial services (and support) and ICT.

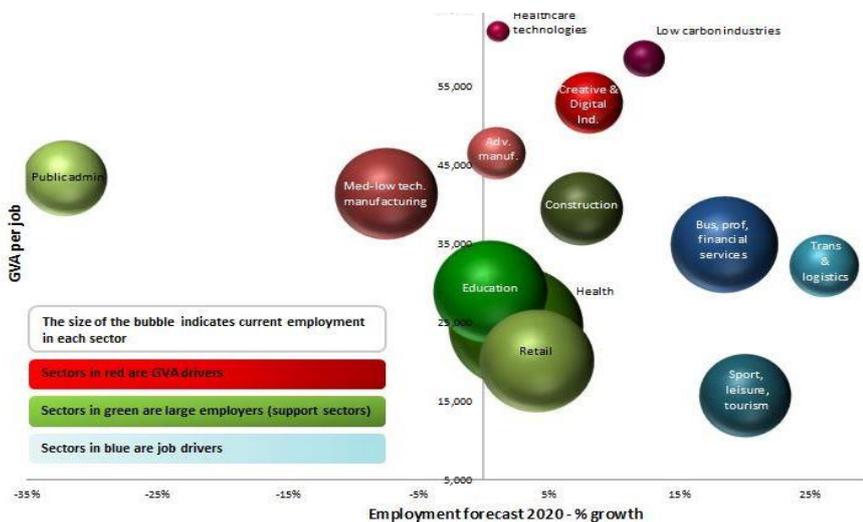
Furthermore, the SCR has a shortfall of 30,000 jobs in the number of higher skilled occupations relative to the size of the employment base and the shortfall in these occupations plays a critical role in impacting on our productivity levels. In tandem with this the low wage economy in many of parts of the City Region, particularly the rural areas, impacts upon our productivity levels.

### 1.3.5 Sectors

The SCR is diverse economy that does not have a single dominant sector that is forecast to drive our future growth. Different sectors in our economy fulfil fundamentally different economic roles (as shown in the figure above). Some sectors generate GVA, others jobs and some do both. Achieving sustainable growth requires a mix of these types of sectors to generate both wealth and employment.

The City Region has a lower proportion of jobs in the more knowledge intensive sectors such as financial and business services. In percentage terms the highest levels of forecast employment growth is expected to occur in transport and logistics; sport, leisure and tourism; and business, professional and financial services. Other sectors such as Creative and Digital Industries (CDI), low carbon, healthcare technologies and advanced manufacturing are forecast to experience lower levels of employment growth, but generate high levels of GVA per job.

Figure 1.11: Baseline ‘policy off’ forecast employment growth, GVA per job and total employment by sector in the SCR



Source: Experian data, Creative Sheffield



The medium and low tech manufacturing is expected to continue to lose jobs. It will be important to future growth to stabilise these losses, so that the experience of the last growth cycle is not repeated. The IER concluded that the City Region needs to strengthen those key sectors which operate in national and international markets, and where the City Region has a combination of expertise, facilities and assets, a strong business base, and access to growth markets. It stated that these sectors were:

- Financial, professional and business services;
- Creative and digital industries;
- Advanced manufacturing and engineering and healthcare technologies;
- Low carbon; and
- Logistics.

It should also be noted that:

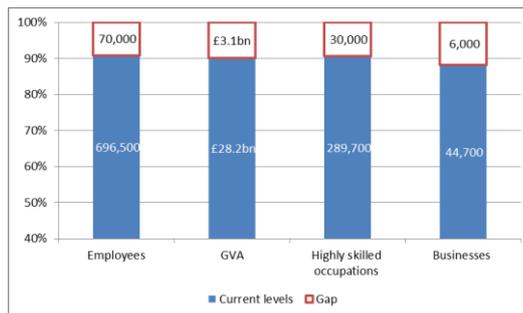
- The sectoral mix shown in the figure above reflects that of many other economies in the north of England, although we have a greater basis in manufacturing.
- The factor that differentiates the SCR from other areas is the business-to-business interactions within our supply chains that transcend traditional sector boundaries.
- The importance of these supply chains linkages is of particular importance to sectors such as advanced manufacturing, creative and digital industries (CDI) and healthcare technologies.
- Sectors dependent on market demand such as business and professional services, advanced manufacturing, healthcare technologies, CDI, and low carbon are particularly important to the future of the SCR's economy.
- Increasing the levels of trade from these companies outside of the SCR, both domestically and internationally, will be integral to the area's future economic success. The market in the SCR is not sufficient alone to deliver the scale of growth required.

### 1.3.6 The SCR performance Gap

The IER identified that the SCR currently has c65,000 too few private sector jobs<sup>7</sup>. Returning to pre-recession peak employment requires **70,000 net jobs** in the City Region<sup>8</sup>. This requires a gross target of 96,000 due to the forecast decrease in manufacturing and public administration.

Trend based forecasts included in the IER indicate that employment will grow by approximately 25,000 jobs in the next ten years. This means that the City Region needs to essentially treble this forecast to achieve a step change in its economic performance. In addition productivity has been declining since 2000, and is circa 84% of the national average. As a result the IER indicated that the SCR needs to increase its GVA by in excess of **£3 billion** to reduce the productivity gap

Figure 1.12: Narrowing the gap between the SCR and the current national average (excluding London)



Source: BRES, APS and Regional Accounts, SCR IER

<sup>7</sup> Ekosgen (2013) SCR IER

<sup>8</sup> Oxford Economics (2013) Working Draft Growth Plan



A key determinant of this low productivity is the perpetuation in the city region of a low skills economy where a high proportion of the workforce is employed in low skilled occupation, where employer investment in workforce training remains insufficient and where the legacy of educational underperformance by age 19 impacts on skills levels in adult life; The result is an estimated shortfall of 39,000 jobs in higher skilled occupations which is the consequence of a low skills equilibrium in the city region in which the demand for higher level skills is suppressed by the products, services and markets in which SCR companies are currently operating and where the supply of highly skilled labour is restricted by the attainment levels of the available workforce.

The SCR has a much less substantive business base than our LEP peer group and has an enterprise deficit with **6,000** fewer companies than the LEP economy should be able to support.

Ultimately this evidence demonstrates that there needs to be a transformation to the economy and not just growth. A structural change to a twenty-first century, knowledge economy that is outward looking, contains a greater number of businesses and which generates more and better employment opportunities.

## 1.4 The Inclusion Challenge

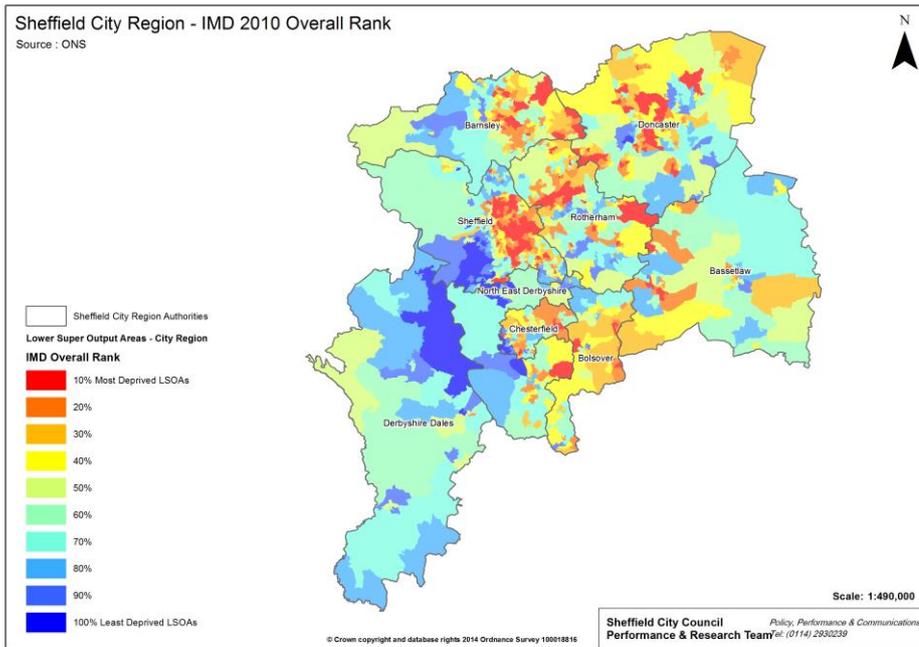
### 1.4.1 Widespread deprivation

SCR deprivation is widespread with 16.5% of the city region's Lower Level Super Output Areas (LSOA's) ranked amongst the 10% most deprived in the country. The highest concentrations of LSOA's ranked amongst the most deprived 10% are in Sheffield (22.4% of LSOA's) and Doncaster (21.2%); there are no LSOA's ranked amongst the most deprived 10% in the Derbyshire Dales district.

Deprivation is compounded by the disproportionate number of low skilled residents in low paid, fragile and often part-time work, levels of economic inactivity well above the national average (over a quarter of a million SCR residents of working age are economically inactive), a growing problem of long-term unemployment and a cycle of intergenerational unemployment and poverty that is reinforced by a learning deficit where over 40% of school leavers still do not achieve five good GCSEs including English and maths.



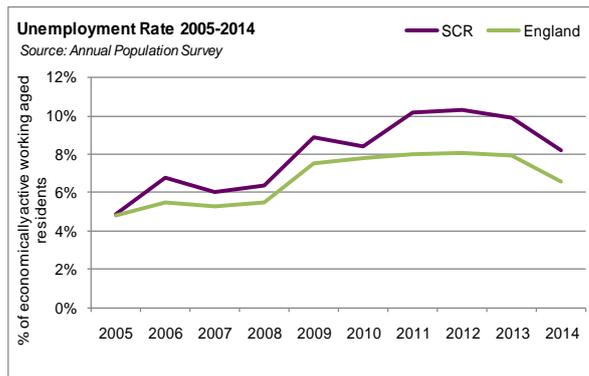
Fig 1.13: Map of Deprivation



### 1.4.2 Unemployment and Economic Inactivity

There are 73,700 residents in SCR who are unemployed based on the UK official measure of unemployment (ILO). This equates to an unemployment rate of 8% which is higher than the national average (7%). Looking at trends over time, unemployment in the city region rose considerably in during the downturn compared to the national average. In SCR, unemployment started to rise from 2008 and peaked in 2012 at 90,000 (10%). It has since started to fall in line with the national trend but is still one-third higher than the pre-recession level, equating to 19,400 more people unemployed.

Fig 1.14 Unemployment Rate 2005-14



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Whilst unemployment has risen sharply since the most recent recession, it is economic inactivity that is and has been a persistent and pernicious challenge for the city region since de-industrialisation in the 1980s.

Whilst unemployment has risen sharply since the most recent recession, it is economic inactivity that is and has been a persistent and pernicious challenge for the city region since de-industrialisation in the 1980s.

With over 268,900 (23.4%) economically inactive residents of working age between April 2014 and March 2015, the legacy is that the number of inactive adults is almost 10 times the number claiming JSAs.

Without focused action the city region's ambitions for the local economy can only be impeded by a failure to make the best use of the city-region's human capital and the cost to the public purse incurred by the proportion of citizens reliant on benefits and access to support services. Moreover, the social benefits that should accompany economic growth will not be distributed equitably as that high

proportion of jobseekers with few qualifications and the weakest work histories are denied access to emerging job opportunities that require a higher level of skills than they possess.

Whilst economic inactivity continues to be a long-term challenge, the most immediate concern for the city region is the emergence of youth unemployment. The impact of youth unemployment and the risk of a generation lost to unemployment, as occurred in this city-region, in the 1980s is well documented. Not only is the cost to the local economy significant if it does not harness the potential of those entering the labour market for the first time, but the cost to the individual young person can be considerable with long periods of unemployment in the early years of adulthood correlating to a pattern of 'wage scarring' (reduced lifetime earnings), further periods of worklessness and reduced life chances as represented by almost all key social and health indicators.

Fig 1.15 Economic Activity

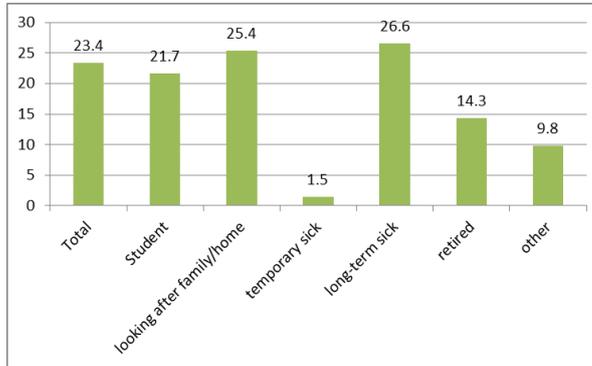
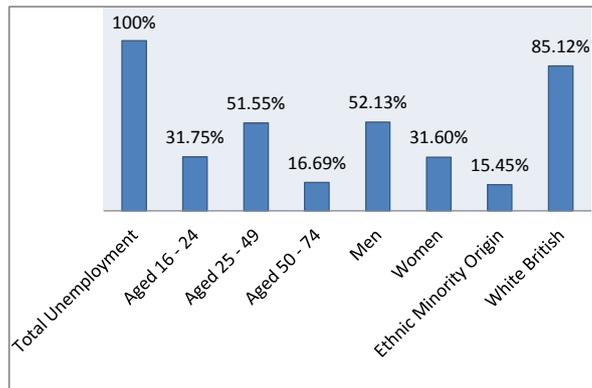


Fig 1.16: Unemployment Profile in SCR 2011



In part, the origins of youth unemployment can be found in the high level of 16-18 year olds in the SCR who are Not in Education, Employment or Training (NEET). The NEETs level for the SCR continues to exceed the national average and the proportion of young people who are NEET increases incrementally with age. This, in turn, converts into unacceptably high levels of unemployment for 18-24 year olds. Since 2008, youth unemployment has more than doubled and 18-24 year olds are more than twice as likely to be unemployed than their older counterparts. With almost 6,450 JSA claimants in this age group 3.5% of economically active 18-24 year olds are claiming the benefit and 31,200 16-24 year olds (21.2% of the economically active) are unemployed. However, since its peak in September 2012 the number of long term JSA claimants aged between 18-24 year olds decreased from 3,630 to 995 in August 2015

Fig 1.17: Economic Activity in the SCR

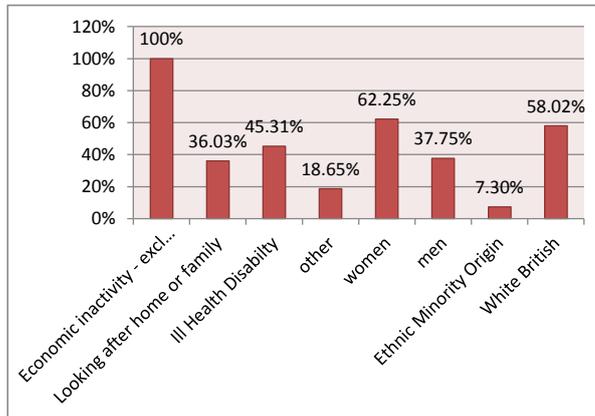
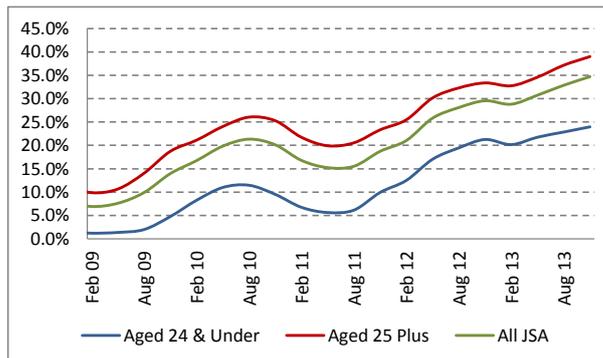


Fig 1.18: Proportions of JSA Claimants Claiming for Over a Year



### 1.4.3 Barriers to economic activity

- **Lagging skills profile**

Skill levels vary widely between the LEP area's districts, but with the exception of apprenticeships, the city region as a whole lags behind national averages at all qualification levels. Those with low or no skills levels can often be at a greater risk of economic inactivity, unemployment or be in fragile, low paid employment. The City Region also has 11.6% of people without qualifications, and to reduce the number of working age people without qualifications to the national average would require a further 28,060 people to acquire at least a level 1 qualification or equivalent.



Table 1.6: Skills Profile

Area	% Without Qualifications	% With NVQ 1+	% With NVQ 2+	% With NVQ 3+	% With NVQ 4+
Barnsley	8.3	83.8	67.2	45.5	22.6
Doncaster	11.5	81.7	68.9	46.5	24.0
Rotherham	9.9	83.9	69.1	48.1	23.1
Sheffield	10.8	84.1	72.4	56.8	35.2
Bassetlaw	11.2	81.4	64.6	33.5	20.4
Bolsover	12.6	75.6	56.7	38.3	17.8
Chesterfield	4.7	90.7	74.3	49.9	25.6
Derbyshire Dales	5.2	90.5	76.7	61.5	39.7
North East Derbyshire	9.5	88.1	76.0	61.2	31.8
<b>Sheffield City Region</b>	<b>10.0</b>	<b>83.9</b>	<b>70.0</b>	<b>50.3</b>	<b>27.9</b>
England	8.6	85.1	73.2	56.5	35.7

Annual Population Survey

- **Poor health**

In SCR there are 716,400 people who are inactive due to long-term sickness or disablement. This varies across the City Region as shown in the table below.

In the 2011 Census And 182,133 reported that that their day to day activities are “limited a lot”. This means that over 10% of the population has a health or disability issue that restricts them “a lot” resulting with fewer than 4% being unable to work. Without effective interventions this problem is set to intensify as the population ages. Unemployment itself often exacerbates health conditions and compounds the problem. Added to this there are over 83,730 individuals providing over 20 hours of unpaid care a week, 65% of whom are providing 50 or more hours a week. In South Yorkshire the problem is most acute in Barnsley and Rotherham.

Table 1.7: Three areas of highest health deprivation

Area	Economically Inactive	% economically inactive temporary sick	% economically inactive long term sick
Barnsley	31,000	1.7	37.1
Doncaster	45,300	1.7	28.5
Rotherham	40,600	1.4	28.9
Sheffield	84,600	!	23.5
Bassetlaw	15,400	!	28.1
Bolsover	16,900	!	27.6
Chesterfield	13,600	!	17.0
Derbyshire Dales	9,100	!	17.9
North East Derbyshire	12,400	!	21.6
<b>Sheffield City Region</b>	<b>268,900</b>	<b>1.5</b>	<b>26.6</b>
England	7,663,100	2.1	20.9

- **Gender based disadvantage**

Data trends show that there is a greater likelihood of women being employed part time, women are nearly three times more likely to be employed part time than men. Women are far less likely to be self-employed than men; only 4.1% of economically active females are self-employed as against 11.54% of the male economically active. This is despite self-employment offering a way of combining the work and caring responsibilities which



fall most often to the female partner, as illustrated by the far higher proportion of lone parents being female. In addition the gender pay gap in 4 out of the 9 areas is higher than the national average.

Table 1.8: Gender Pay Gap - Full Time Weekly Gross Pay, 2014

Area	Male full time weekly gross pay (£)	Female full time weekly gross pay (£)	Gender pay gap (£)
Barnsley	524.7	418.4	-106.3
Doncaster	525.0	404.5	-120.5
Rotherham	538.0	357.5	-180.5
Sheffield	502.1	424.1	-78.0
Bassetlaw	530.4	408.8	-121.6
Bolsover	437.1	376.6	-60.5
Chesterfield	517.2	415.8	-101.4
Derbyshire Dales	530.4	401.0	-129.4
North East Derbyshire	550.7	383.9	-166.8
<b>Sheffield City Region</b>	<b>517.3</b>	<b>399.0</b>	<b>-118.3</b>
England	565.3	466.0	-99.3

- **Older Workers**

Adults aged 50 – 64 form 27.6% of SCR’s economically active working age population and the unemployed aged 50 – 64 make up 12.5% of the unemployed population, a far lower proportion than young people.

Furthermore, with current and proposed changes to state pension age, coupled with lower levels of return on pension investments, more and more people will either want or have to work over age 65. In turn society needs to engage older people in work in order to support the affordability of pensions and to promote active ageing and the economic inclusion of older people. Contrary to some myths, research cited by CIPD (Chartered Institute of Personnel and Development) notes that keeping older people economically active and employed does not have a negative impact on the employment of young.

At the opposite end of the spectrum older workers have the experience young people lack, but are more likely to have more health problems and lower levels of qualifications than young people and in common with women and people from ethnic minority populations experience discrimination based on their characteristic.

- **Ethnic diversity**

Although the population of the City Region is predominately White British at over 93% of the population, this misses considerable diversity in parts of the city region. Much of this is accounted for by Sheffield which has a greater diversity of population and where 14.4% of the population has an ethnic minority or migrant background. This also reflects Sheffield’s role as a university town and home to over 2,300 international in 2013-14.

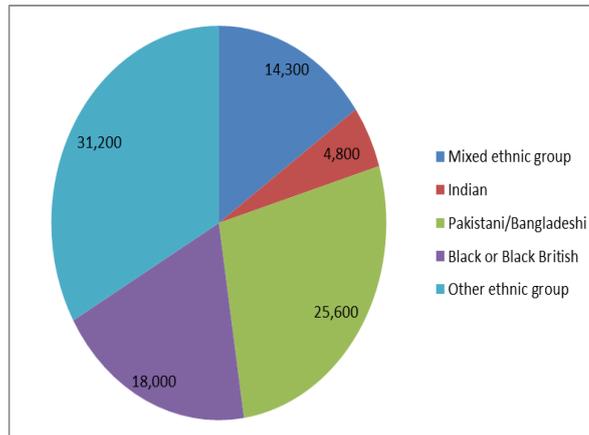
The largest ethnic minority population is that of people of Asian origin, of which the highest number are of Pakistani origin, but there are also a high number of people of Chinese origin. The second highest group, “White Other” a non-differentiated appellation that bands anyone who is white and not British, Irish or specifically Gypsy/Traveller into one category which cannot reflect the diversity within it. There are also



significant numbers from an Afro – Caribbean background. The next highest population are people of mixed heritage. With the exception of Rotherham, which has a significant population of Asian origin, outside of Sheffield the largest ethnic minority is that of White non British, reflecting recent migration of EU nationals from new member states. This is particularly marked in Doncaster and Bassetlaw.

Despite a comparatively low proportion of ethnic minority communities in most of the city region, the region is home to people from over 82 countries, creating difficulty with a lack of critical mass to provide specific support tailored to particular community needs.

Fig 1.19: SCR Ethnic Minority Communities Aged 16-64



Furthermore community demographics are volatile and subject to a range of personal choices, European and global influences, some of which are unpredictable. . It is estimated that in 2014 between 10,200 -10,600 new long term immigrants arrived in South Yorkshire<sup>9</sup>. Since the last census in 2011 its estimated 11,000 long-term migrants settled in the region. , The top country of origin overall in South Yorkshire was Romania in 2014 with circa 2,600 arrivals. The Roma community is an example of a distinct community which is difficult to identify through standard data which has no way of recording their separate culture. Currently Migration Yorkshire reports that Roma in South Yorkshire are mainly concentrated in Sheffield and Rotherham, followed by Barnsley and Doncaster. They expect the number of Roma to increase and spread further within SCR.

Furthermore community demographics are volatile and subject to a range of personal choices, European and global influences, some of which are unpredictable. Since the last census in 2011 its estimated 11,000 long-term migrants settled in the region in 2011, its estimated numbers of Roma have doubled in the last 18 months and now number 12,000 – 15,000 living in the Sheffield City Region. The Roma community is an example of a distinct community which is difficult to identify through standard data which has no way of recording their separate culture. Currently Migration Yorkshire reports that Roma in SCR are mainly concentrated in Sheffield and Rotherham, followed by Barnsley and Doncaster. They expect the number of Roma to increase and spread further within SCR.

#### 1.4.4 SWOT Analysis

We acknowledge the weaknesses and the threats identified in our evidence base, but we are equally conscious of the strengths and opportunities that offer the potential for growth. Our Growth Plan – hence our EU Investment Strategy too – will **build upon our existing assets to capitalise on all of our opportunities.**

<sup>9</sup> Migration Yorkshire (2015) South Yorkshire, Local migration Profile, <http://www.migrationyorkshire.org.uk/userfiles/attachments/pages/664/southyorkshirelmpsummary-july2015.pdf>



Figure 1.20: SWOT Analysis

	Strengths	Weaknesses	Opportunities	Threats
<b>SCR as a place to grow business and invest</b>	<ul style="list-style-type: none"> <li>- Accessibility</li> <li>- Low cost of doing business</li> <li>- Space for development</li> <li>- Securing investment from existing firms</li> </ul>	<ul style="list-style-type: none"> <li>- Entrepreneurialism and private sector job generation</li> <li>- FDI record</li> <li>- Broadband</li> <li>- High quality office space</li> </ul>	<ul style="list-style-type: none"> <li>- HS2 opportunity, but benefits only realised far into future</li> <li>- Robin Hood Airport / airport growth corridor / logistics development</li> <li>- Midland Mainline / East Coast electrification</li> </ul>	<ul style="list-style-type: none"> <li>- Resilience to external shocks</li> </ul>
<b>The skills base</b>	<ul style="list-style-type: none"> <li>- Skills improving</li> <li>- Universities</li> </ul>	<ul style="list-style-type: none"> <li>- Still relatively low share of highest skill workers</li> <li>- Supply &amp; demand mismatch</li> <li>- Educational attainment</li> </ul>	<ul style="list-style-type: none"> <li>- Even closer links between universities and other training providers, and the local economy</li> <li>- e-learning</li> </ul>	<ul style="list-style-type: none"> <li>- Other city regions not standing still</li> </ul>
<b>Innovation &amp; collaboration</b>	<ul style="list-style-type: none"> <li>- Collaborative model for advanced manufacturing</li> <li>- World class research capability</li> </ul>	<ul style="list-style-type: none"> <li>- Commercial potential not yet being realised</li> </ul>	<ul style="list-style-type: none"> <li>- More fully realising the underlying commercial potential from universities and collaboration</li> </ul>	<ul style="list-style-type: none"> <li>- Higher education budget cuts</li> </ul>
<b>Quality of life</b>	<ul style="list-style-type: none"> <li>- Cultural amenities, natural environment, and tourism offer</li> <li>- Affordable housing</li> </ul>	<ul style="list-style-type: none"> <li>- Perceptions</li> <li>- Quality of life very low in certain sub-regions</li> </ul>		
<b>Rebalancing &amp; delivering sustainable growth</b>	<ul style="list-style-type: none"> <li>- Advanced Manufacturing Park and the Enterprise Zone recognised as UK leaders</li> </ul>	<ul style="list-style-type: none"> <li>- Current strengths in low productivity sectors</li> <li>- Reliance on public sector and local demand</li> </ul>	<ul style="list-style-type: none"> <li>- National level comparative advantage in high value services</li> <li>- Renewed government focus on manufacturing</li> <li>- Stronger links to neighbouring cities</li> <li>- Ability to be a world-class innovator already demonstrated in certain niches</li> </ul>	<ul style="list-style-type: none"> <li>- Priority sectors not unique to SCR</li> <li>- Risk of focusing on areas requiring public subsidy in low-carbon sector</li> </ul>
<b>The spatial dimension</b>	<ul style="list-style-type: none"> <li>- Distinctive sub-regions create diversity of opportunities within the SCR</li> <li>- Space / land for development</li> </ul>	<ul style="list-style-type: none"> <li>- Certain areas isolated from job opportunities in Sheffield</li> </ul>	<ul style="list-style-type: none"> <li>- Transport developments will reinforce potential of priority locations</li> <li>- Combined Authority status should strengthen governance and unlock funding</li> <li>- Devolution will provide more control over how investment is focussed</li> <li>- Scope to develop Sheffield city centre</li> </ul>	<ul style="list-style-type: none"> <li>- Flooding remains a risk in certain areas earmarked for development</li> </ul>

## 1.5 The SCR Response to the Challenge

In the light of this evidence, our Growth Plan has a **clear vision: TO CREATE A CITY REGION WITH A STRONGER AND BIGGER PRIVATE SECTOR THAT CAN COMPETE IN GLOBAL AND NATIONAL MARKETS.**

### 1.5.1 A Focused Plan

The Sheffield City Region’s vision for growth is clear, simple and focused. This is predicated on the conclusion of the IER that the SCR needs **a bigger and stronger private sector**, which represents the golden thread throughout our Plan. This will lead to a growth in the number of jobs in the area, a higher level of GVA and a restructured and inclusive economy.



Achieving these results will mean a fundamental shift in the economic performance of the area. The aspiration to create 70,000 jobs over the next ten years is ambitious and will treble the number of jobs that we would create if we followed the current growth trajectory. In addition to creating more jobs we also need to improve output per work to address our productivity challenge.

The scale of change required will mean that the SCR must be externally focused; bringing more investment into the area and strengthened trading relationships. The area’s economy must also restructure to create a more innovative and knowledge intensive economic base.



Figure 1.21: How we will grow and transform the Sheffield City Region's economy



## 1.5.2 Strategic Objectives

In order to achieve this vision for the SCR we need to deliver against three **strategic objectives**:

- Ensure **SCR Businesses**, urban and rural, and from any sector, have the support they need to realise their *full growth potential* by increasing the number of start-ups (entrepreneurship) and facilitating existing businesses growth – especially on firms not dependant on the local economy.
- Ensure that the *City Region is outward looking* to attract inward investment (both foreign and domestic) and to grow exports and trade. Integral to our success will be our ability to leverage in more opportunities from outside of the area, including some internationally significant inward investments by major original equipment manufacturers attracted by our strengths in high value manufacturing and our innovation/skills offer.
- *Provide the conditions* that businesses need to prosper and become more resilient; particularly ensuring that we have the right **Skills** and digital, transport and housing **Infrastructure** in place to grow our private sector.



The first of these objectives reflect that we can only create direct growth by:

- Increasing the start-up rate of new businesses;
- Growing our existing businesses and reducing the failure rate; and
- Attracting more businesses and investment into the area.

## 1.5.2 Thematic Priorities for Action



Our strategic objectives are reflected in the three Priorities below, where action needs to be undertaken. Our '**Business**' priority, with four sub-elements reflect our need for creating growth by increasing the start-up rate of new businesses; growing our existing businesses and reducing the failure rate; and attracting more businesses and investment into the area and . The Priorities of **Skills** and **Infrastructure** need to be in place to enable companies to operate successfully but will indirectly lead to growth.



Actions need to be undertaken in the following thematic areas in the City Region:

#### Priority 1: BUSINESS

- Ensure new businesses receive the support they need to flourish, to **increase the number of start-ups** in the City Region by encouraging a culture of enterprise and collaboration;
- **Facilitate and proactively support** growth amongst **existing firms** in the SCR (including those that are foreign owned), by promoting skills, innovation and creativity, providing appropriate business support and access to finance for businesses with high growth potential;
- **Attract investment from other parts of the UK and overseas** and improve our brand to increase the levels of investment and businesses coming into the City Region, both foreign and domestic. This will require a competitive and flexible offer that meets investor needs and which is clearly articulated and promoted to capitalise on our strengths.
- Increase sales of SCR's goods and services to other parts of the UK and abroad, by promoting **opportunities for global trade** for businesses in the City Region by identifying clear markets and ensuring that businesses are able to access these markets;

#### Priority 2: SKILLS and LABOUR MOBILITY

- Develop the City Region's **skills base, labour mobility and education performance** to create the workforce that businesses need to grow; and

#### Priority 3: INFRASTRUCTURE

- Secure **investment in infrastructure** where it will do most to support growth, including providing access to key markets outside of the City Region, unlocking key development opportunities and ensuring that local actions contribute to the overarching goals of the SEP.

Innovation and Social Inclusion is embedded within our Plan. This reflects its central role in creating sustainable economic growth in the City Region.

## 1.6 ESIF Contribution to the Growth Plan

To help achieve our vision, our ESIF **focuses throughout on:**

- Supporting new and existing businesses in and into the City Region;
- fostering creativity and innovation;
- supporting increased trading outside the City Region;
- creating a City Region labour market that helps businesses to grow and to move to higher value;
- tackling social inclusion where it contributes to economic growth;
- delivering benefit to the whole of the City Region, including rural areas.

Our allocation of €207m **ERDF and ESF** funding will be utilised against the EU Thematic Objectives / Priority Axes shown in Chapter 11 and Figure 11 below together with our €3.5m **EAFRD** to support economic development in our rural areas.



Member State ESI Funds allocations and the Operational Programme of each Fund are in euros. ESI Funds notional allocations to LEP areas are therefore also in euros. Sterling valuations of LEP area euro notional allocations will therefore naturally change to reflect ongoing euro/sterling fluctuations. For the purpose of this Strategy euro allocations have been converted to sterling using the following rate **€1 = £0.78** current at the most recent revaluation January 2016.

Table 1.9: ESIF Allocations – REFRESH 2016

SCR ESIF ALLOCATIONS								
Thematic Objective	Region	Transition		More Developed		SCR Total		%age
		£	€	£	€	£	€	
1. Innovation		£ 16,248,287	€ 20,831,137	£ 2,864,360	€ 3,672,257	£ 19,112,647	€ 24,503,394	20%
2. ICT		£ 2,508,471	€ 3,215,988	£ 628,129	€ 805,293	£ 3,136,599	€ 4,021,281	3%
3. SME Competitiveness		£ 44,948,856	€ 57,626,738	£ 7,093,535	€ 9,094,276	£ 52,042,391	€ 66,721,014	54%
4. Low Carbon		£ 19,075,715	€ 24,456,045	£ 3,318,978	€ 4,255,100	£ 22,394,693	€ 28,711,145	23%
<b>ERDF TOTAL</b>		<b>£ 82,781,328</b>	<b>€ 106,129,908</b>	<b>£ 13,905,002</b>	<b>€ 17,826,926</b>	<b>£ 96,686,331</b>	<b>€ 123,956,834</b>	
8i - Access to employment		£ 12,974,749	€ 16,634,294	£ 2,084,259	€ 2,672,127	£ 15,059,008	€ 19,306,421	
8ii - Young People in labour market		£ 2,016,216	€ 2,584,892	£ 530,168	€ 679,703	£ 2,546,384	€ 3,264,595	
<b>8. Employment</b>		<b>£ 14,990,966</b>	<b>€ 19,219,187</b>	<b>£ 2,614,427</b>	<b>€ 3,351,829</b>	<b>£ 17,605,392</b>	<b>€ 22,571,016</b>	27%
9i - Active Inclusion		£ 15,072,587	€ 19,323,829	£ 2,275,872	€ 2,917,784	£ 17,348,458	€ 22,241,613	
<b>9. Social Inclusion (ESF)</b>		<b>£ 15,072,587</b>	<b>€ 19,323,829</b>	<b>£ 2,275,872</b>	<b>€ 2,917,784</b>	<b>£ 17,348,458</b>	<b>€ 22,241,613</b>	27%
10iii - Access to lifelong learning		£ 22,019,837	€ 28,230,560	£ 3,837,042	€ 4,919,285	£ 25,856,879	€ 33,149,845	
10iv - Skills for the labour market		£ 3,291,588	€ 4,219,985	£ 804,141	€ 1,030,950	£ 4,095,729	€ 5,250,935	
<b>10. Skills</b>		<b>£ 25,311,425</b>	<b>€ 32,450,545</b>	<b>£ 4,641,183</b>	<b>€ 5,950,235</b>	<b>£ 29,952,608</b>	<b>€ 38,400,780</b>	46%
<b>ESF TOTAL</b>		<b>£ 55,374,978</b>	<b>€ 70,993,561</b>	<b>£ 9,531,481</b>	<b>€ 12,219,848</b>	<b>£ 64,906,459</b>	<b>€ 83,213,409</b>	
<b>EAFRD</b>						<b>£ 2,750,106</b>	<b>€ 3,525,777</b>	
<b>ESIF TOTAL</b>		<b>£ 138,156,306</b>	<b>€ 177,123,469</b>	<b>£ 23,436,484</b>	<b>€ 30,046,774</b>	<b>£ 164,342,896</b>	<b>€ 210,696,020</b>	

South Yorkshire - Transition Region		
Fund	£	€
ERDF	£ 82,781,328	€ 106,129,908
ESF	£ 55,374,978	€ 70,993,561
<b>Total</b>	<b>£ 138,156,306</b>	<b>€ 177,123,469</b>

East Midlands - More Developed Region		
Fund	£	€
ERDF	£ 13,905,002	€ 17,826,926
ESF	£ 9,531,481	€ 12,219,848
<b>Total</b>	<b>£ 23,436,484</b>	<b>€ 30,046,774</b>

EAFRD - Sheffield City Region Total		
EAFRD	£	€
EAFRD	£ 2,750,106	€ 3,525,777

SCR ESIF Programme		
Fund	£	€
ERDF	£ 96,686,331	€ 123,956,834
ESF	£ 64,906,459	€ 83,213,409
EAFRD	£ 2,750,106	€ 3,525,777
<b>Total</b>	<b>£ 164,342,896</b>	<b>€ 210,696,020</b>

Exchange Rate €1=£0.78



Table 1.10: EAFRD Allocation

SCR EAFRD Allocations		
Sub Measure	£	€
2.1 Business Support	491,941	€ 630,694
6.2 New Business	573,931	€ 735,809
6.4 Existing Business	737,912	€ 946,041
7.3 Broadband	290,400	€ 372,308
7.5 Tourism	655,922	€ 840,925
<b>Total</b>	<b>2,750,106</b>	<b>€ 3,525,777</b>

Exchange Rate €:£0.78

The headline outputs for our investment are outlined below. Chapter 12 provides details other additional outputs and results targets and Appendix 1 provides details of which outputs are linked to each Investment Priority.

