



## **European Structural and Investment Fund Strategy**

Updated in October 2019

# Enterprise M3 European Structural and Investment Fund Strategy

**October 2019**

Developed by Enterprise M3 supported by Warwick Economics & Development and KADA Research

**Webversion**

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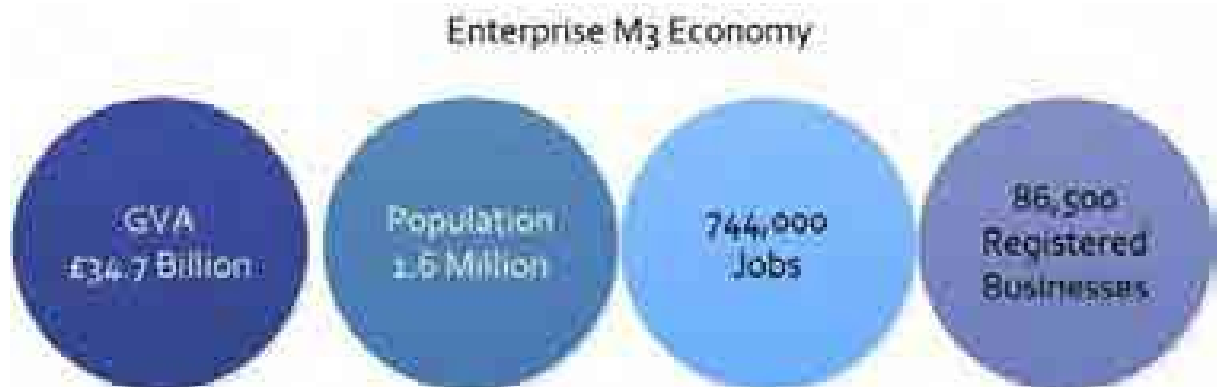
# Overview

## Who we are...

This document sets out ambitious but realistic proposals for the investment of European funding over the next seven years to 2020 by the Enterprise M3 Local Enterprise Partnership (LEP). Put simply, the LEP is working to exploit one of most successfully performing economies in England. We will target these funds to help us achieve our bold vision, set out in our Strategy for Growth and reinforced within our Strategic Economic Plan, to be ***'the premier location in the country for enterprise and economic growth, balanced with an excellent environment and quality of life'***.

Enterprise M3 covers mid and north Hampshire and south-west Surrey, stretching from the hinterland of London, along the lines of the M3 motorway to the New Forest taking in several towns in Hampshire and Surrey (including the key growth centres of Basingstoke, Farnborough, Guildford and Woking, along with the Step-up Towns of Camberley, Aldershot, Andover, Staines-upon-Thames and Whitehill and Bordon) and the city of Winchester (further detail around our spatial priorities is set out in Chapter 2). As well as major urban centres, the area also has extensive rural towns and villages, two national parks, education and innovation clusters and corporate HQs, military sites and sites of outstanding natural beauty and heritage.

We are known for our exceptional connectivity. We aim to exploit and enhance our connections for the benefit of our businesses, local communities and people who visit our area. We will capitalise on our industrial strengths through an Enterprise M3 Sci: Tech corridor acting as a conduit for our innovation investment and 'smart specialisation'<sup>1</sup> strategy. This investment will be complemented by science and technology related skills and low carbon measures. The Enterprise M3 area is located at the heart of a transportation hub connecting UK businesses to the rest of the world. In addition to its proximity to Heathrow, Gatwick and Southampton airports, within the area lies Farnborough Airport - Europe's premier business aviation airport. Road and rail connections include stretches of the M25 and much of the M3 and A3, as well as 75 railway stations.



Source: NOMIS, 2012

We are a significant economy in our own right (see above). The area is home to around 100,000 SMEs (86,500 registered businesses) as well as global businesses such as AXA Wealth, Motorola, BP and Novartis. Our location offers fertile ground for new and existing businesses whilst acting as a key workforce artery to London's economy. Quality of life is high and the area is packed with country parks, heritage sites and visitors' attractions with easy access to both major urban areas and the countryside. It is these connections and our exceptional living environment, which provide the basis for the LEP's activity and the use of European funds to promote growth - helping us make the most of our assets, skills and globally recognised industries.

We are a remarkably resilient economy and tend to 'buck the trend' in the creation of new jobs; the

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<sup>1</sup> The commission has asked for proposals to encourage smart specialisation, which involved identifying unique characteristics and assets, highlighting competitive advantages, and rallying regional stakeholders and resources around an excellence-driven vision of their future.

baseline analysis shows (see Chapter 2) that we perform very well against our peers. For instance, Enterprise M3 is ranked 2<sup>nd</sup> out of 39 LEPs in terms of the local business base and characterised by businesses in growth sectors, export led and with high business survival rates. Our continuing success is therefore very important for the rest of the country. We know we have world-class sectors in ICT and digital media, pharmaceuticals, aerospace and defence and professional and business services. These are supported by a bedrock of knowledge-based businesses, traditional and high value manufacturing and services, and world class higher-level skills. But we need to continually develop and improve to retain our competitive advantage exploiting opportunities in these and other areas. This plan will complement our Strategy for Growth in helping to make a good place even better. It will help us to tackle many of the constraints faced by many of the fastest growing EU economies - from fostering innovation to ensuring our growing businesses are able to find the right people they need.

**This plan has been developed in line with the EU’s desire for smart, sustainable inclusive growth, and complements the UK Government’s principal growth priorities. It takes into account contributions from a wide range of key local stakeholders representing the public and private sectors, not-for-profit organisations and civil society, higher and further education institutions and local groups.**

**What we intend to do...**

Enterprise M3 has received a notional allocation of €45.6m (£32.3m) for the period 2014-2020. We intend to use 55% of this funding as European Regional Development Fund (ERDF) targeted at the stimulation of small and medium businesses and supporting innovation and the development of a low carbon economy. The other 45% will be used as European Social Fund (ESF) money for skills investment, workforce training and targeted inclusion activities. We will also invest our £3.5m European Agricultural Fund for Rural Development money into rural business development, complemented by ESF skills provision for rural areas.

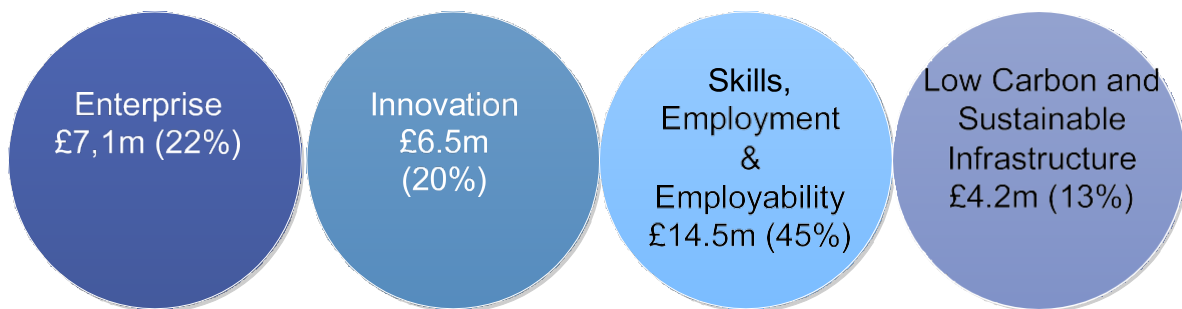
Enterprise M3 undertook an extensive consultation process in developing its Strategy for Growth, which was published in May 2013. This consultation process identified three headline targets for the LEP around GVA, jobs and business births and survival. These targets have since been updated in light of the latest economic data. The consultation also identified four key themes of activity, which would underpin the progress towards these headline targets. The four themes are around enterprise, innovation, skills and employment, and infrastructure and place. The relationship between these themes and the headline targets are summarised in the following diagram:



Source: Enterprise M3 Strategy for Growth

In order to effectively align the activity to be funded through our notional allocation with our wider programme of activity, we have structured our EU investment priorities around these same four themes (the only refinement being a greater emphasis on low carbon in the infrastructure theme).

## Enterprise M3 EU Investment Priorities<sup>2</sup>



\*Note: Enterprise M3 has an additional allocation of £3.5m from the **European Agricultural Fund for Rural Development (EAFRD)** with a suggested emphasis on providing strategic business support activity for small enterprises in rural areas. This is additional and not included in the above allocations.

Within the EU funding parameters, the Enterprise M3 partners have chosen to focus investment **through an enterprise and innovation led programme** (42% of the funding is allocated to these two priorities) underpinned by investment in the workforce. This means that:

- We will prioritise support to enable the **growth aspirations of SMEs and start-ups** to materialise and encourage a closer relationship between larger businesses and SMEs and stimulate new inward investment projects in **priority sectors** (more on these later).
- Much of this activity will be driven from our enhanced business support infrastructure and we expect national providers to tailor their work to complement and add value to our priorities and aspirations for significantly enhanced co-ordinated support for our local firms and start-ups. (ERDF funding allocated: £7m, 22% of notional allocation).
- In terms of innovation, we are very keen to support our ‘innovation ecosystem’ and the world-class assets in our area by focusing investment in an Enterprise M3 Sci:Tech Corridor which will exploit our **unique characteristics and assets, competitive advantage, and rally stakeholders and resources around an excellence-driven vision of their future**. (ERDF funding allocated: £6.5m, 20% of notional allocation).

These strategic programmes will be supported by **comprehensive skills measures with an emphasis on skills development supporting business growth and making the skills system work much better** (ESF funding allocated: £14.5m, 45% of notional allocation). Our employment growth aspirations will be met through three strands of activity:

- a. World-class skills measures;
- b. Supporting employability<sup>3</sup>; and,
- c. Enhancing employer take up of training.

The Commission does not expect partners in more developed areas to allocate too much funding to sustainable infrastructure (developing areas across Europe take precedence here). Our **Low Carbon and Sustainable Places** strategic action is therefore more modest in size (ERDF funding allocated: £4.2m, 13% of notional allocation) and aimed at supporting low carbon technologies. This underpinning measure will work in tandem with the Local Growth Fund to unlock infrastructural constraints on business growth and ensuring that we exploit opportunities in the low carbon economy. This will be complemented by appropriate use of European Agricultural Fund for Rural Development for rural businesses.

Within this programme, we have plans to develop our visitor economy and to exploit the strengths of our rural businesses. We will work closely with Local Nature Partnerships to ensure what we do

<sup>2</sup> Note: Enterprise M3 has an additional allocation of £3.5m from the European Agricultural Fund for Rural Development (EAFRD) with a suggested emphasis on providing strategic business support activity for small enterprises in rural areas. This is additional and not included in the above allocations.

<sup>3</sup> Note the social inclusion element is 22% of the of the ESF allocation.

contributes to our ambitious plans for sustainable development, cutting across all activities, and will work with the not-for-profit sector to do the same for inclusivity across the programme. The ageing population in our area requires new responses to ensure the economy is able to draw on as diverse a workforce as possible as new and replacement employment opportunities become available. To this end, our plans also embrace the new concept of social innovation and we will work with the not-for-profit sector and social enterprise in particular to find new ways of working with the diverse needs of communities within Enterprise M3 – in urban, suburban and rural areas, and market towns.

**What we will achieve and how...**

The headline impacts of the programme are as follows. The full range of impact measures appear in Chapter 5 of the plan.



We are acutely aware of the need to ensure we have the capacity and appropriate structures in place to deliver our programmes. The governance section in Chapter 6 of the plan sets out our arrangements. The Terms of References indicate that the LEP area ESI Funds committees are sub-committees of the England Growth Programme Board (GPB) for ESF and ERDF. They will support the GPB's role in considering overall Operational Programme performance by specifically looking at and advising on the local, on-the-ground implementation of it, via project calls, applications and on going implementation. The advice of LEP area ESI Funds sub-committees will be focused on local development needs that are set out in ESIF strategies within the context of relevant Operational Programmes. This will inform as appropriate Managing Authority decisions on call specifications with respect to Priority Axes and Investment Priority focus, geography, Operational Programme and ESIF strategy context, financial resources and the timing of calls. Regarding the EAFRD funding, The LEP area ESI Funds sub-committees are not sub-committees of the EAFRD Programme Monitoring Committee but will assist the EAFRD Managing Authority and the GPB by providing advice where those activities are relevant to EAFRD spend which is part of the ESI Funds Growth Programme. With an emphasis on delivery and performance, European Management Group (EMG) the ESIF sub-committee for Enterprise M3 area will act as a conduit for our action groups, cross LEP working and national structures / providers and the Managing Authorities (MA). Our EU Structural and Investment Fund Strategy forms part of wider coordinated programme of activity for Enterprise M3. In line with our Strategic Economic Plan, EU funds will be used alongside Local Growth Deal funding and the Growing Enterprise Fund to maximise business growth in the area.