Table 1.11: SCR ESIF Headline Outputs

**ERDF Priority Axis Targets and Performance Reserve**

Priority Axis	CATEGORY OF REGION	By When (Year end)	Eligible Project Expenditure €	Enterprises Receiving Support	Enterprises Receiving Support - Partial	Additional Businesses with 30 mbps Broadband	GHG Decrease (Tonnes Co2)
1	More Developed	2018	1,878,145	-	27		
1	More Developed	2023	7,353,691	108			
2	More Developed	2018	418,035				
2	More Developed	2023	1,636,774				
3	More Developed	2018	4,716,672		152		
3	More Developed	2023	18,467,666	588			
4	More Developed	2018	2,177,619		22		
4	More Developed	2023	8,526,252				2,085
1	Transition	2018	8,867,177		131		
1	Transition	2023	34,718,561	533			
2	Transition	2018	1,368,947				
2	Transition	2023	5,359,980				
3	Transition	2018	24,529,937		790		
3	Transition	2023	96,044,564	4,531			
4	Transition	2018	10,410,189		109		
4	Transition	2023	40,760,075				9,968

**ESF Priority Axis Targets Performance Reserve**

Priority Axis	CATEGORY OF REGION	By When (Year end)	Eligible Project Expenditure €	Men	Women	Total
1	More Developed	2018	2,351,105	476	393	869
1	More Developed	2023	12,539,228	2,530	2,090	4,620
2	More Developed	2018	2,231,338	414	431	845
2	More Developed	2023	11,900,470	2,200	2,290	4,490
1	Transition	2018	12,044,692	2,444	2,064	4,508
1	Transition	2023	64,238,358	13,000	10,980	23,980
2	Transition	2018	10,140,795	1,931	2,010	3,941
2	Transition	2023	54,084,242	10,270	10,690	20,960



## Chapter 2

### SHEFFIELD CITY REGION: WIDER POLICY CONTEXT

#### 2.1 Links with EU Strategy

The Sheffield City Region Local Enterprise Partnership strongly supports the **Europe 2020** Strategy's focus on higher employment and faster growth and we are determined to promote sustainable and balanced growth based on a flourishing private sector, higher net exports, greater investment and enterprise.

Europe 2020 is the European Union's ten year growth strategy and puts forward three mutually reinforced priorities of:

- Smart Growth: develop an economy based on knowledge and innovation;
- Sustainable Growth: promoting a more resource efficient, greener and more competitive economy;
- Inclusive Growth; fostering a high employment economy delivering social and territorial cohesion.

We also recognise that these priorities are intrinsic and critical to economic growth in the Sheffield City Region (SCR) and this is why there is such a strong correlation between the Europe 2020 strategy, the SCR Growth Plan and consequently our European Investment Strategy.

In line with the Commission's priorities, the Sheffield City Region shall invest European funding to support those interventions bringing the greatest added value in relation to the Union's Strategy for smart, sustainable and inclusive growth. To ensure the SCR European Investment Strategy (ESIF) delivers, we will strengthen the co-ordination at City Region level between EU and national programmes and put investment priorities in line with the Europe 2020 'Growth and Jobs Agenda' at the heart of the SCR ESIF.

In preparing the ESIF, the SCR LEP have accounted for the most relevant recommendations issued by the European Union on the basis of the Treaty for the Functioning of the European Union (TFEU) and the UK's 2013 National Reform Programme on promoting growth and employment. In 2013, the European Commission issued six country specific recommendations for the United Kingdom to help it improve its economic performance, these are:

- Sustainable public finances
- Housing market reform
- Youth unemployment
- Support to low income families
- Access to finance
- Investment in infrastructure

Many of the country specific recommendations relate to macro-economic activities which can only be taken forward by government for example ensuring sustainable public finances, further liberalisation of planning laws or ensuring that the Universal Credit and other welfare reforms deliver a fair tax-benefit system



The SCR ESIF takes forward the recommendations where there are sufficient resources in the SCR ESIF allocation and where appropriate actions can be taken forward at local level. Therefore the main impact of the plan will be:-

1. Youth unemployment: - The ESIF prioritises tackling youth unemployment with a third of its resources for skills, employment and labour mobility targeted on young people 15 – 24. The sections in Priority 5 and in the Social Inclusion cross cutting themes outline how this recommendation will be supported and implemented.
2. Access to finance: - SCR has expertise and capacity to support SME access to finance and this is one of the plans three cross cutting programmes. In addition to funding financial instruments in themselves, the plan focuses resources on supporting the investment readiness of SMEs and their capacity to access investment funding.

Indirectly the support to companies to progress up the value chain and associated skills support to their workforces will enable wage-earners in low income families to increase their earning potential with the benefit of lifting raising the incomes of these families

There are insufficient resources within the ESIF to invest in increasing the supply of social housing or to make substantial investments in infrastructure. Were additional resources to be made available, the fund would be able to invest in infrastructure to tackle barriers to growth, increase the efficiency of resources and drive forward growth.

The SCR ESIF is also taking account of the recent EU Council recommendation on effective Roma integration measures in the member states. Within the recommendations of 9 and 10 December 2013 the SCR ESIF will in particular look to address recommendation in respect of Access to Employment which states:

*Take effective measures to ensure equal treatment of Roma in access to the labour market and to employment opportunities. This goal could be attained by means of measures such as measures:*

- (a) supporting first work experience, vocational training, on-the-job training, lifelong learning and skills development;*
- (b) supporting self-employment and entrepreneurship;*

## 2.2 Complementarities with other EU funds in keeping with relevant UK policy

Sheffield City Region has a strong track record for delivery in the European Territorial Cooperation programmes, such as Interreg, and we intend to continue with this important and valuable work. Our partnership development and project proposals will be guided by and complementary to the core ESIF strategy themes. However, they will add value by strengthening areas that have not to date been given a core focus in the Strategy, such as industrial adaptation.

Our LEP area benefits greatly from world-class universities and colleges, with excellent reputations for research, knowledge transfer and support for enterprise. Links established through the ground-breaking Sheffield City



Region Leadership Programme, which stimulates innovation and collaboration, further strengthen these opportunities.

Similarly, the core strands of our ESIF, driven by the Growth Plan, will be used to help target EAFRD spending, for instance through strategic investments in green assets, and realising economic benefits of fisheries, agriculture and rural visitor economy priorities. This work will also dovetail with the Sheffield City Region Infrastructure Fund spatial strategy, with additional guidance by key sustainability policies e.g. endorsed green infrastructure strategies. We will use the same approach to identify and secure priorities for EU Life+ work.

Our universities and colleges will continue to lead world-class platforms for research as well as accessing other financial instruments of the European Union such as COSME, opportunities within the Horizon 2020 programme and EIT (European Institute for Innovation and Technology). In line with UK policy (the Research Excellence Framework), the objective will be to increase impact, for instance by actively seeking out and securing opportunities for joint actions, knowledge transfer and technological development.

The SCR strategic approach to Smart Specialisation is largely based on important work by the University of Sheffield and Sheffield Hallam University on New Industries, New Jobs (shaping the future of the Sheffield City Region economy). This is guiding both investment in innovation and civic partnerships focussed work by the universities. This firm basis provides important opportunities for partnerships and coordinated work across EU funding streams, such as the emerging Sheffield Urban Institute.

We will help beneficiaries by simplifying the rules to support common strategic priorities of the EU, primarily by formalised networking of activities, partnerships and shared platforms, yet avoiding any risks of cross-subsidy. In line with EU2020, this will focus on targeted work to address societal challenges, competitiveness and research excellence, and to support projects and organisations across all the innovation cycle from research to end-user.

The proposals being developed for a SCR Growth Hub within this ESIF will support the identification and access of additional EU funding opportunities, facilitate networking, partnership development and dissemination to promote participation by organisations in the city region. It will also work closely with the European Commission's one stop shop for business to ensure the alignment of business support and access to finance.

## 2.3 Integration of Structural Funds

Throughout the SCR ESIF the approach has been to develop interventions to address our specific needs which in turn have led to the Priority areas within the Growth Plan. By applying this approach our ESIF sees the combination of ERDF, ESF and EAFRD working together across the Priority areas and within Cross Cutting Projects to deliver the interventions designed to address the issues with the SCR economy. This approach not only integrates the three funds but is considered most likely to have a longer lasting impact on the economy and the residents of SCR.

## 2.4 Links with National Policy

Our Growth Plan and therefore this ESIF build very much upon the approach outlined by Government in its White Paper: **Local Growth – Realising Every Place's Potential**, October 2010. This puts LEPs at the heart of



economic development and the creation of a Growth Plan together with the funds to deliver the vision are fundamental. We consider the development of this ESIF follows all the key messages set out in the White Paper:

- The aim of the ESIF is to foster prosperity and harnessing our potential
- Opportunities will be put in place for all.
- The Strategy is being developed by business and civic leaders and they will make the decisions in partnership to promote private sector growth and create jobs locally.
- The Strategy looks to address our economy become more balanced with sustainable private sector growth and jobs.

Linked closely to the White Paper is SCR's own 'City Deal' – Made in Sheffield, A deal for growth, July 2012. Within the SCR deal, we identify the need to have local control of our European Programme to enable us to invest in the projects we know will make a difference. We have successfully implemented many of the 'deals' identified within our proposals such as those relating to skills, the creation of an Infrastructure Fund, utilising new powers such as the New Development Deal and creating our own property investment vehicle – the SCR JESSICA. Our ESIF will take advantage of the funding, powers and knowledge secured through the City Deal to help deliver the Growth Plan.

Government's response to Lord Heseltine's report ( No Stone Unturned, October 2012) in March 2013 very much sets the scene for the application of the ESIF. The decentralised approach to economic development allows the SCR Partners to implement activity designed to meet local needs and demands. The encouragement to do this together with the provision of the tools, such as the Single Local Growth Fund, Regional Growth Fund combined with EU funds give us the ability to actively progress the SCR Growth Plan.

The Growth Deal (July 2013) marks the formal step change in the approach Government is taking to encourage economic growth from local and functional economic areas. Our Strategic Economic Plan is progressing and that, partly with the assistance of EU funding, will result in local growth and national wealth. Since its completion in March 2014, the Growth Plan has achieved the following:

- In July 2014 the LEP secured £320 million '[Growth Deal](#)' from Government to start to deliver some parts of the plan.
- In December 2014 the City Region achieved a '[Devolution Deal](#)' to give it more influence over its funding from Government.
- In January 2015 the LEP secured '[Growth Deal 2](#)' which will mean a further £30 million.

As the Government continues to refine its economic policy it is clear that the Growth Plan and the ESIF align with national activity. Even in the recent months a number of policy proposals have been launched that have a direct relationship with our economic plans. The table below provides some examples:

Table 2.1: Policy Linkages

Policy	Aim	SCR response
Stimulating economic growth in rural areas, 01/10/13	Economic growth is our top priority. We want rural areas to contribute to and benefit from this growth, even though they face particular challenges.	SCR has a significant rural economy particularly in our More Developed Region. Projects are being designed to address issues such as IT connectivity.
Using Industrial Strategy to help the UK economy	Changes in the international economy mean an increase in both competition and	With Advanced Materials and Manufacturing at the heart of the SCR economy. A number of



and business compete and grow, 11/09/13	opportunities from global markets. The government wants to enable UK businesses to compete and grow. We are developing an industrial strategy; this is about setting out a long-term, whole of government approach to how we support business. This will give confidence now for investment and growth.	our interventions will look to support the sector and how it can better compete in a global market.
Achieving strong and sustainable economic growth, 31/07/13	To make sure the UK can succeed in the global economy, we are taking action to stimulate economic growth while supporting people who work hard and want to get on in life.	Our economic analysis shows that our skills base is poor and impacting upon our productivity. Interventions will be developed to enable the whole SCR to become job ready and better equipped for working in the SCR economy.
Increasing the UK's exports and attracting inward investment, 26/04/13	Inward investment into the UK economy created or secured more than 112,000 jobs in 2011 to 12. The government wants to help double the UK's exports to £1 trillion by 2020 and attract more inward investment in UK infrastructure projects. We are determined to remain one of the top countries for ease of doing business, by providing more support for British businesses to export their goods and services, and reducing corporation tax to competitive levels.	The lack of exporting and poor performance in respect of FDI is acknowledged. We see this as a critical area to address within the Growth Plan and the ESIF.
Boosting private sector employment in England, 17/01/13	Certain parts of the country are too dependent on the public sector for employment. The government wants to increase the number of lasting, private sector jobs - by supporting the private sector to expand and ensuring that government cash delivers jobs.	SCR has experienced employment growth over the past 15 years whilst the private sector declined. It has led to an economy that is over reliant on the public sector. This issue is at the core of our Growth Plan and our 'vision' is to address this.
Improving the quality of further education and skills training 17/07/13	The further education (FE) system – the colleges and training providers that teach vocational qualifications and skills – needs to guarantee students high quality teaching and courses to help students into jobs or university and create the skilled workforce employers need.	Within SCR a successful scheme to provide apprenticeships for Graduates has recently been in operation. Working closely with businesses and our FE providers we are looking to ensure that skills and education align to the needs of employers and the economy.
Investing in research, development and innovation 05/03/13	The UK excels in research, development and innovation, and innovative companies are an important contributor to economic growth. We want to use our talent to make the UK the best place in the world to run an innovative business or service.	We have two excellent Universities in the SCT but a low level of innovation within our businesses sector. Proposals will be developed to address this issue.



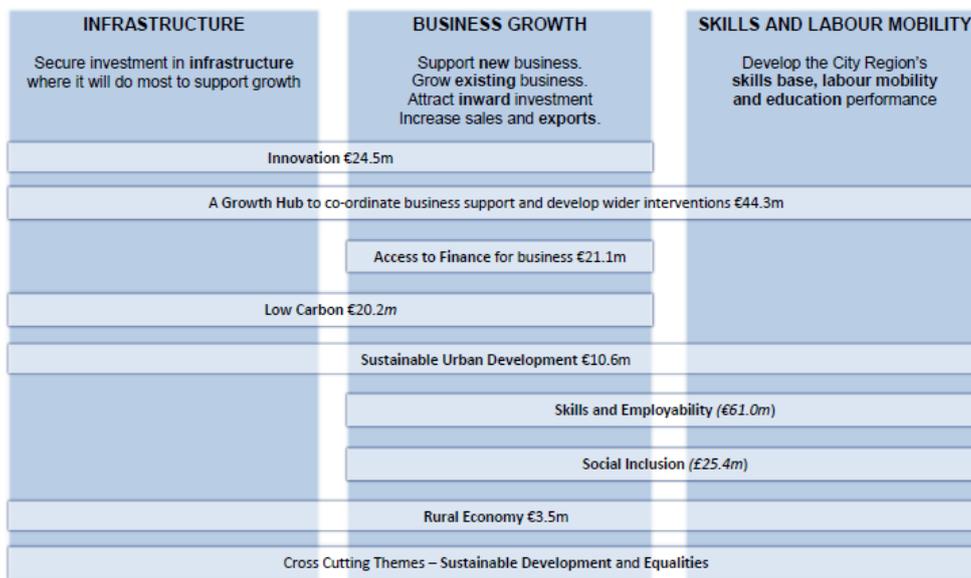
## Chapter 3

### OUR ESIF APPROACH

Our EU Investment Strategy is for a **simple and strategic programme**.

- It is led by our Growth Plan.
- Our focus on outcomes, our primarily strategic role and our limited administrative resources have led us to construct a strategy made up of clear high level Priorities.
- In adopting a perspective from the City Region’s businesses we know that we must provide a clear and seamless offer to business for all their needs. We will therefore require the Priorities to work closely together, and with other parts of our Strategic Economic Plan.

Fig 3.1: Strategic Economic Plan and ESIF



We will support growth **across the business base** rather than try to pick a few winners. Our aim is to provide an environment in which business can flourish. That said, we have **spheres of excellence in certain fields, technologies and markets**. These offer the City Region particular opportunities for growth and these will feature strongly in our activity, as will be reflected at a later date in our detailed specifications for commissioning or calls for proposals. Where appropriate we will apply an approach to **Smart Specialisation** investing in those areas where we have a comparative economic advantage for example SCR is a world lead in advanced materials and manufacturing by harnessing our creativity in advanced engineering in support of the development of the emerging Healthcare Technologies Sector, and to use our strengths in software testing, data



analytics and simulation to underpin the development of healthcare industries, and the growing digital sector in the region.

To help deliver our vision, and to assist in restructuring our economy, we will be particularly supportive of **high growth companies and high value jobs**.

The evidence shows that there is significant potential for growth through improved **supply chain management, business connectivity and trade beyond the City Region's boundaries**, which we will target in all relevant interventions.

**Low carbon economy, ICT, equalities, sustainable development and social inclusion** are central to our ambition for sustainable growth, and hence, and in line with the strong consensus at our large consultation event, we have integrated into our strategy, delivering them through business support, the provision of finance, upskilling those in work, and developing a work ready population.

**Climate change adaptation and mitigation, environmental protection and sustainable transport** are also important, but with limited ESIF resources we are largely relying on cross cutting contributions from other areas of intervention and alternative funding sources to tackle these priority areas. These themes are reflected within several of the Priorities, and will be further considered in the development of specifications for commissioning or calls for proposals should additional ESIF become available. In addition we will utilise our Low Carbon allocation to address some of these areas through an approach to whole place solutions.

It is important that growth in Sheffield City Region **benefits the whole City Region, urban and rural**, and not just parts of it. We therefore intend our activities to operate across the whole City Region geography, and in this high level strategy we will only spatially target through our South Yorkshire based Sustainable Urban Development (SUD). At a later date, when we design detailed specifications for commissioning or calls for proposals, we may choose to target certain spatial areas for certain other interventions, either because they offer greatest opportunity for economic growth (for example our Enterprise Zones) or because they are most in need (for example areas of deprivation).

This Strategy represents **the collective view of the City Region**, not just from the leading business people and politicians who have guided its preparation, but also the wider community of all interests. We estimate that at least 200 businesses and organisations, and hundreds of individuals, have contributed to the development of this ESIF.

We are aiming for **simple, efficient and effective delivery mechanisms**.

1. We expect the vast majority of our programme to be delivered through **large programme blocks**. To build flexibility into our programme, initial contracts for these programme blocks will not likely be for the whole programme period and will undergo close performance management.
2. Working with the Managing Authorities our Calls for Proposals will **not prescribe in detail the actions** what will form those programmes or deliver those outcomes, as that would only serve to stifle **innovation and flexibility in delivery**.



3. In the contracts for each programme block a **modest proportion may be held in reserve** to allow for emerging opportunities and adjustment to changing circumstances.
4. We expect that some or all of these programme blocks will be delivered through **commissioning**.

We will build on **lessons learnt** (Appendix 2) and our significant experience from delivering previous European Programmes in both Yorkshire and Humber and the East Midlands to deliver a programme of activity that that is **compliant with EU Structural Fund Regulations** as well as wider regulatory requirements such as State Aid. Utilising our knowledge of previous Programmes we have developed an initial Risk Schedule that we consider will help manage **Barriers to Implementation**. As with all risk registers they are intended to be reviewed regularly and issues addressed as they are incurred. It is on this basis that the table in Appendix 3 below intended to be reviewed with the BIS/DWP/CLG Growth Development Team as the programme is developed and implemented.

### Additionality

As a core principle to the development and implementation of the ESIF the Priorities have been designed to **add value**. The types of activities being supported have been considered carefully and only those activities with a strong strategic fit with the SCR Growth Plan and thereafter the National and European Agenda will be supported. In terms of additionality this will ensure that activity can be undertaken on a larger scale or earlier than anticipated. In this context Additionality means - *The extent to which activity is undertaken at all, on a larger scale, earlier, or within a geographical area of policy concern as a result of being supported by expenditure under the Structural Funds.*

Resources will be targeted on selective promising actions which deliver a high potential return on investment and address market failure (see below). This approach will therefore add further weight to local, national and European policy delivery within the SCR.

A critical element of the Additionality assessment will take place at the Programme level in respect of the Opt-In models being offered by a number of national partners. Where Opt-Ins are utilised it will be essential to demonstrate that the EU funding is being used to augment the Opt-In providers activities with the SCR rather than substitute and subsidise. Likewise non-Opt In projects will need to demonstrate that they are not competing or replicating activity already provided by other parties in the SCR.

### Market Failure

Whilst demonstrating Additionality in project selection there will also need to be an assessment of Market Failure. The SCR faces similar but sometimes unique challenges and obstacles that need to be addressed locally in order to remove barriers to growth.

The nature and scale of market failures in the SCR have increased during the wider national recession meaning that as the national economy recovers there is the likelihood that growth will focus on areas such as the South East where such barriers either do not exist or are less severe.



In particular the local SME economy has faced many problems and is not in a strong position to take advantage of a national economic recovery. Businesses lack confidence, skills, knowledge, innovation and access to finance to enable them to grow. This situation existed before the economic slowdown but has been exacerbated since then as businesses have been forced to survive resulting in reduced investment in people, production and marketing.

The barriers to growth and market failures include:

- Externalities – where costs and benefits are not captured by those creating an impact.
- Imperfect Information and Uncertainty – where a lack of information can cause the inefficient allocation of resources.
- Public Goods – where goods and services are provided for all.
- Imperfect Competition - where market forces are not able to operate efficiently.
- Equity – getting a ‘fair’ share of resources.

The Priorities identified within the ESIF look to address one or all of the Market Failures through a range of interventions.

This Programme represents the first for Sheffield City Region working collectively as a single economic geography. This brings together South Yorkshire and the northern Districts from the East Midlands with an added dynamic of **Transition Region and More Developed Region**. Our approach has been to **design a Programme for the City Region** and ensure the European funding works to our needs rather than running two Programmes side by side. This represents an opportunity to make the Programme more effective for our entire population.

The following Chapters outline how we will look to apply our EU Funds in terms of some the principles as well as the Priority areas of action.



## Chapter 4

### WORKING WITHIN SHEFFIELD CITY REGION AND BEYOND

#### 4.1 SCR Relationships - Transition and More Developed parts of the City Region.

We consider Sheffield City Region to be a substantially coherent economic entity, and so do not expect to make any strategic distinction between the Transition and More Developed areas but will apply EU funding regulations to observe intervention rates and other eligibility criteria.

Spatial aspects of our Growth Plan are still being developed, particularly in relation to infrastructure, and when complete that may prove to have spatial implications for our EU Investment Strategy. However, it is expected that any such implications will be much more fine-grained than the Transition – More Developed split. Any such implications will be reflected in the detailed specifications for activity.

Operationally we are acutely conscious of the fact that the More Developed area is also within the D2N2 LEP geography, and this will be managed appropriately.

#### 4.2 Overlap Areas

The Districts of Bassetlaw, Bolsover Chesterfield, Derbyshire Dales and North East Derbyshire are located within D2N2 LEP and Sheffield City Region LEP (The 'two LEPs'). To ensure that when our interests and intentions align it is the intention of the two LEPs to develop and implement approaches to delivery that reflects a shared commitment to co-operation and liaison.

The two LEPs will implement an approach to managing ESIF funds in shared/overlap areas with the aim of ensuring that;

- a. access routes and information for potential applicants and beneficiaries of funded services is straight forward – no 'wrong door' approach;
- b. overlap areas are neither advantaged nor disadvantaged by overlap status.

To achieve these aims, both LEPs have agreed the following:

##### General Principles

To promote synergy, additional impact and efficiency in spend of ESIF funds in the overlap areas the LEPs will adopt the principles of open communication, the sharing of information, and a culture of 'no surprises'.

When seeking proposals, either directly, through 'opt-in' partners or other third parties, via Call announcements, the two LEPs will endeavour to:



- share information about intentions, potential delivery specifications and timescales;
- seek to align approaches, including joint commissioning where appropriate and practicable to promote efficiency and impact;
- ask applicants / tenders to demonstrate how they will manage 'overlap' issues;
- align and integrate, where possible and sensible, application and monitoring processes;
- share where relevant, monitoring and service performance information and discuss at periodic 'joint oversight' meetings.

#### Social Inclusion

At this time the delivery of social inclusion activity at a local is likely to be delivered through specific grant awards. The SCR LEP and D2N2 LEP will continue to consider options for delivering the social inclusion agenda in the overlap areas.

#### Routes to Market

The two LEPs will endeavour to align initiatives (such as business support services) in the overlap areas at all stages of service design, procurement, delivery and review of the service provision, to promote simplified 'routes to market'.

In the spirit of co-operation these shared aims are to capture joint commissioning opportunities, ensure coherent delivery and marketing of services, and minimise confusion amongst business and other applicants.

### 4.3 Collaboration with other LEPs

We believe that collaboration with other LEPs can add substantial value to us and to them, where our intentions and interests coincide or align, and we are already co-operating with other LEPs on a range of economic and other matters both in the current EU Structural Funds programme and in ways unrelated to EU Funds. Based on discussions and activities up to now, we believe that particular opportunities for collaboration are likely to occur as detailed below, but we would be keen to explore other opportunities too, which we would hope to identify from other LEPs' EU Investment Strategies.

We have already had some detailed conversations with the other LEPs in Yorkshire, Humber, the North East and Manchester, in particular:

- Discussions with several match funders have also covered possible collaboration and/or joint activities with other LEPs. This has included most of the potential match funders with opt-in offers, as well as others such as AHSN and Environment Agency.
- We are working with the Core City LEPs on a number of growth and reform initiatives as identified within 'Competitive Cities, Prosperous People: A Core Cities Prospectus for Growth'.
- We are also collaborating with other LEP areas where we have a shared opportunity for example on the 'Power Corridor', with Hull and Humber to maximise the potential of our strengths in the supply chain in relation to renewable energy and with the Leeds City Region on healthcare technologies.
- We are working with a range of LEPs on a range of transport proposals, specifically in relation to rail and smart ticketing. For example, this includes working with the LEPs across the north of England on rail devolution, with Greater Manchester on the Northern Hub and specifically Trans Pennine connectivity and with Leeds City Region on maximising the economic benefits of the released capacity on the existing



network generated by High Speed Rail. The Leeds City Region and D2N2 are also invited to our Local Transport Board, which determine how our major scheme transport funding should be utilised.

- Significant economic opportunities exist in the Humber, Leeds and Sheffield City Regions (the Golden Corridor) to a) develop greater trade links with Europe and Russia and b) integrate logistics investment. By using the expertise of the public and private stakeholders and working more cohesively, it is possible to create a more attractive product, deliver innovative operational solutions and create a refreshed investment/marketing strategy. The catalyst for refocusing efforts in this topic is the recent planning approval for the ABLE UK south Humber energy park which facilitates the development of a 500ha distribution park and a new container port. The specific aims of the partnership are:
  - **International trade:** To develop new international East West trade from Baltic states, Scandinavia and Russia in/out of the Humber ports/Golden Corridor by developing new trading partners and relationships in these regions;
  - **Logistics:** To stimulate the development of a Logistics Hub and to develop the logistics corridor, linking the three sub regional logistics centre of Humber South Bank (maritime and air) Doncaster (rail and air) and Wakefield (Road and rail) by the development of the relevant infrastructure.
- We are working closely with the other Yorkshire and Humber LEPs to develop a potential FEI option for the wider Y&H region based on existing structures eg our JEREMIE – Finance Yorkshire and/or CDFI's.
- We have engaged with Migration Yorkshire to consider a joint intervention with Leeds City Region in respect of tackling issues with our immigrant communities eg the Roma.
- We are in advanced discussions with other northern LEPs and the British Business Bank in relation to the development of the Northern Powerhouse Investment Fund to deliver a +£400m Access to Finance product for businesses.

Other areas of ongoing collaboration include:

- with Leeds City Region LEP around health technologies with a focus on exporting and Inward Investment;
- with the Evergreen Fund (JESSICA) in Manchester to discuss Low Carbon projects
- with LEPs in Yorkshire and Humber around offshore wind supply chain, including skills;
- with Humber LEP around wind supply and other low carbon initiatives;
- with LEPs in Yorkshire and Humber around skills

The discussion with other LEPs will continue and will look to introduces economies of scale and synergies where appropriate.



## Chapter 5

### CROSS CUTTING THEMES – OUR GREEN ECONOMY

#### 5.1 Sustainable Development

The aim of our Sustainable Development cross cutting theme is to: To respect the environmental limits of the City Region, breaking the link between economic growth and environmental degradation and securing opportunities within a low carbon agenda.

##### 5.1.1 Objectives

- To focus efforts on delivering a low carbon programme which helps to decouple economic development from carbon use and climate change, in order to improve and maintain regional competitiveness;
- To address broader health and wellbeing objectives through a focus on those measures which achieve economic, social and environmental improvements;
- To promote behavioural and cultural change and increase the awareness of businesses and communities of the need to reduce carbon emissions and to identify growth opportunities in new markets;
- To encourage activities which address the environmental impacts of travel and mobility particularly with alternatives to fossil fuels;
- To strengthen the competitive advantage of the City Region by protecting and investing in cherished environments and to promote them as assets (e.g. countryside, green spaces, heritage and great buildings, wildlife and special habitats) as part of our inward investment offer;
- To promote development that is not vulnerable to future pressures of climate change such as flood risk, sea level rise or drought and has considered natural resources wisely;
- To support a culture of resource efficiency and the efficient use of natural resources, energy efficiency and the development and deployment of renewables;
- To support the promotion of sustainable procurement i.e. local sourcing and the development of integrated, low carbon supply chains.

##### 5.1.2 Activities in the Investment Plan

Our allocation of €28m ERDF for Low Carbon intervention provides an opportunity to invest in a range of capital and revenue based projects. It is anticipated that the full range of Low Carbon interventions identified in the Operational Programme will be explored including the option to invest via a Low Carbon financial instrument. Additionally we would expect other interventions e.g. new infrastructure under Innovation or SME Competiveness to meet the minimum standards for development such as BREEAM 'excellent'.

This will ensure that the City Region makes the most of win-win opportunities for growth e.g. where environmental investments are committed, and match funding is eligible, these chances are taken to stimulate business growth, improve private sector investor confidence, and boost jobs.



For other activities, such as infrastructure investments not driven by environmental goals e.g. transport links, sustainability will be ensured by integrating those key programmes and projects with the implementation of green infrastructure and other environmental strategies, again to make the most of mutual opportunities and at the same time mitigate risks to the economy from the environment.

### 5.1.3 Implementation

It will be expected that every project proposal considered for EU funding will be required to address our Sustainable Development objectives and we look to the Managing Authorities to appraise the Cross Cutting theme with this in mind.

The city-region and its partners will broker relationships between project proposers and assist the project development pipeline with use of Technical Assistance. In addition the use of existing Low Carbon networks in the private sector will be used to help formulate local advice to input into the Calls for Proposals.

To further focus activity in respect of the Green as well as an Inclusive economy the SCR is also proposing the delivery of a €10.6m Sustainable Urban Development (SUD) utilising funding from both Low Carbon and SME Competitiveness.

### 5.1.4 Consultation and engagement

The preparation of the plan has involved the engagement of a wide number of key stakeholders including experts from local universities, the local authorities, the Local Enterprise Partnership's Low Carbon Sector Group, members of the public, the Passenger Transport Executive, the Environment Agency and, importantly, Local Nature Partnerships and third sector groups in the definition of themes and priorities for relevant activities. Furthermore, engagement in the development of relevant, supporting green infrastructure strategies and partnerships has been strong, for instance, via the establishment of recognised Local Nature Partnerships.

### 5.1.5 Governance

To help ensure its priorities and programmes take account of Sustainability issues the SCR will continue to use existing expertise within the region. Where appropriate this will involve engagement with wider networks to ensure a broad range of input.



## Chapter 6

### CROSS CUTTING THEMES – Our Inclusive Economy

#### 6.1 Equalities and Anti-Discrimination

A thriving economy depends on contributions from all parts of the community and well-functioning skills and labour markets.

In common with the EU as whole, certain sections of society, particularly women, ethnic minorities and people with health/disability issues, are too often inhibited from participating fully in the economy for a whole series of reasons.

The ESIF Funds will take a key role in tackling this, particularly through the deployment of ESF to develop people's potential and support pathways to employment and social inclusion. ERDF whilst driving business formation, growth and innovation can address the barriers experienced by non-traditional as well as traditional entrepreneurs. Together they can deliver holistic support to enable disadvantaged individuals, groups and communities to tackle barriers to their full economic participation.

The principles of partnership, collaboration and innovation are key components in the SCR Growth plan and these are reflected in the objectives for this cross cutting theme, which will also support the Managing Agency fulfil its responsibilities under the Public Equality Duty Act of 2010.

##### 6.1.1 Objectives

1. Ensure the City Region's labour market can operate effectively.  
Creating a broad range of opportunities across different sectors and skill levels to enable the 53,000 SCR residents currently seeking work to access employment.
2. Create an unrivalled skills base to meet the needs of the economy.  
Working collaboratively across sectors, education, training and community organisations to foster ambition and develop the skills SCR residents need to contribute to the City Region economy.
3. Encourage innovation to promote growth and well-being  
Thinking differently; supporting non-traditional entrepreneurs and business models, encouraging businesses to think differently to develop their competitiveness to create new services, products and opportunities.

##### 6.1.2 The Demography

Within both Sheffield and the wider City Region the low proportion of individuals of a predominant ethnicity is partly a result of a diverse range of different communities, including relatively recent migrants from the European Union, who in some areas such as Barnsley, Bolsover and Doncaster, form the largest ethnic minority community.



Other factors within the Sheffield City Region create higher levels of challenge. Over 5% of the entire working age population have health conditions which “limit their day to day activities a lot”, rising to nearly 10% in some of the towns in the City Region. Nearly 70,000 people are providing 20 or more hours of care a week.

The City Region has lower levels of employment than the national average for both men and women. Men are more than twice as likely to be claiming jobseekers allowance but a man is also statistically more likely to find employment than a woman. Alongside this there are higher levels of female part time employment than at national level and lower levels of female entrepreneurship.

### 6.1.3 The Plan

Equality and Anti-Discrimination will be a cross cutting theme in our Strategy, contributing to “eliminating inequalities and promoting equality between men and women, as well as combating discrimination based on sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation”.

Under the UK’s Public Equality Duty Act of 2010, Sheffield City Region LEP is required to support the Managing Agency to fulfil its duties in relation to:

- a) Eliminate discrimination
- b) Advance equality
- c) Foster good relations

As the SCR ESIF plan focuses on economic growth, it will directly contribute to the first two duties, particularly in relation to the protected characteristics of age, disability, race and sex. These are the areas which can be targeted by some specific interventions and actively monitored at LEP level.

Indirectly through its delivery procurement and business support processes, it will contribute towards fostering good relations and tackling discrimination against people of all protected characteristics. This will be achieved through standard tendering processes and contracting processes by which organisations can be encouraged to adopt best practice within their own processes.

There will be a two pronged approach to equalities:

- 1) The first relates to targeting specific activities to tackle discrimination and advance equality. These will support those bodies responsible for promoting social inclusion, gender equality and non-discrimination and groups in the City Region, who are experiencing disadvantage. Support for gender equality is required throughout the City Region and promoting gender equality and tackling discrimination based on the person’s sex will be mainstreamed across all interventions.

Unemployment among young people in the City Region is high and the City Region is already making progress through its Skills Deal to create more opportunities for young people to access employment, through the quality assured apprenticeship programme. The ESIF will enable the City Region to deepen and extend this programme as well as deliver jobs in growth industries.

Digital inclusion, which features strongly in the plan, provides not only a clear economic benefit, but promotes access to services, social inclusion and the empowerment of communities.



- 2) The second involves putting in place processes and systems to ensure that delivery organisations and beneficiaries demonstrate their commitment to anti-discrimination, advancing equality and, where appropriate, fostering good relations. These will be embedded within commissioning, appraisal, management reporting and evaluation processes.

### 6.1.4 Implementation

From EU to local level, there are a large number of tools and guides to promote equality and tackle discrimination, including Equality Impact Assessments and Local Government Equality Frameworks. It is expected that the Managing Authority will identify and embed robust and proportionate tools in appraisal and implementation which promote equalities and anti-discrimination. Delivery bodies and beneficiaries will be required to demonstrate adherence to this theme through policy commitments and effective implementation plans. Equality and Anti-Discrimination will be embedded within selection criteria for project applications and tender specifications.

To further assist implementation local partners have submitted a Technical Assistance bid to support potential applicants develop proposals to take account of the Cross Cutting Theme.

## 6.2 Social Inclusion

### 6.2.1 Aim

“To ensure that all parts of Sheffield City Region are able to share in the Benefits of Economic Growth”

“Progressive Economic development is about developing an economy which is not loosely aware of social life, public services, democracy and places, but intrinsically connected to it. Progressive economic development is not just about how a rising economic tide will lift all boats – or reliance on the trickle down – but is about more actively securing an improvement in the fortunes of citizens and business”.<sup>10</sup>

“We can have both – they are not mutually exclusive.”

### 6.2.2 The Context

Social exclusion is created by the complex interaction of a range of socio-economic and cultural factors. Although social inclusion isn't an automatic result of increasing economic affluence, as geographical areas and groups of people can be “left out”, economic growth by creating increased jobs and services underpins social inclusion. With no additional jobs to fill people will remain without work, communities will continue to be starved of resources and services. Therefore social inclusion has to be embedded within the SCR vision of **“A City Region with a stronger and bigger private sector that can compete in national and global markets”**

Chapter 1 outlines the most pressing social inclusion challenges and notes the need to increase inclusion for specific disadvantaged groups.

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<sup>10</sup> Where Next for Local Enterprise Partnerships, The Smith Institute edited by Michael Ward and Sally Hardy; from LEPS and Local Government – forging a new era of progressive economic development? Matthew Jackson, Neil McInroy & Adrian Nolan – Centre for Local Economic Strategies.



### 6.2.3 What's the challenge / Where are we now?

SCR contains neighbourhoods of entrenched worklessness where unemployment and economic inactivity levels far exceed both national levels and the city region average. We need to reduce unemployment and inactivity to narrow the distance between these areas and the city region average. Unemployment "hot spots" are often areas with complex and long-standing challenges which fuel multi-generational deprivation; unemployment and economic inactivity often deriving from and driving lack of skills and health inequalities.

It is vital to prevent the same patterns shaping the next generation and therefore the ESIF targets significant resources to support the skill development and integration of young people into the labour market with a third of ESF resources focused on 16 – 24 year olds.

However over 45% of the population is 25+ and will be under 68 in 2020, and so the ESIF includes a number of elements to tackle the main barriers for adult unemployment, workless and under-performance in the labour market to complement the mainstream interventions by DWP and create additional employment.

The ultimate aim of SCR's ESIF is to create growth and jobs and we need ladders of opportunity to give people the skills and other support they need to fill those jobs. We aim to ensure people can progress in the labour market, both to provide the skilled labour force needed by high growth companies and for the individuals to benefit from increased prosperity and promote social inclusion. 19% of the entire SCR ESIF allocation is allocated to developing skills.

However, low skills aren't the only barrier, poor health is a major barrier for the city region, not only does this act as a barrier to the individuals themselves, but it impacts on the 83,730 people in the city region who provide 20 or more hours of care a week. In addition SCR experiences social inclusion challenges on the basis of gender, ethnicity and for older workers. These are not static issues with single solutions, for example the introduction of 'new' immigrant populations such as the Roma community bring new challenges for the City Region to address.

### 6.2.5 SCR's response

Social Inclusion runs as a thread throughout the ESIF, with interventions to promote inclusion in most priorities. The SCR ESIF plan approach is to deliver growth and integrate social inclusion activity across all its priorities as demonstrated in the table below. Clearly Priority 2 with its focus on people carries a large proportion of the activity, but key elements are contained within other priorities.

At the beginning of the ESIF plan SCR states its ambition to focus on building growth and jobs. Its first Priority relates to establishing, developing and supporting businesses in the region and attracting new businesses to the area. These actions will all increase the employment base and in particular deploy skills and employment funds to increase productivity of the companies and workforces and support companies to access the best employees for their businesses. Further activity focuses on driving up competitiveness, and incorporating a strong social inclusion element to be driven through Self Employment and Social Enterprise.

Examples of this win/win approach are:-



Sheffield City Region EU Investment Strategy 2014-20

- Business support measures to maximise inclusion and increase productivity such as healthy workforces, work-life balance (ERDF)
- Supporting progression through employment as part of the Supporting Business priorities (specific targeting)
  - on low/no skills
  - Support career progression for people in low paid/vulnerable jobs working with employer and employee low carbon or other emerging skill to help people/industries transition
  - Supporting move from hidden economy to legitimate work
  - female focused provision- female leaders – entrepreneurship for women –workforce development – engaging and progressing women while pregnant – family friendly /part time opportunities.
- Supporting employed people in low paid/low skilled/under-employed/fragile employment to build their capacity and skills to progress in current job/access improved employment.
- Measures to retain and progress people with health problems in employment

Our ESIF programme allocates 5% of the EU fund to a specific social inclusion Cross Cutting Programme for Community Based activities. This recognises that mainstream programmes and the Skills and Labour Mobility actions in Priority 5 do not address all the challenges to social inclusion adequately for some issues. This sub-programme allows the city region to benefit from the knowledge and energy of the communities themselves.

In addition two further projects Access to Finance and Growth Hub will have elements tailored to address the Social Inclusion agenda within the SCR.

Table 6.1: Social Inclusion Headline Initiatives

Initiative	SCR Priority Action Area	Social Inclusion Element
1. SCR Progress to work	Priority 2	➤ Wrap around personalised programme comprising assessment, brokerage & advocacy to address life and skill barriers to work, work experience and supported employment.
2. Self Employment	Priority 1	➤ Effecting social inclusion using self-employment as a vehicle for economic inclusion. Targeting 70% of support at unemployed or inactive participants.
3. Social Enterprise	Priority 1 and 2	➤ Development and Investment Readiness Support for social enterprise including community based social enterprise to promote long-term sustainability.
4. Access to Funding and Growth Hub	Priority 1 and 2	➤ Enabling support providing triage and referral and access to finance in support of self-employment and social enterprise.
5. Progress to Work – Adult rollout	Priority 3	➤ Building on the Progress to Work for Youth – rolling this out to support disadvantaged adults 25+ (post 2015)



To further highlight activity in respect of the Social Inclusion as part of our aspiration of an Inclusive as well as a Green economy the SCR is also proposing the delivery of a €10.6m Sustainable Urban Development (SUD) utilising funding from both Low Carbon and SME Competitiveness with a Social Inclusion focus.

### 6.2.6 What benefits would this create?

Taken together SCR's ESIF plan provides a high level ambition for both a business-focused and inclusive pathway to growth.

- **More opportunities for work:** 70,000 net new jobs created
- **Increased output per worker by 25%:**
- **Reduction of Inequality:** Reduction in average unemployment rate in the 3 highest unemployment wards to more than 4% above SCR average

### 6.2.7 Governance

To help ensure its priorities and programmes take account of Social Inclusion issues the SCR has established a Social Inclusion Advisory Board building on existing networks. The Board will provide the Social Inclusion perspective to the work of both the LEP/CA and LEP Area Partnership; detail on how the Social Inclusion Advisory Board fits within the overall governance structure is described in Chapter 12.

The Board's main role will be to:

- help mainstream Social Inclusion across the LEP's six thematic priorities.
- shape wider ERDF and ESF spending, with particular focus on our Social Inclusion Priority.
- ensure Social Inclusion interests are represented throughout the process

Membership will be drawn from existing groups, with representatives responsible for two-way engagement between all the Advisory Boards and the Thematic Boards overseeing Skills, Infrastructure and Business Support.

## 6.3 Progress to Date

To date SCR has made available £2m ESF Social Inclusion funding to support the Big Lottery Opt-In. In addition the Managing Authority has issued three Calls for Proposals that support the social inclusion agenda with funding from our SME Competitiveness allocation. The first was in respect to supporting New Start businesses and the second in respect to Social Enterprise. Responses to the third Call are currently awaited following a nil-response to the second.

A Technical Assistance bid from a local partners has been submitted which includes provision for specific support to develop the pipeline of social inclusion projects within the SCR.



SCR Partners have developed a proposal for a €10.6m SUD and are looking for it to be approved by the Managing Authority for implementation from April 2016.0

## 6.4 Funding Allocations and Outputs

Table 6.2: Social Inclusion Allocations

PRIORITY ALLOCATIONS: SOCIAL INCLUSION				
Thematic Objective	TR TOTAL		MDR TOTAL	
	£	€	£	€
3. SME Competitiveness (inc SUD)	3,553,162	4,555,336	620,309	795,268
<b>ERDF TOTAL</b>	<b>3,553,162</b>	<b>4,555,336</b>	<b>620,309</b>	<b>795,268</b>
9i - Active Inclusion	4,434,280	5,684,975	679,091	870,629
9. Social Inclusion (ESF)	4,434,280	5,684,975	679,091	870,629
<b>ESF TOTAL</b>	<b>4,434,280</b>	<b>5,684,975</b>	<b>679,091</b>	<b>870,629</b>
<b>ESIF TOTAL</b>	<b>7,987,442</b>	<b>10,240,310</b>	<b>1,299,400</b>	<b>1,665,897</b>

Exchange Rate £1:€0.78

Table 6.3: Social Inclusion Outputs

### ESIF OUTPUTS BY 2023 - SOCIAL INCLUSION TRANSITION REGION

SCR Priority	Business Growth	A2F	Skills & Labour	Social Inclusion	SUD
ERDF Thematic Objective				SME	SME
Eligible Project Expenditure €				4,086,468	3,521,127
Enterprises Receiving Support				193	166
ESF Priority Axis	PA1	PA1	PA1	PA1	
Eligible Project Expenditure €	5,645,246	4,069,900	13,015,302	9,474,957	
Participants (of which)	2,107	1,519	4,859	3,537	
Women	965	696	2,225	1,620	
Men	1,142	824	2,634	1,917	

### ESIF OUTPUTS BY 2023 - SOCIAL INCLUSION MORE DEVELOPED REGION

SCR Priority	Business Growth	A2F	Skills & Labour	Social Inclusion
ERDF Thematic Objective				SME
Eligible Project Expenditure €				1,614,944
Enterprises Receiving Support				51
ESF Priority Axis	PA1	PA1	PA1	PA1
Eligible Project Expenditure €	1,011,649	729,446	2,353,260	1,741,258
Participants (of which)	373	269	867	642
Women	169	122	392	290
Men	204	147	475	351



## Chapter 7

### CROSS CUTTING THEMES – Our Rural Economy

#### 7.1 Introduction

Maximising the contribution of our rural areas and the market towns which serve them is essential to achieving the Strategy's ambitions for economic growth.

The SCR recognises the interdependencies between the urban and rural areas of the City Region and the important role rural areas play in its economic development. Alongside larger interventions, the Strategy aims to secure smaller scale rural growth by maximising the business to business linkages that comprise the City Region's supply chain, drawing on the entrepreneurial culture within our rural areas, skilled workforce, natural assets and quality of place offer.

#### 7.2 Rural Profile

Just under 18% of the SCR population (17.7% or 320,000 people) live in rural areas (Census 2011). The population is dispersed across a large area with rural areas comprising nearly 70% (68.9%) of the SCR's total land area.

In common with other rural areas, a higher proportion of residents aged 65+ (19.8% compared to 16.8% in urban areas) and a lower proportion of younger people aged <25 (27% compared to 31.7% in urban areas) live in the SCR's rural areas. There are some 200,000 people of working age living in rural areas which equates to 17% of the SCR's working age population. The proportion of those of working age is slightly higher in the urban areas (64.8% compared with 62.9% in the rural areas).

The SCR has a significant rural economy, particularly in our more developed region where three of the five local authorities (Bassetlaw, Derbyshire Dales and North East Derbyshire) are classed as predominantly rural (at least 50% of the population live in rural areas) with a fourth (Bolsover) with a significant rural population.

Over a quarter of SCR businesses (25.7%) are based in rural areas. 86% of these businesses are micro-businesses employing less than 10 people (compared to 77% in the urban parts of the SCR) and self-employment is higher in the SCR's rural areas than urban areas (11% compared to 7%). As highlighted in the previous chapter, the SCR's rural areas, including the Peak District National Park, offer specific economic opportunities associated with the high quality landscape and quality of life offer to capitalise upon, beyond the visitor economy.

#### 7.3 Key Rural Issues

Whilst rural areas make a significant contribution to the SCR economy, they also face a number of specific economic challenges.



**Access to Services and Connectivity** – good connectivity is important to enabling economic growth, impacting on access to markets; business to business transactions; workforce commuting; access to education, training and key services; and visitor flows. However, the dispersed nature of the area's rural communities generates significant challenges in terms of access to services and the physical and virtual connectivity of rural communities.

Access to fast broadband is critical to achieving sustainable rural communities and to growing the rural economy. As rural services continue to decline, demand is increasing from those requiring online banking, shopping and new communication channels to overcome accessibility issues; rural homeworkers and rural businesses so they can compete with their urban counterparts in national and international markets.

However, a recent Ofcom report highlights that between 2011 and 2013, the gap between average download speeds in urban and rural areas has continued to widen (from 9.5Mbs in May 2011 to 16.5Mbs in May 2013), increasing digital exclusion in rural areas. Drawing on BDUK funding, Local Broadband Plans are in place to enable access to superfast fibre broadband for 95% of premises in Derbyshire and Nottinghamshire by 2016. However the distance of many rural premises from exchanges could mean some areas are only able to access a basic 2Mbs service. This is inadequate to access services increasingly provided on-line, improve business competitiveness and enable business growth. There is also a need to raise awareness and increase take-up of IT applications enabled by faster broadband which can enhance business efficiency and open up access to new markets.

Regarding transport connectivity, high levels of car dependency in rural areas (impacted by high fuel prices) and increasing visitor pressures in areas like the Peak District National Park emphasise the need for improved and more sustainable travel options. Larger scale interventions delivered via SCRIF will help bring forward key growth opportunities around strategic sites. However, interventions are also required in rural areas to enable access to training and employment opportunities and key services, and to capitalise on growth opportunities within the economy e.g. leisure cycling.

**Limited opportunities for younger people** – the challenges facing young people trying to enter the labour market are often increased in rural areas by accessibility problems, lack of affordable housing and the availability of limited longer term career opportunities. The loss of younger people, often to access further education and training and higher paid employment opportunities has a significant impact in rural areas, contributing to an ageing population profile and affecting the sustainability of rural communities. Overcoming barriers to training and employment, including opening up opportunities for self-employment are key issues to be addressed.

**Lack of affordable housing** – Housing affordability and availability affects several rural areas of the SCR. Evidence from the JRH Housing and Neighbourhood Monitor (2009) suggests a clear correlation between some of the rural areas of the City Region and higher house prices. This tends to reflect the quality of life on offer in these areas, with high demand for properties leading to higher house prices and subsequent affordability issues, particularly affecting younger people and families.



**Pockets of rural deprivation** - Although more concentrated in urban areas, areas of multiple deprivation exist within the SCR's rural areas e.g. in former mining communities, hidden in some areas by their proximity to more affluent areas. All of the predominantly rural authorities have wards containing Lower Super Output Areas within the 20% most deprived areas nationally. Rural areas experience particular deprivation regarding barriers to housing and services, which includes housing affordability, homelessness and overcrowding, and access to key local services such as shops, post offices and GPs (IMD 2010). The loss of key local facilities and channel shift of many services on-line emphasises the importance of securing decent broadband in rural areas.

**Lower paid local employment** – a predominance of low paid local employment opportunities is also a feature of some parts of the rural economy. The Derbyshire Dales is ranked 8<sup>th</sup> out of the nine SCR local authorities for average workplace earnings which, at £343pw, are 20% below the national average (£410pw). This supports the strategy's overarching objectives to increase higher value job opportunities across the SCR.

**Continuing need to diversify traditional sectors** – traditional sectors including agriculture and forestry and other land based industries continue to face pressures. According to the Farm Business Survey incomes for farmers in cattle and sheep fell between 2011/12 and 2012/13. More than 60% of farmers made a business income of less than £25,000 in 2012/13. The agricultural economy is also likely to be affected by changes to the Common Agricultural Policy (CAP), which may affect the level of funding available for diversification into a broader range of activities.

Although relatively modest in employment terms, agriculture also has a key role in maintaining the quality of the SCR's rural landscape which brings important wider benefits to the economy.

Whilst at this stage it is not clear what level of funding will be available to support diversification activity, the need to build resilience into rural businesses by enabling added value diversification opportunities beyond the core business remains. Succession planning within farming is also an issue, with less young people coming into the industry.

**Skills issues** – whilst, as demonstrated earlier, rural areas are often home to higher skilled workers (although many commute out of the rural area), this is not the case across all of SCR's rural areas. A lack of qualifications and work readiness leading to worklessness and NEETs are features of some rural areas, particularly former mining areas preventing access to locally created employment. Providing locally accessible training and work experience opportunities is key to engaging these communities.

Some employers also report gaps in specialist skills areas and there remains a need to encourage take up of apprenticeship schemes amongst smaller rural firms. There is also a lack of training opportunities for new start and established businesses in rural locations which is important to help rural businesses to develop their products, expand their markets and grow.

**Access to finance and business support for smaller businesses** – as evidenced, the SCR's rural economy is dominated by micro-businesses. Collectively the nurturing and growth of smaller businesses in the SCR can make a significant contribution to the objectives of the Strategy. To realise the potential of those



businesses considering growth, it is important that support made available is accessible to businesses in rural areas and suitably tailored to meet the needs of smaller businesses.

## 7.4 Economic Performance of Rural Areas

Despite these challenges, the SCR's rural areas perform well against a number of key indicators:

- The employment rate in rural areas is higher (62% compared to 59% in urban areas) and unemployment rate lower (3.6% compared to 5.1%). Economic inactivity rates are also lower in the SCR's rural areas (32.3% compared to 33.4% in urban areas).
- A higher proportion of rural residents have qualifications at level 4 or above (24.2% compared with 20.4% in urban areas) and a lower proportion have no qualifications at all (26.5% compared with 28.3% in urban areas). A higher proportion are also employed in managerial and professional occupations (38.4% in rural areas compared to 33.7% in urban areas)
- Business density is higher in the SCR's rural areas – the three predominantly rural authorities are ranked within the top four SCR local authorities (with 92 businesses per 1,000 working age population being the highest to 49 per 1,000 working age population the lowest)
- Business survival rates are healthy in the SCR's rural areas. Three year survival rates are highest in the SCR's three predominantly rural authorities followed by Bolsover (ranging from 70% to 61.1%). Sheffield is the next highest at 58.6% (using 2007 as the base year).

## 7.5 Opportunities for Rural Economic Growth

The economic strengths of our rural areas, coupled with the area's natural assets and quality of life offer translate into clear opportunities for sustainable economic growth which the Strategy seeks to capitalise on:

- **A qualified workforce** – access to a skilled workforce is a key enabler of business growth and attractive to encouraging more knowledge based businesses;
- **An entrepreneurial culture** – high survival rates help increase the 'return on investment' from start-up support and small business growth and;
- **Strengths in key sectors** – the rural areas offer opportunities to grow key SCR sectors including manufacturing, knowledge and creative economy, Food & Drink and sport, leisure and tourism;
- **Supply chain development** - through building on the linkages with urban economies and encouraging collaboration between different sectors;
- **Capturing further economic value from the landscape** – the rural environment provides an attractive setting for new higher value investment and business development opportunities using the environment as an economic driver for rural products and ecosystem services.

## 7.6 Priorities for Action

As stated earlier in the Strategy, our six priorities for action will benefit the whole of the City Region, both urban and rural, and be used to target additional EAFRD spending in rural areas alongside ERDF and ESF. This will help ensure our strategic proposals reach into and reflect rural circumstances.



Chapter 9 outlines the headline activities proposed for each priority. Interventions particularly geared towards developing the rural economy (beyond City Region wide interventions intended to stimulate economic growth) include:

- Outreach business support, advice and one to many training delivered via a network of (existing) rural business centres to encourage the development and growth of rural micro businesses/SMEs with a particular emphasis on businesses and sectors with growth potential
- Aligned enterprise programmes aimed at harder to reach groups including young people and potential women entrepreneurs in rural areas.
- Helping businesses to exploit product development opportunities and improve processes where potential for growth within the business has been identified, again with emphasis on sectors identified for growth
- Addressing gaps in visitor infrastructure, including key gateways and corridors, and support to enhance the value of the visitor economy.
- Potential pilot export campaigns based on developing brands within the SCR e.g. local food and drink to enhance exports of rural products
- Targeted support to address skills shortages in rural areas, prepare younger people for work, encourage more rural businesses to take on apprentices and develop skills in niche / specialist areas not covered by core programmes and linked to growth sectors e.g. retro fitting traditional stone dwellings
- Aligned with the roll out of Local Broadband Plans, enhance IT connectivity in rural areas by filling gaps in superfast broadband in harder to reach locations, particularly focusing on areas with a concentration of businesses
- Ensuring the financial instruments we adopt to enhance access to finance for SCR businesses are relevant to rural micro businesses/SMEs
- Encouraging LEADER partnerships to bid to deliver community grants within their areas as part of a co-ordinated approach to tackling key social inclusion issues identified at the local level, including addressing barriers to work

## 7.7 Alignment with other rural policies and programmes

The Strategy aims to align, rather than over-lap with with the rural growth programmes being implemented as part of the Government's response to the stimulating growth in rural areas:

- The delivery of business support activity will learn from the five Rural Network Growth pilots underway across the country and complement activity delivered via the Rural Development Programme for England, which has a particular focus on developing the productivity and competitiveness of the land based sector;
- Activity to address identified gaps in broadband coverage will be discussed with the local authorities leading the implementation of Local Broadband Plans forming part of the national Rural Broadband Programme prior to implementation;
- Where appropriate, our export activities will align with Government strategies, including Defra's Food and Drink Action Plan.

We also recognise the significant progress made by the four existing LEADER areas within the Sheffield City Region (East Peak Innovation Partnership, Peak District, Bolsover & North East Derbyshire and North Notts



LEADER) in particular in stimulating micro-business growth. We will continue to engage with these groups to align the delivery of the Strategy with bottom-up activity in these areas to help ensure rural areas receive the support they need, particularly with regard to the use of EAFRD funds.

## 7.8 LEP Area Partnership Rural Governance Arrangements

To help ensure its priorities and programmes benefit the whole of the City Region, the SCR will establish a Rural Advisory Board building on existing rural networks including LEADER groups. The Board will provide the rural perspective to the work of both the LEP/CA and LEP Area Partnership; detail on how the Rural Advisory Board fits within the overall governance structure is described in Chapter 12.

The Board's main role will be to:

- help mainstream rural across the LEP's six thematic priorities, ensuring delivery reflects rural circumstances
- shape EAFRD delivery, ensuring tailored activities to stimulate the rural economy complement wider ERDF and ESF spending
- ensure rural interests are represented throughout the process

In line with the principles underpinning SCR governance arrangements existing structures will be utilised, in relation to rural issues the Rural and Farming Networks (RFNs) (or their equivalent) operate across the City Region and are formally recognised by Defra. Membership will be drawn from these groups, with representatives responsible for two-way engagement between rural networks and the Thematic Boards overseeing Skills, Infrastructure and Business Support (in establishing the sub boards / development groups supporting the main Thematic Boards rural representation will also be encouraged).

This structure provides a clear route for rural stakeholders to feed into the work of the LEP/CA, for example, in Derbyshire the RFN includes representation from a range of interest groups including: rural businesses, NFU, CLA, Natural England and Rural Action Derbyshire. LEADER groups are also represented which will help ensure complementarity with future Local Development Strategies and provide a potential route to deliver EAFRD funding on behalf of the SCR.

Whilst further consideration is needed of detailed arrangements, it is anticipated that chairmanship of the Rural Advisory Board will rotate between RFN chairs on an annual basis and that members will vote for a chair at the inaugural meeting to provide the chairmanship for the first year.

The Chairman of the Rural Advisory Board will sit on the LEP Area Partnership to help ensure programme wide activity meets rural needs and EAFRD funds are appropriately targeted.

Consideration is also being given to designating a 'rural champion' on the LEP / CA Board from within the existing membership.

## 7.9 Progress to Date

The SCR has established a Rural Advisory Board to assist the development of EAFRD Calls and provide advice in respect to the rural agenda to the LEP and SCR Executive.



One Call for Proposals was issued in 2015 in respect of grants for rural business growth. Outline proposals will be considered in early 2016 and Calls for other areas of intervention are expected later in 2016.

## 7.10 Finance, Outputs and Results

Table 7.1: EAFRD Allocation

SCR EAFRD Allocations		
Sub Measure	£	€
2.1 Business Support	491,941	€ 630,694
6.2 New Business	573,931	€ 735,809
6.4 Existing Business	737,912	€ 946,041
7.3 Broadband	290,400	€ 372,308
7.5 Tourism	655,922	€ 840,925
<b>Total</b>	<b>2,750,106</b>	<b>€ 3,525,777</b>

Exchange Rate €:£0.78

Table 7.2: EAFRD Outputs

TBC by DEFRA



## Chapter 8

### OPT-INS – THE SCR APPROACH

In preparation for the 2014-2020 ESIF Government brokered opt-in proposals from a number of national departments, agencies or organisations. These proposed to bring together their (clean) private or public funding with LEP-allocated ESIF funds to support activity which meets the priorities of both the LEP and the national body.

EU Structural Funds are just one funding stream (and by no means the largest) that will be used to help deliver the Growth Plan. The opt-in proposals are to be welcomed, insofar as they offer the potential for greater alignment or integration of economic development activity, better leveraging of funds and other resources, and potentially simpler ways to spend EU funds. However they will only be accepted if they help to deliver the Growth Plan through the ESIF.

#### 8.1 SCR Current Position

##### 8.1.1 ERDF Opt-Ins

Following a number of discussions with BIS it was determined by Government that a number of Opt-Ins associated with Business Support would no longer be available through the Opt-In route. This covered UKTI, MAS and Growth Accelerator. As such these areas of activity have seen Calls for Proposals issued to which SCR has allocated ESIF funding.

##### 8.1.2 ESF Opt-Ins

SCR has progressed with three Opt-Ins supported by ESF funding:

Big Lottery - £2m ESF has been made available to support our Social Inclusion Programme.  
SFA - £2.5m to support the Skills for Growth Programme  
SFA - £13.5m to support the Skills Bank Programme.

Other Opt-In opportunities with DWP continue to be explored.

#### 8.2 SCR Opt-In Principles

Should further Opt Ins come forward during the life of the Programme the SCR position, in terms of key principles, remain as follows:

1. The activities proposed by the opt-in organisation must match – or be sufficiently flexible to be adapted to – the LEP's own priorities
2. The activities proposed by the opt-in organisation must be capable of being integrated with other parts of the Growth Plan and/or ESIF, including with activities proposed by other opt-in organisations. Stand alone programmes or projects may not deliver the impact we are looking for.



3. SCR LEP must be able to performance manage opt-in activity effectively, both because the LEP is responsible for growing the city region's economy, and because SIFs can be withdrawn from the LEP if targets on spend, results or outputs are not met. This means:
  - SCR requires governance arrangements to enable performance monitoring and to require (and be able to enforce) change and improvement in a timely manner.
  - The delivery agent must provide adequate performance data as defined by the LEP.
4. In cases where the opt-in organisation intends to deliver through other agents, then, without wanting to be involved directly as a procuring body, SCR LEP requires input to at least the process for selecting delivery agents.
5. SCR LEP will expect opt-in organisations to enter into Service Level Agreements (or equivalent) to confirm and assure its requirements on the above points.

### 8.3 Co-Financing

With a number of 'Devolution Deals' being put in place for the SCR together with the establishment of the SCR Combined Authority the SCR partners are now in a position to consider actively progressing Co-Financing arrangements, in particular in relation to the Skills and Labour Mobility priority. This may negate the need for further Opt-In arrangements going forward.



## Chapter 9

### WHAT WE WILL SPEND EU STRUCTURAL INVESTMENT FUNDS ON, WHY, AND WHAT THEY WILL ACHIEVE

Our choice of what we will spend ESIF on has not started from the EU's thematic priorities, but has been determined by the priorities of our Growth Plan, and in particular the focus on increasing jobs. We have segmented our activity into 3 Priority Areas that have been developed in the Growth Plan together with a number of specialist areas of intervention – but it must be stressed that these Priority Areas are designed to work together with each other and with other (non-EU funded) activity in the City Region.

The three Priority Action Areas are:

1. **Business Growth** which is supported with specific interventions associated with Access to Finance, the Growth Hub and Innovation;
2. **Skills and Labour Mobility;**
3. **Infrastructure.**

In addition to the Priority areas interventions that cut across themes or are of a specialist nature have been identified:

- a. Low Carbon
- b. Social Inclusion
- c. Sustainable Urban Development

For each Priority we summarise the challenge, identify the barriers that have raised these challenges and outline our proposed interventions at a strategic level to address these barriers. In addition the contribution to Cross Cutting themes and projects will be highlighted.

Each Priority will utilise one or more of the Thematic Objectives to build up a budget for the intervention that the SCR needs rather than simply applying each Theme in isolation. By taking this approach it is considered that we will deliver a high impact and EU funded programme that not only integrates the EU Thematic Objectives but integrates the activity wholly within our Growth Plan.



### Strategic Economic Plan and ESIF Priorities

INFRASTRUCTURE Secure investment in infrastructure where it will do most to support growth	BUSINESS GROWTH Support new business. Grow existing business. Attract inward investment Increase sales and exports.	SKILLS AND LABOUR MOBILITY Develop the City Region's skills base, labour mobility and education performance
	Innovation €24.5m	
	A Growth Hub to co-ordinate business support and develop wider interventions €44.3m	
	Access to Finance for business €21.1m	
Low Carbon €20.2m		
	Sustainable Urban Development €10.6m	
	Skills and Employability (€61.0m)	
	Social Inclusion (£25.4m)	
	Rural Economy €3.5m	
Cross Cutting Themes – Sustainable Development and Equalities		





**PRIORITY 1–BUSINESS GROWTH:**

**A) ACTIVELY SUPPORTING NEW BUSINESSES**

**A1. The Challenge**

The IER has highlighted an enterprise deficit within the SCR. This is evidenced, not only by low business density, but the low propensity of our local population to start businesses. Analysis of business start-up rates shows that although the percentage of start-ups, as a proportion of the total business base is similar to the national average, when business start-ups are compared per 10,000 population there is a clear start up deficit which has widened in recent years (from 78% of the national average in 2004 to 65% in 2011).

Table P1.A1: Business Start Up Rates

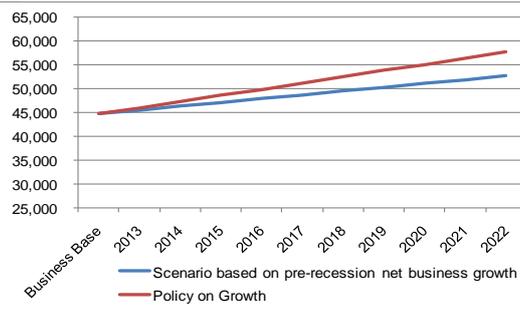
Births as a % of total active business base								
	2004	2005	2006	2007	2008	2009	2010	2011
<b>SCR</b>	13%	13%	12%	13%	11%	10%	9%	10%
<b>England</b>	13%	13%	12%	12%	12%	10%	10%	11%
Births per 1,000 working age residents								
	2004	2005	2006	2007	2008	2009	2010	2011
<b>SCR</b>	6.0	5.7	5.4	5.8	4.8	4.4	4.1	4.4
<b>England</b>	7.7	7.4	6.8	7.4	7.1	6.2	6.1	6.8

Source: Business Demography

Overall the number of new starts is two thirds of the equivalent national figure taking account of the size of the population. Reducing this ‘enterprise deficit’ is crucially important to achieve the SCR economic aims of a stronger and bigger private sector. If this gap was halved over a ten year period, the City Region could have an additional 6,000 enterprises which could deliver circa 9,000 jobs.

Between 2004 and 2011 on average, approximately 5,700 businesses were

Figure P1.A1: Growing the business base: The scale of the challenge



**Priority 1: BUSINESS GROWTH – New Business**

created per annum in the City Region<sup>11</sup>. Cumulatively, when company deaths are factored in this has resulted in a net increase of c.1,000 (pre-recession) businesses in the SCR. However, when the number of start-ups is compared to the size of the working age population, there is a start-up deficit in the City Region when compared to the national average. This deficit has widened in recent years (from 78% of the national average in 2004 to just 65% in 2011). When London is removed from the analysis, the City Region requires an additional 13,000 active businesses to close the gap – an increase of almost a third. The scale of the challenge in increasing the number of start-ups in the SCR is show in the figure below.

Focusing on the employment potential of new

businesses, the number of new start-ups is two thirds of the equivalent national figure taking account of the size of the population. If this gap was halved over a ten year period, the City Region could have an additional 6,000 enterprises and circa 9,000 jobs.

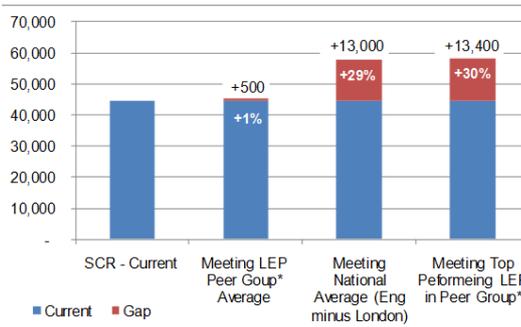
The above deficit analysis can be broken down further to understand better the key underlying issues. These include:

**Start up rates – conversion:** The number of working age residents who are classed as self-employed has declined recently, from 32,600 (8.6%) in 2011 to 27,800 (7.3%) in 2012. This remains lower than the UK average of 9.5% which has remained stable during the past three quarters having grown slightly overall during the recession. However, as an example, Sheffield has the second highest percentage of self-employed among all core cities, and this pattern is reflected in other districts. **Although this is very positive as a bed-rock of entrepreneurial activity, it is clear that we need to encourage more of these self- employed individuals to move on to becoming employing, VAT registered businesses.**

**Business stock:** The sector profile of our business base is under-represented in ‘knowledge’ sectors, particularly high value business services. Although the City Region has tracked the national trend in terms of changes to business stock in recent years, business numbers have been in decline from 2008-2011, with 2012 data showing the first upturn in business numbers since the start of the recession. **In short, we face both a volume and quality challenge in relation to our business population.**

**Start Up Rates – births and deaths:** The recent improvement in start- up rates has been matched by a reduction in business deaths. Whilst this is positive and obviously contributes to the ‘net’ position, when compared to Core Cities, for example, which experience greater churn – ie more births **and** deaths – it

Figure P1.A2: Closing the business density gap



Source: Business Demography and Annual Population Survey, Ekosgen (2013) SCR IER. \* Peer group includes following LEPs: Greater Manchester; Greater Birmingham and Solihull; Leeds City Region; Tees Valley; D2N2; Humber; North East; York, North Yorkshire and East Riding; and Liverpool City Region

<sup>11</sup> Business Demography, Ekosgen (2013) SCR IER



suggests that we lack a level of dynamism in the micro business economy and that this may have consequences for the longer term development of sustainable businesses.

## A2. Barriers for New Business Establishment and Growth

### A2.1 Underlying City Region Issue - Enterprise Culture and Pre-start Engagement.

Encouraging more people to go into businesses is intrinsic to the task of creating a flourishing and modern economy. Growing enterprise activity is as much about culture and aspiration as it is about practicalities and funding. Much of the value of promoting enterprise is about transforming economic structure, culture and attitudes, stimulating churn and dynamism, and through these factors raising levels of productivity and self-reliance in the longer term.

In the context of this priority, this is not an issue of educational under-achievement or school or college improvement. This is about young people progressing through secondary education and beyond understanding more about the world of business and enterprise, being aware of the challenge and reward of running your own business and being prepared to consider self-employment or starting a company as a positive choice, not simply a secondary alternative to full time employment. In the current education policy climate it is increasingly difficult for schools and colleges to introduce enterprise activities either into the curriculum or even as extra-curricular activities. However, in this City Region, we will look to build on the considerable experience we have within several districts to work at the secondary, FE and HE levels to promote enterprise and business to help us to address this cultural issue and, in turn, potentially improve motivation, skillsets and attainment.

Creating a culture of enterprise is a long term challenge. It is complex and does not deliver economic impacts in the short term. However, it is a crucial element of long term economic transformation. This fundamentally requires interventions targeted at the City Region's young people and adults to ensure that motivated and ambitious people are coming forward with business proposals which deserve support.

Our analysis shows that alongside the deficit the City Region faces in relation to start-up rates and stock, the level of self-employment has traditionally been high. Sheffield, for example, has the second highest levels of self-employment amongst the Core Cities. Whilst this is clearly a positive factor, we arguably face a cultural challenge persuading more of these individuals to 'incorporate' grow and employ.

### A2.2 Information and Support

Support for start-up needs to be organised in a way that ensures there is a minimum and consistent entitlement for all people looking to start a business but that there is an increasingly intensive offer for business able to grow and sustain employment. This also involves being proactive, using market intelligence and sector information, University knowledge and incubator models to drive the development of companies in knowledge rich areas. Delivered through the Growth Hub (see Project details) the service would be organised around the following barriers to start-up growth:



### Priority 1: BUSINESS GROWTH – New Business

- Motivation and ambition – is an individual going into business to grow and sustain or as an alternative to employment;
- Product or Service – is this adding value to the market – ie an innovation with the potential to be exploited;
- Market intelligence and Competition – does the individual understand the trading environment they are entering;
- Experience – of the sector, product area or of setting up a business;
- The practicalities of managing a business (some highlighted below) including raising finance and managing cashflow, developing and maintaining customers and finding suitable premises.

In delivering this support, we will draw on the best practice to be found in many of our delivery partners; both public and private sector and look to explore and pilot new approaches we have come across in other EU members states and the United States.

#### A2.3 Accommodation and Facilities

In the current economic climate, finding affordable office accommodation at a stage when they are not cash generative is a significant challenge for start-up companies. Whilst there is a range of start-up and incubator space across the SCR (in both the public and private sector), a recent audit of space in which Sheffield Council has an ownership or investor interest demonstrates that available space can be of low quality, the wrong size and configuration, in the wrong location, lacking in support facilities and prohibitively expensive as a result of the need for short term, flexible lease and licence arrangements. This measure is not, primarily, concerned with the development of more capacity in terms of start up space, but rather finding the ways of building on the success of RIDO, the Chesterfield incubation centres, Barnsley Business and Innovation Centre and other private operators to provide affordable and suitable solutions for our new business starts, including test trading facilities. However, where opportunities exist to attract investment in emerging locations, the creation of appropriate facilities will be considered.

Start-up companies in sectors such as CDI also benefit from the provision of physical ‘hubs’, which promote opportunities for collaboration between entrepreneurs. Moreover, the growth and permeation of digital technology will be likely to increase demand for a start-up friendly collaboration centre in the SCR.

#### A2.4 Driving Quality by Exploiting Knowledge and Intellectual Assets

The City Region has to drive up the quality of start- up businesses coming forward. Central to this will be the significant ‘innovation assets’ that are already driving our region forward and cementing our position within the growing knowledge economy, both in the UK and internationally. The impact and strength of those assets should not be underestimated. There are also key drivers such as low carbon technologies and climate change

At all levels, the City Region’s two Universities and University Centres in Barnsley and Doncaster have an important role to play in two respects. The SCR’s IER concluded that our HE institutions should be key drivers in innovation, particularly in our priority sectors of manufacturing, healthcare technologies, low carbon, and CDI and areas in which they have research strengths. In reality, this is more likely to drive growth in the existing business arena than through start- ups. However, all 4 – evidenced through their own



## Priority 1: BUSINESS GROWTH – New Business

enterprise activities – have significant number of students coming forward each year with strong business ideas and the motivation to put them into practice. Both institutions have facilities through their respective 'Enterprise Centres', but through this Priority, we can build on this to establish a well-resourced accelerator facility to take the best of these ideas and help them move towards becoming sustainable businesses.

### A3. Interventions

The primary purpose of this strand of activity will be to accelerate the formation of new indigenous businesses in the City Region and to increase their survival chances. In doing this, we will strive to offer a professional level of service to all individuals motivated to 'go it alone' whilst developing a more intensive level of intervention for those with both long term and accelerated growth potential. The Growth Hub will deliver this other than in exceptional circumstances. Based on our analysis above, the Priority will have 4 clear components:

- Enterprise culture and pre-start engagement;
- Information, Advice and Support;
- Accommodation and Facilities; and
- Driving quality by exploiting knowledge and Intellectual assets

In the delivery of these components, the programme will look to:

- Support starts with growth potential;
- Use business intelligence to develop supply chain opportunities;
- Provide young people with focused support;
- Encourage innovation and creativity;
- Identify and support low carbon and other 'environmental' business opportunities.

Micro-businesses in the rural economy will be an integral part of this approach, as will social enterprises.

Our IER highlighted clearly the need for SCR to have a restructured economy, increasing the number of businesses reliant on higher skilled occupations and with high export potential. Previous initiatives have often developed a range of offers but with fairly standard products and limited resources, and often targets based around outputs (numbers of companies helped), rather than outcomes (jobs created or GVA uplift). We have considered a range of options to address the existing market failure of low levels of enterprise and high business death rates whilst also accelerating growth of businesses most likely to deliver growth and jobs.