**This plan represents a new era for Enterprise M3 LEP. We very much look forward to working with partners over the coming months and years on what we believe will be an exciting suite of activities that will help unlock further growth in an already strongly performing and resilient economy.**

## 2. Socio-economic Context: Enterprise M3

*Enterprise M3 stretches from the hinterland of London to the New Forest and South Coast...*

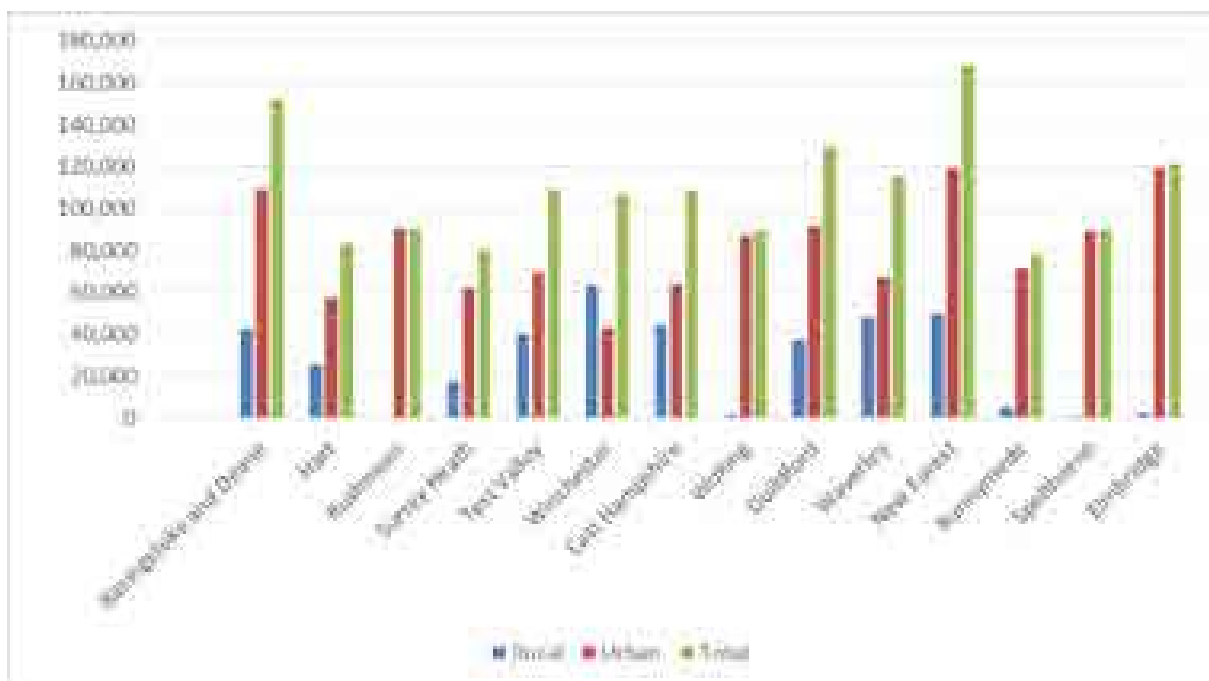
- 21 The Enterprise M3 area stretches from the hinterland of London, along the lines of the M3 motorway to the New Forest and south coast taking in several towns in Hampshire and Surrey (including our Key Growth Centres of Basingstoke, Farnborough, Guildford and Woking, and our Step-up Towns: Camberley, Aldershot, Andover, Whitehill and Bordon, and Staines-upon-Thames) along with the city of Winchester. To the north and neighbouring London and the M25, the economy has strong links to London and the Thames Valley and includes a large number of international headquarters and technology-based businesses. And to the south a predominantly rural economy includes significant town centres, such as Andover, Petersfield and Farnham, but with a stronger emphasis on environment assets and tourism and leisure industries. Its outstanding landscapes are recognised in the New Forest and South Downs national parks, which cover just over a quarter (26%) of the LEP area.
- 22 The area covers approximately 4,400 km<sup>2</sup> and stretches 75 miles through Hampshire and Surrey. Enterprise M3, therefore, brings together localities within the following local authority district areas in Hampshire and Surrey:
- Basingstoke and Deane Borough Council
  - East Hampshire District Council
  - Elmbridge Borough Council
  - Guildford Borough Council
  - Hart District Council
  - New Forest District Council
  - Runnymede Borough Council
  - Rushmoor Borough Council
  - Spelthorne Borough Council
  - Surrey Heath Borough Council
  - Test Valley Borough Council
  - Waverley Borough Council
  - Winchester City Council
  - Woking Borough Council
- 23 Enterprise M3 adjoins the following LEP areas:
- Coast to Capital
  - Dorset
  - London
  - Solent
  - Swindon & Wiltshire
  - Thames Valley Berkshire
- 24 The mix of urban, peri-urban and rural areas is reflected in the population density, which in the Enterprise M3 area, is less than that of the country as a whole. These features are explored further in Chapter 7.

**Figure 2.1: Population in the Enterprise M3 area**

	Enterprise M3	England
Population (2011)	1,633,900	53,107,200
Population density (people/hectare)	3.7	4.1



**Figure 2.2: Distribution of urban/rural population in Enterprise M3 area (2001)**



- 75% of Enterprise M3's population live in urban areas, the 15th most urban LEP in England (London LEP is the most urban LEP, with 99.8% of its population living in urban areas).
- With 382,095 residents living in its rural areas, Enterprise M3 has the 11th highest rural population in England among the 39 LEPs (South East LEP is the most rural LEP, with 25.5% of its population living in rural areas).
- As shown in Figure 2.2 of all the local areas in Enterprise M3, Spelthorne, Woking and Elmbridge have the highest percentage of total residents living in urban areas. On the other hand, Winchester, Waverley and East Hampshire have the highest percentage of total residents living in rural areas.

### Enterprise M3 Spatial Priorities

As part of the development of our draft Strategic Economic Plan, which was submitted to Government in December 2013, we undertook a process of spatial prioritisation around our activities.

Through this activity, we identified two main spatial programmes of activity to be taken forward within the wider SEP. These are as follows:

- **To promote a series of strategic actions along an Enterprise M3 Sci:Tech Corridor, a corridor of thriving innovation, R&D, technological breakthroughs, commercialisation of ideas and high value added economic activities generated by academia and businesses working closely together.** To deliver this objective we will capitalise on our industrial strengths and the world-class research of our universities, acting as a conduit for investment in priority sectors, businesses and local communities. This objective includes a number of interventions ranging across transport, housing, skills, innovation and enterprise. The Sci:Tech Corridor covers the whole of the Enterprise M3 area, but activity will be particularly focused on our four key growth centres (Basingstoke, Farnborough, Woking and Guildford), which have clusters of Sci:Tech companies and which are significant drivers of economic activity and growth within the area.
- **To undertake concerted, transformational actions in those areas with high growth potential to ensure this potential is harnessed – our Step-up Towns.** This includes a range of towns including some of our major garrison towns. Our Step-up Towns face distinct issues and include Aldershot, Whitehill and Bordon, Andover, Camberley and Staines-upon-Thames. We will

be undertaking a range of interventions focused on these places in order to improve their competitiveness. This will involve significant transport infrastructure development and town centre regeneration as set out within the SEP, and a proportion of our employability and social inclusion spend will be focused within these areas, along with a section of our skills spend focused on allowing these areas to utilise their latent potential.

**Enterprise M3 is one of the strongest and most resilient local economies in the country...**

- 25 The Enterprise M3 area has consistently experienced higher levels of employment than England.

**Figure 2.3: Employment**

	Employment			Employment Rate (as a % of population)		
	2009	2010	2011	2009	2010	2011
<b>Enterprise M3</b>	775,000	782,800	774,000	75.91%	76.43%	74.80%
<b>England</b>	24,068,097	23,981,996	24,048,205	71.48%	70.82%	70.01%

Source: Employment data from BRES and population data from the Mid-Year Population Estimates, ONS. Note: Employment has been rounded to the nearest 100.

- 26 Over the period 2009 – 2011 Enterprise M3 also consistently has **a higher employment density (number of jobs per working age person) than has England as a whole**. Commensurate with the higher employment rates, Enterprise M3 also has consistently higher GVA/FTE (full-time equivalent) i.e. productivity levels than England.

**Figure 2.4: Employment density**

	2009	2010	2011
<b>Enterprise M3</b>	0.84	0.86	0.87
<b>England</b>	0.78	0.78	0.78

Source: NOMIS. NOTE: The above figures are job density – the ratio of jobs to resident population aged 16 – 64.

**Figure 2.5: Enterprise M3 Output and Productivity**

	2009	2010	2011
<b>GVA (£m)</b>			
<b>Enterprise M3</b>	54,963	57,212	59,100
<b>GVA/FTE (£/FTE)</b>			
<b>England</b>	54,900	56,700	58,200
<b>Enterprise M3</b>	87,100	89,600	94,800

Source: GVA data for Surrey and Hampshire from ONS and FTEs calculated from BRES employees' data. NOTE: GVA/FTE rounded to the nearest hundred.

- 27 In fact, the Enterprise M3 area has seen consistently lower rates of unemployment over the years 2009 – 2013 than England as a whole (this is also true of those claiming Job Seekers' Allowance).

**Figure 2.6: Unemployment (as a % of the working age population)**

	2009	2010	2011	2012	2013
<b>England</b>	6.4	8.1	7.7	8.2	8
<b>Enterprise M3</b>	3.5	4.4	4.1	5.2	5.2

Source: Annual Population Survey, NOMIS

- 28 There is a high concentration of knowledge-based industries in the Enterprise M3 area i.e. in computing, digital media, defence, pharmaceuticals, advanced engineering, professional services, energy and the environmental sector.
- 29 In terms of broader sectors, the highest employing sector in 2011 was health (although this was lower than in the country as a whole) followed by professional, scientific & technical (which is over 2 percentage points higher than England). The broader sectors showing concentration in employment relative to England as a whole over the years 2009 – 2011 were construction, the motor trades, wholesale, information and communication, property, professional, scientific & technical and the arts, entertainment, recreation & other services sector.

**Figure 2.7: Employment Concentration in Selective Enterprise M3 Industries**

	Employment				Concentration (Location Quotient)		
	2009	2010	2011	Change 2009-11 (%)	2009	2010	2011
<b>Energy</b>	5,900	6,700	6,600	11.86%	1.06	1.18	1.16
<b>Digital Media</b>	23,300	24,800	24,800	6.44%	1.57	1.66	1.59
<b>Pharma- ceuticals</b>	6,800	6,600	7,200	5.88%	1.63	1.44	1.64
<b>Environment</b>	8,800	9,200	9,300	5.68%	1.13	1.1	1.07
<b>Defence</b>	3,800	4,000	4,000	5.26%	1.64	1.51	1.69
<b>Healthcare</b>	73,300	75,400	76,600	4.50%	0.97	0.96	0.99
<b>Computing</b>	35,900	35,300	35,700	-0.56%	2.12	1.97	2
<b>Aerospace</b>	5,200	5,000	5,100	-1.92%	0.8	0.81	0.84
<b>Professional Services</b>	42,700	41,600	40,700	-4.68%	1.16	1.13	1.08
<b>Advanced Engineering</b>	37,700	35,600	33,300	-11.67%	1.35	1.3	1.22
<b>Finance</b>	24,600	22,500	20,800	-15.45%	0.83	0.76	0.69

Source: Enterprise M3 Key Sectors, 25 July 2013 Draft report version 2. Note industries only represent a fraction of total employment.

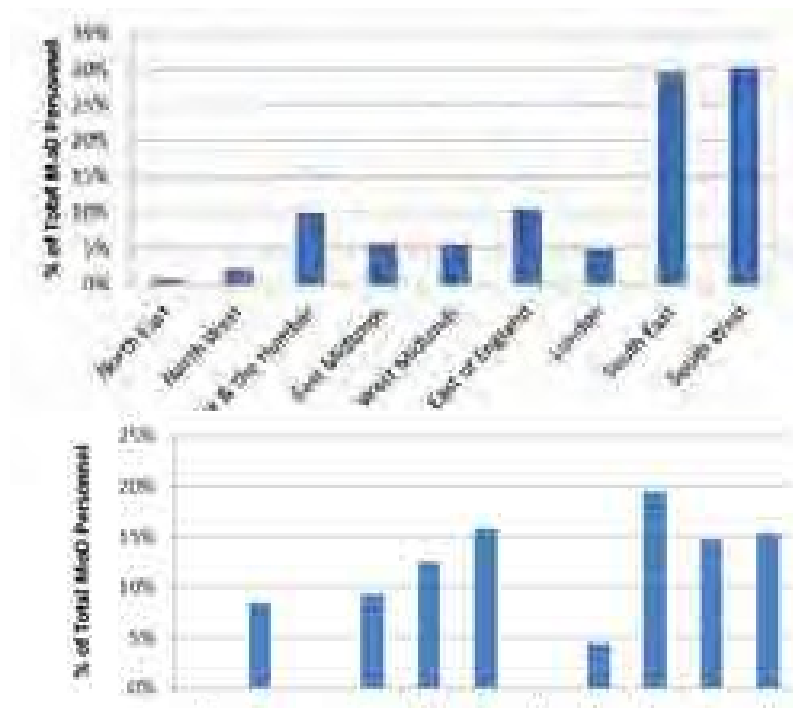
**Figure 2.8: Future Employment Change by Broad Sector**



Source: Working Future's UKES (2011) Cited in the Enterprise M3 Skills and Employment Strategy (2013).

- 210 One of the most comparatively significant employment concentrations is in defence industries (though in absolute numbers it is relatively modest at c 3,500). It is worth dwelling on this sector briefly given it (and the Ministry of Defence in particular) play a significant part in the economic life of the area. It is a major employer and purchaser and, given the scale of some of its sites, it has a significant influence on the physical character of some towns. The South East accounts for one third of the defence sector personnel (both military and civilian) in England. One third of the defence industry personnel in the South East are based in Hampshire. The March 2013 announcement by the defence secretary concerning the Basing Plan and the restructuring of army bases will result in a £100m boost for Aldershot with new bases and accommodation for troops returning from bases in Germany.

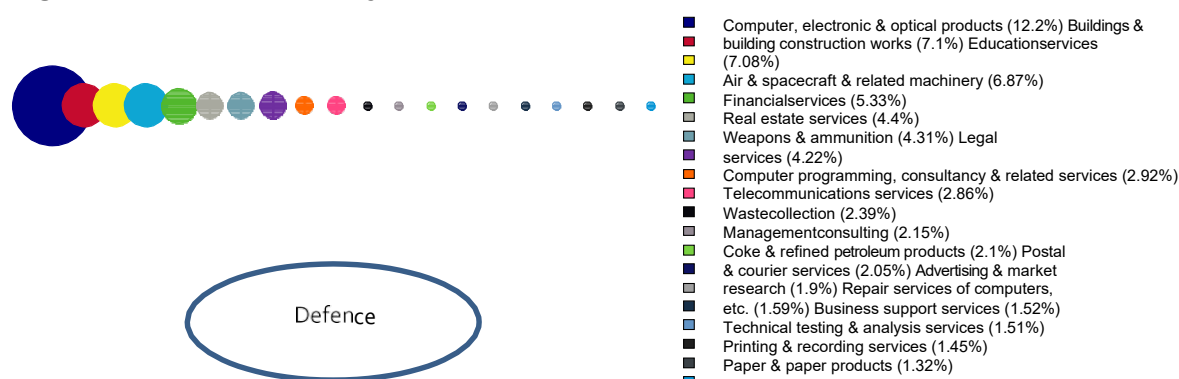
**Figure 2.9: Key Locations of Military Personnel in the UK and in Hampshire**



Source: Ministry of Defence, Quarterly Location Statistics, July 2013

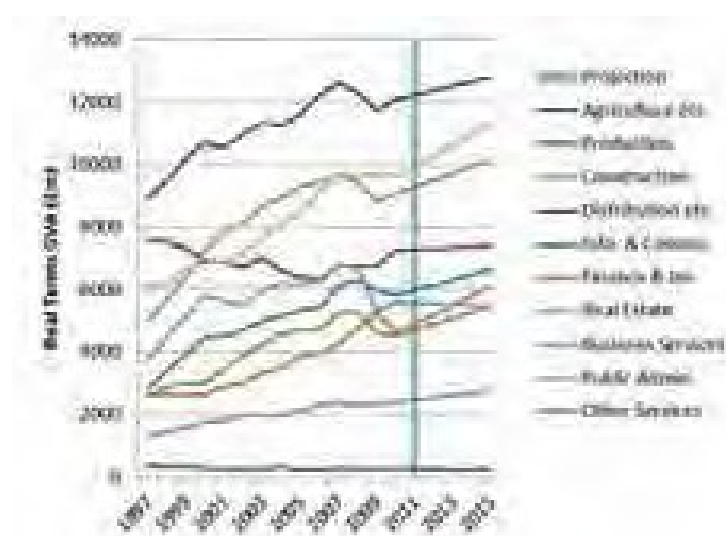
- 211 The Defence sector is highly important for the local economy and **its supply chain affects a wide range of sectors that are highly significant to the local economy, as shown by the Figure 2.9, including high value added and knowledge based industries but also traditional sectors and services.**

**Figure 2.10: Top 20 Supply Sectors to the Defence Sector**



- 212 In general, the prospects for the area are, overall, extremely positive. Over the period of 1997 – 2010, the majority of employment sectors in Enterprise M3 have experienced increases in GVA and that trajectory looks set to continue.