#### A3.1 Headline Initiatives

##### 1. Enterprise Culture and Pre-start engagement that will include:

- a comprehensive package of activities in schools and colleges including high profile competitions and programmes, support for in-school business, and proactive support for young entrepreneurs emerging from these activities;
- A high level proactive campaign to encourage more of our self-employed, to incorporate and grow their businesses with appropriate support through the 'business in a box' initiative (see below)



**Priority 1: BUSINESS GROWTH – New Business**

**2. Information and support** - Targeted business support for start-ups: providing a tiered approach to start-up companies that provide different types of support depending on their needs and potential. This will include:

- A **start-up product** available to all firms (including social enterprises) as part of the knowledge hub that provides essential advice on how to set up and sustain a company and builds on the good practice (eg in coaching and mentoring) already established in many SCR Districts;
- A **business in a box** that will provide the self-employed in the City Region with the toolkit and support that they need to become VAT / PAYE businesses;
- A **business 'adoption'** service that sees existing successful businesses taking responsibility for the development of a fledgling company by providing investment, accommodation and on-going development support; and
- A **tailored accelerator** model for entrepreneurs, building on the success of the Dotforge programme, through the provision of a joined up product to companies. This would be targeted towards start-ups whose survival and growth would fundamentally fill gaps or capacity in the market.

**3. Accommodation and Facilities** - establishing the Sheffield City Region as the most effective **start-up zone in the Country**. This will build upon the best practice established across the SCR and, amongst other things, would provide flexible leases, affordable rent and rates for start-up and early stage tenants, and access to appropriate business support. This initiative will not be limited to the public sector; neither would there be any limit on the number of facilities. The key will be that providers will have to meet a minimum threshold of quality of offer and support in order to become part of this supported network.

**4. Driving up Quality by exploiting knowledge and intellectual assets** – The development of specific initiatives with Universities and University Centres to increase the level of support available to entrepreneurial students, including development capital, incubation facilities and bespoke support.

## A4 Progress to Date

A Call for Proposals in respect to providing support to New Start Up Businesses was published in 2015. A single project has been progressed to detailed Business Plan stage.





**PRIORITY 1 –BUSINESS GROWTH:**  
**B) ACTIVELY SUPPORTING EXISTING BUSINESSES**

**B1. The Challenge**

To reach SCR’s economic ambitions set out in the Growth Plan, we need more businesses and we need to increase the growth, competitiveness and productivity of the existing business base. This is at the heart of the economic challenge for future growth. Our focus must be on rebalancing the economy, anchoring it in the dynamism and energy that a strong private sector can bring to unlock the city region’s economic potential.

Small and medium sized enterprises (SMEs) are critical to the economic rebalancing as they make up over 95% of the business stock and contribute around half of the employment and turnover produced in the local economy. We know that in periods when the SME business base is expanding, private sector jobs have followed.

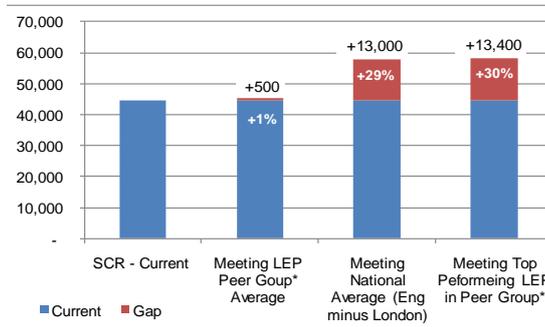
Our 2013 Independent Economic Review (IER) showed that the City Region has a very limited private service sector employment base, amongst the lowest in its peer group, and low even by the standards of the north of England.

This is reflective of the low business density within the SCR. There are 44,700 active businesses in the Sheffield City Region, equating to around 55,700 workplaces, but this is too few businesses relative to the size of our economy and working age population.

Whilst closing the gap on the enterprise deficit will make a significant contribution to employment and economic growth (strand 2 of this submission), we need to maximise the role of the existing business base and its unrealised growth potential.

The reality is that sustainable growth will come from a relative minority of the SCR business stock. The Small Business Survey (SBS) 2012 estimates that around 13% of SMEs are ‘growers’ based on typical historic patterns of job creation and have the capacity to add a minimum of 3 and 10 new employees to their businesses respectively in any given year. Based on the current business population for the SCR that gives us a target market of around 5,700 growth oriented businesses with a theoretical annual job creation capacity of 26,000 new jobs.

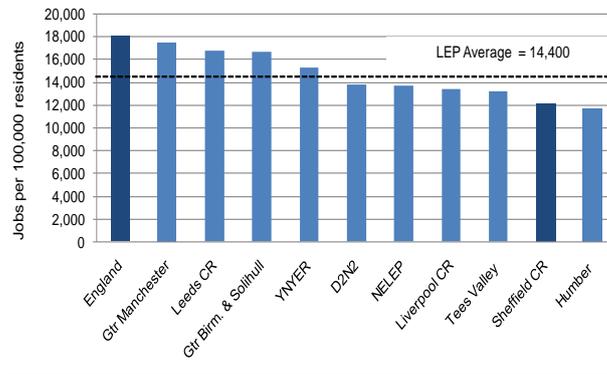
Fig P2.B1: Private Service sector\* employment density, 2011



**Priority 1: BUSINESS GROWTH – Existing Business**

These businesses have to be the focus of our attention over the next ten years. However, it is important that we support those businesses SBS would regard as ‘stable’ i.e. those accounting for 50% of our business base which have only limited capacity and ambition to grow, but nevertheless taken together make a major contribution to the economy. In particular, we need the means of identifying those with latent potential and at least a level of ambition to grow. It is important to be clear at the outset that publicly funded interventions will not in themselves drive growth. Only businesses will do that.

Fig P2.B2: Closing the business density gap



**B2. Barriers for Existing Businesses**

In the context of this Priority, the interventions and areas of action outlined below are derived from the work of organisations such as NESTA and Goldman Sachs, from information emerging from the SBS 2012 and, importantly, from our work across the City Region, through the Regional Growth Fund, Finance Yorkshire, the Manufacturing Advisory Service, the Growth Accelerator, Key Account Managers and other direct experience of business and investment support.

We are at pains to establish that this Priority does not set out a set of supply side measures ‘to be done to the private sector’ by the public sector. They are drawn around: our understanding of the key drivers of growth; the factors inhibiting expansion; and an appreciation that public investment must address market failure in this area and that partnership with both the private and professional sector providers of support is essential. Taking this forward, our approach will be structured around the three key factors affecting growth:

- Ambition;
- Opportunity: Driving Innovation; and
- Capacity.

It will also be grounded in the means by which growth is normally achieved. According to SBS 2012, in achieving growth between 70-90% of businesses categorised as ‘growers’:

- increased the leadership capacity of Managers;
- increased turnover by exploiting new markets;
- developed and launched new products or services; and
- sought productivity improvements and efficiency gain throughout all areas of their businesses.

**B3. Interventions**



## Priority 1: BUSINESS GROWTH – Existing Business

The evidence of the IER illustrates clearly the lower GVA associated with the SCR business mix, the requirement to grow the number of businesses and jobs and the need to restructure the economy towards businesses characterised by more higher level occupations.

Previous and current programmes of business support at a national and local level have provided a global offer to all businesses and in most situations have offered pre-designed programmes and solutions. This approach has not delivered the scale of growth nor supported the growth in high GVA sectors that SCR requires. We have considered a range of approaches, including the maintenance of a highly localised offer to businesses. However, whilst this model has produced examples of best practice across the region it risks a 'postcode lottery' of support, where the package available to businesses is dictated by location rather than need. Consideration was also given to concentrating support entirely at the 'top end' of business development, targeting all interventions towards the most innovative and highest growth firms.

Either approach may have generated 'quick wins' for the region but on their own would not have supported longer term, sustainable culture change within the wider SME business base. As such we recognised that a blended approach was required, melding a high performing offer to all firms in the SCR with more bespoke, intensive support for our most promising businesses.

Against this background, our approach, delivered through the Growth Hub, will differ to ensure that:

- All businesses with growth ambition can access a wide range of relevant services, both publicly and privately funded, through a well-publicised and resourced 'knowledge hub' at the heart of a City Region Growth Hub (Project Proposal). This delivery model is central to our proposals and will be the portal for the delivery of national services; businesses with a high potential to deliver accelerated levels of GVA or jobs growth are supported through bespoke interventions co-designed by local and national partners;
- We target proactively growth from those parts of our SME base that are less likely to engage in innovation; and
- We only intervene where there is a clear market failure and where there is a clear rate of return on any public investment, through interventions which deliver jobs and GVA growth or have a wider market value.

The area of our programme will be driven by the Growth Hub development. The hub will:

- Be the point of entry to our services for business;
- Be the place through which an integrated approach to the delivery of national schemes is achieved;
- Provide the intelligence on what works and doesn't work in order to drive product development and change; and
- Will allow us to operate at a scale at which it becomes possible to deliver the volume and rate of change we need.

### B3.1 Headline Initiatives

Provide a first class business support 'offer' in the Sheffield City Region that will:



### Priority 1: BUSINESS GROWTH – Existing Business

- Drive ambition – by agreeing **Growth Deals** with businesses displaying significant growth characteristics. Underpinned by a senior and experienced Key Account Management team, smart diagnosis will identify growth potential and areas requiring intervention. We will then work with partners delivering the likes of MAS and the Growth Accelerator (through the Opt-ins) to deliver bespoke packages of support;
- Help them to identify and **exploit supply chain opportunities** - emerging from the likes of the Innovate UK Catapult Centres (eg the Nuclear AMRC), but also working with partners such as MAS through the opt-in to establish a **New Opportunities specialist team** that will occupy the space between business and Academia, prospecting for new opportunities and pulling together the key people and partnerships required to deliver the innovation; and
- Help to create the capacity, in finance, management, production and other business disciplines to support sustainable growth. Key in this will be a suite of interventions delivered through the Export and Trade priority and a major development in relation to access to finance. In relation to the latter, a key objective through this Priority will be to establish a finance centre of expertise, within the Growth Hub, which becomes:
  - **the** source of impartial advice to businesses seeking finance through a team of finance specialists capable of undertaking financial health checks and understanding the finance requirements of business;
  - **the** gateway to publicly back finance and investment products and solutions and an information centre for services available from the private sector; and
  - **the** place in which it becomes possible to blend and package public/private loan and grant products in order to achieve effective co-ordination , tailored packages for business and value for money from public interventions.

#### B4. Progress to Date

Calls for Proposals have been published in respect of the Growth Hub, Innovation support, bespoke support to Manufacturers and high growth companies. Responses to all Calls have seen proposals taken through to detailed Business Plan stage.





**PRIORITY 1 – BUSINESS GROWTH:**

**C) ACTIVELY SUPPORTING INCOMING BUSINESSES**

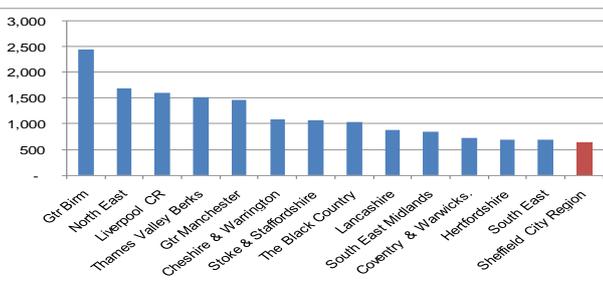
**C1. The Challenge**

Inward Investment brings new jobs from outside Sheffield City Region, both domestic and/or Foreign Direct Investment (FDI) from companies with overseas ownership. FDI has been an acknowledged source of new investment and employment in the UK for many years the UK continues to be attractive to overseas investors, consistently ranking in the top 10 destinations for FDI. Alongside established traditional sources including the USA, Japan and Western European countries, new investors – conglomerates, sovereign wealth funds - from fast developing countries are also seeking to invest in the UK in growing numbers.

IBM’s Global Location Trends report 2013 indicates the size of this competitive market, global foreign investment in accounted for 9,500 projects and just under 1 million jobs created worldwide in 2012. At a national level, FDI provides circa 80,000-100,000 jobs per annum in the UK, generating tens of thousands of new jobs over a ten year period. Currently SCR is not attracting its share of this investment.

While the chart below sets out only a one-year snapshot of the number of jobs created through FDI, the data is illustrative of Sheffield City Region’s modest record of attracting international investment. Even allowing

Fig P3.C1: UKTI Data: Jobs created through FDI, 2012-13



for the sheer size of some other areas, Sheffield City Region performs poorly.

The latest data for 2012/13 shows that Sheffield City Region’s performance has improved (as a result of local investment in a proactive dedicated salesforce) with 26 project successes compared to 7 in the previous year. The projects created 631 jobs and safeguarded a further 3,099. However, Sheffield

City Region is not yet achieving the scale of FDI project wins that it could if it were to match national average or neighbouring LEP area performance levels, particularly in relation to job creation, despite the increase in 2012/13.



**Priority 1: BUSINESS GROWTH – Incoming Business**

We know that SCR is not attracting its per head population share of UKTI inward investment, this is compared to other Northern economies, for example North Eastern LEP, who attract double their per head population share. Further strengthening of SCR resources, tools and approach in this area could yield thousands of additional jobs each year, as well as strengthening the business base, structure and supply chains within the wider economy – all of which remain fundamental to strengthening SCR’s private sector and boosting private sector job growth.

There is a significant challenge in attracting FDI for Sheffield City Region in the way that UKTI organises its national investment function around sectors and how we align our materials capabilities to this. The region has a better record with domestic inward investment and FDI wins through reinvestment of foreign owned businesses who are already based here, demonstrating the attractiveness. Analysis of UKTI enquiries further highlights the potential for significant improvement in SCR’s ability in draw in new investments for the UK and as well as attract its share of UKTI enquiries to SCR.

**Table P3.C1: UK Inward Investment, 2012/13**

	Industry Sector	Projects	Total Jobs <sup>1</sup>
<b>Advanced manufacturing</b>	Advanced manufacturing	380	51,568
	Life sciences	142	11,235
<b>Knowledge intensive</b>	Creative industries and ICT	369	20,837
	Electronics and telecoms	109	5,671
	Financial and professional services	309	35,636
<b>Energy and infrastructure</b>	Energy and infrastructure	250	45,149

<sup>1</sup> Created and safeguarded

Advanced manufacturing was the best performing sector in both project and job terms, this highlights the importance of FDI as a source of high-quality investment projects that can generate long-term economic value for Sheffield City Region, particularly given SCR’s technology, manufacturing and engineering offer and key assets like the world-leading cluster of research institutes and innovative businesses centred around the Advanced Manufacturing Park. This is an increasingly well-known and high profile asset and the forecasts for growth in the advanced engineering, energy and nuclear sectors suggest that significant growth could be achieved, both by attracting in new companies and through associated local supply chains.

**C2. Barriers to Incoming Investment**

To achieve the ambitious target and substantially increase our inward investment wins and job creation , we need to ensure we continue to create the right product (quality of place), develop our inward investment assets (investment product) and have the appropriate support packages in place to win the investment.

City competitiveness is key, “it is increasingly recognised that cities are becoming more important as vehicles for economic growth and dynamism.”<sup>12</sup> The inward investment team sells the product or asset (Sheffield

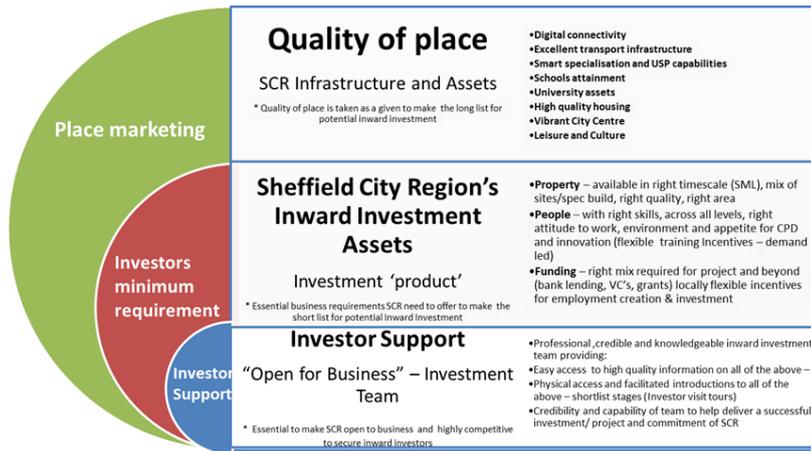
<sup>12</sup> Global Location Trends 2013 annual report, IBM Business Services



Priority 1: BUSINESS GROWTH – Incoming Business

City Region), many of the barriers facing SCR in the IER are addressed through various themes in the SEP and ESIF, the main ones affecting inward investment are highlighted below:

Fig P3.2: Approach to Inward Investment in the SCR



C2.1 The Product

C2.1.1 Skills and talent "Skills bank"

High on the list of requirements for both inward and indigenous investors is the appropriate skills to meet their business needs. As IBM illustrate, in a knowledge driven world, a location's inward investment proposition is tied to the availability of talent and competencies. Whilst the LEP area has experienced improvement in general terms, the skills profile of those with NVQ4, and above, remains below top performing city regions. For example, the SCR IER identified that there is a shortage of 30,000 jobs in highly skilled occupations in the City Region. Below average numbers of people in employment undertake workforce training, and certain areas report larger than average numbers of young people not in work.

It is crucial SCR develops talent through the education system and workforce development alongside making a concerted effort to attract and retain talented people with the skills businesses need to demonstrate SCR is a viable, sustainable location for inward investment.

C2.1.2 Commercial property stock

The IER acknowledges that there is generally a limited amount of suitable modern property in the area for inward investors seeking industrial and office premises. Recent evidence from the SCR Enterprise Zone illustrates that sites with property on them are more attractive to investors. To date all sites that contain property have been taken up, whilst vacant sites have not performed as well. Distribution and warehousing is better catered for in certain parts of the City Region, but the stock is rapidly diminishing.



## Priority 1: BUSINESS GROWTH – Incoming Business

Most inward investors seek premises that are ready for occupation almost immediately, rather than sites with planning consent, as evidenced by experience through our Enterprise Zone where even with the presence of a Local Development Order vacant sites have not performed as well as those with existing units. It is crucial that this demand is understood and speculative development of the right product, in the right places, is facilitated through the various financial mechanisms available to the SCR.

### 2.1.3 Financial Incentives

Sheffield City Region has a strong offer, particularly in relation to advanced manufacturing, engineering and technology in comparison with other international areas outside the EU, but SCR is also unable to offer the same level of financial incentives as the UK devolved administrations and some other areas of the UK. Therefore SCR needs to create flexible financial incentives which meet the needs of inward investors.

## C2.2 The Proposition

### C2.2.1 Lack of Knowledge/Perception – Place Marketing

Inward investment is a proactive business development activity, with a clear focus. It needs to be closely aligned with marketing resources to build both the brand and profile of the Sheffield City Region for effective B2B marketing.

SCR is in a good position to attract inward investment, it's technology, manufacturing and engineering offer is as good as anywhere in Western Europe with a world leading cluster of research institutes and innovative businesses centred at the Advanced Manufacturing Park, which includes two national Catapult Centres (Advanced Manufacturing and Nuclear). This is an increasingly high profile and well known asset which could achieve significant growth and attract investment. However, the ways in which UKTI defines sectors and subsequently organises its activity does not always display the strength of these assets within the SCR. This represents a significant barrier to the City Region as the area's full capabilities are not highlighted.

SCR needs to greatly enhance the way we promote our assets to inward investors, we need to align all our activity with the SEP and develop a comprehensive place marketing strategy and a focussed business development team for inward investment promotion. City Region marketing activity must be aligned with and support the inward investment plan.

### C2.2.2 Neighbouring Assets – Political boundaries

Inward investors do not think in terms of political boundaries, the offer of neighbouring LEP areas adds to the attractiveness of the area. The Sheffield City Region needs to make use of these assets and resources - neighbouring universities, airports, motorway links, national rail infrastructure etc, which are all part of the offer/sell. At times collaboration will be required with neighbouring cities as they have complimentary offers, or together we are stronger. The potential power of Manchester-Sheffield-Leeds working together for complimentary investment would have economic benefits for all.

Similarly the old regional boundaries represent a specific barrier for the SCR as the incentives available to businesses vary in different parts of the City Region. A single UKTI offer for investors across the SCR would create a universal and coherent offer.

## C3. Interventions



## Priority 1: BUSINESS GROWTH – Incoming Business

The evidence in the IER indicates the SCR needs to grow the number of businesses and jobs, increase GVA and attract or grow higher skilled occupations. The existing business base alone can not do this, it is therefore paramount we focus on inward investment to bring additional high value businesses into the area to achieve our ambition.

To date, the approach undertaken nationally by UKTI and previous organisations has not been focussed clearly enough on the capabilities of the region. Expertise in materials and process technology does not fit neatly into a sector approach, and therefore, the region has suffered lower than normal investment. The market to attract inward investment is incredibly competitive between city regions, and often appears somewhat arbitrarily influenced by UKTI in terms of where they direct enquiries. Historically the SCR has underperformed in attracting new investment into the area and not uniformly devoted sufficient proactive, prioritised resource into this area. Nor have other funds and economic activity been aligned and maximised to create the appropriate quality of place, infrastructure, assets and required investment product to meet the needs of inward investors in such a focussed way through a city region SEP before. The old regional boundaries impact on the offer available to an investor in different parts of the City Region. This needs to be simplified to provide a single range of incentives and support packages that can be used across the area.

We have considered a range of inward investment options – but core is our model of scaling up the proactive activity and approach the LEP implemented two years ago, to build upon its success. The availability of financial incentives in some local authorities in the SCR makes these places more attractive to a significant number of investors. It would provide an improved offer in the SCR if this was a universal offer. The success of this is illustrated by the Soft Landing Zone package in Rotherham, which as an authority experienced the greatest increase in employment in the private sector between 1998 and 2008.

Evidence from our Enterprise Zone demonstrates the importance of having a property offer. Currently all business investment on Enterprise Zones sites has been in existing business units. This reflects the importance of creating the right speculative property offer in the right places across SCR to attract such investment.

### C3.1 Headline Interventions

The Sheffield City Region needs to improve the Inward Investment Product to create a world class consistent offer which meets the requirements of businesses, proactively taking this to the market and promoting it in a targeted way to attract higher levels of inward investment. The SCR will continue to focus on proactive lead generation in key target markets, typically (but not exclusively) our headline interventions would be:

**1. Inward Investor Growth Deals** – create a bespoke, flexible support and incentives package, which will be used to attract the types of jobs required in the IER. By using weightings we will ensure that the attraction of the appropriate skills levels, sectors, and companies we require, are incentivised to invest in the right areas. This package would be a menu of options used to agree a bespoke “Inward Investor Growth Deal”, tailored to the individual company requirements, utilising the Growth Hub support model to provide a bespoke service to high growth potential investors and access to the breadth of support services through the hub. This would include (but not exclusively): available land and premises, financial incentives, HR consultancy support, delivering an available workforce for new investors or bespoke incentivised training, personal relocation services for key individuals (talent retention/attraction), and connections and facilitated introductions to the local supply chain.



## Priority 1: BUSINESS GROWTH – Incoming Business

Part of this offer would be **Soft Landing Zone Packages** across the city region, helping overseas companies to establish operations in the UK, explore the UK market or to use the UK as a base for further European activities. Potential investor companies from overseas will be offered a comprehensive array of services including; fully equipped modern office space, available on easy in/easy out terms and with full reception and admin support. Assistance will be provided to access relevant specialist help and advice, linking to appropriate support organisations and trade bodies.

**2. Available Land and Property** – it is important to ensure that the SCR has fit for purpose land and speculative property solutions. To enable this to happen we would propose, but not exclusively, interventions along the lines of:

- **Rent guarantee incentives** to encourage new speculative buildings in the right demand led locations
- **Establishing four start-up zones** across the SCR, with reduced rents and flexible leases and support during the start-up phase
- **Rates holidays** for empty buildings (owners) meeting certain criteria, with funding provided to Local Authorities to ensure they are not financially burdened by lost rates

Proactively address commercial property stock supply with landowners to ensure the SCR's property portfolio meets the requirements of potential investors. E.g. identify needs for speculative build and, where required, de-risk activities required to promote commercial development, as currently being undertaken in SCR through the use of Growing Places Funding.

**3. Incentives** – linking and flexing the existing incentives to drive inward investment, including:

- **Enterprise Zones** – extending the benefits to 2020 to realise the potential of this asset
- **Regional Growth Fund** - with flexibility built in to provide a "Growth Deal" to inward investors within their investment timeframe, removing the call for rounds.
- Creating a new **Business Investment Fund (BIF)** allocating funding available to eligible companies looking to invest in SCR. To fund job creation through either a salary based scheme, or capital investment, similar to Regional Selective Assistance or Grant For Business Investment in the past. This would even out demand throughout the year, and enable good projects to move forward without waiting for RGF funding rounds.

**4. Workforce for new investors** – building on the HR Business Consultant model across the SCR we will introduce a new cross cutting service working with all partners to ensure that we deliver the right workforce for their needs in the most efficient way, working back from their requirements. This would be delivered through the "Skills Bank", the private sector provision, centres of excellence, whilst actively co-designing new approaches and training programmes to ensure they access an appropriately skilled workforce.

**5. High impact projects team(s)** - the SCR needs to identify "big win" opportunities to attract tier 1 suppliers and OEM's to the city region in sectors or markets where we have a unique offer and proposition. The dedicated team(s) would be a mix of the relevant public, private, academic people with the appropriate skills, knowledge and connections to open doors and make the investment happen. An example of where this might work would be the nuclear industry, taking advantage of the changing national policy, the capability in our supply chains, and the attractiveness of the NAMRC and academic/industry collaborative expertise. Securing a major investment would be a magnet for growth.



**Priority 1: BUSINESS GROWTH – Incoming Business**

**6. Key Account Management** –SCR will focus on a proactive relationship management approach across the city region to both foreign owned and large companies with operations based here. By harnessing existing expertise and local resource, this approach will identify opportunities to win re-investment and expansion opportunities, creating new jobs.

To maximise resource and existing expertise and relationships, SCR will seek to integrate UKTI (Invest) KAM resource with local teams to ensure this approach has a higher and more consistent proactive impact and reach across SCR.

#### C4. Progress to Date

In response to a Call for Proposals in respect to the Growth Hub elements of provision to support inward investment have been proposed. A full Business Plan is in development. In addition a Call seeking proposals for the provision of high quality accommodation within the SCR target growth areas has seen two proposals taken through to detailed Business Plan stage.





## PRIORITY 1 – BUSINESS GROWTH:

### D) MORE EXPORTS AND TRADE

#### D1. The Challenge

International trade and exports will play a critical role in delivering private sector growth in jobs, GVA and productivity. 88% of exporters say that exporting enables them to reach levels of growth which are otherwise not achievable. Our ambition is to help thousands more SCR businesses achieve new levels of growth through international business development.

Exports drive net wealth generation and help to strengthen our business stock, providing additional jobs and income not dependent upon local expenditure. Trade presupposes that our businesses are competitive internationally in the products/services they provide and by default precludes many of our commodity type products and services but there are still substantial opportunities for new businesses to start exporting and for existing businesses to export new products or existing products to new areas in the world. The IER acknowledges this: *'Sheffield City Region needs to increase the number of companies exporting and to support existing exporters to increase sales and reach new markets. While Europe is the most straightforward focus for new entrants a global view of opportunities and markets is required. Increasing exports is critical to maintaining manufacturing employment and to developing key growth sectors...'* (IER, 2013)

The need to increase overseas exports is also a national priority. In November 2011 the Prime Minister launched 'The National Challenge: Exporting for Growth' which aims to increase the number of new UK SMEs exporting by 100,000, doubling the value of national exports to £1 trillion a year by 2020. Our approach will see SCR deliver on its share to help to UK meet these ambition targets.

There is significant economic potential, which the market alone will not achieve. Our interventions will ensure businesses, both rural and urban, have the ambition, opportunity and capabilities to meet their export potential. Our approach will unlock the significant unrealised export potential among many innovative and productive SCR businesses, and we will focus efforts towards companies that have the characteristics to succeed in international markets (building on the research in Department for Business, Innovation and Skills 2011 paper).

SCR could lead the UK on export performance, given our unique capabilities and specialisms in markets with a high propensity to export. As such we will be the most ambitious city region on our export targets: We will deliver 2150 additional exporters and work with over 1000 existing exporters to expand to new and bigger markets. This can deliver in excess of £1.5billion in addition turnover for the UK and create an estimated 7500 jobs.



## D2. Barriers to More Exports and Trade

### D2.1 Unknown Benefits

The critical factor to influence a business's propensity to export is understanding the expected business benefits – and specifically that export can help to achieve a higher level of growth. We need to provide businesses with the information they need to make an informed decision on the benefits of trade for their business.

Evidence shows that a large majority of SCR businesses lack awareness of their export potential, underestimating the potential benefits of exporting, and overestimating the potential costs and risks. This results in fewer firms investing in building the capabilities or acquiring the knowledge needed for active exporting, or for entering new markets.

Businesses also underestimate the potential demand for their product or services in overseas markets, resulting in fewer firms exporting, and fewer of those who do export being willing to tackle new markets. A recent business survey suggested that 35% of SCR businesses cite a lack of information and access to contacts as key barriers; despite the various support organisations based within the city region. Furthermore, 60% of businesses surveyed said they do not currently export as their product or service is not suitable for international markets (indicating an underestimation of the propensity to export for their products / services).

### D2.2 Initial Costs

When seeking to begin exporting, or entering into a new trade relationship, firms can face a variety of barriers which represent an initial "fixed cost" of beginning to export, or of entering a new market. These barriers can be internal or external to the business, ranging from the resources and capabilities of the business to, gaining access to contacts and legal or regulatory issues.

Evidence<sup>13</sup> from a recent survey of UK exporters and firms who are expected to begin exporting within the next year, shows that legal and regulatory issues are the most frequently cited barriers, presenting significant difficulties to two-fifths of exporters, followed by customs issues and access to contacts. Language and cultural barriers are cited as presenting significant difficulties by around a fifth, as are difficulties with finding sufficient management time. These barriers influence the perception of the potential rewards and difficulties of tackling particular markets, especially where established links with UK business are relatively weak. Further research also highlights limited internationalisation capabilities and management attitudes are important barriers to SME internationalisation.

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<sup>13</sup> Cited in BIS 2011



Priority 1: BUSINESS GROWTH – Export and Trade

Fig P4.1: Barriers to Export

Proportion of firms experiencing significant difficulty (ratings of 4-5 out of 5, where 5 = extremely difficult) with...		Total	UK
Base: All exporters		858	
<b>Types of Barriers</b>			
Legal & regulatory barriers	41%		
Customs barriers	27%		
Contacts barriers	27%		
Information barriers	16%		
Resource barriers (management time)	20%		
Language & cultural barriers	19%		
Bias barriers (purchaser preference for using domestic suppliers)	17%		
<b>Number of Barriers</b>			
At least one significant individual barrier (% rating 4-5)	66%		
- One	17%		
- Two	15%		
- Three	12%		
- Four or more	22%		
No significant barriers	34%		

Proportion of firms in South Yorkshire affected by barriers, 2013				
Destination of outputs	Significant Barrier	Slight Barrier	Not a barrier	Don't know or N/A
Cost of international transport connections	9.7%	21.2%	27.1%	49.1%
Cost of shipping	9.2%	18.8%	28.5%	43.5%
Access to labour with appropriate skills	8.0%	14.7%	33.2%	44.1%
Cost of your local transport connections	6.7%	14.3%	37.0%	42.0%
Managerial capacity / skills	6.3%	18.1%	34.9%	40.8%
Quality of your local transport connections	6.0%	13.2%	39.6%	41.3%
Quality of international transport connections (direct flights, etc)	3.3%	11.7%	43.1%	41.8%

Source: Barnsley, Doncaster, Rotherham and Sheffield Chambers of Commerce Business Surveys, 2013

D2.3 Expanding beyond 'comfort zone'

Analysis of the evidence on barriers to export shows that some barriers to export can rise, even after a firm has exported for a period of 2 years. One of the reasons for this is that many firms begin exporting by entering the closest or easiest markets, or in response to enquiries received from overseas purchasers. They then progressively move to more difficult markets, including those which are culturally and linguistically more distant. A 2013 House of Lords Select Committee report into SME exports highlighted the significant export potential of UK SMEs. The report identified a key tendency amongst SMEs to have an 'accidental' approach to exporting, whereby they export as a result of being approached by an overseas customer rather than developing a proactive strategic export plan. This may lead to a business underestimating the benefits of exporting more widely, as evidence shows that developing long-term trade relationships yields maximum return for exporting companies.

The evidence shows that firms which are just beginning to export face more "internal" barriers, (which is where our Export Challenge is focused) , whereas "external" barriers, such as gaining access to the relevant networks and information in new markets without a trusted intermediary, will persist even after an exporter has years of experience. These barriers can help to explain why the proportion of UK exporters selling into high growth markets is small.

D3. Interventions



## Priority 1: BUSINESS GROWTH – Export and Trade

Like the majority of existing business support, programmes to increase exports in the SCR are too reactive at present and there is a need for more proactivity in identifying companies that have the potential to export. Such an approach should tackle head-on the risks and barriers that can prevent or deter businesses from venturing into foreign markets.

We have considered the following options, and concluded:

- Previous experience shows that whilst generic support can be provided to raise awareness of the benefits of exporting, this does not provide the level of engagement needed to achieve a step change in exports from the SCR.
- Meanwhile the provision of tailored support to companies with high export growth potential is beneficial in delivering greater returns from these companies, than generic support available to all. This is because more intensive support is required to understand a particular company's requirements.
- As such as there is a need for stratified support to businesses – this must reflect that firms' previous experience in exporting will impact on the type of support that is required. Whilst generic support needs to be available so that all businesses are able to benefit from some support, there is a need to provide more tailored support as well.

### D3.1 Headline Initiatives

**1. Demystifying Exports Campaign to increase the propensity of SCR businesses to export** by creating a SCR export campaign, championed by local exporters to demonstrate the business benefits and bottom line growth that doing business internationally can deliver. We want to get firms to a tipping point where they reappraise their thinking and take steps to seriously evaluate the prospect and potential benefits of exporting by using experienced exporters to articulate the business benefits and share how they negotiated the barriers they faced.

**2. Export Challenge** to convert new and 'accidental exporters' into fully fledged exporters, focused on **helping businesses get real enquiries for their products from abroad and building capacity to maintain and build on these exporting relationship.** This support will be focused on addressing internal barriers within companies that have the characteristics to succeed in international markets, to enable them to export for the first time. We will support these businesses to take the next steps in their export journey and have a successful export experience, to build confidence and capabilities.

**3. Harnessing Export growth** to enable new and existing exporters to exploit new and bigger international markets. We will support our exporters, new and experienced, to gain entry to non-traditional markets suitable to their business needs, ensuring they are fully prepared to conduct effective, sustainable business within those markets. This support will be focused on addressing the external barriers that companies face to enable them to access a new and broader range of markets.

### D4. Progress to Date

A Call for Proposals was issued to seek support for export activity. A single proposal has been taken through to Full Business plan stage. Additional support may also be provided through the Growth Hub.



## PRIORITY 1 – BUSINESS GROWTH:

### E) ACCESS TO FINANCE (A2F) F) GROWTH HUB & G) INNOVATION

#### E) ACCESS TO FINANCE

##### E1. The Challenge

It is unquestionable that the financial crisis which started in 2007 and which has continued to date has had a significant effect on the provision of business finance to SMEs. Whilst the traditional position remains a systemic issue in this area of business support, statistical analysis has latterly come to the fore demonstrating the complex interplay between supply and demand issues for SME finance for expansion and growth.

Utilising the most recently available data, the Bank of England “Trends in Lending” for October 2013<sup>(1)</sup> and the BBA monthly statistics for High Street Banking<sup>(2)</sup> for October 2013 both note that the “annual rate of growth in the stock of lending to UK business was negative in the three months to August 2013, and that the stock of lending to small and medium sized enterprise and to large businesses also contracted over the same period”. In addition a BIS report<sup>(3)</sup> noted that bank lending to SMEs “peaked in 2009 and has declined in subsequent years”. The question that this raises is whether it is only a supply issue (that is, the availability of finance to SMEs) or a demand issue (that is, the requirement and need for finance expressed by SMEs).

Independent research<sup>(4)</sup> indicates that issues and challenges in both sides of the supply – demand equation are at play. The findings from the Quarter 1 2013 report notes:

- 39% of SMEs involved in the survey reported that they utilised external finance for their business operations.
- 17% of SMEs had applied for finance in the year up to Q1 2013. Of those reported, 71% of overdraft applications resulted in a facility and 59% of loan applications were successful.
- 7% of SMEs were classed as “would be seekers of finance”. The key barriers that had dissuaded them from applying for a loan or overdraft was the complexity of the process (bureaucracy, time and cost) and discouragement (indirect and direct, and assumptions that banks would reject the application)
- Smaller and younger SMEs, first time applicants and SMEs with a higher than average risk rating were less likely to be successful in securing bank finance

The BDRC Continental survey has surveyed 5,000 businesses quarterly since its inception in 2011, and given that it is the largest survey of its kind monitoring access to finance, the results are considered to be reliable and robust.



## Priority 1: BUSINESS GROWTH – Supporting Activity: Access to Finance, Growth Hub & Innovation

In respect of the Sheffield City Region, the Office for National Statistics Business Demography report 2012 details that circa 46,300 active businesses exist in the Sheffield City Region Local Enterprise Partnership area. Applying the indicators from the BDRC Continental survey as demand guideline, it would mean that:

- Some 18,050 businesses were reliant on external finance for their business operations
- Approximately 7,800 will have applied for some form of bank finance during 2012 – 13
- Of those applying for bank finance, up to 2,260 were unsuccessful in securing a bank facility and up to 3,190 were unsuccessful in securing some form of debt finance.
- Approximately 3,200 businesses were interested in seeking and securing bank finance but due to a variety of issues they did not pursue financial support.

Whilst it is accepted that these figures are open to interpretation, they serve to demonstrate that a gap exists in the availability of finance for SMEs in the Sheffield City Region Local Enterprise Partnership area.

### E2. Barriers to Accessing Finance – Market Failure

Despite the UK having arguably one of the most efficient finance markets in the world, it has long been recognised that market failure exists. This can create barriers for viable businesses that require finance to start and grow. The fact that some businesses do not obtain finance is not in itself an indication of failure in finance markets, rather it is recognised that the finance market is acting rationally in not providing finance to some business proposals. However, there is little doubt that many viable business proposals find it difficult to access external finance because of the market's use of collateral, financial track record and cost of due diligence to assess the investment risk related to Small and Medium sized enterprise who require financial investment to realise their growth aspirations. This difficulty is measurably and proportionately more pronounced the further a company is located away from major centres of finance.