**Figure 2.11: Sector employment projections / GVA (Real Terms)**



Source: WECD using GVA NUTS3 data from ONS. Projections based on the growth rate in real terms GVA between 2000 and 2010 (CPI all items index used as the deflator).

- 213 The Enterprise M3 area has a higher proportion of residents in the higher occupations than the national average, and commensurately lower proportions in the caring, skilled trades and elementary occupations (Figure 2.11). There is also a higher proportion of corporate managers and directors and science, research, engineering and technical professionals (Figure 2.12). As shown in Figure 2.13, and as it might be expected given the occupational profile of Enterprise M3, there is a higher proportion of working age economically active residents with degrees or higher compared to England as a whole (and a lower proportion with no qualifications).

**Figure 2.12: Occupational make up and change (of residents)**

Occupation Year to March 2013	England	Enterprise M3
<b>Professional occupations</b>	19.5%	23.1%
<b>Associate prof &amp; tech occupations</b>	14.3%	15.4%
<b>Managers, directors and senior officials</b>	10.3%	14.3%
<b>Administrative and secretarial occupations</b>	10.9%	10.3%
<b>Elementary occupations</b>	10.9%	8.9%
<b>Skilled trades occupations</b>	10.3%	8.7%
<b>Caring, leisure and other service occupations</b>	8.9%	8.1%
<b>Sales and customer service occupations</b>	8.0%	7.4%
<b>Process, plant and machine operatives</b>	6.2%	3.8%

Source: Annual Population Survey, NOMIS.

**Figure 2.13: Highly skilled occupations**

Occupation Year to March 2013	England	Enterprise M3
Corporate Managers and Directors	7.21%	9.01%
Science, Research, Eng and Tech Professionals	5.25%	8.95%
Business and Public Service Associate	7.56%	8.02%
Business, Media & Public Service Professionals	5.33%	4.93%
Teaching and Ed Professionals	4.99%	4.52%
Health Professionals	4.04%	3.22%
Other Managers and Proprietors	3.18%	3.17%
Culture, Media and Sports Occupations	2.27%	2.58%
Science, Eng & Tech Associate Professionals	1.85%	1.74%
Protective Service Occupations	1.33%	1.63%
Health and Social Care Associate Professionals	1.41%	0.97%

Source: Annual Population Survey (workplace analysis), NOMIS.

**Figure 2.14: Workforce skills / NVQ Analysis (of working age)**

Qualifications 2012	England	Enterprise M3
NVQ4+	34.2%	42.4%
NVQ3	34.2%	16.7%
NVQ2	16.9%	15.7%
NVQ1	12.4%	10.9%
Other qualifications	3.4%	3.8%
Trade Apprenticeships	6.3%	4.6%
No qualifications	9.5%	5.9%

Source: Annual Population Survey, NOMIS.

**Figure 2.15: Educational attainment (GCSE 5+ of working age)**

Qualification Level	England	Enterprise M3
Degree or equivalent & above	26.1%	32.5%
Higher education below degree level	8.4%	10.1%
GCE A level or equivalent	23.1%	23.3%
GCSE grades A-C or equivalent	22.8%	20.0%
Other qualifications	9.9%	8.1%
No qualifications	9.6%	6.0%

Source: Annual Population Survey, NOMIS.

- 214 The Enterprise M3 Skills and Employment Strategy has included work examining the future levels of occupational employment change between 2010 and 2020 with projected increases in the higher level occupations (some 70,000 jobs).

**Figure 2.16: Projected Occupational Change 2010 – 2020**



### Enterprise M3 has a strong track record in innovation and invention...

- 215 There are four universities in the Enterprise M3 area (Surrey, Royal Holloway, Winchester and the University for the Creative Arts), as well as the Universities of Reading and Southampton, which sit close by. This puts the Enterprise M3 area in a leading position in terms of quantity and quality of the research produced and the opportunities for commercialisation and business development. Alone, the University of Surrey and its Research Park contribute £1.2 billion to the national economy<sup>4</sup>.
- 216 Surrey University is currently pioneering development of 5G telecommunications technology at its 5G Innovation Centre; the research centre to spearhead international research into the next generation of mobile technology. The Innovation Centre was awarded £35 million after a bid developed by the Centre for Communications System Research (CCSR) to the UK Research Partnership Investment Fund (UKRPIF), from a combination of the Higher Education Funding Council for England (HEFCE), as well as mobile operators and infrastructure providers keen to adapt their services for the future<sup>5</sup>. According to the Higher Education-Business and Community Interaction Survey (HE-BCIs)<sup>6</sup> universities in the Enterprise M3 area feature strongly in national league tables for income developed from commercial relationships with business, notably from SMEs. The universities of Southampton and Surrey occupy first and second places respectively in the survey for *SME Income for Facilities and Equipment Related Services*.
- 217 The Enterprise M3 area also has a strong tradition of translating internationally recognised research into world-class companies. Surrey Satellite Technology Ltd (now part of EADS-Astrium) is a prime example of this: it was spun-out of the University of Surrey in 2000 and has gone on to become a £100 million per annum business, employing hundreds of people in the UK. To date the company has launched 39 space missions, and is currently producing the 22 satellites in the UK for Galileo – Europe’s version of GPS.
- 218 A number of initiatives in the areas already work/operate around the Triple Helix Model (business, academia, public sector). For example, Woking Borough Council’s support for the McLaren Applied Technology Centre will influence the growth of an advanced engineering cluster in the area. The new centre will comprise of about 60,000 metres<sup>2</sup> of workshops, prototype manufacturing and testing space, research and development equipment and offices.<sup>7</sup>
- 219 It is worth noting that the **Enterprise M3 area has the highest number of patents per 100,000 residents** among all LEP areas (based on latest information available) suggesting a latent ‘absorptive capacity’ for innovation interventions.

**Figure 2.17: Patents per 100,000 Residents per LEP area (2007)**

LEP area	Patents
<b>Enterprise M3</b>	<b>19.1</b>
Buckinghamshire Thames Valley	16.3
Coast to Capital	15.4
Gloucestershire	10.2
D2N2	9.2
Coventry and Warwickshire	8.8
Dorset	6.4
Greater Birmingham and Solihull	5.1
Cornwall and the Isles of Scilly	3.9

<sup>4</sup> The Research Park comprises 140 companies, 2,750 staff, and has an impressive 95% three year business survival rate, (Enterprise M3 and WECD, Strategy for Growth, April 2013).

<sup>5</sup> Surrey University Website, Centre for Communications Systems Research; Introducing the World’s Premier 5G Innovation Centre, <http://www.surrey.ac.uk/ccsr/business/5GIC/>

<sup>6</sup> 2011/12 HE-BCIs data – HEFCE

<sup>7</sup> Enterprise M3, Strategy for Growth, April 2013



Black Country	3.8
Cumbria	3.3

Source: LEP Network Annual Report into LEP Area Economies, Experian, Published in 2012

**...and is home to established successful businesses...**

- 220 The area is home to a diverse range of businesses including Thales, Vitacress, AXA Wealth, Motorola, BP, Novartis, Surrey Satellite Technology and many others.
- 221 At the same time, it is also home to large number of micro businesses and small and medium enterprises. It is important to note, however, that the 1.25% of businesses with more than 100 employees within the area generate 63% of the GVA.

**Figure 2.18: Business turnover size band (Turnover size in £ thousand) – 2011**

	0 – 49	50 - 99	100 - 249	250 - 499	500 - 999	1,000 - 4,999	5,000 +
<b>England</b>	18.80%	23.11%	28.59%	12.24%	7.71%	7.28%	2.26%
<b>EM3</b>	18.83%	23.97%	29.07%	11.56%	7.36%	7.04%	2.17%
<b>EM3 (Nos)</b>	19,320	24,595	29,830	11,860	7,555	7,220	2,225

Source: UK Business: Activity, Size and Location – 2011, ONS.

- 222 Enterprise M3 has a far higher number of businesses per 1,000 population than England as a whole.

**Figure 2.19: Business per 1,000 Population**

	2009	2010	2011
<b>England</b>	39.38	39.18	38.43
<b>Enterprise M3</b>	73.41	73.52	72.43

Source: Business numbers from Business Demography, ONS; Population estimates from ONS.

**Figure 2.20: Rural Businesses in England by LEP, 2011/12**

LEP	>=250 employees	50 - 249 employees	1 - 49 employees	With no employees	Total business units
<b>South East</b>	0.1%	1.6%	80.5%	17.8%	56,525
<b>Heart of the South West</b>	0.1%	1.4%	69.4%	29.1%	41,775
<b>New Anglia</b>	0.2%	1.6%	76.7%	21.6%	36,350
<b>York and North Yorkshire</b>	0.2%	1.5%	72.6%	25.7%	32,720
<b>Greater Cambridge &amp; Greater Peterborough</b>	0.2%	1.8%	78.5%	19.5%	32,355
<b>South East Midlands</b>	0.2%	1.4%	78.6%	19.8%	27,605
<b>Enterprise M3</b>	0.2%	1.7%	82.0%	16.1%	26,690
<b>Leeds City Region</b>	0.2%	1.8%	75.3%	22.7%	23,670
<b>Derby, Derbyshire, Nottingham and Nottinghamshire</b>	0.2%	1.9%	77.7%	20.2%	23,070



<b>Greater Lincolnshire</b>	0.2%	1.6%	76.4%	21.7%	19,850
<b>The Marches</b>	0.1%	1.3%	67.8%	30.7%	19,105
<b>Coast to Capital</b>	0.2%	1.5%	81.0%	17.3%	18,265
<b>Cornwall and the Isles of Scilly</b>	0.1%	1.3%	70.5%	28.1%	17,225
<b>Solent</b>	0.1%	1.7%	80.9%	17.2%	16,765
<b>Cumbria</b>	0.1%	1.2%	72.7%	26.0%	16,470
<b>North Eastern</b>	0.3%	2.0%	76.2%	21.6%	16,170
<b>Oxfordshire LEP</b>	0.2%	1.5%	80.5%	17.8%	15,925
<b>Lancashire</b>	0.3%	1.8%	76.7%	21.3%	15,225
<b>Swindon and Wiltshire</b>	0.2%	1.5%	79.1%	19.2%	15,010
<b>Cheshire and Warrington</b>	0.3%	1.4%	78.9%	19.5%	13,605
<b>Humber</b>	0.2%	1.8%	78.2%	19.7%	12,920
<b>Gloucestershire</b>	0.1%	1.4%	76.4%	22.1%	12,760
<b>Northamptonshire</b>	0.2%	1.5%	78.4%	19.9%	12,680
<b>Stoke-on-Trent and Staffordshire</b>	0.3%	1.7%	74.0%	24.0%	11,980
<b>Buckinghamshire Thames Valley</b>	0.1%	1.2%	79.3%	19.4%	11,695
<b>Leicester and Leicestershire</b>	0.3%	2.1%	76.3%	21.3%	11,475
<b>Coventry and Warwickshire</b>	0.4%	2.1%	78.4%	19.0%	11,340
<b>Dorset</b>	0.2%	1.8%	76.4%	21.5%	10,865
<b>Worcestershire</b>	0.2%	1.4%	75.3%	23.0%	10,850
<b>Sheffield City</b>	0.3%	2.2%	77.2%	20.3%	10,200

<b>Region</b>					
<b>Thames Valley Berkshire</b>	0.5%	1.9%	83.0%	14.6%	9,695
<b>Hertfordshire</b>	0.2%	1.4%	81.8%	16.5%	9,330
<b>Greater Birmingham and Solihull</b>	0.3%	2.0%	77.7%	20.1%	9,250
<b>West of England</b>	0.4%	1.8%	77.2%	20.8%	7,660
<b>Greater Manchester</b>	0.6%	3.0%	79.3%	17.0%	3,210
<b>Tees Valley</b>	0.8%	3.1%	80.3%	15.8%	2,565
<b>Liverpool City Region</b>	0.6%	4.5%	81.5%	13.7%	1,565
<b>London</b>	0.0%	0.0%	82.0%	13.4%	1,085
<b>Black Country</b>	0.0%	0.0%	66.7%	25.0%	60

Source: Inter-Departmental Business Register (IDBR) 2011/12, Local Unit level dataset, ONS

As shown in Figure 2.20 Enterprise M3 has the 7<sup>th</sup> highest number of rural business units in England (out of 39 LEPs), just behind the South East Midlands, Greater Cambridge and Greater Peterborough, New Anglia, York and North Yorkshire, the Heart of the South West and the South East LEPs.

**Figure 2.21: Distribution of rural businesses by size in the Enterprise M3 area, 2011/12**

LAD Name	>=250 employees	50 - 249 employees	1 - 49 employees	with no employees	Total Business Units
Winchester	10	70	3,520	660	4,260
Waverley	**	**	2,815	545	3,415
East Hampshire	**	**	2,735	575	3,350
New Forest	**	**	2,595	595	3,260
Basingstoke and Deane	**	**	2,325	465	2,830
Test Valley	**	**	2,180	505	2,745
Guildford	**	**	2,275	365	2,680
Hart	10	45	1,675	280	2,005
Surrey Heath	**	**	1,085	180	1,280
Runnymede	**	**	360	50	445
Elmbridge	**	**	**	**	190
Woking	**	**	115	25	150
Rushmoor	**	**	**	**	**
Spelthorne	**	**	**	**	**
<b>Enterprise M3 (No)</b>	<b>45</b>	<b>465</b>	<b>21,890</b>	<b>4,290</b>	<b>26,690</b>
<b>Enterprise M3 (%)</b>	<b>0.2%</b>	<b>1.7%</b>	<b>82%</b>	<b>16.1%</b>	<b>26,690</b>

Source: Inter-Departmental Business Register (IDBR) 2011/12, Local Unit level dataset, ONS

As shown in Figure 2.21:

- Winchester, Waverley and East Hampshire (closely followed by New Forest) have the highest number of rural business units in Enterprise M3.
- 82% of all rural businesses in the Enterprise M3 area have between 1 and 49 employees.
- There are 45 rural businesses with more than 250 employees in the Enterprise M3 area. Winchester and Hart are the two key locations for these businesses.

### ***The Enterprise M3 area is also an attractive place to visit....***

- 223 The outstanding landscapes of the Enterprise M3 area are recognised in the designation of 26% of it as national parks - the New Forest and South Downs. Both Surrey and Hampshire are packed with country parks, heritage sites and visitor attractions. Hampshire is the most visited county in the South East<sup>7</sup>:
- £2.30bn is estimated to have been spent by day and staying visitors in Hampshire in 2010 worth some £2.67bn including wider multiplier effects.
  - In 2008, 60,500 individuals were employed in tourism in Hampshire, representing 9.2% of the county's total employment.
  - 5.6% of the Gross Value Added (GVA) to the Hampshire economy (£29.8 billion, in 2007) could be attributed to tourism (£1.68 billion, in 2007).
- 224 Surrey also contains many major local attractions such as Epsom Downs Race Course, Surrey History Centre in Woking and the Yvonne Arnaud Theatre. Despite its location next to London, Surrey is the most wooded county in England with 22.4% coverage. Among its

many notable beauty spots are Box Hill, Leith Hill, Frensham Ponds, Newlands Corner and Puttenham and Crooksbury Commons, all of which sit within the Surrey Hills Area of Outstanding Natural Beauty. Surrey is a stronghold for many of Europe's rarest wildlife species living on lowland heaths, including nightjar, Dartford warbler, sand lizard and smooth snake. The ancient yew and box woods of the chalk downs are also protected under European law. Its 'natural capital' makes the LEP area an attractive area to live and invest. **Many small and micro-businesses operate from the villages within this outstanding landscape.** There is considerable rolling downland, whilst the chalk hills of the North Downs start at the Hog's Back in the west and broaden out eastwards across the county. There are many commons with an extensive network of footpaths and bridleways including the North Downs Way long distance path. Towards the north of the county, the land is largely flat around Staines and borders the River Thames where there are many large reservoirs.

- 225 The area includes the New Forest and South Downs National Parks, recognising its iconic landscapes. The Roman city of Winchester with its glorious cathedral and attractive shopping centre is a popular tourist destination. The author Jane Austen's associations with Winchester and Chawton attracts tourists year round, together with Selborne, which was the home of Gilbert White. The chalk rivers of the Test and Itchen are world famous for their trout fishing. The Olympic Road Cycling Road Race took place in Surrey over the first weekend of the London 2012 Olympic Games. Since then, Surrey has been on the map as a destination for cycling. Every weekend hundreds of people head to the Surrey Hills to cycle through the beautiful countryside.
- 226 Employment in the visitor economy sector reflects this rich profile. The sector has, between 2009 and 2010, been commensurate with that of England, although there has been an increase in 2011, so that proportionately more people are employed in this sector than compared to the country as a whole. The New Forest (alongside the adjacent cities of Southampton and Portsmouth) provides one of the major locations for tourism related employment. This reflects the role of the New Forest as an important leisure tourist destination - the New Forest National Park is visited by 13.5 million visitors every year who generate nearly £400 million in tourism expenditure.

**Figure 2.22: Employment in the Visitor Economy**

	2009	2010	2011
<b>England</b>	7.17%	7.06%	7.27%
<b>Enterprise M3</b>	7.22%	7.50%	8.37%

Source: BRES. NOTE: visitor economy definition is based on that contained in "The Economic Contribution of the Visitor Economy: UK and the nations", June 2010, Deloitte and Oxford Economics, although the SIC used is 2007.

### ... live...

- 227 Quality of life can be an important factor in attracting and retaining key staff. According to work undertaken by Local Futures for Enterprise M3<sup>8</sup>, Enterprise M3 is ranked 8 out of 48 sub-regions on Local Futures' quality of life score, placing it in the top 20% of sub-regions in England. The quality of life score is a composite of measures, including low levels of crime; high levels of good health; the quality of local schools; access to amenities; and access to an attractive natural environment. We will work strategically with our Local Nature Partnerships (LNPs) to help manage the natural environment ensuring the views of a broad range of local organisations, businesses and people are taken into account in local decisions, for example, about planning and development.

<sup>8</sup> Inward Investment Guide for Enterprise M3, Local Futures, February 2013.

## ...and set up a business

- 228 The 5-year survival rate of newly created businesses in the Enterprise M3 area is higher than has been seen in England.

**Figure 2.24: Business survival rates 1-5 years**

5 Year Survival	
England	44.80%
Enterprise M3	48.80%

Source: Business Demography, ONS. NOTE: The businesses who survived for 5 years were born in 2006.

- 229 As detailed in the Enterprise M3 Commercial Property Market Study (2013), there is considerable availability of space for different types of commercial business and considerable clustering of offices. For example, over the period for which data are available (2005 – 2008), the Enterprise M3 has had a greater number of commercial offices (as a proportion of total stock), approximately the same number of factories and fewer warehouses (and slightly fewer retail premises) than England as a whole. In terms of floorspace however, Enterprise M3 has seen a slightly higher proportion of retail premises, more commercial office space, fewer factories and fewer warehouses. This suggests that Enterprise M3 has, on average, larger retail and warehouse premises than in England as a whole.

## However, future proofing is needed ...

- 230 In terms of changes in employment, Enterprise M3 has seen a larger drop in total employment between 2009 and 2011 compared to England which has apparently been driven by a larger fall in public sector employment (whereas England saw a small rise in public sector employment), but **there was a far smaller fall in private sector employment compared to the country as a whole.**

**Figure 2.26: Employment change over time (total & public/private)**

	Change in Total Employment 2009 – 2011 (%)	Change in Public Employment 2009 – 2011 (%)	Change in Private Employment 2009 – 2011 (%)
England	-0.08%	0.35%	-0.19%
Enterprise M3	-0.13%	-0.74%	-0.02%

Source: BRES Public/Private Employment Data.

- 231 Turning to international trade, businesses in Enterprise M3 appear to have exported less than the average for England. This may be a reflection of the area having generally smaller companies than England and our sectoral composition - according to UKTI, the statistics do not take into account the import/export of services.

**Figure 2.27: International Business**

	All Export trade 2011 (£ million)	Exports /GVA 2011 (%)	Exports to the EU 2011 (%)	All Import trade 2011 (£ million)	Imports /GVA 2011 (%)	Imports from the EU 2011 (%)
England	212207	18.87%	50.41%	316852	28.17%	47.45%
Enterprise M3	12412	6.45%	12.92%	23549	12.24%	15.45%

Source: Exports data from Regional Profiles, ONS and GVA data from ONS, GVA NUTS3 data.

NOTE: Enterprise M3 exports/imports are estimated proportion of workers in the south east and applied to the south east exports/imports data.

- 232 There has also been a relatively large decline in number of Foreign Direct Investment (FDI) projects in the South East between 2011 and 2012 (-34%). All English regions – including the South East and the areas covered by Enterprise M3, are challenged as London continues to dominate as the key regional investment powerhouse in the UK, attracting 45% of the UK's total projects - equivalent to the fourth biggest European country. Mark Gregory, Ernst & Young's chief economist commented: *'The findings on the declining performance of the English regions outside London - especially in attracting new projects - raise further doubts over the UK's ability to retain its lead in European FDI'*.

**Figure 2.28: Jobs Created by Foreign Direct Investment in the UK**

	2010/11 Total Jobs	2011/12 Total Jobs	% difference between 2011/12 and 2010/11
East Midlands	6,055	4,375	-28%
East of England	4,125	5,663	+37%
Greater London	28,291	15,150	-46%
North East	4,239	10,679	+152%
North West	13,139	15,430	+17%
South East	9,672	5,561	-43%
South West	8,839	2,948	-67%
West Midlands	4,661	14,254	+206%
Yorkshire & Humber	1,538	3,700	+141%
England Total	80,559	77,760	-3%
Northern Ireland	2,136	1,480	-30%
Scotland	7,809	12,610	+61%
Wales	3,544	2,854	-19%
Non Region/Nation Specific	550	17,955	+3,165%
UK Total	94,598	112,659	+19%

Source: UKTI

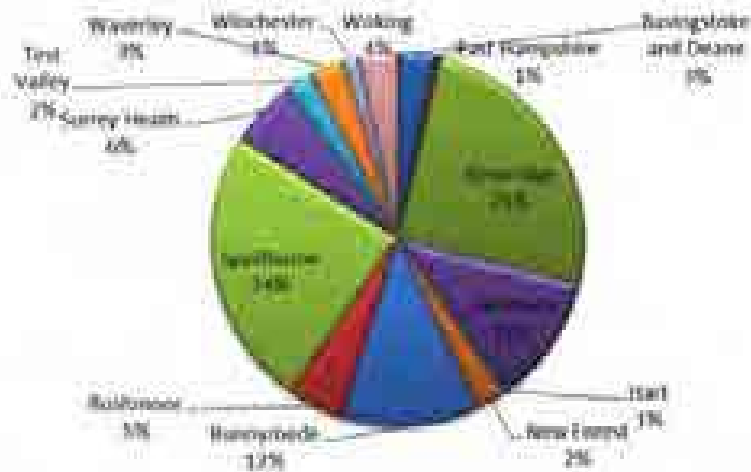
### **The job market is heavily dependent on London ...**

- 233 Enterprise M3 is one of the key workforce arteries supporting the London economy, with more than one in ten **economically active/employed residents of the Enterprise M3 area travelling to London to work**. For those living in Elmbridge and Spelthorne, the figures rises to one in four. However, in Spelthorne the proximity to Heathrow accounts for much of this travel.

**Figure 2.29: Commuters to London by Selected LEP area**

LEP	Number of Commuters	Economically Active Employed	Economically Active Employed Residents travelling to London
Enterprise M3	94,337	834,685	11.30%
SEMLEP	38,048	864,308	4.40%
Herts LEP	130,494	568,664	22.95%

**Figure 2.30: Enterprise M3 Residents Commuting for Work to London**



Source: Commuting data, ONS

- 234 It can be seen that the higher-level occupations experience higher levels of out-commuting.

**Figure 2.31: Estimate of Flows from/to Enterprise M3 by Occupation (2012)**



Source: Annual Population Survey, ONS (resident and workplace data), as from Enterprise M3 Skills and Employment Strategy

- 235 This also contributes to the relatively high earnings of residents in the area. For example, over the period 2009 – 2012, average *resident* annual salaries have been consistently higher in Enterprise M3 than in England as a whole. However, the average *workplace* salary has been lower. This suggests that the distribution of salaries and probably jobs in workplaces in Enterprise M3 is not as wide as witnessed in England and/or a relatively high proportion of residents commute outside of the LEP area and work in higher paying jobs elsewhere.

**Figure 2.32: Average Earnings in Enterprise M3**

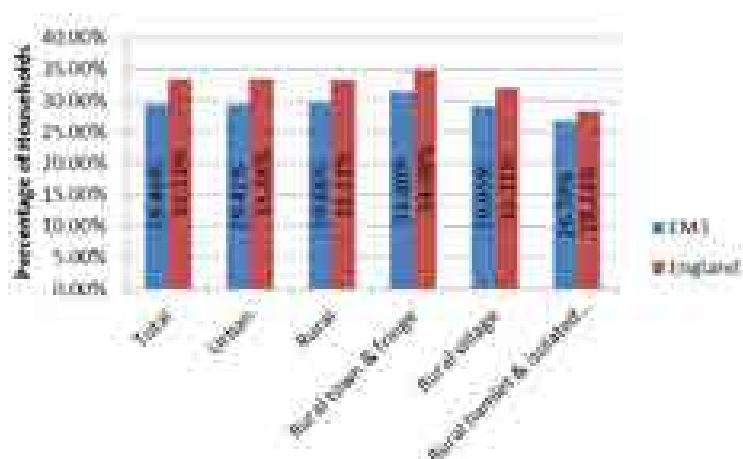
	Average Workplace		Average (Residents)	
	England	Enterprise M3	England	Enterprise M3
2009	30098	27095	27128	33607
2010	29762.5	27240	27246	33086.5
2011	29382	27303	27306	34214
2012	29793	27278	27302	35093

Source: Annual Survey of Hours and Earnings. NOTE: These are the median and mean of gross annual pay in total (i.e. including both part-time and full-time, male and female); figures for Enterprise M3 are derived from the midpoint between the figures for Hampshire and Surrey.

- 236 The rural towns further from London also appear to suffer more. For both England and Enterprise M3, the proportion of households where no adult is in employment is similar in both urban and rural areas. Although Enterprise M3 is doing better in comparison with England as a whole, closer examination of the figures suggests that the rural towns and their fringe areas

(including villages and hamlets) are more likely than their urban counterparts to have no adult in employment.

**Figure 2.33: Households with No Adult in Employment, Urban/Rural**



Source: Census 2011. NOTE: Enterprise M3 figures have been derived from those for Hampshire and Surrey.

- 237 Although youth unemployment has been consistently lower in Enterprise M3 than in England and there have been lower proportions of youths classed as NEETs, worryingly however this is increasing at a rate faster than England. In June youth employment fell by 4,000 and in the three months prior to that, the same figure fell by 46,000. This lack of youth employment can have a spiral effect on the future and the economy<sup>9</sup>.

**Figure 2.34: Youth Unemployment**

	2009	2010	2011	2012	2013
<b>England</b>	16.0	20.1	19.0	21.1	21.0
<b>Enterprise M3</b>	8.2	11.1	9.2	14.7	13.4

Source: Annual Population Survey, NOMIS. NOTE: Youth = those aged 16 – 24; these unemployment rates are not that same as the claimant count rates above.

**Figure 2.35: Young NEETs**

	2009	2010	2011	2012	2013
<b>England</b>	10.3%	12.98%	11.87%	12.95%	13.27%
<b>Enterprise M3</b>	4.75%	6.17%	4.95%	8.63%	8.9%

Source: Annual Population Survey, NOMIS. NOTE: figures derived by: (Total – in employment – in education)/Total.

### **Entrepreneurship is not as strong ...**

- 238 There also seems to be a relatively higher dependency on corporate culture and employment and not as strong evidence of entrepreneurship as in the rest of the country:
- The rate of start-ups is lower in Enterprise M3 area in comparison with England.
  - The rate of self-employment in Enterprise M3 area has been lower than the national average.

<sup>9</sup> Enterprise M3 and Hampshire County Council, Monthly Labour Force Market Update, June 2013



**Figure 2.36: Start-up Rates in the Enterprise M3 area**

	2009	2010	2011
<b>England</b>	10.25%	10.14%	11.39%
<b>Enterprise M3</b>	9.45%	9.69%	10.81%

Source: Business Demography, ONS. NOTE: The rate is of company births expressed as % of the total stock of companies for the year.