An "equity gap" exists in equity finance markets because the cost of making smaller investments can be prohibitively high. This creates the scope for fund managers to exploit economies of scale by focusing investment on fewer, larger propositions from more established businesses. Over the last decade venture capital fund managers have moved away from the start-up and early stage markets, more markedly so for propositions based on leading-edge technology. As a result, access to modest amounts of equity finance for new and established businesses, even those with very high growth potential, can be problematic. The balance of evidence has indicated that those seeking between £200k and £3m have particular problems accessing equity-linked or pure equity finance.

However, market failure is not constrained only to equity finance. Successive reports have demonstrated that business growth is also being limited by the lack of access to appropriate debt finance. Availability of finance in this category is driven by a combination of factors that affect the risk profile of the lender, usually governed by general market conditions. However, uncertain or short supply of debt finance can have the most catastrophic and immediate effect on business cashflow. It may cause the untimely demise of businesses that otherwise may have great potential if finance was more appropriately packaged with equity (which is often not the case, particularly in the North of the UK) or lines of credit expanded.

### E3 Existing Supply Interventions



## Priority 1: BUSINESS GROWTH – Supporting Activity: Access to Finance, Growth Hub & Innovation

At a national level, the Government and the Bank of England have put in place a range of measures to address the issue of A2F. These interventions include measures to deal with equity (e.g. Enterprise Capital Fund), debt (eg Enterprise Finance Guarantee) and wholesale finance (e.g. Funding for Lending). In addition the Government has created the new 'Business Bank' – with its base within the SCR.

At a local level a number of initiatives have also been developed using European, national and local funding. Including:

- Finance Yorkshire Ltd: Venture Capital and Loan Fund (JEREMIE)
- Key Fund (South Yorkshire) Ltd and Donbac : CDFI Finance for SMEs and Social Enterprises
- Screen Yorkshire Ltd: Yorkshire Content Fund
- South Yorkshire Property Investment Company Limited (JESSICA)
- Regional Growth Fund

Within the current programming period, Finance Yorkshire have managed a fund of £90m, comprising £15m seedcorn finance, £33m in a business loan fund and £43m for equity linked finance. This has now been fully invested across the YH region and £24.6m has been invested in South Yorkshire in over 300 businesses. The target is to investment in over 500 by the end of the programme.

Alongside FY, the regional CDFI's have managed a programme of circa £37m involving £18m of ERDF, largely servicing the market for debt finance amongst smaller SMEs. By the end of the contract period they will have supported over 800 SMEs and 100 social enterprises. In South Yorkshire to date, Donbac alone have invested around £9m in South Yorkshire

Thematic funds have also played an important role in the current programme and Screen Yorkshire have led the way on this with a £7.5m ERDF programme supporting screen content and the digital sector more widely. To date, SY have invested £2.3m in South Yorkshire projects, supporting production budget value of over £20m. Over the coming two years, Screen Yorkshire anticipates investing a further £5m in the sector in South Yorkshire.

Both the CDFIs and Screen Yorkshire operate valid and different business models to FY. Going forward, we will need to ensure through this measure that we develop proposals that draw on the strengths and market coverage offered by all partners; that where possible and appropriate, products are offered to the market in a coordinated way and that we maximise all potential sources of match funding at our disposal.

### E4. Proposed Interventions

The above analysis draws out the issues relating to access to debt and equity finance and for all sizes of SMEs. In addition, our consultations with financial intermediaries suggest that there are specific issues with the financing of Management Buy Outs and Buy Ins and with funding for early stage (often) technology based fast growing businesses.



## Priority 1: BUSINESS GROWTH – Supporting Activity: Access to Finance, Growth Hub & Innovation

At this time, local partners are of a view that existing Financial Instruments are broadly fit for purpose without the need to establish anything new. That said, when considering who and how to deliver interventions a range of factors will be considered in the selection process, including:

- Flexibility of approach – for example, ensuring that our needs are reflected in investment operating guidelines
- Private/Match funding at fund or project level
- Access to additional funding
- Track record
- Set up and running costs
- Opportunities to run cross-LEP boundaries
- Ability to recycle funds

At this stage, the range of specific interventions we plan to work towards might include:

- A Finance Yorkshire backed loan and equity fund, with the SCR programme contributing up to £15m from this priority towards a YH ERDF investment of £50m to be matched by the European Investment Bank and/or the private sector;
- Development of micro and small SME (including social enterprise) loan finance products with the CDFI movement and Key Fund;
- An extension/expansion of the existing JESSICA fund;
- Thematic products and models to respond to particular sector needs and specialisms, such as Screen Yorkshire; and
- Demand development, financial packaging and investor readiness are critical areas for intervention emerging from our consultations with the Financial Sector to date. It is crucial that these are included as a part of the package of interventions going forward.

## E5. Progress to Date

The SCR has worked collectively with other Y&H LEPs to develop a model for a Financial Instrument for the wider area. However this proposal is now being incorporated into the 'Northern Powerhouse Investment Fund' being promoted by the British Business Bank. Further work is required by all partners to consider and develop a Fund for the north of England that will be over +£400m in size.

## F. THE GROWTH HUB

### F.1 The Challenge

The Sheffield City Region has an enterprise deficit, a very low business density (36th out of 39 LEP areas<sup>14</sup>) and a low business start-up rate – particularly in those sectors earmarked to drive future growth<sup>15</sup>.

In addition to this, there is a nationally recognised weakness relating to the growth of established local SMEs – which make up the overwhelming majority of the 44,000 businesses in the SCR. It has been argued that the

<sup>14</sup> <http://www.nomisweb.co.uk/reports/lmp/lep/1925185559/report.aspx?town=sheffield>

<sup>15</sup> Independent Economic Review, based on information from Business Demography



## Priority 1: BUSINESS GROWTH – Supporting Activity: Access to Finance, Growth Hub & Innovation

growth potential of many of these SMEs is restricted by a latent demand for business support<sup>16</sup>, and by the coordination, integration and prioritisation of this offer. Addressing this issue is one of the core objectives of our SEP.

The SCR has an extensive but diverse business support offer. The nature and intensity of support for growth varies significantly across the City Region depending on where a business is based, rather than its capacity and potential. This ‘postcode lottery’ of business support is a barrier to growth, and inconsistent with the principle of City Region working within a functional economic area.

Business support services provided in the SCR are largely reactive in nature (i.e. these services respond to businesses that approach them). However, we have found success via the more proactive engagement of businesses on key initiatives, e.g. businesses who have never taken an apprentice before being approached through the Skills Made Easy Programme<sup>17</sup> or through the “RISE” programme in Sheffield<sup>18</sup>.

At a national level, the business support landscape has been described as “confusing...inefficient... [with] little coordination between national and local offers”<sup>19</sup>. The frequency of change to and the range of national programmes and initiatives creates an almost impossible coordinating task for local partners, including the professional community, which results in relatively limited uptake of potentially valuable national support, and a lack of alignment between national support and local arrangements.

Whilst it is important not to over-state the issue or ignore the various parts of the system that work perfectly well, there is no doubt scope to improve the business support offer in the SCR. Driving this should be an emphasis on the quality of the business support on offer and the proactivity of this support. This must be achieved in the context of local authority budget reductions, which means that a fundamentally different model of support is required in the future. This model of support will be ‘business-centric’ i.e. designed in a way that optimises the quantum and quality of business support and advice.

### F.2 Outcomes

The outcome we are seeking to achieve is clear. There will be a first-class, proactive business support offer in the Sheffield City Region. This offer will bring together all of the business-facing elements of the SEP, leading to the growth of new and existing businesses, particularly in those sectors earmarked for future growth.

This first-class business support offer will be based around the “Growth Hub” model – locally shaped to reflect the needs and assets of the SCR. A key guiding principle of this model is that publically funded or locally commissioned activity will be prioritised in order to generate the greatest economic impact.

The culmination of the model outlined below will be a business support system which:

- Drives the AMBITION of the local SME-base - encouraging SMEs to think differently about their businesses and what can be achieved through them (e.g. through innovation or new product development).

<sup>16</sup>

<http://www.corecities.com/sites/default/files/images/publications/Competitive%20Cities,%20Prosperous%20People%20Final%20Draft.pdf>

<sup>17</sup> <http://www.sheffieldcityregion.org.uk/skills-made-easy/>

<sup>18</sup> <http://www.welcometosheffield.co.uk/rise/graduates/rise-internship-programme>

<sup>19</sup> <http://www.welcometosheffield.co.uk/rise>



### Priority 1: BUSINESS GROWTH – Supporting Activity: Access to Finance, Growth Hub & Innovation

- Help businesses identify and exploit OPPORTUNITY, grounded in an understanding of return on investment; and
- Help to develop the CAPACITY of the business, in finance, management, and production, to deliver sustained growth.

In support of this, there will be LEP Board sponsorship of “Growth Deals” with our most promising companies. Complementing the work of local key account managers, this will support a step change in the SCR economy. This coordinated model of business support, whilst focussed on start-ups and existing businesses, will be a significant asset in enabling inward investment to be realised.

#### F.3 The SCR Growth Hub and Knowledge Hub

The SCR Growth Hub will be the central coordinating element for all business-facing elements of the Strategic Economic Plan and, in turn, the EUIS programme. The SCR Growth Hub is based on the model advocated by Core Cities and by the Department for Business Innovation and Skills shaped locally to reflect the requirements and assets of the SCR.

As illustrated in the diagram below, the Growth Hub will **provide a single point of contact for all business support services** in the City Region. This will have at its heart a “Knowledge Hub” which will be responsible for dealing with initial enquiries from all businesses, providing information and guidance where queries can be dealt with immediately and on the basis of an effective diagnosis process, move businesses on to an appropriate level of additional support.

In addition to these reactive services, the Growth Hub will offer proactive business growth services, championing the next generation of leading businesses and forming longer-term Key Account Management relationships with companies of strategic significance. This ties in with other proposals within the Growth Plan and Priorities 1 and 2 above, to do “Growth Deals” at various levels with the SCR’s high potential firms.

The Hub would offer a broad range of services across all business disciplines and would look to work with private providers and intermediaries wherever this is possible. It is proposed that the Growth Hub would only commission services using public and European funds where a clear market failure can be demonstrated.

The key principles at the heart of the Growth Hub are that it will:

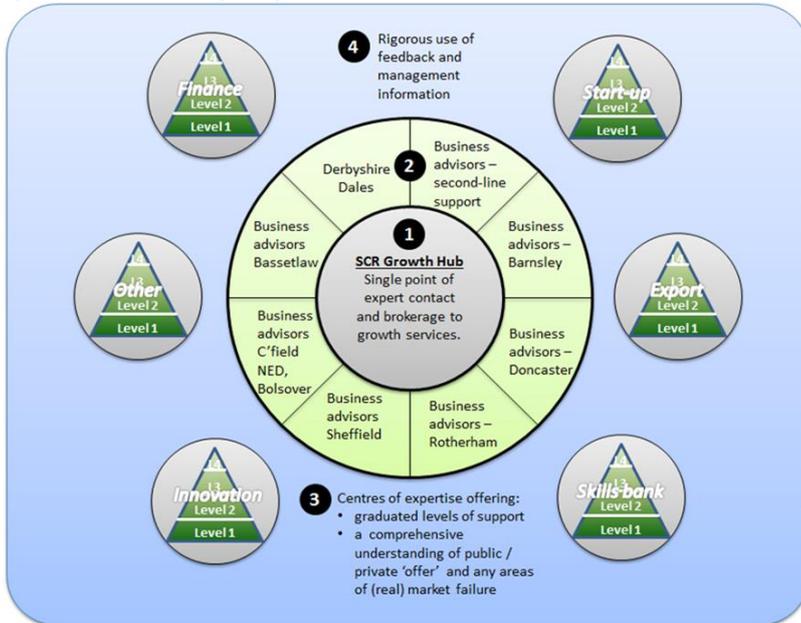
- Be business-centric, designed in order to maximise quantum and quality of business support available to businesses in the SCR.
- Prioritise second line support on the basis of economic impact (net additional growth and or employment). That means that second line products and services would not necessarily be universally available.
- Become **the** mechanism for developing and funding business support services and will be the conduit by which national programmes such as UKTI and MAS are promoted, accessed and managed.

We would anticipate that the Hub would be overseen by a private sector led Board.



**Priority 1: BUSINESS GROWTH – Supporting Activity: Access to Finance, Growth Hub & Innovation**

Figure F.1: SCR Growth Hub Operating Model



The Growth Hub will be supported from the ERDF allocation for the wider Business Growth activity within the City Region

**F4. Progress to Date**

The Growth Hub is well on the way to being established by the SCR Partners. To enhance provision a Call for Proposals was issued in 2015 and one proposal has been taken through to detailed Business Plan stage.

**G. INNVOTION AND INNOVATION CAPITAL**

**G.1 The Challenge**

The European Regional Development Fund Operational Programme in England recognises that there are needs and challenges common to all parts of the country. In particular, 'Smart Specialisation in England' recognises that geographies and patterns of innovation are complex and variable and that more needs to be done to ensure that firms and research institutions are not hindered by artificial or administrative geographies.

The types of actions needed to address England's challenges in terms of converting excellent research into innovation and economic outcomes are the same across the country, regardless of the category of region.



**Priority 1: BUSINESS GROWTH – Supporting Activity: Access to Finance, Growth Hub & Innovation**

The objective of improving how small & medium enterprises commercialise research and how they collaborate with research institutions will be taken forward through activities such as knowledge exchange, business engagement, networking and investment support in all parts of England, with the choice of sectors and technologies reflecting the approach of smart specialisation.

The private sector plays a strong role in investing in research and development and accounts for the overwhelming majority of total innovation spend in the United Kingdom (UK). Despite this, small & medium enterprises are not participating proportionately - according to the Innovation Survey, only 21.6 per cent of enterprises (with more than 10 employees) were engaged in either product or process innovation. This ranged from 20.5 per cent in smaller firms with between 10 and 49 employees and 29.8 per cent in larger firms (with between 100 and 249 employees). So barriers exist for small & medium enterprises in their capacity and propensity to innovate and invest in internal capacity.

SCR recognises Innovation as a key part of the wider economic strategy for the City Region. The City Region approach is to treat Innovation not as a means in itself but rather as a cross cutting theme that underpins the wider economic strategy for the area.

Sir Andrew Witty's 2013 Review of Higher Education highlights Sheffield City Region as holding a number of key research and innovation assets that can be harnessed to drive growth in the coming years. In the same year the Sheffield City Region Independent Economic Review reported that: It will be important to capitalise on research strengths and investment in infrastructure to capture new investment and employment.

Priorities for the City Region partners are:

- To increase Technology Strategy Board doctoral and postdoctoral research, and the City Region's contribution to national industrial priorities;
- To use discretionary resources to support industry and universities on applied research and commercialisation; and
- To strengthen inward investment by linking promotion and marketing to key academic and research strengths.

The unique capability in manufacturing technology and engineering is one of the City Regions significant assets that is vital not just to the City Region but to the United Kingdom's economy through supply to industries such as aerospace, civil nuclear, oil and gas, healthcare technologies, food and transportation.

However a significant challenge remains - 'the sector profile of the Sheffield City Region business base is under-represented in 'knowledge' sectors, particularly high value sectors...' In short, Sheffield City Region faces both a volume and quality challenge in relation to its business population.' In general terms Sheffield City Region's Technology and Knowledge Intensity within businesses is below the national average.

## G.2 The Barriers

Particular barriers include a lack of awareness of the benefits of investing in innovation, its cost and uncertainty about the value that will accrue to the company. These development needs are compounded by a lack of access to appropriate finance, with nearly half of innovation-active small & medium enterprises experiencing difficulties obtaining finance.



## Priority 1: BUSINESS GROWTH – Supporting Activity: Access to Finance, Growth Hub & Innovation

Local Partners in the Sheffield City Region are putting in place arrangements to oversee the delivery of Innovation activity across the City Region, including a Sheffield City Region Science and Innovation Board and the Innovation Centre of Excellence.

Innovation is fundamentally a cross cutting theme across Sheffield City Region's Growth Hub activities and an important driver for business growth and the delivery of more highly skilled jobs, inward investment, overseas trade and the positioning of Sheffield City Region in global supply chains and most importantly increased gross value added. Overcoming barriers of integration within a broader economic plan is essential for the delivery of our Innovation Programme.

### G.3 Proposed Interventions

A range of interventions to support our Innovation Programme are expected to be supported through the ESIF. These can be broadly divided into 'Innovation Capital' and Innovation Support.

Innovation Capital will look to support a limited number of capital based projects that can contribute to a transformational step change in the direction of the economy. Proposals are expected not only to support innovation within the capital project itself but demonstrate how such Innovation can support and enhance the existing SME based within the SCR. Given the specific nature of intervention for Innovation Capital a specific ERDF allocation has been set aside to support transformational projects that fall within this priority area.

Innovation Support are expected to complement and add value to other European Structural Investment Fund funded enterprise and business support products and services as they become operational in Sheffield City Region over the lifetime of the new European Programme. As such proposals will need also to be closely aligned to the Sheffield City Region Enterprise Partnership Growth Hub and its Innovation Centre of Expertise. The types of intervention could include:

- Development of an SME innovation support programme – supporting existing local SME's operating within an established Sheffield City Region value chain, or SMEs that exploit technologies coming out of the research base..
- Interventions should provide support for a range of SMEs including, but not exclusively, those in priority sectors demonstrating growth, for example, Advanced Manufacturing and Engineering, Health Care Technologies and Creative and Digital Industries.
- Proposals should look to align with the Sheffield City Region Smart Specialisation Strategy.
- Activities could include a combination of industry demand led initiatives, including the opportunity for companies to bid for co-funded innovation services such as early engagement 'tasters' and more intensive R&D awards, and a portfolio of provision negotiated through diagnostics and review between the company and innovation support provider(s).
- Support of the development of a culture of innovation within companies.

### G4. Progress to Date

Two Calls for the Proposals have been issued in relation to Innovation activity, one seeking Capital projects and one for more broader support to the Innovation base within the SCR. Very positive responses have been received to the point that within the Transition Region consideration is having to be given to a potential position of over commitment.



## Business Growth – Cross Cutting

A brief summary of how the Business Growth activity contributes to the wider Programme is provided below:

ISSUE	CONTRIBUTION
Sustainable Development	Projects being progressed will be expected to be tested by the MA's to contribute with this Programme Cross-Cutting Theme. Support will be provided to project sponsors where available from local teams, enabled with Technical Assistance if available.
Equalities	Projects being progressed will be expected to be tested by the MA's to contribute with this Programme Cross-Cutting Theme. Support will be provided to project sponsors where available from local teams, enabled with Technical Assistance if available.
Rural	As far as the SCR is concerned there will be no differentiation of support or access to finance for businesses in rural areas. In particular the Growth Hub has been established to avoid a 'post code lottery' of business support activity. Clearly EAFRD funding will only be made available to eligible activity in rural areas and the opportunity provided through these grants will be promoted to SCR businesses and potential new starts.
Low Carbon	The €28m Low Carbon allocation has been identified to support both Business Growth and low carbon infrastructure. Using expertise from within the SCR Calls will be developed that look to support business in the Low Carbon sector and also to improve the low carbon credentials of businesses in any sector.
Social Inclusion	Business growth will look to create opportunities for all communities to access across the SCR. However there are specific interventions being developed to assist those residents and communities in most need. This will include the promotion of entrepreneurialship and self employment initiatives. In addition access to finance Programmes will be developed – whether through loans or grants.



Priority 1: BUSINESS GROWTH – Allocations and Outputs

**PRIORITY 1 – BUSINESS GROWTH – Allocations and Outputs**

The funding allocations for the different elements of the Business Growth Priority are provided below:

PRIORITY ALLOCATIONS: BUSINESS GROWTH - TRANSITION REGION					
Priority	Business Growth	Access to Finance	Innovation Capital	TR TOTAL	
Thematic Objective	£	£	£	£	€
1. Innovation	6,762,043	-	9,486,244	16,248,287	20,831,137
2. ICT	2,508,471	-	-	2,508,471	3,215,988
3. SME Competitiveness	28,395,694	13,000,000	-	41,395,694	53,071,402
<b>ERDF TOTAL</b>	<b>37,666,207</b>	<b>13,000,000</b>	<b>9,486,244</b>	<b>60,152,451</b>	<b>77,118,527</b>
8i - Access to employment	1,452,104	-	-	1,452,104	1,861,672
8ii - Young People in labour market	225,650	-	-	225,650	289,295
8. Employment	1,677,755	-	-	1,677,755	2,150,968
9i - Active Inclusion	2,642,022	1,904,713	-	4,546,735	5,829,147
9. Social Inclusion (ESF)	2,642,022	1,904,713	-	4,546,735	5,829,147
10iii - Access to lifelong learning	820,517	-	-	820,517	1,051,945
10iv - Skills for the labour market	122,653	-	-	122,653	157,248
10. Skills	943,170	-	-	943,170	1,209,192
<b>ESF TOTAL</b>	<b>5,262,947</b>	<b>1,904,713</b>	<b>-</b>	<b>7,167,660</b>	<b>9,189,307</b>
<b>ESIF TOTAL</b>	<b>42,929,153</b>	<b>14,904,713</b>	<b>9,486,244</b>	<b>67,320,111</b>	<b>86,307,834</b>

Exchange Rate £1:€0.78

PRIORITY ALLOCATIONS: BUSINESS GROWTH - MORE DEVELOPED REGION				
Priority	Business Growth	Access to Finance	MDR TOTAL	
Thematic Objective	£	£	£	€
1. Innovation	2,864,360	-	2,864,360	3,672,257
2. ICT	628,129	-	628,129	805,293
3. SME Competitiveness	4,473,226	2,000,000	6,473,226	8,299,008
<b>ERDF TOTAL</b>	<b>7,965,715</b>	<b>2,000,000</b>	<b>9,965,715</b>	<b>12,776,558</b>
8i - Access to employment	228,653	-	228,653	293,145
8ii - Young People in labour market	58,162	-	58,162	74,567
8. Employment	286,815	-	286,815	367,711
9i - Active Inclusion	394,607	284,484	679,091	870,629
9. Social Inclusion (ESF)	394,607	284,484	679,091	870,629
10iii - Access to lifelong learning	143,173	-	143,173	183,555
10iv - Skills for the labour market	30,005	-	30,005	38,468
10. Skills	173,178	-	173,178	222,024
<b>ESF TOTAL</b>	<b>854,600</b>	<b>284,484</b>	<b>1,139,084</b>	<b>1,460,364</b>
<b>ESIF TOTAL</b>	<b>8,820,315</b>	<b>2,284,484</b>	<b>11,104,799</b>	<b>14,236,922</b>

Exchange Rate £1:€0.78

Funding will be drawn from the following Investment Priorities:

**ERDF**

1a: enhancing research and innovation (R&I) infrastructure and capacities to develop R&I excellence, and promoting centres of competence, in particular those of European interest

1b: - promoting business investment in R&I;



## Priority 1: BUSINESS GROWTH – Allocations and Outputs

- developing links and synergies between enterprises, research and development centres and the Higher Education sector, in particular promoting investment in product and service development, technology transfer, social innovation, eco-innovation, public service applications, demand stimulation, networking, clusters and open innovation through smart specialisation;  
-and supporting technological and applied research, pilot lines, early product validation actions, advance manufacturing capabilities and first production, in particular in key enabling technologies and diffusion of general purpose technologies.

2a: Extending broadband deployment and the roll-out of high-speed networks and supporting the adoption of emerging technologies and networks for the digital economy

2b Developing ICT products and services, e-commerce, and enhancing demand for ICT technologies

3a -Promoting entrepreneurship, in particular by facilitating the economic exploitation of new ideas and fostering the creation of new firms, including through business incubators.

3c - Supporting the creation and the extension of advanced capacities for products, services and development

3d - Supporting the capacity of small and medium sized enterprises to grow in regional, national and international markets and to engage in innovation processes

### ESF

1.1 - Access to employment for job-seekers and inactive people, including the long-term unemployed and people far from the labour market, also through local employment initiatives and support for labour mobility

1.4 - Active inclusion, including with a view to promoting equal opportunities and active participation, and improving employability

2.1 – Enhancing equal access to lifelong learning for all age groups in formal, non-formal and informal settings, upgrading the knowledge, skills and competences of the workforce, and promoting flexible learning pathways including through career guidance and validation of acquired competences

2.2: Improving the labour market relevance of education and training systems, facilitating the transition from education to work, and strengthening vocational education and training systems and their quality, including through mechanisms for skills anticipation, adaptation of curricula and the establishment and development of work-based learning systems, including dual learning systems and apprenticeship schemes

A full breakdown of the outputs associated with each Investment Priority is provided at Chapter 12.

The associated key Performance Reserve outputs for the Business Growth are provided below.



Priority 1: BUSINESS GROWTH – Allocations and Outputs

ESIF OUTPUTS BY 2018 - TRANSITION REGION

SCR Priority	Business Growth			A2F	Innovation Capital
ERDF Thematic Objective	1. Innovation	2. ICT	3. SME	3. SME	1. Innovation
Eligible Project Expenditure €	3,690,249	1,368,947	15,573,162	7,094,489	5,176,927
Enterprises Receiving Support - Partial	55		501	228	77
ESF Priority Axis	PA1	PA2		PA1	
Eligible Project Expenditure €	1,730,680	377,873		763,106	
Participants (of which)	648	147		286	
Women	297	75		131	
Men	351	72		155	

ESIF OUTPUTS BY 2023 - TRANSITION REGION

SCR Priority	Business Growth			A2F	Innovation Capital
ERDF Thematic Objective	1. Innovation	2. ICT	3. SME	3. SME	1. Innovation
Eligible Project Expenditure €	14,448,809	5,359,980	60,975,190	27,777,778	20,269,752
Enterprises Receiving Support	222		2,877	1,311	311
GH Decrease	-	-	-	-	-
ESF Priority Axis	PA1	PA2		PA1	
Eligible Project Expenditure €	9,230,291	2,015,321		4,069,900	
Participants (of which)	3,446	781		1,519	
Women	1,578	398		696	
Men	1,868	383		824	

ESIF OUTPUTS BY 2018 - MORE DEVELOPED REGION

SCR Priority	Business Growth			A2F	Innovation Capital
ERDF Thematic Objective	1. Innovation	2. ICT	3. SME	3. SME	N/A
Eligible Project Expenditure €	1,878,145	418,035	2,974,362	1,329,851	
Enterprises Receiving Support - Partial	27		68	71	
ESF Priority Axis	PA1	PA2		PA1	
Eligible Project Expenditure €	327,607	83,259		136,771	
Participants (of which)	121	32		51	
Women	55	16		23	
Men	66	15		28	

ESIF OUTPUTS BY 2023 - MORE DEVELOPED REGION

SCR Priority	Business Growth			A2F	N/A
ERDF Thematic Objective	1. Innovation	2. ICT	3. SME	3. SME	
Eligible Project Expenditure €	7,353,691	1,636,774	11,645,821	5,206,901	
Enterprises Receiving Support	108		371	166	
GH Decrease					
ESF Priority Axis	PA1	PA2		PA1	
Eligible Project Expenditure €	1,747,235	444,047		729,446	
Participants (of which)	644	168		269	
Women	291	85		122	
Men	353	82		147	





## PRIORITY 2 – BETTER SKILLS AND LABOUR MOBILITY

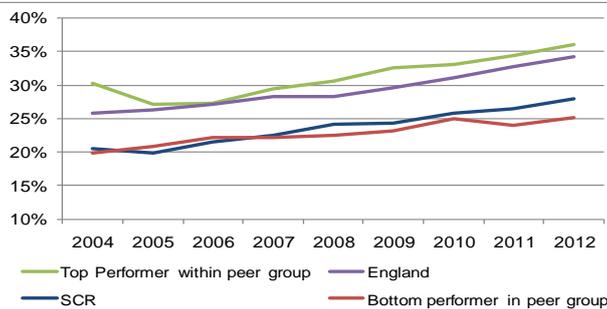
### 1 The Challenge

The Independent Economic Review pointed to a challenge for SCR that covers the spectrum of lower than national results in educational attainment combined with too few high performing schools, high levels of adults with low or no skills and too few higher skills; combined with higher than average levels of worklessness and economic inactivity.

#### Skills challenge

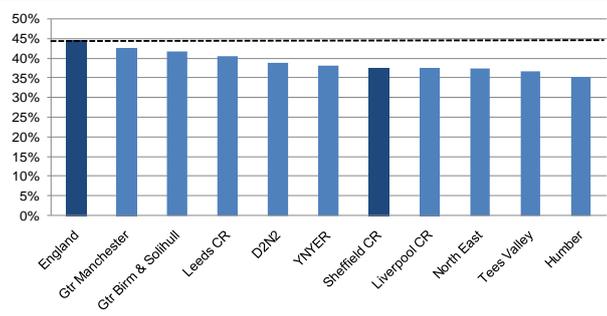
Whilst the percentage of pupils achieving five good GCSE grades, including English and maths, has been increasing for some time, and the gap with the national average has narrowed, the City Region continues to underperform against the national average. Fewer than 8% of Sheffield City Region A-level students achieve three or more A or A\* grades, less than two-thirds of the number nationally, and the overall point score per entry is below the national level. This underperforming impacts on the choices and options available to the city region’s young people and the skills available to employers.

Figure P5.1: Working age residents – NVQ Level 4+



Evidence shows that whilst all skills levels within Sheffield City Region have been on an upward trajectory in recent years, economic forecasts indicate that future growth will require a more highly qualified workforce than currently available in the City Region. Action is needed locally both to increase the supply of skills within the City Region and to ensure that these skills are successfully absorbed within the labour market as demand for higher level skills increases.

Fig P5.2: Highly skilled occupations, 2012



Sheffield City Region has a significant shortfall in the number of higher skilled occupations relative to the size of the employment base, increasing the number of these ‘knowledge’ workers would have a



## Priority 2 – Better Skills and Labour Mobility

positive impact on SCR productivity gap.

### The Employability challenge

The number of people of working age who hold no qualifications has fallen sharply in recent years. However, there remain nearly 129,000 people of working age within SCR with no formal qualifications and a further 229,000 with qualifications below Level 2. There is also a significant proportion of residents (a higher proportion than in other northern LEP areas) who have poor or low level literacy, numeracy and ICT skills.

Table p5.1: Value of skills – UK workforce by highest qualification held

Qualification Level	Employment rate, %	Unemployment rate, %	Earnings (UK average = 100)
NQF5+	87	2.5	166
NQF4	84	4.6	129
NQF3	76	6.2	88
NQF2	74	8.5	78
NQF1	70	9.3	77
No Quails	50	13.0	61

Source: LFS and ASHE data, Professor Mike Campbell

A young adult in SCR is more than twice as likely as those over the age of 25 to be claiming JSA. In Bassetlaw, Bolsover and Chesterfield the ratio is more than 3:1. In some areas in South Yorkshire young unemployment is equally high but alongside high levels of adult unemployment also.

Table P5.2: SCR Areas of highest youth unemployment

Young JSA Claimant Hotspots			
Volume		Concentration	
Sheffield (3,550)	Doncaster (2,190)	Doncaster 8.9%	Bolsover 8.7%
Rotherham (1,855)	Barnsley (1,385)	Chesterfield 8.7%	Rotherham 8.1%

JSA Claimant Count April 2013. Source NOMIS

Even more concerning is the growth in longer-term youth unemployment: currently 21.3% of 18-24 year old JSA claimants have been claiming for more than 12 months and in the 2 years from May 2011 to May 2013, the number of 18-24 year olds claiming JSA for over a year grew by 270%. In 1 district, Bassetlaw, long term youth claimant numbers are still 11 times their May 2011 level. Overall, numbers of young long term claimants have reduced in the past year, but remain more than 15 times the level they were before the onset of the recession.”<sup>20</sup> This illustrates the problem.

Employment for young people is often fragile and of short duration, leading to an increasing risk of young people failing to establish themselves security in the labour market and falling into long-term unemployment. As in many other areas, young people face particular challenges in finding and sustaining employment following the recession. Some 33,700 16-24 year olds in the City Region are unemployed,

<sup>20</sup> JSA Claimant Count Age & Duration. Source NOMIS June 2014.



## Priority 2 – Better Skills and Labour Mobility

representing 43% of all working age unemployed people. The number of 16-18 year olds not in education, employment or training (NEET) in the City Region is over 3,700, or 6.2% of this cohort (compared to 5.8% in England as a whole).

Particular areas are “hot spots”, often those with an entrenched culture of adult worklessness and low school attainment. The IER reported that over 270,000 working age residents in the City Region are currently economically inactive. It highlights that a higher proportion of Sheffield City Region residents are unwillingly inactive than is the case in other northern city regions, with 24.1% saying that they want to work, compared to 24.2% in England as a whole, 26% in Greater Manchester, 23.2% in Leeds city region, 21.8% in the Derbyshire / Nottinghamshire area and 22% in Humber.

Health issues are a major cause of inactivity, with just under 27.3% of inactive people saying this is down to temporary or long-term sickness, compared to 22.9% in England as a whole.

The number of deprived Lower Level Super Output Areas (LSOAs) across SCR is over one and a half times the England level, and there are concentrations of poverty in all of the South Yorkshire Districts. There is a well-documented link between qualification levels, employment rates and earnings (poverty). The higher proportion of workers with low level skills and qualifications limits potential earnings, reducing spend on local goods and services.

Table P5.3: Deprivation across Sheffield City Region, 2010

District	Total LSOA's	Number		Percentage	
		LSOA's in most deprived 5%	LSOA's in most deprived 10%	LSOA's in most deprived 5%	LSOA's in most deprived 10%
Doncaster	193	21	41	10.9%	21.2%
Sheffield	339	48	76	14.2%	22.4%
Barnsley	147	10	26	6.8%	17.7%
Rotherham	166	12	28	7.2%	16.9%
Bolsover	48	0	5	0.0%	10.4%
Chesterfield	68	1	5	1.4%	7.4%
Bassetlaw	70	4	6	5.7%	8.6%
North East Derbyshire	63	0	1	0.0%	1.6%
Derbyshire Dales	43	0	0	0.0%	0.0%
<b>Sheffield City Region</b>	<b>1137</b>	<b>96</b>	<b>188</b>	<b>8.4%</b>	<b>16.5%</b>

Source: Indices of Multiple Deprivation, 2010

## 2. Barriers to Better Skills and Labour Mobility

The IER identifies skills levels as an important role in determining the competitiveness of an area, it highlights that one fifth of UK economic growth is due to improvements in employee skills. The IER provided a strong rationale for skills, employment and education to be a priority in our SEP Plan with a strong



## Priority 2 – Better Skills and Labour Mobility

rationale for EU investment. At all levels of attainment, skills, employment and economic activity, the SCR has to rapidly increase the rate and pace of improvement. Data from existing employment programmes do not consistently point to an approach that delivers job outcomes, nor has the relatively high levels of training activity translated into higher levels of business finance or the requisite rate of economic return.

### 2.1 Preparing for work

The combined issues of low skills and high levels of worklessness across the SCR geography are perpetuated by weaknesses in the education and training system and the information, advice and guidance arrangements that are meant to support appropriate career choices. The City Deal has demonstrated a considerable and untapped appetite among SCR employers to recruit and train young people as the economy picks up. However, this substantial demand from employers cannot be satisfied without a supply of suitably qualified school leavers properly prepared for the world of work.

In part this mismatch is the consequence of 44% of 16 year olds in SCR failing to secure five good GCSEs including English and maths, but of equal importance is the fact that employers report that potential recruits presenting for interview have little understanding of the workplace, a poor knowledge of the sector for which they have applied and an absence of the ‘soft’ but essential skills and attitudes that would make them job ready.

This, in turn, points to a disconnect between the business community and the education and training system that does too little to prepare young people to secure job opportunities. This is confirmed by employers who express difficulty in engaging with and influencing the learning system and the institutions of which it is comprised. This disconnect threatens to constrain access to well paid, sustainable work on the part of the SCR’s young people and limit the supply of well qualified, well-motivated and job ready labour market entrants, which can be a key determinant in the investment decisions of companies that are considering expansion or relocation.

This mismatch in supply and demand is accentuated, as young people, parents and employers complain of fragmented and inconsistent careers guidance that does not offer in depth local labour market information with which to inform career choices and applications processes that are not always fit for purpose and do not facilitate access to training and job opportunities.

To reduce this mismatch SCR needs to establish a new relationship between employers in key sectors and the education and training community. Teaching and learning, the raising of standards and leadership and management are, correctly, the exclusive province of schools and colleges, but there is much to be gained in leading edge learning institutions establishing a constructive partnership with employers in priority sectors that:

- allows the learning experience to be shaped and enhanced by in depth and high quality experiences of the world of work;
- strengthens the vocational dimension and drives up performance in key subjects including science, technology, engineering, English and enterprise education;
- develops fast track pathways to work in growth sectors for school and college leavers;



## Priority 2 – Better Skills and Labour Mobility

- ensures that young people and those who influence them make the correct career choices and have access to high quality local labour market information, are well prepared for applications and interview and have simple and comprehensive access to job and apprenticeship opportunities
- offers young people an employer-validated Skills Passport in which they can evidence their skills, achievements, experiences and job readiness;
- encourages sector-led system wide change as these leading edge institutions share their learning, resources and development opportunities with other SCR schools and colleges through a structured SCR Education Challenge programme.

### 2.2 Graduate Underemployment

Within employment there are labour market challenges for our more highly qualified young people. Evidence suggests that a relatively high proportion of the graduates from our universities are ‘under-employed’ in the City Region. This reflects the need to create more opportunities of the right qualification level to ensure that we utilise and maximise this important talent source in SCR.

SMEs in key graduate hungry sectors like manufacturing and engineering, software and healthcare do not have the mechanisms to access the best and brightest graduates. Sheffield’s universities produce 19,000 graduates each year in a City Region with a predominantly SME led economy, yet the employment of graduates in SMEs is only 18%.

A recent BIS report into the economic impact of graduates supports the power of high level skills in the economy, showing that Graduate skill accumulation contributed to roughly 20% of GDP growth in the UK from 1982-2005 and a 1% increase in the share of the workforce with a university degree raises the level of long run productivity by 0.2-0.5%.