**Figure 2.37: Self-employment in the Enterprise M3 area**

	2009	2010	2011
<b>England</b>	4.17%	3.74%	4.11%
<b>Enterprise M3</b>	3.74%	3.38%	3.79%

Source: BRES. NOTE: Proportions are of total employment.

- 239 This may be due to a number of reasons and is counterintuitive when looking at the relatively high level of public sector grants secured by the private sector (through the TSB for instance). With the strong culture of innovation present within the area, there is a clear opportunity for enterprises to make better use of the potential funding available, which will benefit the wider economy. Given survival rates are so good a more intensive emphasis on start-ups also makes sense.

**Figure 2.38: Technology Strategy Board Grants Awarded to Businesses/Partners in Selected LEP areas, 2012**

LEP Area	TSB Grant
<b>West of England</b>	£60,484,483
<b>Tees Valley</b>	£52,277,630
<b>Greater Cambridge &amp; Greater Peterborough</b>	£32,485,463
<b>Oxfordshire LEP</b>	£26,042,306
<b>South East Midlands</b>	£16,601,918
<b>Enterprise M3</b>	<b>£14,274,545</b>
<b>Solent</b>	£14,005,871
<b>Gloucestershire</b>	£13,702,378
<b>Derby, Derbyshire, Nottingham and Nottinghamshire</b>	£11,168,516
<b>Coventry and Warwickshire</b>	£11,000,957
<b>Leicester and Leicestershire</b>	£6,934,760
<b>Thames Valley Berkshire</b>	£6,362,811
<b>Greater Birmingham and Solihull</b>	£5,784,419
<b>Cheshire and Warrington</b>	£5,425,776
<b>Coast to Capital</b>	£4,735,855
<b>Heart of the South West</b>	£4,731,334
<b>Swindon and Wiltshire</b>	£4,069,941
<b>York and North Yorkshire</b>	£3,962,371
<b>Buckinghamshire Thames Valley</b>	£3,174,874
<b>Stoke-on-Trent and Staffordshire</b>	£2,615,068
<b>Humber</b>	£2,189,837
<b>Black Country</b>	£2,096,712
<b>Lancashire</b>	£2,006,043
<b>Greater Lincolnshire</b>	£1,860,769
<b>Cumbria</b>	£1,854,449
<b>Northamptonshire</b>	£1,758,200
<b>Dorset</b>	£1,289,193

Source: TSB Data

**Human resource and infrastructure need to be strengthened...to reach all and give better access to more opportunities ...**

- 240 The Enterprise M3 area has a higher proportion of older people (65+) than England (17.7% in comparison with 16.4%) which has implications for the future health and social care needs of the area – especially in the pockets where this is particularly pronounced such as the New Forest. Additionally, and the labour force is growing much slower than the job market (the



modest labour force growth is ranked 39<sup>th</sup> out of the 48 sub-regions<sup>10</sup>). It is worth noting that by 2020 32.8% of the working age population will be over 50.

- 241 In the South East, there is generally a higher proportion of staff exhibiting skills gaps in managerial associate professional and sales and customer service roles. The Skills and Employment Strategy notes that as employment in the Enterprise M3 area moves further towards higher skilled occupations, demand for qualifications is set to increase. Between 2010 and 2020, employment projections show an increase of 91,000 jobs requiring at least an ordinary degree; 43,000 additional jobs requiring higher degrees; 42,000 additional jobs requiring first degrees; and 6,000 additional jobs requiring doctorate level qualifications.
- 242 Women are not as likely as men to participate in the Enterprise M3 labour market: 70.2% of working age females were in employment in 2012, compared with 84.8% of males. The rate of female employment is above the UK average (66.6%), but at 14.6%, the gender employment gap (the difference between the male and female employment rate) in the LEP area is greater than the national rate (9.6%). There is scope to increase female participation  
- the highest rate of female employment in the Enterprise M3 area in recent years was 74.2% in 2006.
- 243 The number of young people employed in the Enterprise M3 area has fallen in recent years as educational participation has risen. This was reinforced during the economic downturn as returns to education increased and job prospects declined. Increasing demands for qualifications and the rise in the compulsory participation age in education will add to this trend in the coming years; but the rate of unemployment among young people remains high relative to other age groups.
- 244 A total of 15,000 young people aged 16-24 were unemployed in 2012. This includes 10.3% of 20-24 year olds and 18.6% of 16-19 year olds. For the same period in 2007 the rates were 8.5% and 18.1%, suggesting that while youth unemployment has been adversely affected by the economic downturn, the comparatively high level of youth unemployment is not a recent phenomenon (ONS, 2012).
- 245 In contrast, labour market participation among people aged 65 and over has increased rapidly in recent years, rising from 8.9% in 2007 to 12.8% in 2012. With people living longer and healthier lives, as well as recent policy changes in the UK (including the phasing out of the default retirement age), employment levels for older workers are likely to increase further in the years ahead.

**Figure 2.39: Skills Gaps**

Roles	UK	South East
<b>Managers</b>	11.29%	12.24%
<b>Professionals</b>	9.06%	6.83%
<b>Associate professionals</b>	5.70%	6.21%
<b>Administrative/clerical staff</b>	11.69%	10.74%
<b>Skilled trades occupations</b>	6.23%	5.83%
<b>Caring, leisure and other services staff</b>	8.69%	6.95%
<b>Sales and customer services staff</b>	19.70%	23.84%
<b>Machine operatives</b>	8.29%	7.96%
<b>Elementary staff</b>	19.36%	19.39%

Source: The UK Commission's Employer Skills Survey 2011.

- 246 A business survey undertaken by Hampshire Economic Partnership for Enterprise M3<sup>11</sup> found that for 1 in 5 businesses (21%), skills are a barrier to growth. Although half of micro-

<sup>10</sup> Inward Investment Guide for Enterprise M3, Local Futures, February 2013.

<sup>11</sup> Barriers to Growth, 2011.

businesses surveyed did not in general face any skills issues, a third of larger businesses (34%) stated that they have shortage of staff at Level 4+. At the same time basic skills (defined as work readiness) was mentioned as an issue to be addressed by all types of businesses.

- 247 The ageing population, together with increasing numbers of people with long-term conditions, could be a key factor in the socio-economic development of the area. On the other hand, social care is a growth sector. Social enterprises, working with higher and further education and other agencies within the LEP area, could ensure that the skills and workforce are in place to support the needs of this demographic, contributing at the same time to employment and the economy within the rural context. This needs to be delivered in a way that ensures that people remain linked into their communities, and do not become socially isolated. This is particularly important in rural areas, where access to services is more difficult due to greater distances, and high car dependency.
- 248 In terms of infrastructure, key issues to be addressed in the area include affordability of space – both housing and business premises, transport and superfast broadband reach.
- **Housing** is relatively expensive. House prices over the period 2009 – 2012 have consistently been a higher multiple of average pay in Enterprise M3 than in England as a whole (Figure 2.38). Median house prices are significantly higher than England's<sup>12</sup>. The LEP is currently undertaking a detailed review of Enterprise M3 housing to deepen our understanding of housing market dynamics.

**Figure 2.40: Housing affordability** (Ratio of average house price to average annual pay)

	England & Wales	Enterprise M3
<b>2009</b>	6	7
<b>2010</b>	6	8
<b>2011</b>	6	7
<b>2012</b>	6	7

Source: House price data from the Land Registry; pay data from the Annual Survey of Hours and Earnings. NOTE: House prices for Enterprise M3 have been calculated from the midpoint between the mean prices for Hampshire and Surrey; mean pay has been calculated as above. The above are ratios of mean prices to mean annual pay.

- In terms of **business space**, review of availability of commercial land suggests that there are limited land opportunities for major inward investors. The Enterprise M3 Commercial Property Market Study found that there are only three market ready sites across the area with a capacity of over 50,000m<sup>213</sup>. However, a relatively small proportion of businesses in the Enterprise M3 area<sup>14</sup> stated that lack of affordable and high quality premises was an issue/barrier to growth (8%), with the Commercial Property Market Survey indicating that there is, in fact, an overall picture of the supply of office space within the area exceeding demand albeit amongst a context of stalled development of new sites. Our consultation events (notably in October 2013) have revealed a lack of low cost space for start-ups and raised the possibility of local colleges/universities addressing this constraint.
- One in 10 businesses in Enterprise M3 area have stated that **transport congestion** is a barrier to growth. The 2012 Enterprise M3 Transport survey in particular highlights the M3 (Junctions 3, 4 and 4a, 6, 7-9); A34/M3; M25 Junction 10, the A31 Ringwood widening, the A303/A34 Bullington Cross and the A3 at Ham Barn roundabout and through Guildford. Overall, the amount of traffic on our roads is on average 10% greater than the theoretical capacity of the network, causing congestion and delays. By 2031, the demands upon the network are projected to be almost 50% greater than it was designed to serve. The situation is similar in the case of rail lines. Average main line congestion is 10% greater than the theoretical capacity of the network which is expected to grow to 147% by 2031

<sup>12</sup> ONS, LEP Comparator Profiles, May2013

<sup>13</sup> April 2013, [www.enterprisem3.org.uk/commercial-property-market-study/](http://www.enterprisem3.org.uk/commercial-property-market-study/)

<sup>14</sup> Barriers to Growth, 2011.

without significant investment in rolling stock, track and signalling improvements as well as station parking<sup>15</sup>.

- On the other hand, the South East has seen (in 2007/8, the only year for which data are available) relatively higher expenditure on motorways and trunk roads than nationally, but less on local roads (Figure 2.41).

**Figure 2.41: Expenditure on Roads in 2007/8**

Expenditure (£m) / 1,000 km		
	Motorways and trunk roads	Local Roads
<b>England</b>	285.2	18.1
<b>South East</b>	305.3	15.4

Source: Regional Trends – Directory of Online Tables (Release date 8<sup>th</sup> June 2011), ONS.

- There is currently a high dependency on cars as a means of travel to work, as well as high levels of energy consumption and carbon emissions, which will affect the long-term sustainability of the area. Emissions of CO<sub>2</sub> per capita have, between 2005 and 2011, been slightly higher than England. Between 2005 and 2010, energy consumption in Enterprise M3 on a per capita basis has been higher than that seen nationally.

**Figure 2.42: Emissions per capita (Total CO<sub>2</sub>)**

	2005	2006	2007	2008	2009	2010	2011
<b>England</b>	8.48	8.42	8.19	7.95	7.11	7.29	6.67
<b>Enterprise M3</b>	8.81	8.68	8.59	8.42	7.77	7.88	7.06

Source: Local and Regional CO<sub>2</sub> Emissions Estimates for 2005 – 2011, Ricardo-AEA. NOTE: Estimates for Enterprise M3 derived from the mean over the constituent local authorities.

**Figure 2.43: Final energy consumption (GWh / capita and GWh (for Enterprise M3 only))**

	2005	2006	2007	2008	2009	2010
<b>England</b>	0.028	0.028	0.027	0.026	0.024	0.024
<b>Enterprise M3</b>	0.039	0.038	0.037	0.035	0.035	0.034
<b>Enterprise M3 (GWh)</b>	60480	59120	58240	55290	55180	54510

Source: Sub-national total final energy consumption 2005 – 2010, DECC; Population numbers from: Mid-year PEST, ONS via NOMIS.

- There is an uncertainty over the long-term future of London's airports; this can detract from inward investment. Currently Heathrow has hub status; two thirds of the flights coming into/leaving Heathrow depend on 25-40% of passengers having connecting flights. This reflects the frequency of flights and diversity of locations on offer<sup>16</sup>. As airlines expand and experiment with different routes Heathrow may be affected. We are working with other LEPs on this issue.
- Currently, it is mainly the urban areas in the LEP that have fast broadband coverage with the majority of the land area having speeds between zero and 16 Mbps. Slow or absent broadband and mobile phone signal is a major problem in the rural area and it is important any constraints for new broadband infrastructure are addressed (planning, cost etc.).

<sup>15</sup> From the draft Enterprise M3 Strategy for Growth

<sup>16</sup> Future Heathrow, Importance of a Hub Airport, [www.priorityheathrow.com/economic-benefits-page.php?id=37](http://www.priorityheathrow.com/economic-benefits-page.php?id=37)

**Figure 2.44: Superfast broadband availability**



Source: maps.thinkbroadband.com; <http://maps.thinkbroadband.com/#lat=51.198831372291814&lng=-1.1027515644530972&zoom=9&type=terrain&estimated-speeds>; accessed on 27<sup>th</sup> August 2013

- However, both of the county councils within the Enterprise M3 area are undertaking substantial superfast broadband rollouts, consisting of significant investment from a range of partners and which set ambitious targets to increase rural broadband provision across the Enterprise M3 area. Surrey County Council are investing £20m in this broadband rollout and are aiming to extend provision to more than 99% of premises within the county<sup>17</sup>. Hampshire County Council and its district and borough partners have contributed £5m to a scheme which aims to see 95% of the county with superfast broadband provision by 2017<sup>18</sup>.

249 Following the baseline analysis of the Enterprise M3 economy the following section highlights our vision for growth. It also sets out how our plans complement EU and national priorities.

#### **Note: Clarification around Sector and Smart Specialisation Terminology**

This investment framework refers to the term sector in a number of contexts. To clarify reader should note:

- The baseline and skills and employment strategy cite evidence on **broad** sectors. These refer to those services and industries which make up the economy as a whole.
- Several of the interventions refer to **world class or priority sectors**. These are same and include the following: ICT and Digital Media, Pharmaceuticals, Aerospace and Defence, and Professional and Business Services (further work on these is published in the Enterprise M3 Key Sector Report, September 2012).
- We also refer to **niche sub-sectors**. **These are a much more specific set of sub-sectors, technologies and specialisms and include:** satellite technologies, 5G mobile communications technologies, cyber security, advanced materials and nano-technology, photonics, advanced aerospace/ automotive manufacturing, animal health, computer games and entertainment technologies. Our view is that these will continue to adapt and change as the programme unfolds.

Our **smart specialisation strategy** is designed to exploit excellence in Science and Technology industries. The proposed Enterprise M3 Sci:Tech Corridor will build on the above niches and our well known competitive advantage in advanced manufacturing (aero, auto, marine and defence) and technology (pharmaceuticals and ICT for instance). Again the strategy will adapt and change over time.

<sup>17</sup> [www.superfastsurrey.org.uk](http://www.superfastsurrey.org.uk)

<sup>18</sup> [www3.hants.gov.uk/broadband.htm](http://www3.hants.gov.uk/broadband.htm)

- The Vision for Growth and Programme Alignment

*Enterprise M3 stretches from the hinterland of London to the New Forest and covers major urban centres but also smaller towns and villages and significant rural areas, as well as highly successful education and innovation clusters and corporate HQs, military sites and sites of outstanding natural beauty and heritage.*

*Enterprise M3 is one of the strongest and most resilient local economies in the country. Certain broad sectors of the economy such as information & communications, pharmaceuticals, and distribution withstood the recession well supporting our recovery bolstered by a bedrock of knowledge-based businesses, traditional and high value manufacturing and services, and world class higher-level skills.*

*The area is home to around 100,000 SMEs but also global businesses such as AXA Wealth, Motorola, BP and Novartis. It is a location that offers success and opportunities for growth to newly created businesses, whilst acting as a key workforce artery to London's economy.*

*The Enterprise M3 area sits at the heart of a transportation hub that connects businesses in the UK and to the rest of the world. In addition to proximity to Heathrow, Gatwick and Southampton airports, within the area lies Farnborough Airport - one of Europe's premier business aviation airports. Road and rail connections include stretches of the M25 and much of the M3 along with the A3 and 75 railway stations*

*This is balanced with an excellent environment and a high quality of life. The area is packed with country parks, heritage sites and visitor attractions with easy access to both major urban areas and the countryside.*

### 3.1 The area's strengths and opportunities for growth are summarised as follows:

#### Strengths

- Economic resilience
- High employment rate and higher than national employment density
- High per capita GVA
- Concentration in key growth sectors, with many sectors having seen increases in GVA
- High business density
- High 5-year new business survival rate
- Well qualified resident population
- High average pay
- Lower rates of youth unemployment and NEETs
- Good broadband coverage in urban areas

#### Presenting opportunities for growth

- Employment, although having fallen, has done so less than nationally
- Higher employment density should contribute to a more resilient economy
- Concentrations in key sectors in terms of employment implies there is the possibility of gaining advantage from clustering in those sectors
- Particular strengths in information and communication technologies
- Strengths in business and public research & development
- A highly skilled population helps provide a key ingredient for continued economic growth
- Relatively high incomes and spending power could help bolster future growth
- More commercial offices and industrial properties could provide a stimulus for future growth
- There is a strong visitor economy which is showing signs of growth

- 3.2 However, the Enterprise M3 area faces some significant challenges that will need to be addressed so that the local economy maintains its strong position and continues to make a substantive contribution to UK growth.

*Enterprise M3 has not been completely by-passed by the recession and public sector cuts have affected employment in this sector. Enterprise M3 has seen a larger drop in total employment between 2009 and 2011 compared to England which was driven by a fall in public sector employment (whereas England saw a small rise in public sector employment). That said we experienced a far smaller fall in private sector employment compared than nationally. It currently appears that the trade position of businesses in the area could be enhanced – statistics certainly show room for improvement in the volume of both exports and imports. It is acknowledged that this may be due to service imports/exports not counted, but the figures are accompanied by a relatively high reduction in foreign direct investment. This position may protect the area from exposure to global changes but reduces opportunities to create jobs in a highly globalised economy.*

*The area has a strong base to develop innovation and capacity to support the advancement and adoption of new technologies but the innovation infrastructure is stretched and needs to expand further. Innovation capabilities have not yet managed to fully operate in the well- tested and successful Triple Helix Model (University – Industry – Government). The lack of innovation space for start-ups was mentioned at the EU strategy consultation event in October (2013) and it was recognised that there are examples from elsewhere of colleges providing space or supporting priority sectors.*

*The Enterprise M3 Skills and Employment Strategy (2013) notes local labour market is relatively tight (in part the effects of an ageing workforce and high levels of net out commuting). There is limited scope to significantly increase labour market participation among residents, although there may be opportunities to increase employment among women, young people and older workers. For example, the job market is highly dependent on the London economy and shows relatively weak signs of entrepreneurship. At a national level rural towns and their fringe are more likely than urban areas (and villages and hamlets) to have no adult in employment<sup>19</sup> and a higher than average older population and dependents. Traditionally, lower proportions of youths have been classed as NEETs, and although still significantly lower than the national average, worryingly, the rate is increasing at a rate faster than England.*

*Reported skills gaps at Level 4+ represent a significant barrier to growth for local businesses. The Skills and Employment Strategy confirms that growth potential is inhibited by a net out-commute of higher skilled residents and relatively low graduate retention l e v e l s (only one in five graduates remain in the LEP area after leaving university). Additionally, the area has an ageing population. Expensive housing and congestion on local roads present barriers, particularly for young families who might leave (or not move into the area).*

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<sup>19</sup> Rural Digest, 2012, Defra.



3.3 Key threats and their potential impact on the local economy are summarised as follows:

Threats
<ul style="list-style-type: none"><li>• Employment has fallen</li><li>• Jobs created by inward investment have reduced</li><li>• Entrepreneurship is comparatively weak: Business start-up rate appears to be lower than nationally; lower levels of self-employment and less than average exporting. Low reported levels of IP support or advice services for new enterprises.</li><li>• High dependency on London jobs and earnings – for major urban centres closer to London</li><li>• High house prices</li><li>• Higher rates of people in employment with long-term health issues</li><li>• Non-urban areas have relatively poor access to fast broadband and a poor or absent mobile phone signal</li><li>• An ageing population, with more economically inactive people, particularly in rural areas</li><li>• Increasing traffic congestion</li></ul>
Potentially weakening and stalling the local economy
<ul style="list-style-type: none"><li>• Urban centres becoming residential support for London/dormant economic hubs, higher the risk for rural areas</li><li>• Higher than average skills gaps in some roles may place constraints on future growth</li><li>• House prices may prohibit movement of people and therefore constrain economic growth</li><li>• Relatively poor access to fast broadband and poor mobile phone coverage in the non-urban areas diminishes the attractiveness of these areas for commercial/economic development</li><li>• Higher per capita energy use and emissions inhibit our ability to address climate change in the future</li></ul>

3.4 Extensive consultation on the key challenges and opportunities with local stakeholders has identified the following Strategic Actions<sup>20</sup>:

- **Enterprise – Maintaining and Strengthening the Local Business Base and its Competitiveness.** The priority is strengthening and diversifying the existing business base – removing any constraints on growth and supporting development of start-ups and developing a culture of enterprise, closer relationship between larger businesses and SMEs but also new inward investment projects in high-growth sectors and new business ventures are also part of the strategy. Young people and start-ups will be also supported. Social enterprises, working with higher and further education and other agencies within the LEP area, will ensure that the skills and workforce are in place to support future economic prosperity. We will be developing the Enterprise M3 Growth Hub, which will co- ordinate business support and skills activity within the area, aligning national and local support and providing a single point of access for this.
- **Innovation – Scaling up Capabilities, Widening Networks and Focusing on Smart Specialisation.** The priority is to improve the connectivity across our local ‘innovation ecosystem’ through ‘open innovation’ - so that business, universities, colleges, public sector research organisations and the wider public sector can support business innovation better. This priority will be supported by promotion of innovation in the Enterprise M3 Sci:Tech Corridor – the conduit for our ‘smart specialisation’ strategy. We will encourage strong collaboration between large businesses and SMEs/their supply chain, focused around our Key Growth Centres and within our key sector. This could include supporting an ‘arrow’ type project with partners across the area, for example around 5G

<sup>20</sup> There is a section within each Strategic Action describing the consultation process. Some additional consultations (internally and with other LEPs) are described in Chapter Six (Governance).

telecommunications.

- **Skills, Employment and Employability – Meeting Employer Needs and Enhancing Opportunities for Local People.** The education and skills profile of the Enterprise M3 area is strong when compared to national averages but the growth in the labour market and skills base – and the infrastructure to develop it – could be further strengthened to ensure that employment growth aspirations are met through focus on (a) world class skills; (b) employability, information, advice and guidance (IAG); and (c) collaboration and brokerage.
- **Low Carbon and Sustainable Places.** Low carbon adaptation is a key priority for area as well as the promotion of Low Carbon Goods and Services. We also want to develop sustainable urban environments and address infrastructural constraints on further business growth (through Local Growth Fund primarily). For instance, key challenges include road and rail ‘bottlenecks’ causing congestion and slowing journey times, limitations on the capacity of the rail network, a shortage of affordable housing for local workers, differential supply of reliable, high speed broadband and mobile phone services, access issues in relation to Heathrow and Gatwick airports. These are complementary issues that are key elements of our Strategic Economic Plan, which we would primarily look to fund through domestic funding.

**3.5 Addressing these issues will enable us to support our vision for the area; the Enterprise M3 area should be<sup>21</sup>:**

***‘The premier location in the country for enterprise and economic growth, balanced with an excellent environment and quality of life.’***

- 3.6 Our proposed Strategic Programme is fully aligned with the EU objectives and rationale (See table). The Enterprise M3 Strategic Actions have been consciously designed to link our LEP priorities with national policy objectives. The Government has a clear emphasis on achieving economic growth in response to the structural issues it has identified as barriers to prosperity. In summary, the overall aims of Government in terms of future economic development are centred on education, the support of certain key sectors, promoting exporting, generating a more balanced economy (both in terms of sectoral employment and diminishing regional disparities) and simplifying the regulatory environment for businesses. **This strategy will ensure that local EU measures are delivered within this changing policy horizon.** In partnership with a wide range of stakeholders and extensive consultations, a **wide reaching but well focussed pipeline of key activities has been developed and is proposed to be supported by the European Structural & Investment Funds.** Proposed activities under each Strategic Actions and their alignment to EU Thematic Objectives are summarised in more detail in the next pages.

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<sup>21</sup> Enterprise M3 Strategy for Growth, May2013



Policy	Description	How we align
<b>European Alignment</b>		
EU2020	The EC put forward seven flagship initiatives to stimulate progress under each priority theme including: innovation union; youth on the move; a digital agenda for Europe; a resource-efficient Europe; an industrial policy for the globalisation era; an agenda for new skills and jobs; and an EU platform against poverty. These initiatives commit both the EU and Member States setting the underlying parameters for EU wide activities.	Enterprise M3's four Strategic Actions cover enterprise, innovation, skills, and sustainable infrastructure, and therefore have a strong link to the EU principles, targets and flagship initiatives.
	A menu of thematic objectives in line with the Europe 2020 strategy has been developed. These thematic objectives include some familiar policy objectives including social inclusion, SME competitiveness and education and skills. However, there is a much greater emphasis on resource efficiency, ICT and innovation and low carbon.	Our plans clearly fit well with new emphasis on innovation and low carbon and we intend to exploit the new funding flexibilities whilst recognising the prominence given to performance management. For instance, we propose a 'smart specialisation' framework around Science and Technology and a suite of activities to stimulate business resource efficiency.
	The Commission has highlighted several areas, which the UK's Structural Funds need to address to unlock growth. These include the improved the employability of young people (and in particular those not in education, employment or training - NEETs), the integration of people from jobless households into the labour market, and help for SMEs to access finance.	There are two key points: (i) In our Strategic Action One (Enterprise), the proposed Growth Hub will act as a focal point for access to finance measures for SMEs; and (ii) Strategic Action three (Skills, Employment and Employability) includes several measures to encourage social inclusion and specifically the sustainable integration of young people, in particular NEETs, into the labour market.

National Alignment		
Plan for Growth	The overall objective of the Government's economic policy is to achieve strong, sustainable and balanced growth that is more evenly shared across the country and between industries <sup>22</sup> . The Government's Business Bank proposals clearly demonstrate that access to finance is vital for the UK's future success.	Our proposed Enterprise Strategic Action (and the proposed suite of activities around fostering a more entrepreneurial culture) fits neatly with the national 'Plan for Growth' that aims to make the UK the best place in Europe to start, finance and grow a business. Our high business survival rates locally mean we are able to capitalise on this opportunity and ensure that access to finance and other barriers are not stifling potential growth. Through our Business Growth Hub we will have a much better oversight of the co-ordination of SME support. Enterprise M3 also has particular strengths in life sciences and regenerative medicine, which chimes well with the Government's aspirations for innovation in health and wellbeing.
ESI Funds Growth Programme'	The top priorities of the national 'EU Structural Investment (ESI) Funds Growth Programme' are innovation and research and development, SME support, low carbon, skills, employment and social inclusion, and via EAFRD the rural economy.	Our Strategic Actions (1-4) dovetail these areas extremely well and we recognise the need to make a meaningful contribution to the National Growth Programme (see Governance Chapter Page Six).
Trade and Investment	Our plans are very much in tune with the Government's National Export Challenge (which aims to double UK exports by 2020 and create 100,000 new exporters) and its ambitions for foreign direct investment.	We will work with the universities and their alumni to promote international trade and inward investment. We will work closely with UKTI and, where appropriate, other LEPs to exploit our international connectivity/proximity to London for the benefit of local firms wishing to export for the first time or to new markets.

<sup>22</sup> Plan for Growth, 2011, BIS & HMTreasury.

The National Skills Strategy and Social Justice	<p>The Government highlights the key contribution of skills to national productivity and has set out its aspirations in the National Skills Strategy. The Government wishes to see the labour market and labour availability as a means of growth rather than a potential barrier to growth – this also features highly in our thinking. Our activities have been developed in line with the Government's reform agenda (including the participation of young people and the new further education and skills system and the Government's strategy for higher education)<sup>23</sup>.</p> <p>We have worked intensively with local partners on distilling our Skills Strategic Actions, which very much seek to add value to the Government reforms in this area. Our local employers are wholly involved in this process. The activities proposed will wrap around national policies like the Work Programme within the spirit of measures to 'Get Britain Working'.</p>	<p>The evidence base shows that whilst we are a highly performing economy we suffer from an ageing workforce and are not exploiting the full potential of the labour force. This is why our world-class skills programme and social inclusion activities have clear measures to support the sustainable integration of young people. This will supplement national unemployment measures and ensure that young people have the right skills for jobs of tomorrow in our area. We will work closely with national agencies from the outset to ensure that our priorities are not duplicating provision elsewhere. A key challenge for us is a 'crowded landscape' in the skills arena and the co-ordination of skills interventions will (in all likelihood) form part of the remit for the Growth Hub. In tune with the Government's strategy for social justice ('Social Justice: Transforming Lives'), and its aspirations to improve social mobility and reduce child poverty, we have put in place measures to engage excluded individuals and families facing multiple disadvantage and equip them with tools they require to work towards positive economic outcomes.</p>
GHG Emissions and Sustainable Development	<p>Enterprise M3 will do its part to help ensure the meet the UK targets to reduce greenhouse emissions by 34% compared to 1990 levels, to increase the share of renewable energy to 15% and to enhance the energy efficiency of homes, business and transport. We will work to ensure our statutory partners are meeting their obligations and Government priorities in this area<sup>24</sup> adding value where it is appropriate to do so and ensure applications are given pragmatic advice on how to achieve our aspirations (for further detail see the Sustainable Development cross cutting theme in Chapter 7).</p>	<p>The strategy contains a suite of low carbon measures (with the Low Carbon and Sustainable Place Strategic Action) which responds directly and proactively to UK legislation around renewable energy and energy efficiency (including buildings and industrial decarbonisation).</p> <p>Sustainable development is a cross cutting principle of our strategy and we recognise its significance as a key component of our continued economic competitiveness and social well-being. It is also recognised as a source of significant economic opportunities. It is important we preserve and protect our rich habitats and landscapes maintaining our local distinctiveness. We are engaged with our Local Nature Partnerships.</p>

<sup>23</sup> There is also scope to increase the rate of labour market participation of women and older workers.