SCR cannot afford to waste its human capital and the talent, energy and productive power of its young people that this encompasses. To do so restricts growth and, if allowed to continue, youth unemployment and graduate underemployment will become a drag on expansion as it crystallizes as long-term worklessness or the underutilisation of talent.

### 2.3. Accessing Employment: Addressing Youth and Adult Worklessness 25+

Evidence from SCR IER, as described earlier in this chapter, combined with business surveys highlights clearly the SCR conundrum, higher levels of youth and adult unemployment combined with higher than national reports of unfilled vacancies. This labour market mismatch is therefore suppressing growth as jobs go unfilled whilst costing the SCR and UK government more in wider social costs of state support.

Work undertaken by the REIU on behalf of SCR pointed to the economic benefit of addressing this labour market mismatch, in addition to the well documented personal, social and health benefits that can be derived from participation in employment.

Removing 1000 JSA claimants from register would save £1,865,000 (Note: the £1,865 is lower than the average £3,727 JSA payment in 2011/2012 (Source: DWP) and reflects the average payment adjusted for length of claim (Source: DWP)).



## Priority 2 – Better Skills and Labour Mobility

An increase in employment of 1000 FTE would result in net additional exchequer income tax gain of £9,515,919 (based on 2012/2013 tax and NIC primary thresholds) and a net additional exchequer VAT gain of £2,188,795.

Adding these supply and demand indicators together give a tax take gain of **£11,704,714 p.a. based upon 1000 \* FTE.**

Therefore there is a strong incentive to match our programme to grow net new jobs in the city region with a programme to ensure the local labour market, especially those on JSA and benefits are supported to: (a) access these jobs (b) sustain employment in the longer term.

The issue is not simply of accessing employment but of ensuring an individual has access to maintain their skill levels, upskill and reskill to reduce the mismatch between the skills of the population and the future jobs. This requires greater matching and adapting of skills to meet the requirements of employers but also a focus on raising levels of skills. The IER pointed to SCR having lower than average skills at all levels, this issue will become more acute as job opportunities for residents with low level skills and qualifications shrink further in future years as employers demand ever higher level of skills to meet the demands of a knowledge based economy. Unless addressed, the concentrations of poorly qualified residents will impact on many communities in the City Region and contribute to economic under-performance and loss of productivity, leading to a downward spiral of low skills, limited employment opportunities, unemployment and worklessness, disability and long-term illness.

This matching requires a well-informed understanding of the market to skills and a fleet of foot response to address emerging needs. Whilst the current ESF programme 2007-13 is in operation, SCR doesn't intend to establish any new provision for adults outside of brokerage to new jobs established through business support. However, the city region will be piloting Ambition SCR, a new employability model for young people commissioned by Cabinet Office. The lessons learnt from this pilot will be used to extend and improve the model through the ESIF as the city region's Progress to Work programme. This will sustain the city region's commitment to tackling youth unemployment, but the early indications are that the programme is both capable of adaption to meet the needs of the 25+ cohort and it can be closely aligned to new national programmes such as the Help to Work scheme. It will, therefore, be extended to 25+ jobseekers from 2015 with SCR working closely with DWP and our SCR Social Inclusion Advisory Board to identify priority cohorts.

### 2.3 Training to support business growth

Over 70% of SCR's 2020 workforce is already of working age and, as the average skills levels required in all types of employment continues to rise, there is a continued need to focus on adult training. With public funding for training set to fall by a quarter over the lifetime of the Coalition, the expectation of Government is that employers must contribute much more to the costs of workforce development. For them to do so, businesses will need to be confident that they will be investing in high quality training tailored to meet business need. In preparation for this, our proposition is addressing both the quality and relevance of the offer to businesses. SCR is creating a demand-led skills system to support business growth - ensuring that



## Priority 2 – Better Skills and Labour Mobility

employers have the apprentices, graduates, higher level skills and workforce training they need to support growth.

This, in turn, requires a responsive, dynamic skills system in which businesses, particularly the SMEs that make up the majority of SCR employers, are stimulated and supported to invest in workforce development at all levels to create a 'skills escalator' for those employees that are already in work and who will still make up the majority of SCR employees in 2020. Building the skills escalator will require a focus on intermediate skills as much as higher level skills if the SCR is to break its low skills equilibrium, increase the proportion of employees capable of filling emerging skills gaps and achieve its ambitions for growth.

As well as improving the supply of skills within the City Region, action to stimulate demand will be vital if the City Region is to achieve its ambitions to become a high skill, high value economy. There are two aspects to this:

- a. Creating and / or attracting businesses with a more highly skilled workforce than the existing business base through stimulating high growth start-ups, encouraging the growth of ambitious and leading edge companies already located in the city region and attracting high quality inward investors who raise standards amongst local supply chain businesses.
- b. Stimulating uptake within the existing SME base, by simplifying the existing skills system, reshaping the system so that employers are offered real choice, using expert skills brokerage to tap the latent demand for skills that the City Deal has demonstrated exists in abundance and supporting indigenous SMEs to move up the value chain through innovation, R&D, workforce development and graduate recruitment. Less than half of SCR employers invest significantly in workforce training and, currently, only 18% of SMEs in SCR recruit graduates. We need to better connect two of the City Region's greatest economic assets, our businesses and our highly skilled people, to ensure that our improving skills profile is exploited to full effect in our economy.

Our commitment to raise the number of apprenticeships through the City Deal responds to employers' concerns about the availability of mid-level technical skills within the City Region and their confusion over apprenticeship support. To ensure more young people access employment we intend to ensure that:

- more young people are supported to prepare for and access apprenticeship-level training;
- employers are supported to take up the new higher level apprenticeships (also providing existing apprentices with the opportunity to progress into higher level learning and professional roles);
- people already in the workforce who do not hold recognised qualifications can access apprenticeship training to formalise their existing expertise and provide them with underpinning technical knowledge.

We also wish to support the higher level skill requirements of businesses; economic analysis undertaken by the REIU makes a compelling logic for this:

- A 1% point increase in level of skill will result in an increase in GVA per employee of £395
- A 1% point increase in levels of skill across the SCR will equate to an increase in GVA of £275 million in perpetuity.



## Priority 2 – Better Skills and Labour Mobility

- If SCR's qualification profile matched the England profile this could mean an extra 56,000 fte jobs in the economy in 10 years' time combined with an extra £2.9bn annual uplift in GVA in perpetuity

The Small Business Survey demonstrates the economic impact of intervention with business leaders and managers on the growth in turnover and employment experienced by these businesses. Evidence from Goldman Sachs based upon a recent programmes, demonstrated that job growth of participants was three times higher than the average UK SME Growth. In line with our SEP priority to rapidly accelerate the rate and pace of business growth we will seek to intervene to support the development of 'growth drivers' within businesses.

### 3. Interventions

We set out a programme that addresses these issues in the immediate and longer term. We have outlined a model where we integrate the growth of jobs with targeted actions to increase participation and deliver outcomes with a demonstrable return on investment. All of our interventions are based upon integrating resources and simplifying access routes for both employers and individuals. All our interventions are driven by the needs of individuals and businesses based around clear principles to reduce levels of state dependency, increase job outcomes, support job growth and business productivity.

We are modelling Progress to Work and The Skills Bank to deliver higher rates of economic return and financial contribution that places purchasing power for skills firmly in the hands of employers whilst reducing costs to the public purse associated with the direct costs of benefits and the indirect costs associated with providing services linked to poor health, for example.

Our programme will clearly demonstrate the increased savings and benefits of our local approach. Based on this analysis we would wish to reinvest resource into Learn to Work (the SCR Educational Challenge) to deliver the longer term solution of raising educational attainment to deliver the growth in new businesses, entrepreneurship and capitalise on the SCR sectorial specialisms.

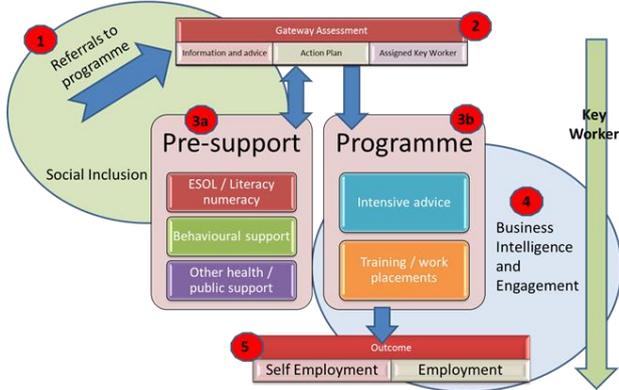
#### 3.1 Headline Initiatives

##### 1. Progress to Work:

This programme seeks to reduce youth unemployment, building on the Youth Contract to create a formal partnership with JCP. Through this we can model a localised approach to employment services, better identification, tracking and assessment of disengaged and unemployed young people from 16 to 24, improved interventions to increase their job readiness and stronger connections to the labour market through job opportunities generated by other aspects of the ESIF and the SEP. The SCR Progress to Work approach is illustrated below:



## Progress to Work Model



This illustrative programme, developed under the auspice of the Skills for Growth Partnership, identifies the key stages of the programme through:

**Stage 1: Identification and referral** – as part of this stage we propose to target areas of inactivity to bring people of working age into a programme bringing them closer to employment and also, through close liaison with JCP and the SCR Social Inclusion Advisory Board, will identify and connect jobseekers to the programme.

**Stage 2: Gateway assessment** - whilst having as its primary focus an evaluation of the individual's employability and skills needs, it will go further and:

- addresses those personal, attitudinal, social, familial, financial, health and housing issues that act as insuperable barriers to sustained employment and which often lead to jobseekers presenting to employers before they are job ready. . Should these issues be present the participant will be signposted to pre-programme support.
- use a key worker to connect young jobseekers to these services, to act as their advocate and to challenge them to achieve The Key Worker will remain with the Participant for the duration of the programme and into employment or self-employment for a limited period.
- seek to establish with the young jobseeker (or adult once rolled out more widely) an immediate job goal, an action plan and a timetable for achieving this.

**Stage 3: Pre-support and the programme** – firstly, if required, addressing the wider needs through making available support to bring people closer to the labour market, or immediately signposting them to a targeted programme including information, advice and guidance (to be procured), work placement accompanied by bespoke training and job coaching that allows participants to: identify an immediate job goal and agree the milestones and activities necessary to progress



## Priority 2 – Better Skills and Labour Mobility

- develop the employability and vocationally-specific skills and qualifications that support these objectives
- cultivate the self-confidence, maturity and resilience that increases their chances of job survival
- acquire the work history on which many employers place a premium when selecting new recruits.

**Stage 4:** Employment – utilising business intelligence as soon as jobseekers are assessed as being job ready, or a maximum of 18 weeks after entering the programme, help participants to secure suitable, sustainable employment or enter self-employment..

We will extend this employment approach to adults and targeted groups, utilising evidence of need from data and wider social inclusion priorities.

In delivering Progress to Work , we will build on both our Ambition SCR programme which has been designed as a demonstration project to deliver better job outcomes for young people and findings from our City Region Deal which have illustrated the untapped demand for apprentices in the City Region but which also demonstrate the difficulty faced by businesses in sourcing and recruiting job ready young people. Our approach will address the conundrum faced in the city region of growing demand for young employees whilst having higher than average young people not engaged in employment.

Finally this intervention will work with our graduate population to ensure their talents are fully utilised within the SCR diverse business base.

Within this approach we are seeking to retain a level of flexibility to support innovative and infrastructure investments which may not directly deliver beneficiary activity. This approach is building upon the Local Response Fund model currently running with the SFA and LEP and currently under discussion for extending to unemployed. This approach provides innovation funding enabling the programme to be responsive and develop new approaches, curriculum, training programmes and infrastructure to respond quickly to new demands and pilot new approaches.

### 2. Roll out Learn to Work: the SCR Education Challenge:

To reduce the mismatch between the supply of young people and the demands of businesses, SCR is embarking upon an education challenge programme for the City Region that maximises the potential of our young people and their future contribution to productivity and growth. Within this model ESF will support:

- Piloting new approaches to business focused curriculum
- Developing partnerships and opportunities to embed work-related and experiential learning and creates a skills passport that identifies and records the competences and experiences that businesses value; and
- To establish a single, electronic youth portal for the City Region designed to inform course and career choice on the part of students and those who guide them, as well as better connecting them to apprenticeships and job opportunities that are being made available locally. This will include the deployment of resources to develop, operationalise and manage the development of infrastructure.



## Priority 2 – Better Skills and Labour Mobility

This programme will support learning that is based upon the growth needs of Sheffield City Region. All aspects will be competitively procured based on the specifications established by the Skills for Growth Partnership.

### 3. Establish a Skills Bank:

This programme is central to our determination to give more purchasing power to the employers who use the skills system. The Skills Bank is proposed as a single repository of skills funding on which employers can draw to meet their skills needs. The Skills Bank builds on our City Region Deal and the Employer Ownership Pilots and sharpens considerably the market mechanism which incentivises colleges and training providers to deliver high quality training of the type, in the place and at the time that employers require it. In so doing, it is designed to increase employers' confidence in the skills systems and, consequently, their willingness to invest in the upskilling of the workforce.

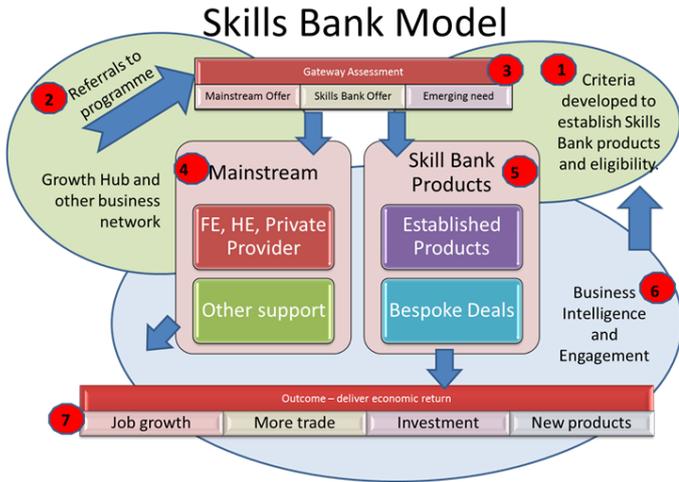
The government's intention, as announced in the Chancellor's autumn statement, is to place both the purchasing power and greater responsibility for investment in apprenticeships in the hands of employers. But we want to go further by using the Skills Bank to extend these principles, incrementally, to other aspects of workforce training. Consequently, through the Skills Banks we will support and develop a suite of products that encourage co-investment by employers in the development and delivery of both bespoke and mainstream training solutions that directly support their growth ambitions in key sectors of the local economy.

The key principles of the Skills Bank will be that:

- It is open to all businesses;
- It covers all employees at **all** skill levels in all occupations (we are aware that ESIF cannot be used across this broad spectrum of need);
- It is available in a range of circumstances to include business development; new products, processes and markets; skill shortages and gaps; inward investment deals and takeover and redundancies;
- It can encompass any workforce development actions as proposed by employers, including training, pre-recruitment training, qualifications, IIP, apprenticeships, graduate recruitment, and high performing workplace practices.
- It uses the skills funding available in the Local Growth Fund, combined with both European funding, adult skills funding, funding for higher skills activity, capital investment and earned income to leverage funding both from third parties e.g. CITB and, critically, from employers themselves to support workforce development and skills needs.

The Skills Bank will utilise ESF to support emerging needs, new accreditation frameworks, training modules, higher level units and modules, innovation, skills shortages and enabling access to higher level skills. Within this approach we will support innovative and infrastructure investments which may not directly deliver beneficiary activity but are required to maximise responsiveness to businesses and develop new approaches, curriculum, training programmes. This approach is building upon the Local Response Fund model currently running with the SFA and LEP. This approach is essential to respond quickly to new demands and pilot new approaches. An illustrated model is included below:





In short the Skills Bank is employer driven and an integral component of our move towards a more productive economy. Investments will be made based upon the rate of return for the business, or the SCR economy measured by jobs created or GVA. Our Skills Bank will be co-designed by our businesses, FE and training providers and through this approach our aim is to establish and deliver a localised skills system capable of supporting the SCR drive for growth.

The programme is designed to bolster the untapped employer market and widen significantly training outcomes, through the provision of Growth Hub skills brokers drawn from the training sector

#### 4. Cross Cutting Contributions

ISSUE	CONTRIBUTION
Links to Cross Cutting Projects	Our programme has direct links all three cross cutting projects: <ul style="list-style-type: none"> <li>The focus on broadening the market for training and linking the Skills Bank to brokerage supports our Growth hub cross cutting theme, whilst the deals we do provide part of a wider access to finance project for SMEs.</li> <li>Our focus on progressing people in to work, ensuring this is targeted on the communities where there is demonstrable need, directly supports the employment and training elements of our approach to social inclusion.</li> </ul>
Rural	All elements of our employment, skills and education programme are designed to address the specific challenges of rural communities and of rural businesses.
Sustainable Development	Projects being progressed will be expected to be tested with the Sustainable Development tool-kit and improvements proposed where appropriate.



**Priority 2 – Better Skills and Labour Mobility**

Low Carbon	<p>Through the Skills Bank support will be made available for emerging skills needs created by new low carbon technologies and on-going development of the workforce to adapt to new opportunities created by accessing new markets.</p> <p>Whole Place Solution – providing the setting, environment and infrastructure for people to access opportunities, including transport provision.</p>
Social Inclusion	<p><b>Progress to Work:</b> The programme provides holistic support around the young person and will be available across the SCR integrating mainstream and other match funding to create a seamless experience from initial assessment to supported employment.</p> <p><b>Adult Rollout -</b> This will be a cross SCR programme based on the youth model and is to be working in partnership with DWP and responding to the priorities which emerge from local data JSA and Universal Credit data.</p> <p>The indirect impact of addressing JSA claimant count only, perpetuates disadvantages for:-                  Women                  People with health issues                  Lone parents, as the high number of lone parents not in employment in proportion the whole population must indicate high levels of inactivity.</p> <p>There will be a wide range of mainstream provision already for the foreseeable future notably the Work Programme and post Work Programme mainstream interventions. SCR will also be able to learn from their Youth model and DWP pilots.</p>
Equalities	<p>Projects being progressed will be expected to be tested with an Equalities tool-kit and improvements proposed where appropriate.</p>

**5. Progress to Date**

SCR partners have focussed on progressing two Opt-In projects under the ESF Programme with the SFA. This work covers Skills for Growth and Skills Bank and in total allocates over £15m ESF funding. Both projects continue to be progressed to implementation in the SCR in 2016.

In addition progress is being made to develop activity around the Progress to Work theme and consideration as to whether this is best delivered locally or through an Opt-In arrangement.

The likely cessation of the Skills Funding Agency in 2018 has caused a number of concerns around the delivery of opt-in activity and at the same time the SCR has been successful in securing significant developed government funding for investment in skills across the SCR via the Combined Authority (CA). This is providing an alternative model of future delivery either through Calls for Proposals issued by the MA to which the CA responds or the potential for the CA to be established as an ESF Co-Financing body.



## Priority 2 – Better Skills and Labour Mobility

## 6. Financing

PRIORITY ALLOCATIONS: SKILLS & LABOUR MOBILITY				
Thematic Objective	TR TOTAL		MDR TOTAL	
	£	€	£	€
8i - Access to employment	11,522,645	14,772,622	1,855,606	2,378,982
8ii - Young People in labour market	1,790,565	2,295,597	472,006	605,136
8. Employment	13,313,211	17,068,219	2,327,612	2,984,118
9i - Active Inclusion	6,091,572	7,809,707	917,690	1,176,526
9. Social Inclusion (ESF)	6,091,572	7,809,707	917,690	1,176,526
10iii - Access to lifelong learning	21,199,320	27,178,615	3,693,869	4,735,730
10iv - Skills for the labour market	3,168,935	4,062,737	774,136	992,482
10. Skills	24,368,255	31,241,353	4,468,005	5,728,211
<b>ESF TOTAL</b>	<b>43,773,038</b>	<b>56,119,279</b>	<b>7,713,307</b>	<b>9,888,855</b>
<b>ESIF TOTAL</b>	<b>43,773,038</b>	<b>56,119,279</b>	<b>7,713,307</b>	<b>9,888,855</b>

Exchange Rate £1:€0.78

Funding will be drawn from the following Investment Priorities:

**ESF**

1.1 - Access to employment for job-seekers and inactive people, including the long-term unemployed and people far from the labour market, also through local employment initiatives and support for labour mobility

1.4 - Active inclusion, including with a view to promoting equal opportunities and active participation, and improving employability

2.1 – Enhancing equal access to lifelong learning for all age groups in formal, non-formal and informal settings, upgrading the knowledge, skills and competences of the workforce, and promoting flexible learning pathways including through career guidance and validation of acquired competences

2.2: Improving the labour market relevance of education and training systems, facilitating the transition from education to work, and strengthening vocational education and training systems and their quality, including through mechanisms for skills anticipation, adaptation of curricula and the establishment and development of work-based learning systems, including dual learning systems and apprenticeship schemes

## 7. Outputs and Results

The key Performance Reserve outputs are provided below. A full breakdown of the outputs associated with each Investment Priority is attached at Chapter 12.



Priority 2 – Better Skills and Labour Mobility

**ESIF OUTPUTS BY 2018 - TRANSITION REGION**

SCR Priority	Skills and Labour	
ESF Priority Axis	PA1	PA2
Eligible Project Expenditure €	7,774,352	9,762,922
Participants (of which)	2,911	3,798
Women	1,332	1,935
Men	1,578	1,859

**ESIF OUTPUTS BY 2023 - TRANSITION REGION**

SCR Priority	Skills and Labour	
ESF Priority Axis	PA1	PA2
Eligible Project Expenditure €	41,463,210	52,068,921
Participants (of which)	15,478	20,179
Women	7,087	10,292
Men	8,391	9,887

**ESIF OUTPUTS BY 2018 - MORE DEVELOPED REGION**

SCR Priority	Skills and Labour	
ESF Priority Axis	PA1	PA2
Eligible Project Expenditure €	1,560,241	2,148,079
Participants (of which)	577	813
Women	261	415
Men	316	399

**ESIF OUTPUTS BY 2023 - MORE DEVELOPED REGION**

SCR Priority	Skills and Labour	
ESF Priority Axis	PA1	PA2
Eligible Project Expenditure €	8,321,289	11,456,423
Participants (of which)	3,066	4,322
Women	1,387	2,205
Men	1,679	2,118





## PRIORITY 3 – BETTER INFRASTRUCTURE TO SECURE GROWTH

### 1. The Challenge

It is essential that we have the **infrastructure in place to unlock economic growth** in SCR. This was identified within the Independent Economic Review as one of the ways in which we can drive growth in the City Region. Infrastructure plays a fundamentally important role in:

- Providing access / connectivity to growing markets;
- Providing access to job opportunities;
- Stimulating new growth sectors;
- Attracting, supporting and protecting business investment; and
- Ensuring that we have the quality of life that is attractive to businesses, investors and residents.

There is also a vital need to ensure that investment in infrastructure occurs in the right locations that will best support economic growth. As such we have identified our **priority locations for growth**.

Infrastructure investment in the SCR encompasses a broad range of issues. These in summary are:

#### 1.1 Connections to External Markets,

External connections are of key importance to SCR. We recognise that there are gaps in our physical and digital connectivity that is limiting our ability to effectively compete globally yet we also recognise our key strengths in external connectivity that we need to promote to their full potential.

Increased connectivity increases the potential for trade, improving access to markets and suppliers. Investment in infrastructure that provides enhanced connectivity in SCR will lead to improvements in productivity. It will:

- Enable businesses to more easily connect with potential suppliers, enabling them to access higher quality and/or lower cost inputs;
- Enable businesses to more easily connect with potential customers, enabling them to supply markets further afield, including internationally.
- Improve the functioning of the labour market, increasing the effective size of the labour market and allowing skills to be better matched to employment opportunities.

We want a connectivity offer in place that allows SCR to effectively trade and compete nationally and internationally. This will create the right market conditions for private sector companies to invest and grow in SCR.



## Priority 3 – Better Infrastructure to Secure Growth

Our physical connectivity requirements fall into the following areas:

- **International Connectivity:** Enhance connectivity to the rest of the world and maximise the economic opportunities associated with Robin Hood Airport.
- **High Speed Rail Connectivity:** Ensure that High Speed Rail is delivered as soon as possible and supported by a comprehensive mass transit network, providing connections from across the region.
- **Classic Rail Connectivity:** Enhance classic rail connections, ensuring that SCR benefits from strong links and sufficient capacity in advance of HS2.
- **Strategic Highway Network:** Address highway capacity challenges at key points on the strategic network (including M1 Junction 33 and Junction 34)

It is important that nationally significant schemes are delivered nationally, in line with Government's strategic vision. However it is becoming increasingly important that these schemes fully reflect local aspirations. We are committed to working with national delivery agents, integrating our growth plans with their aspirations and making sure that the infrastructure provided is prioritised and best supports our ambitions.

### 1.2 Priority locations for growth

In 2012 SCR partners completed a study to examine the spatial priorities for growth. The backdrop to the study was a need to integrate Housing, Economy and Transport at the SCR level, particularly given abolition of the Regional Planning structure. The study was focused on how effective spatial planning can enable economic growth and identifies places that are most likely to provide an economic return.

In parallel with but closely related to this, LEP and LNP Partners are together implementing endorsed strategic spatial priorities and an agreed delivery programme for Green Infrastructure (GI) investment, to maximise economic opportunities for private sector jobs and growth. This entails: a) ensure greater sustainability and attractiveness of SCR; (b) targeting of key locations for GI improvements ('honey pot' sites like RSPB Old Moor, and greening of detractor sites such as colliery spoil heaps); and (3) mitigating risks to the economy from the environment e.g. flood risk in urban centres (Rotherham, Barnsley, Sheffield, Doncaster and Chesterfield, located on the Don, Dearne and Rother rivers). The GI Strategy delivery programme highlights 16 priority locations shown within the attached masterplans. The LNP Partners are well-placed and ready to stimulate social enterprise and to harness significant opportunities for sustainable growth in the third sector to support inclusion through enterprise.

It was clear from this work that each part of SCR contributes to the economy in different ways, we term this the 'role of places'.

### 1.3 Enabling Infrastructure

This provides a focus for more locally based interventions which form part of a holistic approach to infrastructure investment, enabling the people who live and work in the city region to access employment, education and training. Cumulatively, the impact of these smaller scale interventions is of City Region significance. Alongside our focus on a bigger private sector is a need to ensure that we maintain and enhance the quality of life for residents, workers, investors and visitors - this can in part be achieved through a range of interventions which deliver a more sustainable transport network and sustainable development



**Priority 3 – Better Infrastructure to Secure Growth**

sites (commercial and residential) with high quality access, energy resilience and protection from hazards such as flooding.

**2. Barriers to Better Infrastructure**

The promotion of economic and social cohesion requires improvements to the economic infrastructure in Sheffield City Region that the market alone will not provide. Accessibility needs to be integrated with regeneration of buildings, employment areas and the creation of high quality environments. Linking the supply of economic infrastructure with employment opportunities is a key objective of the SCR Growth Plan. In order to compete, the regions connectivity (physical and digital) needs taking forward to the next generation, this is crucial in order to redress the lag that currently exists in terms of infrastructure especially for the knowledge economy. Poor environments remain a disincentive to private sector investment in parts of the SCR. Poor quality centres are limiting the attraction and subsequent growth sectors that are in part dependent on networking and image. It is crucial to attract and retain knowledge works as they are key to growing the future economy. Failure to continue investing in the infrastructure of the SCR will minimise the impact of significant impact expected across of the ESIF and Growth Plan.

Whilst not short of ideas to deliver the better infrastructure the most significant barrier to delivering these improvements is access to finance – both private and public. The majority of infrastructure improvements are public goods or deliver returns over such long periods that the private sector will simply not provide funding. Likewise investment in innovative but untested technology or path-finder infrastructure will often fail to secure private sector support due to lack of knowledge of the product or high risk returns.

In more traditional commercial areas, such as property, market failure still persists with commercial property values failing to outweigh costs – whether this be the cost of finance (or access to it), abnormal costs such as land reclamation, improving quality of land/buildings or an undervaluing of the property market due to misconceptions about the region.

**3. Interventions**

**3.1 Connections to External Markets:**

<b>Initiative</b>	<b>Proposal</b>
Improving international connectivity	<ul style="list-style-type: none"> <li>• Doncaster Sheffield Airport to drive engineering and aerospace activity. New gateway to City Region and M18 transforms customer experience. A better functioning RHADS will be better able to contribute to the international connectivity of the north.</li> <li>• More sustainable access to the north’s main airport in Manchester.</li> </ul>
Maximising the benefits of HS2	<ul style="list-style-type: none"> <li>• Connectivity package to increase economic benefits beyond those estimated by HS2 and regeneration linked to the station location to maximise the economic potential and business growth.</li> </ul>
Realising the potential of our existing rail network	<ul style="list-style-type: none"> <li>• Rail North will develop a long-term, funded, growth strategy for what is needed on the North’s railway networks.</li> <li>• Better integration of spend on rail programme with other major programmes of spend in north;</li> </ul>



**Priority 3 – Better Infrastructure to Secure Growth**

	<ul style="list-style-type: none"> <li>• A rail policy that is more aligned to the wider strategic agendas relating to localism, economic growth and cities.</li> </ul>
Addressing capacity constraints on the strategic highways network	<ul style="list-style-type: none"> <li>• Commission, via the SEP, a programme of capital investment that will better manage local traffic and the interaction with the SRN.</li> </ul>

**3.2 Priority Locations**

Initiative	Proposal
Sheffield City Region Investment Fund (SCRIF)	<ul style="list-style-type: none"> <li>• SCR will continue to align funding sources, including from the private sector, agencies and through local contributions to deliver infrastructure solutions.</li> </ul>
SCR JESSICA	<ul style="list-style-type: none"> <li>• SCR will look to expand the existing JESSICA to invest in energy projects to support a low carbon and decentralised energy policy.</li> </ul>
SCR Spatial and Infrastructure Plan	<ul style="list-style-type: none"> <li>• Develop as part of a City Region Infrastructure Plan a low emission strategy, incentivising low carbon energy networks, managing waste and low carbon vehicles.</li> <li>• Working in partnership with Government, the private sector and local public sector partners we will develop a SCR wide broadband plan that can deliver at least 95% broadband coverage by 2016.</li> <li>• Prioritisation of investment in Green Infrastructure, targeted to maximise GVA and jobs growth (in line with the prioritised approach adopted via the Local Nature Partnerships)</li> </ul>

**3.3 Enabling Infrastructure**

Initiative	Proposal
Accessing opportunity	<ul style="list-style-type: none"> <li>• We will establish an efficient centre of excellence for sustainable travel. We will provide a test-bed for innovative ideas and support the further investment in this type of activity by leading a robust monitoring and evaluation programme to be shared across the UK as best practise. We will use transport as a means for people to access opportunities through capital and revenue support.</li> </ul>
Increasing housing delivery	<ul style="list-style-type: none"> <li>• Accelerate delivery and increase the supply of appropriate housing in SCR informed by a City Region approach to housing planning.</li> </ul>
Retail Offer	<ul style="list-style-type: none"> <li>• We ensure a quality retail offer to support the economy and quality places.</li> </ul>
Maximising the use of capital funding for skills	<ul style="list-style-type: none"> <li>• Work with our key business sectors, further education and training providers to develop propositions for investment in skills capital and infrastructure where it will support SCR aspirations for GVA growth, jobs and developing the skills the economy requires.</li> </ul>

**4. Cross Cutting Contributions**

ISSUE	CONTRIBUTION
Rural	Investment through other Priorities such as P2 may result in improved access to digital broadband in rural areas.



Priority 3 – Better Infrastructure to Secure Growth

	Investment through Social Inclusion may also lead to transport solutions to isolated rural communities. Specific to rural areas across the SCR an allocation of € 3.1m EAFRD has been made to support the creation and development of small and micro businesses. Subject to progress with the roll out of Local Broadband Plans, EAFRD funding will potentially be made available to provide superfast broadband in harder to reach locations, particularly focusing on areas with a concentration of businesses.
Sustainable Development	The delivery of the infrastructure Priority has strong and direct links to the Sustainable Development agenda. However unless additional resource is available through the ESIF this benefit will be captured through non-EU funded activity.
Low Carbon	The delivery of the infrastructure Priority has strong and direct links to the Low Carbon. However unless additional resource is available through the ESIF this benefit will be captured through non-EU funded activity. <b>Whole Place Solution – A clear opportunity exists to deliver Priority 6 activity through part of our £12m Low Carbon allocation. This will remain an active option through the life of the Programme.</b>
Social Inclusion	As indicated above, the Social Inclusion project may support the provision of sustainable transport solutions to hard to reach/socially excluded communities. In addition community enterprise projects based around green infrastructure may be brought forward.
Equalities	The delivery of the infrastructure Priority has direct links to the equalities agenda such as through 'Secure by Design'. However unless additional resource is available through the ESIF this benefit will be captured through non-EU funded activity.

## 5. Financing

There have been no specific allocations of ESIF to the interventions under the Infrastructure Priority. However it is expected that a significant proportion of our Low Carbon funding will contribute towards low carbon energy interventions and appropriate infrastructure investment through Whole Place Solutions including green and blue infrastructure and transport where they contribute to Green House Gas reductions.

Given the significant reduction in EU resources being made to South Yorkshire from the previous Programme the SCR Partners have had to significantly reduce the funding to some areas of the Growth Plan. Whilst Infrastructure remains a high priority for the SCR Partners it is relying on funding from the Local Growth Plan, largely via the Sheffield City Region Investment Fund to deliver many, but not all, of its infrastructure priorities rather than the ESIF.

Should additional ESIF resources be made available to South Yorkshire then it is likely that some or all of the extra ERDF resources will be made available to support the Infrastructure Priority. This would be in the form of allocations to the Thematic Objectives of Climate Change Adaptation, Environment Protection and Sustainable Transport.



## 5. Progress to Date

Despite the lack of ESIF Funding for infrastructure interventions there has been considerable progress through the development of a coherent plan for infrastructure investment. In particular the SCR is leading the way in the creation of an Integrated Infrastructure Plan (IIP) that identifies the key barriers that limit economic growth and the opportunities to stimulate growth. As this plan develops it will become a critical tool in commissioning investment in the City Region including targeted investment for commercial property and energy production/distribution many of which will have a low carbon requirement.

In addition to the IIP, the SCR has submitted a proposal for the establishment of a Sustainable Urban Development to be funded through Low Carbon and SME Competiveness allocations. The concept is to develop a Green and Inclusive economy and the prospect of delivering this through low carbon 'Whole Place Solutions' with associated infrastructure is very much promoted within this initiative.



## CROSS CUTTING PRIORITY – A) SOCIAL INCLUSION

### A1. The Challenge

Exclusion is more intense and concentrated in some communities, either of a geographical or demographic nature. Often these communities experience multiple barriers and there is a complex web of factors reinforcing exclusion. It has long been known that in communities of entrenched social exclusion those best able to support them are the community themselves and their close advocates who understand the ground.

### A2. Barriers

As described earlier (Chapter 1 and 6) the city region has a range of inclusion challenges, Youth unemployment, high levels of adult unemployment and even higher levels of inactivity, often concentrated in district geographic areas of high deprivation. SCR is further challenged by low skills and poor health alongside gender and ethnicity barriers.

The issues of skills, youth unemployment and generic adult employment are addressed in Priority 2. However there are a range of barriers which aren't fully supported including those barriers of a communal or specific nature. To address these issues, a more bespoke community led approach is needed, that meets a community's specific needs, starting from an informed understanding of their challenges, strengths and needs and puts control into their hands. In most cases this can only come from the communities themselves and those close advocates embedded with them and who given control can find the best solutions.

For some communities, either low numbers or distinct cultural, historical or locational features require a specialised and tailored approach, very often using solutions devised by the community or its close advocates. SCR have included a cross cutting social inclusion programme to provide this community focused, responsive approach.

### A3. Interventions

Utilising a relatively small allocation for Social Inclusion we will look to implement a Community Innovation Grants programme that will address specific challenges as they affect specific communities, for example digital inclusion and financial inclusion which can often be concentrated in small neighbourhoods and such interventions can develop an embedded coterie of informed local people able to sustain the results through informal networks. This approach also offers opportunities to test and approach innovation.

Community Innovation Grants provide a mechanism for tackling emerging challenges and for addressing communities with specific barriers and drawing on experience and knowledge of the communities themselves or on the specialist expertise within the third and public sectors.

SCR will establish a 'calls for proposals' whereby communities and those organisations closely associated with them can seek funding in response to challenges and opportunities provided by other specialised



**Cross Cutting Priorities – Social Inclusion & Low Carbon**

interventions or the need for specialised support. As well as welcoming bottom up applications, SCR will also include invitations to address specific areas of need which have emerged from local data.

This approach enables SCR to deliver a programme that is led both from both bottom up and top down but also with an ability to provide a rapid-response to these challenges and target specific specialist support where it is most required. It provides the flexibility and adaptability required over a 7 year timespan. And flexibility is considered critical - Population demographics can prove to be dynamic and volatile. For example, the EU is placing a particular emphasis on the integration of Roma people but in the Sheffield City Region there are very low levels of people from Gypsy and Traveller communities, only 0.08%. However the statistics on Roma people may not be fully reflected and the full picture may be recorded in the much higher figures for “White other” as many Roma have migrated from new EU accession states such as Slovakia. Furthermore Migration Yorkshire anticipates numbers of this group increasing. Rotherham Council already anticipates that Roma and migrants from other EU countries will become a priority group for inclusion.

This approach enables funds to support communities directly and harness the expertise of organisations embedded and trusted by the community or those with the required specialist knowledge. For many of these organisations a bidding framework is the only feasible way they can contribute to an ESIF programme.

**A4. Cross Cutting Contributions**

ISSUE	CONTRIBUTION
Links to Other Priority Areas	There will be a close relationship with Priority 5 – Skills and Labour Mobility with the need to develop an enterprise culture particularly with our young people. Within P1 some €4.5m ESF has been allocated to develop new businesses through skills and employability interventions.
Links to Cross Cutting Projects	Support for Social Enterprise will be facilitated through the Growth Hub, where £1.65 million has been allocated for the support of social enterprises and self-employment support. Access to Finance includes provision of financial resources with £2.48 million invested to support social enterprise and new business formation. There is potential to develop innovative models of financial support, to promote sustainability, for example SIBs.
Rural	As indicated above, the Social Inclusion project may support the provision of sustainable transport solutions to hard to reach/socially excluded communities. In addition community enterprise projects based around green infrastructure may be brought forward. The Social Inclusion programme will also be able to support inclusion challenges for rural communities.
Sustainable Development	Projects being progressed will be expected to be tested with the Sustainable Development tool-kit used by the MA.
Low Carbon	There is potential synergy between social inclusion and low carbon themes. This could include the support of sustainable social enterprises based on renewable energy generation infrastructure in a similar way rural areas will be able to develop other green infrastructure for community benefit and income generation.