<sup>24</sup> In for instance the Government's Natural Environment White Paper, Biodiversity 2020: A strategy for England's wildlife and ecosystem services, the European Landscape Convention, the EU Water Framework Directive and the 2005 Thematic Strategy on AirPollution.EU

## 4. Enterprise M3 Strategic Actions

- 4.1 Enterprise M3 has been allocated a 45,6mEUR (£32,3m) of European Structural and Investment Fund (ESIF) funding from 2014 to 2023. This funding is vitally important to support plans for growth especially in an area where funding is limited and where EU funding can be used as revenue funding to support the vision we have set out within our Strategic Economic Plan, and can work in tandem with the capital investments being made through the Growth Deal.

Our overall approach, considered in consultation with a wide range of key local stakeholders representing the public, private and not-for-profit sectors along with civil society, higher and further education institutions and local groups has identified that the following criteria should be applied to all funding

- Support should be prioritised to enable the growth aspirations of business to be realised
- Closer working relationships between larger businesses and SMEs should be encouraged
- Activities must contribute towards job creation, job sustainability and new business start ups
- New activity should complement existing programmes and add value to our priorities

### ORIGINAL PRIORITIES FOR ERDF – JANUARY 2014

Recognising the importance of ERDF funding in particular to the Enterprise M3 area, the LEP negotiated an additional 5% of the notional allocation to be spent on ERDF, bringing the total ERDF funding pot to £17.8m. This comprised of allocations of £7,1 million for SME competitiveness (enterprise) activity, £6.5m for innovation activity and £4.2m for activity to develop a low carbon economy. Following consultation, our broad priorities for EU funding were set out in the ESIF strategy published in January 2014.

- 42 The next table highlights our principal activities. This is followed by a more detailed description for each summarising the rationale, the objectives and the principal anticipated outputs.

**Figure 4.1: Summary of Proposed Strategic Actions and Principal Activities**

<b>1.ENTERPRISE – MAINTAINING AND STRENGTHENING THE COMPETITIVENESS OF THE LOCAL BUSINESS BASE</b>	
<b>RATIONALE: TO SUPPORT START-UPS, SME GROWTH AND ENSURE AMUCH BETTER CO-ORDINATED BUSINESS SUPPORT OFFER.</b>	
<b>ACTIVITIES</b>	<b>EU Thematic Objective</b>
Development of SME competitiveness capabilities through strengthening local sector networks and supply chains including collaborative partnerships to support sector growth encompassing business support, innovation, skills development, events and promotion, supply chain opportunities (an example would be the Aerospace Growth Partnerships).	<b>ERDF/ Priority Axis 3</b>
Development of SME competitiveness capabilities through a) encouraging and supporting more SMEs to enter new domestic and international markets with better promotion of current support and additional export services perhaps through an enhanced UKTI offer and support to high growth companies; and b) Raising business growth ambition and support for SMEs with growth potential.	<b>ERDF/ Priority Axis 3</b>
Strengthen Information, Advice and Guidance in key sectors through a) the Growth Hub; b) Start-up Programmes; c) Finance for Growth Seminars; d) Support for digital business including SMEs and Social Enterprises, in particular where there is relevance to Information Economy and Industrial Strategy and e) working with public and private sectors to strengthen the Enterprise M3 inward investment and international trade offer	<b>ERDF/ Priority Axis 3</b>

<b>2. INNOVATION - SCALING UP CAPABILITIES, WIDENING NETWORKS AND FOCUSING ON SMART SPECIALISATION</b>	
<b>RATIONALE: BUILD ON A RICH HISTORY OF INNOVATION, EXTENSIVE LOCAL INFRASTRUCTURE, AND EXPLOIT THE POTENTIAL OF SCIENCE AND TECHNOLOGY INDUSTRIES.</b>	
<b>ACTIVITIES</b>	<b>EU Thematic Objective</b>
Smart specialisation - Add value to the commercialisation of World Class Research and Intellectual Property (20% of which will be in CleanTech/Low Carbon areas). Emphasis on commercialisation of both public and private sector research and development and working with universities and business to undertake a variety of activities including development of a supply chain, helping businesses to exploit smart specialisation and expansion of successful innovation support models	<b>ERDF/ Priority Axis 1 and 4</b>
Innovation for Everyone. Innovation adoption measures aimed at high growth companies, every business, public or voluntary sector organisations, or social enterprises. Bringing new products and business processes to the market, including those linked to the UK Government's 'eight great technologies' and 'industrial strategy sectors'.	<b>ERDF/ Priority Axis 1 and 3</b>
Development of physical "incubation space" and "move on" accommodation to support the needs of high growth companies to retain their economic value within the area including: a) development of sector specific incubation centres; b) exploring bringing back to use for use for the purposes of innovation centres vacant and/or underused buildings and land; and c) supporting a new generation of real estate entrepreneurs	<b>ERDF/ Priority Axis 1 and 3</b>
Supporting businesses to benefit from the capital assets and opportunities arising from activities such as Cyber Security Lab, 5G Test Bed	<b>ERDF/ Priority Axis 2 and 3</b>

<b>3. SKILLS, EMPLOYMENT AND EMPLOYABILITY – MEETING EMPLOYER NEEDS AND ENHANCING OPPORTUNITIES FOR LOCAL PEOPLE</b>	
<b>RATIONALE: THE FUNCTIONING OF A MUCH BETTER LEARNING MARKET AND ACTIVITIES TO PREPARE FOR THE LIKELY ACCELERATION IN EMPLOYMENT GROWTH GENERATED BY NEW AND REPLACEMENT DEMAND WITH A GENERAL SHIFT TOWARDS HIGHER SKILLED/TECHNICAL OCCUPATIONS.</b>	
<b>ACTIVITIES</b>	<b>EU Thematic Objective</b>
Developing world class skills by working with schools, employers, and colleges to map, promote and develop an inspiring locally tailored suite of STEM events, hands-on-experiences and activities designed to stimulate interest in local technology focused industries. Activities will be targeted in particular at: a) promotion of female take-up of STEM provision; b) working with learning providers to develop, build capacity and deliver skills (focussed on higher level skills) to meet future needs in line with our growth priorities (e.g. in relation to new technology and sector priorities and skills for innovation in SMEs); c) boosting the take up of apprenticeships to support Governments 3 million target by 2020. In particular, Higher/Degree Apprenticeships, particularly in STEM subjects, and alternative higher-level vocational pathways, with increased SME participation (including apprenticeship hubs or other shared arrangements); d) inclusion of older workers for apprenticeship vacancies to support the Fuller Working Lives agenda.	<b>ESF/ Thematic Objective 10</b>
Activities to increase employer take up of training, through: i) boosting employers' and employees' engagement with learning providers; ii) improving information about the learning offer to support employers' development of their workforce; iii) the development of skills brokerage support through the Growth Hub. iv) Labour market intelligence unit	<b>ESF/ Thematic Objective 10</b>

Supporting employability through: a) helping people back to work through vocational pathways and apprenticeship programmes; b) strengthening Careers Information Advice and Guidance to provide a more integrated service with a particular focus on meeting the needs of growth sectors and technologies and target groups (e.g women in relation to STEM career opportunities); c) working with learning providers and employers to develop, promote and provide traineeships, internships and other employability and re-engagement programmes focussed on the disadvantaged, NEETs and other target groups and SMEs.	<b>ESF/ Thematic Objective O8</b>
Employability and basic skills around groups at risk of discrimination from the workforce. Could include active inclusion activities for groups with protected characteristics, or activities to combat discrimination and barriers to employment of these groups from labour market	<b>ESF/ Thematic Objective O9</b>
Developing the capacity of social enterprises within Enterprise M3, with regard to specific social inclusion needs across the area. Could include, for example, the model of the Hampshire School for Social Entrepreneurs, which could be expanded to cover the whole LEP area.	<b>ESF/ Thematic Objective O9</b>
<b>4. LOW CARBON AND SUSTAINABLE INFRASTRUCTURE</b>	
<b>SUMMARY RATIONALE: PROMOTING THE DEVELOPMENT OF LOW CARBON BUSINESSES AND THE DEVELOPMENT OF LOW CARBON PRODUCTS AND SERVICES WITHIN ENTERPRISE M3</b>	
<b>PROPOSED ACTIVITIES</b>	<b>EU Thematic Objective</b>
<b>Promoting Low Carbon Commercialisation</b>	
Commercialisation of World Class CleanTech/Low Carbon Research and Intellectual Property. Emphasis on commercialisation of both public and private sector research and development, we will work with universities and businesses that are leaders in Low Carbon Technologies	<b>ERDF/Priority Axis 4</b>
Supporting the commercialisation of Low Carbon R&D across the economy through Open Innovation. With a focus on local businesses including; social enterprises, graduate start-ups and enterprise in underrepresented groups	<b>ERDF/Priority Axis 4</b>
<b>Supporting the shift towards a Low Carbon Economy in all sectors</b>	
Enterprise support for low carbon start-ups and established businesses.	<b>ERDF/Priority Axis 4</b>
Promoting the <b>innovation and adoption of low carbon technologies</b> in the design and operation of new innovation which could include, for example, further development of the wood fuel supply chain and business resource efficiency	<b>ERDF/Priority Axis 4</b>

- 43 Each of the Strategic Actions and the proposed supporting activities is described next in more detail.

#### **1. ENTERPRISE – MAINTAINING AND STRENGTHENING THE COMPETITIVENESS OF LOCAL BUSINESS BASE**

##### **Rationale for Intervention**

- 44 An overview of the strengths and challenges faced by the Enterprise M3 area has been presented in Chapter Three of the report. The desk-based research and consultations undertaken to date have identified specific challenges and opportunities faced in relation to this specific priority which are summarized below. For example, the socio-economic analysis shows that the Enterprise M3 area enjoys a relatively healthy economy. Enterprise M3 has consistently seen higher levels of employment than England as a whole. Between 2009 and 2011, Enterprise M3 has consistently seen a higher employment density (number of jobs per



working age person) than England. Commensurate with the higher employment rates, Enterprise M3 has consistently had a higher GVA/FTE (full-time equivalent) than has been the case of England as a whole. However, the overall level of business start-ups and self-employment are relatively low. In fact, the area is highly dependent upon large corporates. 1.25% of companies (100+ employees) make up 63% of GVA - any problems these firms face could have a huge knock on effect to the local economy. Furthermore, in the last year there has been a relative large decline in number of FDI projects in the South East between 2011 and 2012 (-34%). These issues are exacerbated by a large net outflow of commuters.

- 45 Local businesses, particularly those in high competing markets (engineering, high-tech), face increased competition from lower cost economies. In order to compete, support is needed to help existing firms to modernise further, achieve better resource efficiency, actively engage in innovation, improve their productivity and diversify into new markets. At the same time, efforts are required to generate new businesses in higher value sectors of the economy, and help underrepresented groups fulfil their entrepreneurial potential.

Opportunities	Challenges
<ul style="list-style-type: none"> <li>• <b>Comparative advantage in key sectors that align with EU and UK policies - information technology, science and research sectors.</b></li> <li>• <b>Capitalising on spinouts and commercialisation of R&amp;D but also supporting local businesses to grow/trade more/raise their profile.</b></li> <li>• <b>The visitor economy is a strong driver of local economic growth – and can further support rural regeneration and growth. At micro-level, willingness by both major corporates but also supply chain, to establish regular dialogue process with public sector bodies in order to provide a coordinated approach to growth. The area has had a successful business incubation hub model that can be extended to other locations.</b></li> <li>• <b>Reduce planning constraints, particularly regarding re-use of rural buildings.</b></li> </ul>	<ul style="list-style-type: none"> <li>• Capacity for enterprise support stretched.</li> <li>• Businesses need support to develop their investment readiness.</li> <li>• Leadership and management training needed within SMEs.</li> <li>• Skills gaps in professional occupations among larger businesses.</li> <li>• Lack of coordination of support, businesses confused by the help available.</li> <li>• 1.25% of companies (100+ employees) make up 63% of GVA.</li> <li>• Relatively low entrepreneurial activity. Better communication of the support and advice that is available to potential entrepreneurs is needed.</li> <li>• Expensive area to attract and retain workforce.</li> <li>• Poor broadband and mobile phone communications in rural areas.</li> </ul>

These issues and opportunities arising from the strengths of the business base call for measures to **stimulate enterprise development. This will maintain local strengths and strengthen the competitiveness of the local business base including SMEs, start-ups, social and rural enterprise.**

### Process - Consultations underpinning the Enterprise Strategic Programme

- 46 The Enterprise M3's Enterprise Support Action Group, one of five Action Groups supporting the LEP has helped develop the strands of activity within this programme and discussed key priorities for local businesses. The group has a private sector chair, in common with all Enterprise M3 Action Groups, and includes representatives from the SME community, business support providers including UKTI, Growth Accelerator and MAS, a social enterprise provider, university representative, local authorities and business membership organisations

e.g. the Chamber and FSB. The group meets quarterly. The Group held a special workshop in August to develop the outline of the Growth Hub, to explore how partners would work together and how EU funding and the opt-in propositions could support this development. This work has been followed up by 1:1 discussions with additional partners, including businesses. In addition, some 28 partners attended an Implementation Group (September 2013) to help shape key actions and outcomes. It was agreed the enterprise component of the LEP's ESIF activity should focus on start-ups, growth, innovation, skills and infrastructure and should revolve around key sectors that contribute significantly to growth. It was suggested that much of this activity could be routed through a business Growth Hub, which will incorporate input from UKTI and GrowthAccelerator resource and would co-ordinate other national and local business support and skills activity through a single, central point.

- 47 Furthermore, Enterprise M3 local authority leaders and chief executives have discussed the priorities for funding at a meeting on the 20 September and a group of economic development managers from all local authorities have met twice to discuss priorities for investment and EU funding. The development of the Growth Hub and the emerging Innovation Strategy was discussed at length at the last meeting in September.

## Objectives for ENTERPRISE Strategic Action

- 48 Within this overall context, the objectives of this Strategic Action are twofold:

**i. To promote sector networks and supply chains via:**

- Tailored measures to strengthening of local and national supply chains and grow priority sectors.