## Cross Cutting Priorities – Social Inclusion & Low Carbon

	Whole Place Solutions: Projects to improve setting and environment of communities and improved access to opportunities.
Social Inclusion	By its very nature this cross cutting project has been designed to specifically tackle Social Inclusion.
Equalities	Projects being progressed will be expected to be tested by the MA to contribute to this Theme. By its nature, social inclusion is the trail-blazer for good practice in this area and social inclusion activity will be expected to achieve a higher benchmark in promoting equality and anti-discrimination than other types of activity.

### A5. Progress to Date

There has been reasonable progress in developing the Social Inclusion agenda with the SCR, notably the establishment of a Social Inclusion Advisory Board which in turn is developing a Framework to ensure Social Inclusion is built into all investment activity across the SCR.

Utilising ESF funding the SCR has opted-in to provision provided by the Big Lottery to support skills, education, training and employment for those furthest away from the labour market. In addition a Call under SME Competitiveness has been published to encourage Social Enterprise. Further Calls in respect to Community Innovation Grants and Self Employment are under development and due for publication in early 2016.

In addition to the above the Sustainable Urban Development proposal includes an allocation from SME Competitiveness to sit alongside a Low Carbon to promote a green and inclusive SCR economy.

### A6. Financing

PRIORITY ALLOCATIONS: SOCIAL INCLUSION				
Thematic Objective	TR TOTAL		MDR TOTAL	
	£	€	£	€
3. SME Competitiveness (inc SUD)	3,553,162	4,555,336	620,309	795,268
<b>ERDF TOTAL</b>	<b>3,553,162</b>	<b>4,555,336</b>	<b>620,309</b>	<b>795,268</b>
9i - Active Inclusion	4,434,280	5,684,975	679,091	870,629
9. Social Inclusion (ESF)	4,434,280	5,684,975	679,091	870,629
<b>ESF TOTAL</b>	<b>4,434,280</b>	<b>5,684,975</b>	<b>679,091</b>	<b>870,629</b>
<b>ESIF TOTAL</b>	<b>7,987,442</b>	<b>10,240,310</b>	<b>1,299,400</b>	<b>1,665,897</b>

Exchange Rate £1:€0.78

#### ERDF

3a - Promoting entrepreneurship, in particular by facilitating the economic exploitation of new ideas and fostering the creation of new firms, including through business incubators.

#### ESF

1.4 - Active inclusion, including with a view to promoting equal opportunities and active participation, and improving employability



## Cross Cutting Priorities – Social Inclusion &amp; Low Carbon

## A7. Outputs and Results

## ESIF OUTPUTS BY 2018 - TRANSITION REGION

SCR Priority	Social Inclusion
ERDF Thematic Objective	3. SME
Eligible Project Expenditure €	1,043,690
Enterprises Receiving Support - Partial	34
ESF Priority Axis	PA1
Eligible Project Expenditure €	1,776,554
Participants (of which)	665
Women	304
Men	360

## ESIF OUTPUTS BY 2023 - TRANSITION REGION

SCR Priority	Social Inclusion
ERDF Thematic Objective	3. SME
Eligible Project Expenditure €	4,086,468
Enterprises Receiving Support	193
GH Decrease	
ESF Priority Axis	PA1
Eligible Project Expenditure €	9,474,957
Participants (of which)	3,537
Women	1,620
Men	1,917

## ESIF OUTPUTS BY 2018 - MORE DEVELOPED REGION

SCR Priority	Social Inclusion
ERDF Thematic Objective	3. SME
Eligible Project Expenditure €	412,459
Enterprises Receiving Support - Partial	13
ESF Priority Axis	PA1
Eligible Project Expenditure €	326,486
Participants (of which)	121
Women	55
Men	66

## ESIF OUTPUTS BY 2023 - MORE DEVELOPED REGION

SCR Priority	Social Inclusion
ERDF Thematic Objective	3. SME
Eligible Project Expenditure €	1,614,944
Enterprises Receiving Support	51
Enterprises Receiving Support - Partial	13
GH Decrease	
ESF Priority Axis	PA1
Eligible Project Expenditure €	1,741,258
Participants (of which)	642
Women	290
Men	351

A full breakdown of the outputs associated with each Investment Priority is provided at Chapter 12.



## CROSS CUTTING PRIORITY – B) LOW CARBON

### B1. Low Carbon Issues

This ESIF Strategy sets out the opportunities and priorities that will help to create a stronger and bigger private sector that can compete in global and national markets.

The city region's priorities for low carbon development are complementary to this aim. Achieving sustainable development in the city-region, which has an important industrial base, requires urgent action to enhance the resilience of its energy supply and systems, as well as ensuring greater resource efficiency. Businesses in the city-region share the challenge to increase their uptake of low carbon technology, processes and systems, due to a real or perceived 'choice' as to whether to invest in these sustainability measures or, alternatively to target investment into other innovations that may also offer to make them more competitive or effective.

A key strength and opportunity in the city-region relates to its strong track record in research. This provides the chance to increase business activity, employment, and productivity by supporting knowledge transfer, commercialisation, inward investment and business formation and growth. Therefore, as well as pursuing reduced Green House Gas outcomes directly through business support for greater resource efficiency and low carbon development, Sheffield City Region is seeking to make a global impact via innovative Research & Development collaborations across sectors, to enhance its position and standing as a renowned centre of excellence in low carbon. This can be achieved via support for innovation networks, demonstration schemes, partnership development and targeted knowledge transfer schemes with clear routes to boost the capacity of Sheffield City Region's private sector for global trade and investment.

The Centre for Low Carbon Futures calculated that the 2011 Sheffield City Region energy bill was £3.41 billion per year, and that this would grow to £4.59 billion by 2022 – a £1.18 billion increase. With the annual GVA output of Sheffield City Region standing at approximately £28bn, energy costs constitute over 10% of economic output; a significant proportion.

Through investment in low carbon energy generation and distribution, Sheffield City Region can make its own contribution to addressing national challenges, namely supporting the UK in meeting the requirements of the Climate Change Act (80% less CO<sub>2</sub> emissions by 2050, compared to 1990 levels), keeping the lights on by addressing the energy generation gap, and achieving greater security over energy supply. Additional benefits include greater control over energy costs, job creation and skills development and the potential to develop a low carbon energy ecosystem that not only generates low carbon electricity, but other products and services such as heat, hydrogen fuel, food and waste processing.

Alongside these opportunities and threats, the city-region has the added issue of a surfeit of brownfield industrial locations and previously developed land associated with manufacturing, mineral and aggregates sites and in some cases, redundant infrastructure associated with earlier uses. Through strategic, landscape scale approaches, place-making and targeted green infrastructure investments, fewer of these locations are now seen as a detractor to future investment. However, the city-region does need to make better, and more efficient use of this land as a resource, and particularly to find more economic uses and outcomes. Low carbon development provides a key opportunity to achieve these dual goals.



## Cross Cutting Priorities – Social Inclusion & Low Carbon

SCR intends to use the opportunity of ERDF and associated/complementary investment opportunities to help resolve these opportunities and tensions, e.g. to deliver resource-saving options efficiently alongside other essential infrastructures and innovations that will help boost growth. Economic development and sustainability are therefore viewed as complementary to one another, due to the opportunities of developing reliable (and more locally derived) sources of renewables, reduced energy prices (and less severe price fluctuations) and, of utmost importance, greater energy/resource efficiency.

The SCR Partners are taking a positive approach to developing a low carbon economy with a strong performing low carbon business sector.

Sheffield City Region has a range of assets, initiatives and opportunities to building a low carbon economy, which can be summarised into 3 key areas:

- Infrastructure – ensuring the city region’s buildings, transport and other infrastructure and, in particular, decentralised energy generation and distribution is strengthened to build greater resilience to the increases in energy prices and the impacts of climate change
- Business Efficiency – reducing resource costs of raw materials, energy and waste)
- Innovation and Research – developing competitive advantage through adaptive technologies

We will look to support investment in infrastructure through the utilisation of a range of instruments and funding sources, including existing financial instruments.

### Whole Place Solutions

An option to deliver ‘Whole Place Low Carbon Solutions’ (capital and revenue support) will be maintained that can contribute to all three key areas highlighted above. In particular this approach will be used in respect to our SUD proposal.

Whilst SCR Partners have not been able to allocate funding to TOs 5,6 and 7 this should not underestimate the commitment to this agenda. Indeed SCR Partners would wish to go further in contributing to climate change adaptation, environmental protection and sustainable transport, and recognise that it will be important to deliver benefits through collaborative work with funding from other thematic objectives – in particular Low Carbon to address the shortfall in these areas. For example:

- 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.
- Enable economic development through investment in flood risk management.

An initial list of other potential low carbon interventions are provided at Appendix 4.

Our approach to Low Carbon therefore cuts across the ESIF and the Growth Plan, specifically the component on Supporting Existing Businesses, and aspects of the Growth Hub, access to finance and underpinning the city-region’s inward investment marketing as an attractive location building on a strong reputation for a high



## Cross Cutting Priorities – Social Inclusion & Low Carbon

quality of life as the 'outdoors capital' of England. In addition Priority 3 (Infrastructure) has the opportunity to benefit from capital investment.

### B.2 Progress to Date

To date SCR has issued two Calls for Proposals in respect to the Low Carbon Thematic Objective. Responses to the second Call are currently awaited following a nil-response to the first. SCR Partners have developed a proposal for a €10.6m SUD and are looking for it to be approved by the Managing Authority for implementation from April 2016. A Technical Assistance bid from a local partners has been submitted which includes provision for specific support to develop the pipeline of Low Carbon projects within the SCR.

### B.3 Funding and Outputs

PRIORITY ALLOCATIONS: LOW CARBON - TRANSITION REGION					
Priority	Business Growth	Access to Finance	Infrastructure	SUD	TR TOTAL
Thematic Objective	£			£	£      €
4. Low Carbon	12,438,277			6,637,438	19,075,715    24,456,045
<b>ERDF TOTAL</b>	<b>12,438,277</b>			<b>6,637,438</b>	<b>19,075,715    24,456,045</b>
<b>ESIF TOTAL</b>	<b>12,438,277</b>			<b>6,637,438</b>	<b>19,075,715    24,456,045</b>

Exchange Rate £1:€0.78

PRIORITY ALLOCATIONS: LOW CARBON - MORE DEVELOPED REGION					
Priority	Business Growth	Access to Finance	Infrastructure	SUD	MDR TOTAL
Thematic Objective	£			£	£      €
4. Low Carbon	3,318,978			N/A	3,318,978    4,255,100
<b>ERDF TOTAL</b>	<b>3,318,978</b>				<b>3,318,978    4,255,100</b>
<b>ESIF TOTAL</b>	<b>3,318,978</b>				<b>3,318,978    4,255,100</b>

Exchange Rate £1:€0.78

Funding will draw from the following Investment Priorities

- 4a : Promoting the production and distribution of energy derived from renewable sources
- 4b: Promoting energy efficiency and renewable energy use in enterprises
- 4c : Supporting energy efficiency, smart energy management and renewable energy use in public infrastructure, including in public buildings, and in the housing sector
- 4e : Promoting low-carbon strategies for all types of territories, in particular for urban areas, including the promotion of sustainable multimodal urban mobility and mitigation-relevant adaptation measures
- 4f : Promoting research and innovation in, and adoption of, low-carbon technologies

Key Performance Reserve outputs are provided below. A full breakdown of the outputs associated with each Investment Priority is provided at Chapter 12.



**Cross Cutting Priorities – Social Inclusion & Low Carbon**

**ESIF OUTPUTS BY 2018 - TRANSITION REGION**

SCR Priority	Low Carbon
ERDF Thematic Objective	4. Low Carbon
Eligible Project Expenditure €	6,787,941
Enterprises Receiving Support - Partial	71

**ESIF OUTPUTS BY 2023 - TRANSITION REGION**

SCR Priority	Low Carbon
ERDF Thematic Objective	4. Low Carbon
Eligible Project Expenditure €	26,577,516
Enterprises Receiving Support	
GH Decrease	6,500

**ESIF OUTPUTS BY 2018 - MORE DEVELOPED REGION**

SCR Priority	Low Carbon
ERDF Thematic Objective	4. Low Carbon
Eligible Project Expenditure €	2,177,619
Enterprises Receiving Support - Partial	

**ESIF OUTPUTS BY 2023 - MORE DEVELOPED REGION**

SCR Priority	Low Carbon
ERDF Thematic Objective	4. Low Carbon
Eligible Project Expenditure €	8,526,252
Enterprises Receiving Support	
Enterprises Receiving Support - Partial	
GH Decrease	2,085

A full breakdown of the outputs associated with each Investment Priority is attached at Chapter 12.



## Chapter 10

### SUSTAINABLE URBAN DEVELOPMENT (SUD)

#### 10.1 SCR SUD

The SCR has been invited by the Managing Authority to submit a proposal for a Sustainable Urban Development using up to 10% of our ERDF allocation from a minimum of two Thematic Objectives.

In consultation with Partners a SCR SUD proposal has been developed for South Yorkshire only and looks to contribute towards the development of a 'Green and Inclusive Economy'. With a value of €10.6m the ability for the SUD to make a transformational impact is limited but it does provide a focus for an integrated approach using funding from Low Carbon and SME Competitiveness.

As part of the establishment of the SUD, the SCR needs to put in place the appropriate Governance arrangements to enable a local 'Urban Authority' to undertake the role of Intermediary Body (IB) in respect of project selection – assessment of local strategic fit. To this effect the SCR Combined Authority has formally agreed to act as the IB for the SUD. However further development of Governance is required in consultation with the Managing Authority.

Full details of the SCR SUD Proposal are provided in Annexe 1.

#### 10.2 SCR SUD Allocations and Outputs

PRIORITY ALLOCATIONS: SUSTAINABLE URBAN DEVELOPMENT		
Priority	SUD	
Thematic Objective	£	€
3. SME Competitiveness	1,640,695	2,103,455
4. Low Carbon	6,637,438	8,509,535
<b>ERDF TOTAL</b>	<b>8,278,133</b>	<b>10,612,991</b>

Exchange Rate £1:€0.78

#### ESIF OUTPUTS BY 2018 - TRANSITION REGION

SCR Priority	SUD	
ERDF Thematic Objective	3. SME	4. Low Carbon
Eligible Project Expenditure €	818,595	3,622,249
Enterprises Receiving Support - Partial	26	38

#### ESIF OUTPUTS BY 2023 - TRANSITION REGION

SCR Priority	SUD	
ERDF Thematic Objective	3. SME	4. Low Carbon
Eligible Project Expenditure €	3,205,128	14,182,559
Enterprises Receiving Support	151	
GH Decrease		3,468



## Chapter 11

### THE FINANCIALS

#### 11.1 Allocation Process

The ESIF Refresh process has largely left the proportion of funding allocations, in respect to the SCR Priority Areas unaltered. The process to get to the original allocations therefore still relevant and is outlined below:

The Growth Strategy Steering Group, LEP Board and SCR Chief Executives were requested to consider how the LEP's allocation of ESIF funds should be allocated between the various activities to be supported. The aggregated views of the consultees provided the basis for the LEP Board to reach a final determination of how much gets spent on what. The decision making process required consultees to consider listed activities for the allocation of £200m EU Funds over seven years (2014-2020). The framework of activities was compiled by the EU Officer Group, which includes representatives from local authorities, universities, third, environmental and private sectors, to align with the Growth Plan and comply with EU regulations.

The framework consisted of seven principal strands:

1. Information, Advice, Guidance and Support to EXISTING businesses for growth and survival
2. Information, Advice, Guidance and Support to NEW businesses for growth
3. Information, Advice, Guidance and Support to INCOMING businesses for growth
4. (Provision of) Finance for business
5. Establish a (virtual and where necessary physical) "Growth Hub" as single port of call for all business support. This is intended to operate to all the other principal strands
6. Upskilling those in work, to support growth
7. Developing a work ready population, in support of growth

The seven strands have since been adjusted to 3 Priority Areas and additional supporting interventions that align with the development of the SCR Strategic Economic Plan.

Each of the principal strands has a number of components, expanding the detail of activity, albeit at a strategic level. The EU regulations required a minimum spend on certain activities, and so the EU Officer Group provided some rough parameters for a possible distribution between the 7 principal strands. Consultees were asked to place a value against each strand which would automatically total to within 100%, guided by the results from the same exercise conducted by the EU Officer Group, although they were free to go exceed these ranges if they wished.

Then consultees were asked to consider an allocation against the more detailed components of the 7 strands of activities, against a carried forward % for each strand, using a score of 1 to 3 (1 high, 3 low). Using this ranking process we were then able to allocate funding against the framework of activity (strands/thematic objectives) and components.



## 11.2 The Allocation

The process above has led to our proposed expenditure by Fund, by Thematic Objective (Priority Axis) and by type of region and is summarised in the tables below.

PRIORITY ALLOCATIONS TRANSITION REGIONS								Transition	
Priority	Business Growth	Access to Finance	Innovation Capital	Skills & Labour Mobility	Low Carbon	Social Inclusion	SUD	Total	
Thematic Objective	£	£	£	£	£	£	£	£	€
1. Innovation	6,762,043	-	9,486,244	-	-	-	-	16,248,287	20,831,137
2. ICT	2,508,471	-	-	-	-	-	-	2,508,471	3,215,988
3. SME Competitiveness	28,395,694	13,000,000	-	-	-	1,912,467	1,640,695	44,948,856	57,626,738
4. Low Carbon	-	-	-	-	12,438,277	-	6,637,438	19,075,715	24,456,045
<b>ERDF TOTAL</b>	<b>37,666,207</b>	<b>13,000,000</b>	<b>9,486,244</b>	<b>-</b>	<b>12,438,277</b>	<b>1,912,467</b>	<b>8,278,133</b>	<b>82,781,328</b>	<b>106,129,908</b>
8i - Access to employment	1,452,104	-	-	11,522,645	-	-	-	12,974,749	16,634,294
8ii - Young People in labour market	225,650	-	-	1,790,565	-	-	-	2,016,216	2,584,892
<b>8. Employment</b>	<b>1,677,755</b>	<b>-</b>	<b>-</b>	<b>13,313,211</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14,990,966</b>	<b>19,219,187</b>
9i - Active Inclusion	2,642,022	1,904,713	-	6,091,572	-	4,434,280	-	15,072,587	19,323,829
<b>9. Social Inclusion (ESF)</b>	<b>2,642,022</b>	<b>1,904,713</b>	<b>-</b>	<b>6,091,572</b>	<b>-</b>	<b>4,434,280</b>	<b>-</b>	<b>15,072,587</b>	<b>19,323,829</b>
10iii - Access to lifelong learning	820,517	-	-	21,199,320	-	-	-	22,019,837	28,230,560
10iv - Skills for the labour market	122,653	-	-	3,168,935	-	-	-	3,291,588	4,219,985
<b>10. Skills</b>	<b>943,170</b>	<b>-</b>	<b>-</b>	<b>24,368,255</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>25,311,425</b>	<b>32,450,545</b>
<b>ESF TOTAL</b>	<b>5,262,947</b>	<b>1,904,713</b>	<b>-</b>	<b>43,773,038</b>	<b>-</b>	<b>4,434,280</b>	<b>-</b>	<b>55,374,978</b>	<b>70,993,561</b>
<b>ESIF TOTAL</b>	<b>42,929,153</b>	<b>14,904,713</b>	<b>9,486,244</b>	<b>43,773,038</b>	<b>12,438,277</b>	<b>6,346,747</b>	<b>8,278,133</b>	<b>138,156,306</b>	<b>177,123,469</b>

Exchange Rate      €1=£                      0.7800



Sheffield City Region EU Investment Strategy 2014-20

PRIORITY ALLOCATIONS MORE DEVELOPED REGION								More Developed	
Priority	Business Growth	Access to Finance	N/A	Skills & Labour Mobility	Low Carbon	Social Inclusion	N/A	Total	
Thematic Objective	£	£	£	£	£	£	£	£	€
1. Innovation	2,864,360			-	-	-	-	2,864,360	3,672,257
2. ICT	628,129		-	-	-	-	-	628,129	805,293
3. SME Competitiveness	4,473,226	2,000,000		-	-	620,309	-	7,093,535	9,094,276
4. Low Carbon	-		-	-	3,318,978	-	-	3,318,978	4,255,100
<b>ERDF TOTAL</b>	<b>7,965,715</b>	<b>2,000,000</b>	<b>-</b>	<b>-</b>	<b>3,318,978</b>	<b>620,309</b>	<b>-</b>	<b>13,905,002</b>	<b>17,826,926</b>
8i - Access to employment	228,653			1,855,606				2,084,259	2,672,127
8ii - Young People in labour market	58,162			472,006				530,168	679,703
<b>8. Employment</b>	<b>286,815</b>			<b>2,327,612</b>				<b>2,614,427</b>	<b>3,351,829</b>
9i - Active Inclusion	394,607	284,484		917,690		679,091		2,275,872	2,917,784
<b>9. Social Inclusion (ESF)</b>	<b>394,607</b>	<b>284,484</b>		<b>917,690</b>		<b>679,091</b>		<b>2,275,872</b>	<b>2,917,784</b>
10iii - Access to lifelong learning	143,173			3,693,869				3,837,042	4,919,285
10iv - Skills for the labour market	30,005			774,136				804,141	1,030,950
<b>10. Skills</b>	<b>173,178</b>			<b>4,468,005</b>				<b>4,641,183</b>	<b>5,950,235</b>
<b>ESF TOTAL</b>	<b>854,600</b>	<b>284,484</b>	<b>-</b>	<b>7,713,307</b>	<b>-</b>	<b>679,091</b>	<b>-</b>	<b>9,531,481</b>	<b>12,219,848</b>
<b>Total</b>	<b>8,820,315</b>	<b>2,284,484</b>	<b>-</b>	<b>7,713,307</b>	<b>3,318,978</b>	<b>1,299,400</b>	<b>-</b>	<b>23,436,484</b>	<b>30,046,774</b>
Exchange Rate	€1=£	0.7800							



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The ESF Allocations have been broken down by the MA into specific amounts for each Investment Priority for the SCR Programme. However with ERDF the funding allocation remains at Priority Axis (Thematic Objective) level but it should be noted that outputs have been broken down to Investment Priority level.

The descriptions of each Priority Axis and Investment Priority that are relevant to the SCR Programme are attached at Appendix 1.

### 11.2.1 Minima

The SCR Allocation of funds complies with the spending requirements for the two types of region – ERDF Low Carbon is above the 15% threshold in the Transition Region and 20% in the More Developed Region. In addition both regions ESF funding exceeds the 20% minimum for Social Inclusion.

### 11.2.2 ERDF: ESF Split

South Yorkshire - Transition Region		
Fund	£	€
ERDF	£ 82,781,328	€ 106,129,908
ESF	£ 55,374,978	€ 70,993,561
<b>Total</b>	<b>£ 138,156,306</b>	<b>€ 177,123,469</b>

East Midlands - More Developed Region		
Fund	£	€
ERDF	£ 13,905,002	€ 17,826,926
ESF	£ 9,531,481	€ 12,219,848
<b>Total</b>	<b>£ 23,436,484</b>	<b>€ 30,046,774</b>

Exchange Rate €:£0.78

The tables above shows the split of funding between ERDF and ESF across both categories of region. The final allocations were determined by the Managing Authorities.

### 11.2.3 EAFRD.

Specific to the rural areas an allocation of €3.5m EAFRD has been awarded to Sheffield City Region. As indicated in Chapter 7 EAFRD will be used against the following types of activity:

- Building the knowledge and skills in rural areas;
- Funding new and developing small and micro rural business;
- Funding small scale renewable and broadband Investments in rural areas; and
- Support for tourism activities in rural areas.

The use of EAFRD will fit as closely as possible to the priorities of our Growth Plan, and to the strategic intent of this ESIF Investment Strategy which is strongly focused on supporting existing, new and incoming business, and which has a focus throughout on the rural economy and on micro businesses.

There is no split between our Transition Region and More Developed Region.



Table 10.3: SCR EAFRD

SCR EAFRD Allocations		
Sub Measure	£	€
2.1 Business Support	491,941	€ 630,694
6.2 New Business	573,931	€ 735,809
6.4 Existing Business	737,912	€ 946,041
7.3 Broadband	290,400	€ 372,308
7.5 Tourism	655,922	€ 840,925
<b>Total</b>	<b>2,750,106</b>	<b>€ 3,525,777</b>

Exchange Rate €:£0.78

### 11.3 Annual Profiling

Given the delay in the Programme and the limited role of local Partners in the selection of projects it is not realistic to provide a profile of activity. To this effect the SCR are aware that the end of 2018 represents a critical date for achieving the Performance Reserve targets. Progress to date would suggest that such targets are likely to be achieved subject to approvals forthcoming from the MA's.

The ESIF annual profile is provided below for information:

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Profile</b>	0.0%	2.0%	4.0%	6.7%	<b>12.9%</b>	13.2%	13.4%	13.8%	20.0%	<b>14.0%</b>
<b>Cumulative</b>	0.0%	2.0%	6.0%	12.7%	<b>25.6%</b>	38.8%	52.2%	66.0%	86.0%	<b>100.0%</b>

### 11.4 Match funding.

It is expected to access match funding from a wide variety of sources, public, private and third sector, just as we have in previous Programmes. In particular South Yorkshire, where our 2007 – 2014 Programme was so very much larger, has substantial experience in meeting the challenge of finding suitable match. In this context together with the Opt-Ins it is expected that the 'Growth Deal' with Government will generate significant match funding through the Local Growth Fund – particularly given both the ESIF and the LGF are being designed to deliver the single SCR Growth Plan.

A significant amount of **private sector** match is anticipated however, the private sector has reported poor experiences with EU Structural Funds up to now, and in some cases is reluctant to get involved. In particular issues of compliance, eligibility, interpretation of profit, and audit risk are all deterrents to engage. If Government's ambition for greater private sector involvement is to be achieved Government will have to ensure that there is simplicity, clarity, and a reasonable level of risk attached to such involvement. SCR Partners will work closely with the GDT to facilitate this approach.

Within South Yorkshire we will look to take advantage of c£18m Legacy Funds from South Yorkshire Investment Fund. Whilst further assessment is required to determine the best use of this funding it presents an option for some or all of this funding to be used as match to deliver a further round of recyclable investments within the



## Sheffield City Region EU Investment Strategy 2014-20

SCR. In addition the opt-in arrangements that Government has brokered represent an opportunity not previously provided for match funding. Notwithstanding the above it must be stressed that all match funding at this stage must be considered as **indicative** given, as with all previous EU funded programmes, it will largely be secured at project level rather than at Programme.

In respect of EAFRD we have assumed that the funding will be matched 50:50, predominantly with the private sector.

Other than the Opt-In providers other potential sources of public Match Funding are outlined below:

### Potential Sources of Match Funding

Local Public Sector	National Public Sector		
11 local authorities (SCR members plus Derbyshire and Nottinghamshire County Councils), including also Community Infrastructure Levy, S.106, SCRIF	Sustainable pathways to Low Carbon Energy (£1m per annum)	Contracts for Difference and transitional arrangements under EMR <sup>11</sup>	Offshore Wind Technologies Development / Demonstration Scheme (£15m)
3 universities (Sheffield, Sheffield Hallam, Derby)	Energy Technologies Institute.	UKTI (inward investment)	Local Sustainable Transport Fund
8 FE colleges (Sheffield, Barnsley, Doncaster, Dearne Valley, Chesterfield, Thomas Rotherham, RCAT, Northern)	DECC Low Carbon Innovation funding (£150m 2011-15)	Advanced Manufacturing Supply Chain initiative	Ultra-low and low emission vehicles (provision for over £400m up to 2015)
Sheffield University Technical College	Renewables obligation	Green Investment Bank	UKSE (student enterprise)
SCRIF	Growing Places Fund	Probation Service	Medilink
SYPT	Natural England	Research Councils	Student Loan Fund
SYIF legacy	AHSN	HCA	Innovate UK
SY Fire & Rescue	RSPB	Micro-feed-in tariffs	EIB
Credit Unions	OfGEM funding	Youth contract	British Council
Coalfields Regeneration Trust	Energy Company Obligation (ECO)	Environment Agency	Regional Growth Fund
4 Chambers of Commerce (Barnsley & Rotherham, Doncaster, Sheffield, Derbys & Notts)	DECC CCS commercialisation (£1bn)	Forestry Commission	Green Deal
North Notts College	NHS Foundation Trust	Local Growth Fund	Canal and Rivers t
	Heritage Lottery	HEFCE	BDOUK

## 11.5 Financial Engineering Instruments

The potential for FEI's is outlined on the approach to Access to Finance in project proposal in Chapter 9 above. Should the Northern Powerhouse Investment Fund not proceed it is likely that the Y&H LEPs will progress with their original proposal for a collective Fund to support business growth. An indicative allocation of £15m has been identified for either option.



In addition to the above an option for an FEI in respect to Low Carbon activity remains under consideration with further input required from local experts to determine whether this type of intervention is appropriate in the SCR.

### 11.6 Major projects.

It is not currently envisaged that any of our programme blocks will be of a scale which would require EU approval as major projects (€50m eligible cost) – with the exception of the NPIF proposal. It is however possible that some activity could require UK Government major project approval, particularly if some of our funding is allocated to support projects with substantial other funds.



## Chapter 12

### OUTPUTS AND RESULTS

#### 12.1 Outputs

Since the publication of the original ESIF the Managing Authorities have undertaken a process to allocate outputs to LEP areas based upon their final allocation of funding and the level of outputs identified in the Operational Programme.

For both ERDF and ESF there are a selection of Performance Reserve outputs at Priority Axis level with an expectation that they will be delivered by the end of 2018. There is also a wider 'suite' of output at Investment Priority level that are expected to be delivered by the end of the Programme in 2023.

It is also important to note that:

- 1) The outputs are based on national assessments and are not allocated on specific LEP area criteria.
- 2) Each output is determined by the full financial allocation at Priority Axis level.
- 3) In certain Priority Axis e.g. ERDF PA1 (Innovation) projects funded through one Investment Priority (IP1a) will not contribute to the Performance Reserve target.

The implication of the above is that the ability of projects to achieve the targets set by the Managing Authorities is significantly compromised by the allocation methodology.

The tables below provide the full breakdown of outputs allocated to the SCR in respect to each Fund (EAFRD outputs are still awaiting confirmation). Within the previous Chapters these outputs have been allocated to the various Priorities of the SCR. This allocation process is simply based on the proportion of funding associated with each area of intervention and the associated outputs.

The proportion of funding is provided below:

PRIORITY ALLOCATIONS (%) TRANSITION REGIONS							
Priority	Business Growth	Access to Finance	Innovation Capital	Skills & Labour Mobility	Low Carbon	Social Inclusion	SUD
Thematic Objective	£	£	£	£	£	£	£
1. Innovation	42%		58%				
2. ICT	100%						
3. SME Competitiveness	63%	29%				4%	4%
4. Low Carbon					65%		35%
<b>ERDF TOTAL</b>	<b>46%</b>	<b>16%</b>	<b>11%</b>		<b>15%</b>	<b>2%</b>	<b>10%</b>
8i - Access to employment	11%			89%			
8ii - Young People in labour market	11%			89%			
<b>8. Employment</b>	<b>11%</b>			<b>89%</b>			
9i - Active Inclusion	18%	13%		40%		29%	
<b>9. Social Inclusion (ESF)</b>	<b>18%</b>	<b>13%</b>		<b>40%</b>		<b>29%</b>	
10iii - Access to lifelong learning	4%			96%			
10iv - Skills for the labour market	4%			96%			
<b>10. Skills</b>	<b>4%</b>			<b>96%</b>			
<b>ESF TOTAL</b>	<b>10%</b>	<b>3%</b>		<b>79%</b>		<b>8%</b>	
<b>ESIF TOTAL</b>	<b>31%</b>	<b>11%</b>	<b>7%</b>	<b>32%</b>	<b>9%</b>	<b>5%</b>	<b>6%</b>



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PRIORITY ALLOCATIONS (%) MORE DEVELOPED REGION								
Thematic Objective	Priority	Business Growth	Access to Finance	N/A	Skills & Labour Mobility	Low Carbon	Social Inclusion	N/A
		£	£	£	£	£	£	£
1. Innovation		100%						
2. ICT		100%						
3. SME Competitiveness		63%	28%				9%	
4. Low Carbon						100%		
<b>ERDF TOTAL</b>		<b>57%</b>	<b>14%</b>			<b>24%</b>	<b>4%</b>	
8i - Access to employment		11%			89%			
8ii - Young People in labour market		11%			89%			
<b>8. Employment</b>		<b>11%</b>			<b>89%</b>			
9i - Active Inclusion		17%	13%		40%		30%	
<b>9. Social Inclusion (ESF)</b>		<b>17%</b>	<b>13%</b>		<b>40%</b>		<b>30%</b>	
10iii - Access to lifelong learning		4%			96%			
10iv - Skills for the labour market		4%			96%			
<b>10. Skills</b>		<b>4%</b>			<b>96%</b>			
<b>ESF TOTAL</b>		<b>9%</b>	<b>3%</b>		<b>81%</b>		<b>7%</b>	
<b>Total</b>		<b>38%</b>	<b>10%</b>		<b>33%</b>	<b>14%</b>	<b>6%</b>	

The ERDF outputs are as follows:

ERDF Priority Axis Targets and Performance Reserve

Priority Axis	CATEGORY OF REGION	By When (Year end)	Eligible Project Expenditure €	Enterprises Receiving Support	Enterprises Receiving Support - Partial	Additional Businesses with 30 mbps Broadband	GHG Decrease (Tonnes Co2)
1	More Developed	2018	1,878,145	-	27		
1	More Developed	2023	7,353,691	108			
2	More Developed	2018	418,035				
2	More Developed	2023	1,636,774				
3	More Developed	2018	4,716,672		152		
3	More Developed	2023	18,467,666	588			
4	More Developed	2018	2,177,619		22		
4	More Developed	2023	8,526,252				2,085
1	Transition	2018	8,867,177		131		
1	Transition	2023	34,718,561	533			
2	Transition	2018	1,368,947				
2	Transition	2023	5,359,980				
3	Transition	2018	24,529,937		790		
3	Transition	2023	96,044,564	4,531			
4	Transition	2018	10,410,189		109		
4	Transition	2023	40,760,075				9,968



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ERDF OUTPUTS - TRANSITION REGION

Code			CO01	CO02	CO03	CO04	CO05	CO06	CO07	CO08	CO25	CO26
Invesment Priority	Target	Region	Enterprises receiving support.	Enterprises receiving grant	Enterprises receiving financial support (non grant).	Enterprises receiving non financial support.	Enterprises supported	Private Investment matching public support (grants)	Private Investment matching public support (non grants)	Employment Increase in supported enterprises	Researchers working in improved research infrastructure facilities	Enterprises cooperating with research institutions
			No.	No.	No.	No.	No.	€	€	FTE	No.	No.
1a	Innovation: Infrastructure	TR									16	
1b	Innovation: Promoting Business	TR	533	373	27	130	45	450,952	713,049	42		289
2b	ICT: Products/Services	TR	550				385					
3a	SME: Entrepeneurship	TR	920	605	38	235	721	3,189,512	104,923	377		
3c	SME: Products/Services/Development	TR	2,266	1,512	95	588	720	9,568,537	3,147,700	942		
3d	SME: growth/export/innovation	TR	1,359	907	57	353	432	6,310,891	2,098,467	565		
4a	Low Carbon: Renewables	TR	31				7					
4b	Low Carbon: Enterprises	TR	318									
4c	Low Carbon: Housing and Public	TR										
4e	Low Carbon: Whole Place	TR	261									
4f	Low Carbon: Innovation	TR	64				13					6

ERDF OUTPUTS - TRANSITION REGION

Code			CO28	CO29	CO30	CO31	CO32	CO34	P1	P2	P4	P11	P13
Invesment Priority	Target	Region	Enterprises supported to introduce new to the firm products	Enterprises supported to introduce new to the market products	Renewables: Additional capacity of renewable energy production	Households with improved energy consumption classification	Decrease of annual primary energy consumption of public buildings	Estimated annual decrease of GHG	Researchers working in improved research or innovation facilities	Public or commercial buildings built or renovated	Additional Businesses taking up Broadband > 30Mbps	Potential entrepreneurs assisted to be enterprise ready	Enterprises receiving information, diagnostic and brokerage
			No.	No.	MW	No.	kWh/year	CO2eq	No.	sqm	No.	No.	No.
1a	Innovation: Infrastructure	TR							32	808			
1b	Innovation: Promoting Business	TR	42	85						230			
2b	ICT: Products/Services	TR		88							2105		
3a	SME: Entrepeneurship	TR	72							113		2901	
3c	SME: Products/Services/Development	TR		360						282			227
3d	SME: growth/export/innovation	TR		216						169			136
4a	Low Carbon: Renewables	TR			4			2,442					
4b	Low Carbon: Enterprises	TR						1,734					
4c	Low Carbon: Housing and Public	TR				154	149,125	2,467					
4e	Low Carbon: Whole Place	TR						2,412					
4f	Low Carbon: Innovation	TR		10				965					



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**ERDF OUTPUTS - MORE DEVELOPED REGION**

Code			CO01	CO02	CO03	CO04	CO05	CO06	CO07	CO08	CO25	CO26
Investment Priority	Target	Region	Enterprises receiving support.	Enterprises receiving grant	Enterprises receiving financial support (non grant).	Enterprises receiving non financial support.	Enterprises supported	Private Investment matching public support (grants)	Private Investment matching public support (non grants)	Employment Increase in supported enterprises	Researchers working in improved research infrastructure facilities	Enterprises cooperating with research institutions
			No.	No.	No.	No.	No.	€	€	FTE	No.	No.
1a	Innovation: Infrastructure	MDR									3	
1b	Innovation: Promoting Business	MDR	108	75	2	26	9	91,154	127,520	9		58
2b	ICT: Products/Services	MDR	189				133					
3a	SME: Entrepreneurship	MDR	119	78	11	30	92	412,109	13,306	48		
3c	SME: Products/Services/Development	MDR	303	203	28	79	95	1,282,051	413,373	124		
3d	SME: growth/export/innovation	MDR	169	113	16	44	54	785,821	263,620	70		
4a	Low Carbon: Renewables	MDR	5				1					
4b	Low Carbon: Enterprises	MDR	64									
4c	Low Carbon: Housing and Public	MDR										
4e	Low Carbon: Whole Place	MDR	81									
4f	Low Carbon: Innovation	MDR	10				2					1

**ERDF OUTPUTS - MORE DEVELOPED REGION**

Code			CO28	CO29	CO30	CO31	CO32	CO34	P1	P2	P4	P11	P13
Investment Priority	Target	Region	Enterprises supported to introduce new to the firm products	Enterprises supported to introduce new to the market products	Renewables: Additional capacity of renewable energy production	Households with improved energy consumption classification	Decrease of annual primary energy consumption of public buildings	Estimated annual decrease of GHG	Researchers working in improved research or innovation facilities	Public or commercial buildings built or renovated	Additional Businesses taking up Broadband > 30Mbps	Potential entrepreneurs assisted to be enterprise ready	Enterprises receiving information, diagnostic and brokerage
			No.	No.	MW	No.	kWh/year	CO2eq	No.	sqm	No.	No.	No.
1a	Innovation: Infrastructure	MDR							7	176			
1b	Innovation: Promoting Business	MDR	9	17						46			
2b	ICT: Products/Services	MDR		30							724		
3a	SME: Entrepreneurship	MDR	9							15		375	
3c	SME: Products/Services/Development	MDR		48						38			30
3d	SME: growth/export/innovation	MDR		27						21			17
4a	Low Carbon: Renewables	MDR			1			413					
4b	Low Carbon: Enterprises	MDR						341					
4c	Low Carbon: Housing and Public	MDR				31	29,806	493					
4e	Low Carbon: Whole Place	MDR						760					
4f	Low Carbon: Innovation	MDR		1				133					



The ESF Outputs and Results are as follows:

### ESF Priority Axis Targets Performance Reserve

Priority Axis	CATEGORY OF REGION	By When (Year end)	Eligible Project Expenditure €	Men	Women	Total
1	More Developed	2018	2,351,105	476	393	869
1	More Developed	2023	12,539,228	2,530	2,090	4,620
2	More Developed	2018	2,231,338	414	431	845
2	More Developed	2023	11,900,470	2,200	2,290	4,490
1	Transition	2018	12,044,692	2,444	2,064	4,508
1	Transition	2023	64,238,358	13,000	10,980	23,980
2	Transition	2018	10,140,795	1,931	2,010	3,941
2	Transition	2023	54,084,242	10,270	10,690	20,960



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**ESF OUTPUTS**

Investment Priority	CATEGORY OF REGION	Code	O1		CO01	CO03	O4	O5	CO16	O6	CO14	CO23	
		2023 - Total Participants	Participants - Men	Participants Women	Unemployed (inc long term)	Inactive	Over 50	Ethnic Minorities	Disabilities	Without Basic Skills	Single Adult - Dependent Children	SMEs	
1.1	More Developed		2,630	1,440	1,190	1,840	660	580	220	870	460	300	-
1.2	More Developed		680	370	310	480	170	-	50	70	120	30	-
1.4	More Developed		1,310	720	590	690	530	250	110	420	-	-	-
2.1	More Developed		4,490	2,200	2,290	-	-	950	390	430	790	210	-
2.2	More Developed		-	-	-	-	-	-	-	-	-	-	80
1.1	Transition		13,610	7,310	6,300	9,530	3,400	2,590	1,370	3,670	2,390	1,860	-
1.2	Transition		2,140	1,150	990	1,490	540	-	230	200	380	120	-
1.4	Transition		8,230	4,540	3,690	4,290	3,370	1,350	830	2,140	-	-	-
2.1	Transition		20,960	10,270	10,690	-	-	3,990	1,710	1,690	3,690	1,010	-
2.2	Transition		-	-	-	-	-	-	-	-	-	-	380

**ESF RESULTS**

Investment Priority	CATEGORY OF REGION	Code	R1	R2	R3	CR06	CR02	R4	R6	R7	R8	R9	R5
		Unemployed into empl. (inc s-empl)	Inactive into job search	Participants gaining basic skills	Participants in empl. inc s-empl + 6 months	participants in ed. or training	Participants with childcare needs getting support	Participants gaining level 2 or below	Participants gaining level 3 or more	Employed Females improving their status in the labour market	SMEs successfully completing projects	Participants (under 25) in EET	
1.1	More Developed		405	218	105	894		36%					
1.2	More Developed				27	231							43%
1.4	More Developed		96.60	143.10			222.70	36%					
2.1	More Developed				493.90				1,122.50	359.20	801.50		
2.2	More Developed											60	
1.1	Transition		2,097	1,122	544	4,627							
1.2	Transition				86	728							43%
1.4	Transition		601	910			1,399	36%					
2.1	Transition				2,306				5,240	1,677	3,742		
2.2	Transition											285	



## CHAPTER 13

### GOVERNANCE

National and local governance of the England ESI Funds Growth Programme has been developed to reflect the role of partners and the Managing Authorities agreed in the ERDF and ESF Operational Programmes. The governance text in **Appendix 6** should be used in conjunction with the description of governance arrangements in this local ESI Funds Strategy. The governance text in Appendix 6 takes precedent.

#### 1 Building on Experience

The Sheffield City Region will deliver good and effective governance of the ESIF. The City Region has a long history of partnership working, both between private, public and third sectors, and across its diverse geographies, which is seen nowhere better than in the use of ERDF funds in the current 2007-13 programme and both ERDF and ESF in our Objective 1 Programme 2000-2006. The LEP's track record on governance since its establishment is among the best in the country, as is evidenced by our effective use of various Government funds, our City Region Deal, and our ground breaking Combined Authority proposal.

#### 2 SCR ESIF Committee

Since the publication of the original ESIF the MA's have undertaken considerable dialogue to establish the role of local partners in the governance of the ESIF Programme. This has now to a position where LEP areas have established local ESIF Sub-Committees operating under Terms of Reference provided by the MA's.<sup>21</sup> The ESIF Committee will provide advice to the MA's in respect of local strategic fit only. Consequently the ESIF Committee provides advice to the MA in respect to:

- The development of Calls for Proposals
- The quality of a project at outline and detailed business plan stage in respect to Local Strategic Fit.

Representation of the ESIF Committee complies with the recent EU Regulations in respect of Partnership Working and comes from the following three areas:

- a) Competent regional, local, urban and other public authorities.
- b) Economic and social partners.
- c) Bodies representing civil society such as environmental partners and organisations promoting social inclusion and equalities.

Taking account of the Regulations the membership of the Committee is outlined below:

<sup>21</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/487621/ESIF-GN-2-7](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/487621/ESIF-GN-2-7)



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Sector	Organisation	No of Seats
Public (Local Authority)	1 Combined Authority 3 from South Yorkshire 2 from Districts	7
Private	SCR LEP LEP to nominate 3 others	4
Higher / Further Education	HE establishment FE College	1
Employability / Equalities	TUC	1
Sustainable Development	Nominated by SCR LEP	1
Voluntary	VCS representative from Social Inclusion Board	1
Rural	Representative from SCR Rural Advisory Board	1
Government	Growth Development Team CLG /BIS/DWP	As appropriate

It is expected that the above structure will dovetail in with the national governance model and the activity of the National Growth Board with the GDT providing the actual link on a day to day basis.

**Conflicts of Interest:** All members of the LEPAP will be required to complete and sign a register of interests that may have a bearing on any decisions made by the Board. During any meeting proceedings all Board members will be required to formally announce any potential conflict prior to the relevant agenda item being discussed. Where appropriate the other Board members will determine whether there is a need for the conflicted member to either abstain from any vote or be required to leave the meeting for that item. All such proceedings will be recorded in the meeting minutes.

### 3. Intermediary Body Status

Under the devolution process being put in place with the SCR, Government has agreed to provide Intermediary Body (IB) status for the ESIF Programme. The IB status will be solely in respect to the selection of projects and within that process the IB will only consider Local Strategic Fit.

The IB status outlined above is the same as that being proposed for the SCR SUD activity (Section 4 of Annexe 1). It has still to be determined whether the SUD IB can be incorporated into the wider ESIF IB role or vice versa. Alternatively there may need to be two IB Agreements to deal with the SUD and non-SUD ESIF activity. SCR has a clear preference for a single IB to incorporate all IB functions with the potential to be captured within an Integrated Territorial Initiative.

In all scenarios the summary Project Cycle is expected to be as follows:

- 1) The IB develops the local contents of a Call seeking advice from the ESIF Committee. The MA then publishes the Call ensuring ESIF Compliance.



2) Outline Business Plans are received by the MA and following a Gateway compliance check by the MA are made available to the IB for appraisal in respect of Local Strategic Fit. In undertaking its appraisal the IB will seek advice from the ESIF Committee. The IB will either approve or reject a proposal and provide an assessment to the MA including comments in respect to deliverability and value for money. The MA will complete the appraisal process and invite Detailed Business Plans for those projects securing outline approval.

3) The process outlined above is repeated at Detailed Business Plan stage with the IB seeking advice from the ESIF Committee and appraising a project in respect to Local Strategic Fit.

4) With approval from both the MA and the IB, the project will move to contracting and delivery.

5) Whilst the IB will not be involved in the Monitoring of projects it will require monitoring information from the MA so that this can be used to develop further Calls for Proposals and the project development process.

With IB status the 'Body' takes on a number of functions that need to be kept separate to ensure transparency and fairness in the selection of projects. In effect there are three core functions that will require teams within the IB to deliver:

- 1) Strategy Development and preparation of Calls.
- 2) Pipeline Development and Sponsor Support – advising other parties.
- 3) Project assessment and appraisal (local strategic fit only).

In respect to the separation of functions it is expected that a minimum of two teams will be required wherein one team can deliver Function 1 and 2 but another Team would have to undertake 3. Alternatively one Team could undertake 1 and 3 but another team would have to deal with Function 2. The critical component being that at no time can the function under 2) and 3) be carried out by the same Team.

### 3.1 The IB Body

The organisation that will be the Intermediate Body for the ESIF and SUD will be the Barnsley, Doncaster, Rotherham and Sheffield Combined Authority (the 'Authority') (Also known as the Sheffield City Region Combined Authority).

The Authority was established pursuant to the Order on 1st April 2014 as a Combined Authority within the meaning of Part 6 of the Local Democracy, Economic Development and Construction Act 2009 with the aim of improving:-

- (a) the exercise of statutory functions relating to transport in the Combined Area;
- (b) the effectiveness and efficiency of transport in the Combined Area;
- (c) the exercise of statutory functions relating to economic development and regeneration in the Combined Area and the remainder of the City Region; and
- (d) economic conditions in the Combined Area and the remainder of the City Region.

The nine local authorities that make up the Sheffield City Region (SCR) are:



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Constituent	Non Constituent
Barnsley	Bassetlaw
Doncaster	Bolsover
Rotherham	Chesterfield
Sheffield	Derbyshire Dales
	North East Derbyshire

For both the SUD and wider ESIF IB status the proposed IB Body will be the SCR Combined Authority. To this effect the Combined Authority has already formally agreed to hold IB status for the SUD but will need to consider a further proposal to extend this role to the wider ESIF Programme.

The 9 districts have a long history of collaboration, reflecting the natural economic geography of the region.

The Sheffield City Region Combined Authority brings together of two statutory bodies – the South Yorkshire Integrated Transport Authority (ITA) and the Economic Prosperity Board (EPB) in order to align political decision making around strategic Economic Development and Transport.

The Combined Authority works in partnership with the private sector-led Local Enterprise Partnership (LEP) with the LEP Chair attending Combined Authority meetings on behalf of the LEP Board. This approach aims to 'hardwire' the partnership between the public and private sectors providing a solid, stable platform for future governance and decision making.

The full Constitution of the Authority is available upon request.

Under a scheme of delegation, the Authority has established 5 Executive Boards



It is likely that given the broad range of activity under the ESIF that a new ESIF Executive Board is established..

The Executive Boards are responsible for the delivery of their elements of the Growth Deal and also be responsible for the **development of policy and strategy** for their respective portfolios. This includes putting forward any future proposals for our Growth or Devolution Deals. Any new policies developed by these Boards would need to be ratified by the CA and LEP.

As a result of the legislation by which the SCR CA was established the delegations made from the CA to the Executive Boards will need to reside with an officer(s) of the Combined Authority. As defined in the SCR CA's Constitution this could be one of the eight local authority Chief Executives and / or the SCR's Monitoring Officer, Section 151 Officer or Head of Paid Service.

It has been recommended that for the first 12 months these delegations should sit with the lead Chief Executive(s) for the respective Thematic Board and the SCR Head of Paid Service. Such an approach was considered to provide **'dual key' accountability arrangements** and ensure that all decisions taken were always



based on the agreement of all members of the respective Executive Board. If unanimous agreement cannot be reached with Board members then the issue would be escalated to the CA and LEP for decision.

#### Proposed remit of all Executive Boards

- Strategy and Policy:
  1. Design and develop the SCR strategy and policy for all aspects of the programme, in line with the ambitions of the SEP, including for future Growth and Devolution Deals.
  2. Review economic intelligence and evidence of SCR economic performance and identify propositions to accelerate growth.
  3. Develop and lead stakeholder management and partnership arrangements.
- Programme Delivery:
  1. Oversee and operationalise the delivery of programmes included in the SCR City Deal, Growth Deal settlement and devolution deals.
  2. Sign off of budget for programmes, in line with the scheme of delegations approved by the SCR CA.
  3. Commission activity to ensure programme delivery and implementation.
- Performance and Risk Management:
  1. Review programme performance.
  2. Identify and recommend mitigations for any programme risks or poor performance.
  3. Escalate any strategic, policy or programme risks to the LEP Board and SCR CA.

The ESIF Executive Board and ESIF Committee will work closely together with the Committee providing advice to the Executive in respect of Local Strategic Fit.

Further negotiations are required with Government to finalise the arrangements for IB status.

## 4. Technical Assistance

Should IB status be confirmed it is expected that Technical Assistance will be made available to enable the IB to deliver Functions 1) and 3) highlighted in the section above.

In terms of providing activity in respect of Pipeline Development and Sponsor Support a Call has already been issued and a single response received from a public sector Consortium. Subject approval this will see a range of activity including Programme promotion and support potential applicants.

## 5. Local Growth Development Teams (GDT) and SCR Partners

The approach outlined above requires a close and positive working relationship between the SCR Partners and the Local SIF Teams. Such relationships already exist and will be built upon.

At a Programme level it is expected that the SCR Partners will want to ensure that project activity directly aligns with the objectives of the Growth Plan as well as this ESIF. The SCR Partners will work closely with the GDT to develop 'Calls' that align with Local Strategic needs.



## 6. Compliance with EU Regulations

The SCR Partners have extensive experience of working with a range of European funding streams and have benefited from the opportunities it generates but learnt from some of the pitfalls of working with complex and highly regulated funding. As a result SCR feel well placed to progress with a Programme that is compliant with EU regulations including issues such as eligibility, revenue generation, procurement and state aid etc. albeit assessment of these will remain with the Managing Authorities.

## 7. Transparency

The LEP and the wider SCR Partners operate in a transparent manner by making information and documents readily accessible on the LEP website ([www.sheffieldcityregion.org.uk](http://www.sheffieldcityregion.org.uk)) and engaging with a wide range of organisations on a range of issues. A willingness to engage and be transparent transcends all the activity of the SCR Partners although it is appreciated that 100% coverage is near impossible to achieve.



## Appendix 1

### Outputs By Investment Priority

#### ERDF Outputs

- C1 - Number of enterprises receiving support
- C2 - Number of enterprises receiving grants
- C3 - Number of enterprises receiving financial support other than grants
- C4 - Number of enterprises receiving non-financial support
- C5 - Number of new Enterprises supported
- C6 - Private investment matching public support to enterprises (grants)
- C7 - Private investment matching public support to enterprises (non-grants)
- C8 - Employment increase in supported enterprises
- C25 - Number of researchers working in improved research facilities
- C26 - Number of enterprises cooperating with research entities
- C28 - Number of enterprises supported to introduce new to the market products
- C29 - Number of enterprises supported to introduce new to the firm products
- C30 - Additional capacity of renewable energy production
- C31 - Number of households with improved energy consumption
- C32 - Decrease of annual primary energy consumption of public buildings
- C34 - Estimated GHG reductions
- P1 - Number of researchers working in improved research or innovation facilities
- P2 - Public or commercial buildings built or renovated
- P3 - Additional businesses with broadband access of at least 30Mbps
- P4 - Additional businesses taking up broadband with speeds of at least 30Mbps
- P11 - Number of potential entrepreneurs assisted to be enterprise ready
- P13 - Number of enterprises receiving Information, Diagnostic and Brokerage support

Priority Axis	Thematic Objective	Investment Priority	Output indicators
1: Promoting Research and Innovation	TO1: Promoting Research, Technological Development and Innovation	1a : enhancing research and innovation (R&I) infrastructure and capacities to develop R&I excellence, and promoting centres of competence, in particular those of European interest	C25, P1, P2
		1b : - promoting business investment in R&I; - developing links and synergies between enterprises, research and development centres and the Higher Education sector, in particular promoting investment in product and service development, technology transfer, social innovation, eco-innovation, public service applications, demand stimulation, networking, clusters and open innovation through smart specialisation; -and supporting technological and applied research, pilot lines, early product validation actions, advance manufacturing capabilities and first production, in	C1, C2, C3, C4, C5 , C6, C7, C8, C26, C28, C29, P2



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		particular in key enabling technologies and diffusion of general purpose technologies.	
2: Enhancing Access to, and use and Quality Of, ICT	TO2: Enhancing access to, and use and quality Of, ICT	2a : Extending broadband deployment and the roll-out of high-speed networks and supporting the adoption of emerging technologies and networks for the digital economy	C1, C5, P3
		2b: Developing ICT products and services, e-commerce, and enhancing demand for ICT technologies	C1, C5, C29, P4
3: Enhancing the Competitiveness of SMEs	TO3: Enhancing the competitiveness of SMEs, of the agricultural sector and of the fishery and aquaculture sector	3a -Promoting entrepreneurship, in particular by facilitating the economic exploitation of new ideas and fostering the creation of new firms, including through business incubators.	C1, C2, C3, C6, C7, C8, C28, P2, P11
		3c - Supporting the creation and the extension of advanced capacities for products, services and development	C1, C2, C3, C4, C5, C6, C7, C8, C29, P2, P13
		3d - Supporting the capacity of small and medium sized enterprises to grow in regional, national and international markets and to engage in innovation processes	C1, C2, C3, C4, C5, C6, C7, C8, C29, P2, P13
4: Supporting the Shift Towards A Low Carbon Economy In All Sectors	TO4: 4: Supporting the shift towards a low-Carbon economy in all sectors	4a : Promoting the production and distribution of energy derived from renewable sources	C1, C5, C30, C34
		4b: Promoting energy efficiency and renewable energy use in enterprises	C1, C34
		4c : Supporting energy efficiency, smart energy management and renewable energy use in public infrastructure, including in public buildings, and in the housing sector	C31, C32, C34
		4e : Promoting low-carbon strategies for all types of territories, in particular for urban areas, including the promotion of sustainable multimodal urban mobility and mitigation-relevant adaptation measures	C1, C34



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		4f : Promoting research and innovation in, and adoption of, low-carbon technologies	C1, C5, C26, C29, C34
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**ESF Outputs**

- O1 Participants
  - Male participants
  - Female participants
- O2 Participants (below 25 years of age) who are unemployed or inactive (not in education or training)
- O4 Participants over 50 years of age
- O5 Participants from ethnic minorities
- O6 Participants without basic skills
- O7 Participants who are offenders or ex-offenders
- CO01 Unemployed, including long-term unemployed, participants
- CO03 Inactive participants
- CO14 Participants who live in a single adult household with dependent
- CO16 Participants with disabilities
- CO23 Number of supported micro, small and medium-sized enterprises (including cooperative enterprises, enterprises of the social economy)

**ESF Results**

- R1 Unemployed into empl. (inc s-empl)
- R2 Inactive into job search
- R3 Participants gaining basic skills
- R4 Participants with childcare needs getting support
- R5 Participants (under 25) in EET
- R6 Participants gaining level 2 or below
- R7 Participants gaining level 3 or more
- R8 Employed Females improving their status in the labour market
- R9 SMEs successfully completing projects
- CR06 Participants in empl. inc s-empl + 6 months
- CR02 participants in ed. or training

Priority axis	Thematic Objective	Investment Priority	Output indicators
1: Inclusive Labour Markets	8. Promoting sustainable and quality employment and supporting labour mobility	1.1 - Access to employment for job-seekers and inactive people, including the long-term unemployed and people far from the labour market, also through local employment initiatives and support for labour mobility	O1, O4, O5, O6, CO01, CO03, CO14, CO16 R1, R2, R3, R4, CR06
		1.2 - Sustainable integration into the labour market of young people (ESF), in particular those not in employment, education or training, including young people at risk of social exclusion and young people from marginalised communities, including through	O2, O5, O6, CO01, CO03, CO14, CO16 R3, R5, CR06



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		implementation of the Youth Guarantee	
	9. Promoting social inclusion, combating poverty and any discrimination	1.4 - Active inclusion, including with a view to promoting equal opportunities and active participation, and improving employability	O1, O4, O5, O7, CO01, CO03, CO16 R1, R2, R4, CR02
2: Skills for Growth	10. Investing in education, training and vocational training for skills and life-long learning	2.1 – Enhancing equal access to lifelong learning for all age groups in formal, non-formal and informal settings, upgrading the knowledge, skills and competences of the workforce, and promoting flexible learning pathways including through career guidance and validation of acquired competences	O1, O4, O5, O6, CO14, CO16 R3, R6, R7, R8
		2.2- Improving the labour market relevance of education and training systems, facilitating the transition from education to work, and strengthening vocational education and training systems and their quality, including through mechanisms for skills anticipation, adaptation of curricula and the establishment and development of work-based learning systems, including dual learning systems and apprenticeship schemes	CO23 R9



## Appendix 2

### Lessons Learnt

The SCR ESIF builds on extensive experience from previous rounds of EU Structural Funding both in South Yorkshire and the East Midlands. In particular the delivery of the 2000-2006 South Yorkshire Objective 1 Programme places SCR in a strong position to develop a Programme designed for local needs.

In this respect SCR Partners aim to build on the good practice built up over more than 10 years but have a strong will to adapt it to meet the requirements and opportunities of the new Programme. However it should also be acknowledged that the new Programme is significantly different to previous rounds in respect of it being a single a national Programme operated at LEP level and includes both ERDF and ESF and with EARDF to follow.

As a result of the significant change of approach to delivery, the mid-term evaluations of the 2007-13 Programmes can only provide limited influence on the operation of the new Programme. However some of the more relevant recommendations and lessons to consider:

#### **Evaluation of European Social Fund: Priority 1 and Priority 4 (Employment and NEET) Provision (2012), DWP.**

Strategic partnerships and relationships - Suggestions were made in response around recreating regional or sub-regional partnerships, particularly in the context of planning for the 2014–2020 ESF period.

SCR Approach: By taking delivery down to the SCR level rather than a national Programme ‘imposed’ on the region local partnerships are having a far greater role in the development of the new Programme. However the flexibility for match funding especially ‘Opt-In’ funding will be critical in maintaining a local focus.

Relationship with other provision and added value - Views varied on the extent to which Co-Financing Organisations provision linked effectively with and reinforced other ESF activity. Reduced partnership and co-ordination opportunities at the regional scale were noted. Eligibility restrictions relating to the Work Programme and their effects on delivery of ESF provision were seen as issues.

SCR Approach – Local design, local management and local delivery are considered critical to the success of the SCR Programme. The ‘Opt-In’ model is expected to adapt to work within this approach.

#### **East Midlands ERDF Interim Impact Evaluation, 2013 (SQW)**

Geography: There is an underlying issue of definition and engagement. At least some of the difficulties in the East Midlands appear to stem from insufficient recognition of the economic spaces that make up the territory.

SCR Approach: The development of the ESIF at the SCR level has suited all partners within the SCR. The combination of South Yorkshire and the East Midlands ‘Districts’ has resulted in a programme operating within a single and functional economic geography.

Capacity and know-how: This is needed to set up and handle the administration, financial/cash flow and audit issues that arise in gaining approval and delivering projects. The learning from this is valuable – many of the



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more successful projects were able to draw on earlier experience, and the more recent engagement of the Universities has widened this pool.

SCR Approach: SCR partners, working with CLG, can be expected to pass on knowledge from the current programme to future project sponsors.

Number and Scale of Projects: In a Programme with many small local projects, a strong central team will be required to take on some of the burden and handle issues as they arise, including any necessary re-profiling.

SCR Approach: The SCR ESIF will expect to fund fewer larger projects on the basis of making a more significant and lasting impact on the SCR economy. However by default this approach should reduce the burden of project and programme management.

Private Sector: Draw in more private sector representation at strategic (LMC) level, focusing on the opportunity to influence the content and delivery of future European Programmes.

SCR Approach: The SCR Governance model places the LEP, its private sector led Board and its sector groups in the centre of the new EUIF programme.

### **Yorkshire and Humber ERDF Operational Programme 2007-13: Mid-Term Impact Evaluation, 2011 (Regeneris and MTL)**

Technical Assistance: The use of TA funding should be used to fill capacity gaps in project and bid development, and to support new sources of match funding to be drawn upon.

SCR Approach: SCR partners will explore with their 'Local Fund Team' what opportunities exist for the local use of TA both to manage the Programme and develop projects.

Thematic Experts: The Executive should develop mechanisms for thematic experts in local and national bodies to support ERDF project development and appraisal.

SCR Approach: SCR Partners will encourage the use of local experts from the LEP sector growth teams to assist with project development and appraisal (subject to no conflict of interest).

Capacity: The Executive needs to review its capacity across the range of functions it delivers and address current delays at project appraisal stage as well as a backlog of claims and contract variations.

SCR Approach: This area is potentially outside of the control of the SCR however it would welcome the Local Fund Team being 'embedded' within existing structures to maximise local knowledge and resource.

SME Contributions: Seek authority to use SME contributions as eligible match funding.

SCR Approach: SCR Partners would welcome a common and consistent interpretation of regulations. For example there should be a common approach and process for the use of SME contributions as match funding.

### **Key Success Factors**

More generic success factors that still apply to previous programmes are outlined below:



Key success Factors	SCR Approach
The rationale for public intervention must be clearly stated so that activity can be focused where the economic impact will be greatest	The interventions in this Programme concentrate on where there is market failure and focus on local priorities.
Activity should be aligned with and add value to other activity but retain flexibility to respond to future shifts.	The SCR Programme has been designed at the local level to meet local priorities that align with European, national and, fundamentally, the SCR Growth Plan. The 7 Strands provide flexibility to respond to changes in economic fortunes for the City Region.
A range range of intervention types should be pursued to achieve Programme targets should be balanced across the portfolio of projects so that each individual project is not expected to deliver on the same 'value for money' calculation.	It is expected that a range of interventions will be developed but with a focus on fewer larger projects. However within each project there amy be a number of intervention 'blends' such as the use of grants and loans. A risk based approach will be applied to ensure that the overall portfolio of projects maximises impact but takes account Value for Money and deliverability.
Commissioning versus Call for Proposals.	The Programme will favour a commissioning approach to ensure strong alignment with the SCR Growth Plan and to assist with programme management. Commissioning of activity will comply will all relevant national and EU regulations including open and competitive access to funds.
Linkages between Structure Funds.	It is anticipated that a single SCR Programme that utilises ERDF, ESF and EARDF will enable an integrated approach to project and programme management. However this may be impacted upon by 'strings attached' to match funding.
Outcome focussed.	SCR partners have developed a programme that will deliver long term and sustainable outcomes for the area. It is a programme driven by need not by funding. However in order to monitor project and programme performance outputs have been developed using analysis of the indicators achieved in previous Programmes.



### Appendix 3 – Risk Schedule

Ref	Risk	Description	Mitigation
1	Match Funding	Ability to secure match funding for EU activity	Opt-Ins are being explored but further discussion required with providers. A further local match funding 'mapping' exercise is also proposed.
2	Commissioning	Requirement to comply with EU Procurement regulations when commissioning and procuring project activity rather than a call for proposals	Options for undertaking Commissioning of activity will be developed to ensure that the projects needed to implement the Growth Plan are brought forward. Legal advice together with liaison with the Growth Development Team (GDT) will shape the Commissioning process.
3	EU Regs Compliance/Flexibility	The need to comply rigidly with EU Regulations may impact upon the delivery of the Programme in terms of timing, expenditure and outputs/results.	SCR Partners are aware of the need to comply with EU Regulations but have identified options to meet such requirements in practical ways. We will work closely with the GDT to develop options that ensure compliance but also add flexibility into the Programme.
4	Capacity	The ability to bring forward strategic projects in a efficient and compliant manner may be compromised by capacity within the GDT and SCR Partners	It is suggested that the local GDT is 'embedded' within the existing SCR structures to maximise local knowledge and capacity. The use of Technical Assistance to support SCR Programme Management and project development will be explored.
5	Relationship with BIS/CLG local Growth Development Team	Based on previous experience it is essential to develop good and trusted working relationships with the GDT to assist in Programme delivery	It is recommended that the GDT is physically located in the SCR with the preferred option for them to be co-located or embedded with the SCR Partners.
6	Timing – Start of Programme	Confirmation of the Programme will delay delivery of activity.	SCR Partners will work closely with the GDT to ensure information/documents are provided as requested to an agreed timetable. SCR Partners will also start to develop local processes to put in place prior to the Programme going 'live'.
7	Growth Plan alignment	EU funding requirements may dictate project activity that are not aligned to or are not priorities of the SCR Growth Plan.	The 7 Strands of our EUIS have been designed to align with the emerging priorities of our Growth Plan. However these priorities may change as the Growth Plan is finalised and as a result the Strands have been designed at a high level to date. The nature of interventions being proposed are considered eligible for EU funding based on previous experience.
8	Global Economy	A significant economic down turn could seriously impact on the delivery of the Programme.	The Programme is being designed to meet needs of existing and new companies following a recession. On that basis the type and nature of interventions will be applicable in a down turn. However flexibility is required to adjust the focus of intervention should it be required.



### Appendix 3 – Risk Schedule

9	Aspirations	Aspirations of local community groups may have raised based on previous access to EU funding.	The ability to deliver meaningful activity through CLLD's has been hampered by a lower than expected allocation. Consultation activity to date and in the future will ensure that expectations are appropriately managed.
10	Politics (Decision Making)	SCR Partners may be unable to come to collective decisions in respect of project approval.	A strong Governance system will be put in place that builds upon the existing structures of the LEP Board and the SCR Leaders. The transition to a SCR Combined Authority in April 2014 will offer the opportunity to refine the Governance structure to meet the needs of a European funding programme.
11	Monitoring/Management/Audit	Programme and project monitoring and audit requirements delay project implementation.	Given the SCR Partners are not the Managing Authority they can not be responsible for formal Programme Management, project monitoring and audit. However SCR Partners will work closely with the GDT to ensure such activity takes place in an efficient manner.
12	Performance Reserve	SCR fails to secure its allocation of 'Performance Reserve'.	The EUIS has been developed to meet the needs of the SCR economy. It is anticipated local design will ensure commitment targets are met.
13	Article 55	The interpretation of how Article 55 is applied to revenue generating projects may deter projects proceeding.	SCR Partners and the GDT will need to review the Article 55 regulations to ensure, wherever possible, that the regulations are applied appropriately and proportionately.
14	State Aid	Complex State Aid rules may deter investment.	State aid is an acknowledged area to be assessed in project development and appraisal. SCR proposes to follow the approach outlined by CLG in their Guidance note. Clarity is required as to what State Aid schemes are in place post 2013, who will renew existing schemes and when will they become effective.
15	Private Sector Engagement	The private sector will fail to engage with the Programme (together with private sector match) based on previous experience or bureaucracy, delays and risk of clawback.	SCR Partners and the GDT will need to develop processes that 'hide the wiring' for project sponsors. Clear guidance needs to be developed. Project monitoring and audit processes should be developed to become opportunities to improve project performance rather than to find fault.
16	Uncertainty	Uncertainty about Programme objectives, application processes, contracts/conditions, intervention rates etc all have the potential to deter project proposals coming forward.	SCR Partners and the GDT should look to develop clear information and application packs to assist project sponsors as well as face to face engagement.
17	Intervention Rates flexibility	Fixed intervention rates for the Programme may result in project activity being deterred or delayed.	SCR would want the ability to vary intervention rates between projects to but maintain the overall Programme position.



### Appendix 3 – Risk Schedule

18	Value for Money	The appraisal process may fail to balance strategic objectives against cost per output.	Value for money is secured against a number of criteria not just cost per benefit/output. SCR Partners consider it critical that Strategic Benefits (such as alignment with the Growth Strategy) carry significant weight in the appraisal process and calculation of VfM.
19	Rationale for Intervention	Projects are approved with a weak rationale.	SCR Partners are determined that the EUIS aligns with the Growth Strategy. Projects should not proceed without a clear rationale that fits with the needs identified in the SCR Growth Plan.
20	Theme Virement	An inability to vire funds between Theme Objectives and SCR Strands may impact upon Programme performance.	Operating within a single National Programme it is anticipated that BIS will be able to respond to request to vire funds between Themes at a local level whilst maintaining the national profile. A process for this to take place and when should be developed for all LEPs.
21	Eligibility	Proposed activity may be ineligible for EU support.	SCR Partners have significant experience in dealing with EU funds and will work closely with the GDT to ensure compliance.
22	Derbyshire Dales Allocation	The SCR EU allocation fails to take account of Derbyshire Dales falling within the SCR boundary.	Government is expected to adjust the SCR allocation accordingly as a matter of some urgency to enable the final EUIS to take this into account.
23	Exchange rate	Changes in the €:£ exchange rate may impact upon Programme performance.	It is expected that Government will manage the exchange rate change process at a national and local level by keeping LEPs fully informed of any variations that need to be addressed in their Programmes.



## Appendix 4

### Key Low Carbon Proposals

- a. District Heating & Cooling - New opportunities to extend this network have been identified, particularly throughout the Don Valley on route to connection with the existing network. Includes, heat capture and storage and geothermal energy investment. This is a priority for Sheffield and forms part of our SCRIF proposals.
- b. Smart heat meters –a large investment programme to upgrade and fully modernise the plant, individual controls and heat metering of the city’s community heating networks serving 6,000 properties. Similar roll out to private sector and business will follow. This provides the opportunity in supporting other priorities such as wi-fi enabled broadband services
- c. Anaerobic Digestion – a number of proposals are being developed to design and build AD facilities to reduce the amount of organic waste going to landfill and to utilise the methane generated as an alternative to natural gas in combined heat and power engines or in heavier vehicles.
- d. Low Carbon Retrofit of Housing – A City region programme to address carbon emissions from homes through the roll-out of retrofitting programmes, supported by the Government’s Green Deal and ECO programmes. Sheffield City Council is working up ambitious plans to facilitate large-scale energy refurbishment of homes using ECO, Green Deal and other public and private sector resources.
- e. Low carbon retrofit of commercial and non-domestic buildings to support business efficiency and resources.
- f. Development of Ultra Low Carbon Vehicle Infrastructure – to support the uptake of cleaner vehicles, we’re investing in electric charging infrastructure for lighter vehicles and compressed natural gas infrastructure for heavier vehicles such as Heavy Goods Vehicles and buses. We’re developing infrastructure to support the uptake and growth of hydrogen.
- g. decarbonising existing and development sites through the investment in low carbon infrastructure such as compressed natural gas, electric and hydrogen fueling for transport
- h. local heat networks and renewable sources of heat and power.
- i. we will also take opportunities for industrial adaptation, improved resilience and greater environmental protection and resource efficiency, through e.g. support for development of low impact urban design.
- j. the research and innovation elements of the Growth Plan and EU Investment Strategy, and the overall focus on new (primarily) external markets, to create new market opportunities for local markets and export, will provide the dynamic impulsion for our step change on both decarbonising the City Region, and growing high value businesses and jobs in this rapidly emerging field.
- k. Waste management processes and systems including waste minimisation and improving recycling rates and opportunities.
- l. Provision of sustainable transport solutions that provide access to key employment sites



## Appendix 5

### Stakeholder Engagement in the Preparation of the Strategy

1. Overall we estimate that at least 200 businesses and organisations, and hundreds of individuals, have contributed to the development of this EU Investment Strategy.
2. Substantial consultation has been and is being undertaken on Sheffield City Region's Growth Plan, and that has also been fed into and informed the preparation of this EU Investment Strategy<sup>22</sup>.
3. Work on developing this Strategy has been undertaken by an officer group, made up of representatives from:
  - a. the nine local authorities in Sheffield City Region
  - b. the two universities in Sheffield City Region
  - c. the third sector, in the form of several leading third sector officers
  - d. the environmental sector, in the form of the Local Nature Partnership
  - e. low carbon interests, in the form of a member of the LEP's Low Carbon Sector Group;
  - f. the City Region's Skills for Growth Partnership.
  - g. supported by officials from CLG and BIS.
4. The LEP has conducted an open online consultation from August 2013 to the present day.
5. A major consultation event was organised in early September 2013, open to all, with invitations sent to all private, public, third and environmental organisations in the City Region. Over seventy people attended representing around fifty organisations.
6. Specific meetings were held with:
  - a. the four Chambers of Commerce covering the City Region;
  - b. University of Sheffield;
  - c. the Chief Executives of the CVSs (or equivalent) covering all parts of the City Region;
  - d. Sheffield City Region MPs;
  - e. Barnsley College;
  - f. Dearne Valley Special Board;
  - g. Chairs and Chief Executives of the four LEADER programmes currently operating in Sheffield City Region;
  - h. several LEP Sector Groups;
  - i. potential match funders, including: AHSN, Environment Agency, Growth Accelerator, MAS, Big Lottery, Princes Trust, UKTI and the Skills Funding Agency
7. In addition to the City Region-wide events and meetings described, a large number of local events and meetings took place in each of the City Region's districts

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<sup>22</sup> Details can be found in the Strategic Economic Plan document to be submitted to Government in December 2013.

## Appendix 6

### ESIF Governance Arrangements

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

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

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

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

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

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

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

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

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

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

The local sub-committees :

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

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

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