**ii. To stimulate SME competitiveness by:**

- Encouraging more SMEs to enter new domestic and international markets.
- The attraction of domestic and foreign direct inward investment in priority sectors.
- Helping investment-ready SMEs with growth potential.

**iii. Promoting growth in key sectors by:**

- The work of the Enterprise M3 Growth Hub.
- The promotion and possible provision of finance for growth.
- Supporting digital business growth.
- A strengthened inward investment and international trade offer.

- 49 Much of our new and existing activity will be routed through the Enterprise M3 Growth Hub, underpinned by an enhanced business portal. Quite simply it will bring together services to support start-up, business growth and sector specific activity and rural services. It will operate virtually and physically bringing together the key people supporting business growth<sup>25</sup> local and nationally. It will provide a wraparound service available to all businesses who require information, advice and guidance signposting businesses to appropriate support available from the public, private and third sector. It will provide a focus for new and existing sector groups and encompass the full spectrum of businesses to include skills needs in schools, higher and further education, pre start, start up and established businesses. Our aspiration is that business brokers will work alongside other specialists to develop business relationship and link business to business support contacts.

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<sup>25</sup> For example UKTI Inward investment and export, Growth Accelerator, Manufacturing Advisory services, universities, Local authority business support, large corporates, SMEs, trade organisations and private sector providers e.g. banks, investors.



## Additionality of EU Funds

- 4.10 EU funding will enhance the activities of the Growth Hub and supporting enterprise initiatives that in turn will drive business growth, new job creation and improvements in business productivity.

## Value for Money

- 4.11 We have used agreed output and results indicators to demonstrate expected impact from these funds. This includes information based on previous programme delivery and previous similar provision for other SME competitiveness activities. We have also undertaken a wide range of consultation with local businesses and others to ensure that we are targeting the interventions appropriately. This has allowed us to build up a robust picture of the demand for, and expected outcomes from, this funding.
- 4.12 **We calculate these activities will generate £59,950,000 GVA, an estimated ROI (gross) of £6 for every £1 invested.**

## Prioritisation of Activities

- 4.13 A range of activities were considered under the Information, Advice & Guidance and SME competitiveness workstream. These included mentoring and opt-in for the Manufacturing Advisory Services. These activities were dismissed as their economic impact and strategic fit was less than those projects chosen to be included.
- 4.14 Increased funding would allow more to be done within the existing schemes and allow other activities to be considered. Current funding levels for SME competitiveness of £10.66 million are considerably less than the original project forecast of £17.9 million. Additional funding would allow more businesses to be supported with growth programmes leading to job creation than is currently planned and would allow the enterprise programme to be run in more locations to support business start ups.

## Proposed Activities

- 4.15 A summary list of activities has been presented in the introduction of this section. The following list albeit indicative at this stage, provides some more detail.

Proposed Activities		Thematic Objective
<b>Sector Networks and Supply chains</b>		
Strengthening local and national <b>supply chains</b> including collaborative partnerships to support sector growth encompassing business support, innovation, skills development, events and promotion, supply chain opportunities and facilitated sector networks (an example would be to work with the Farnborough Aerospace Consortium). At the EU Strategy consultation event (October 2013) the discussion around innovation stressed that IP support was also needed.		ERDF/ Priority Axis 3

<b>SME Competitiveness</b>	
Encouraging and supporting more SMEs to enter new domestic and international markets with better promotion of current and additional <b>export</b> services perhaps through an enhanced UKTI offer, and support to high growth companies and Exporting for Growth events to support those businesses who are new to exporting. This might provide resources to identify export potential companies for mainstream UKTI support, working closely with existing agencies and LAs at a local level as well as support on export visits, market research and contacts in key markets.	ERDF/ Priority Axis 3
Steps to raise <b>business growth ambition</b> . Support for SMEs with growth potential to grow who are investment-ready, e.g. for the next stage of product development/testing, new product development, move-on accommodation, access to incubation services and universities R&D facilities and support with workforce expansion, e.g. up-skilling/training. Including the consideration of a Growth Accelerator Plus offer as well as project/ placement/ internship opportunities.	ERDF/ Priority Axis 3
<b>Growth in Key Sectors</b>	
The development of a <b>Growth Hub</b> and business portal to co-ordinate national and local business support activity through a single access point through an enhanced business portal. Including business brokers and acting as a conduit for existing and new sector groups and develop new groups, rural networks and private providers, angel networks and access to finance. Virtual and one to one support will be offered as well as business growth events/networks including meet the buyer events and a calendar of UKTI trade missions, and enhanced existing schemes e.g. UKTI, Growth Accelerator opt-ins, ensuring national helplines have staff focussed on our needs.	ERDF/ Priority Axis 3
Support for <b>digital business</b> including SMEs and Social Enterprises, in particular where there is relevance to Information Economy and Industrial Strategy.	ERDF/ Priority Axis 2 and 3
Finance for Growth: The promotion and possible provision of start-up finance, early stage equity/ venture capital, and proof of concept and investment readiness support. This might include the expansion of angel networks and promotion of existing expansion / equity funds available and Finance for Growth seminars.	ERDF/ Priority Axis 3
The attraction of domestic and foreign direct inward investment in priority sectors (ICT and Digital Media, Pharmaceuticals, Aerospace and Defence, and Professional and Business Services) through highly targeted and tailored support including for instance business rate relief and the promotion of property and premises. Working with public and private sectors to strengthen the Enterprise M3 inward investment and international trade offer.	ERDF/ Priority Axis 3

## 2. INNOVATION - SCALING UP CAPABILITIES, WIDENING NETWORKS AND FOCUSING ON SMART SPECIALISATION ON SMART SPECIALISATION

### Rationale for Intervention

- 4.16 The map on the next page illustrates the clusters of major companies clearly identifying the geography and extent of business activity across our local economy. We believe there is real potential to further capitalise on their ability to generate and commercialise new ideas, thus creating new businesses and employment opportunities.

4.17 Headline opportunities and challenges that need to be addressed are summarised below

Opportunities	Challenges
<ul style="list-style-type: none"> <li>• <b>Rich history of innovation and invention coupled with major investments and extensive research and development networks. Giving the ingredients for an effective innovation ecosystem and further collaborations across research centres, and between research centres and industry, focused in Enterprise M3 research specialisations with critical mass.</b></li> <li>• <b>Impressive universities and public sector research infrastructure supporting innovation and research excellence, with first class connections between universities and business and excellent track records in commercialisation. Models of good practice that can be replicated.</b></li> <li>• <b>World class private sector research and development assets, including QinetiQ and the McLaren Technology Centre. Case studies of these companies would help to illuminate their potential and there is scope to enhance communication with them more generally.</b></li> <li>• <b>Opportunities exist to develop greater collaboration between industry, universities, colleges, public sector research establishments through Open Innovation or in terms of meeting higher -level skills gaps.</b></li> <li>• <b>Potential of key sectors and niche sub-sectors</b></li> </ul>	<ul style="list-style-type: none"> <li>• Local innovation infrastructure stretched, fragmented and sometime under-funded. Despite world-class expertise in business incubation, and university industry collaborations, funding is a constraint.</li> <li>• Our innovation ecosystem does not always serve the growth needs of local innovative companies e.g. challenges around securing local benefits / engaging local supply chains as a result of the commercialisation of research.</li> <li>• Complexity – opportunities to simplify and better co-ordinate the ways in which business accesses the expertise and knowledge of HE/FE institutions perhaps helping to overcome the perceived reluctance of academics to commercialise their research.</li> <li>• National fragmentation – recognition that we may need to collaborate with other LEPs in order to achieve a critical mass and scale in our sector priority areas.</li> <li>• Skills- higher-level skills in key areas are holding back the ability of industry to deploy innovation.</li> </ul>

4.18 Within this context, a number of specific issues have also been considered in identifying priorities for the innovation Strategic Action.

- **Innovation Ecosystem: Infrastructure and Global Research Capabilities.** The area boasts a centre of higher learning with four universities a network of high performing further education colleges delivering new vocational and higher education courses driven by the demands of the business community. Surrey's Research Park and the adjacent University of Southampton Science Park collectively contribute almost £2 billion per annum to the regional economy (the EU consultation event in October 2013 highlighted the potential for the two to collaborate). Innovation leaders like QinetiQ, Electronic Arts, BAE Systems and McLaren are based in the area (see map). According to the Higher Education-Business and Community Interaction Survey (HE-BCIs) universities in the Enterprise M3 area feature strongly in national league tables for income developed from commercial relationships with business, notably from SMEs. The Universities of Southampton and Surrey occupy first and second places respectively in the survey for SME Income for Facilities and Equipment
- **Related Services.** The area's research capabilities include Surrey University's 5G Innovation Centre; The McLaren Applied Technology Centre, and the spin-outs like Surrey Satellite Technology Ltd (now part of EADS (European Aeronautic Defence and Space Company) Astrium). Enterprise M3 is also closely connected to the Satellite Applications Catapult at Harwell through the University of Surrey's involvement in the project. The area is the home to a range of world-class Public Sector Research Establishments (PSREs).

- The 'innovation ecosystem' not only supports large multinationals and university spin-outs, but it also enables high growth SMEs and start-ups achieve growth faster. These smaller companies make up a significant percentage of the Enterprise M3 business base and are where much of our economic growth will come from. Supporting their innovation by connecting them to the knowledge and expertise of the area's universities, as well as to other innovative businesses, particularly larger companies, is the key to unlocking future growth. However, there are several key actions that need to be taken to make our assets and strengths work better for the local area. For example, some of our innovation infrastructure is stretched, there is no clear oversight of our innovation ecosystem and it is hard to secure local benefits in the commercialisation of research. There is therefore a clear opportunity for Enterprise M3 to further exploit its nascent research infrastructure and enhance connections with local firms. Universities, colleges PSREs are keen to work with Enterprise M3, they see Enterprise M3 as a strategic organisation that can help them build stronger connections to the local business community. This will benefit business and academic or research institutions, help drive innovation and unlock growth. Only one of the key centres, Guildford, identified in the map has a university located within it. Enterprise M3 aims to strengthen the relationships between HE and businesses in all key centres, such as Basingstoke, Farnborough and Woking through (it was suggested at the EU consultation event in October 2013) the provision of space to new enterprises.

- **Delivering Growth, Using Innovation to Overcome Constraints:** The Enterprise M3 area in common with many other growth areas faces challenges in unlocking that growth, specifically in the areas of skills, infrastructure, rural super-fast broadband, and housing. Future growth can only be sustained if the Enterprise M3 area intelligently uses innovation to adapt to skills, infrastructure, rural super-fast broadband, and housing constraints. We need to focus on the continued development of high value sectors too. The Enterprise M3 area will use innovation to: help it move its industrial base up the global value chain and deliver the productivity gains necessary for the area to remain competitive against its international competitor regions. Innovation will play a significant part in driving and delivering change that will help preserve the quality of life that makes the area special and create opportunities for people who currently commute out of the area, particularly to London, to find attractive new opportunities in the area.

## 5G telecommunications 'Arrow Project'

- **Smart Specialisation: Exploiting World Class Sectors and Niche Sub-Sectors.** The Enterprise M3 area has world-class priority sectors and a rich diversity of niche sub-sectors. In order to retain and enhance our competitive advantage, we recognise that we need to continue to develop existing sectors, as well as nurturing and supporting new ones. Enterprise M3 recognises the value of this sector focus and has worked with university partners to develop a flexible 'smart specialisation' framework around an Enterprise M3 Sci:Tech Corridor. This will act as a focus for our niche specialisms to underpin the innovation Strategic Action. Our aim is to work to support the impact of investment in these specialist areas by helping connect the universities better to the local business community unlocking opportunities that would not otherwise be developed. Through smart specialisation we will work with partners to create the conditions for science and technology sectors to expand, flourish and grow through innovation activities. Sector champions will be identified to inform our growth plans.

4.19 Enterprise M3 is working hand-in-hand with the area's universities, as well as HEFCE, the TSB and UKTI to support cutting edge technologies that will create new companies, draw in inward investment, giving the UK leadership in new emerging sectors by connecting universities to business in a new way. Consensus has developed on aligning resources behind the £50 million of private and public sector investment already secured by the University of Surrey in world leading 5G mobile communication technologies. The private sector led consortium that supports this project includes: Aeroflex, AIRCOM International, BBC, BT, EE, Fujitsu

Laboratories of Europe, Huawei, Ofcom, Rohde & Schwarz, Samsung, Telefonica and Vodafone. These companies have pledged time, expertise and other contributions which together total more than £40 million, this is in addition to HEFCE investment of £11.6 million made from the UK Research Partnership Investment Fund (UKRPIF) in autumn last year.

420 Innovation funding could be used to support the development of an ‘arrow’ project, involving the co-ordination of investment behind a HE lead organisation to drive the development of new technologies. An example of how such a project could work is provided below:

421 The next table illustrates the areas of Sci:Tech ‘smart specialisation’ identified by our university partners.

**Figure 4.1: Proposed Areas of Sci:Tech Smart Specialisation**

Partner Engagement/Lead	Sci:Tech Smart Specialisation
Royal Holloway, University of London	<ul style="list-style-type: none"> <li>• <b>Security and Sustainability</b>, well established, strong track record and growing</li> <li>• <b>Translational Biosciences</b>, established and growing</li> <li>• <b>Nanotechnologies</b>, established and growing</li> </ul>
University of Southampton	<ul style="list-style-type: none"> <li>• <b>Photonics/Optoelectronics</b>, well established, strong track record and growing</li> <li>• <b>New Energy</b>, including clean tech and low carbon, established, embedded, multidisciplinary and growing</li> <li>• <b>Web Science</b>, well establish, strong track record and growing</li> </ul>
University of Surrey	<ul style="list-style-type: none"> <li>• <b>Satellite Engineering and Applications</b>, well established and growing, collaboration with Harwell, FAC</li> <li>• <b>5G Mobile Communication Technology</b>, recently initiated</li> <li>• <b>Veterinary Science and Translational Medicine</b>, completing planning phase</li> </ul>

### Objectives for the INNOVATION Strategic Programme

The overall aim of this priority is to further increase the regional levels of R&D expenditure and activity (especially by the private sector) and knowledge transfer between research and business in order to generate more innovative businesses through commercialisation of ideas. Within this context the Enterprise M3 objective is to enhance the prospects for growth by helping strengthening the innovation infrastructure of the area and supporting the interdependency and the connectivity between business, universities, colleges and Public Sector Research Establishments. The key aims of our proposed approach are summarised as follows:

- I. To promote smart specialisation:
  - To focus on supporting business innovation in **high valued added niche sectors** through ‘**smart specialisation**’ within the Enterprise M3 Sci:Tech Corridor where we have a global competitive advantage.
  - To develop a strong **supply chain** around **and** across our areas of ‘**smart specialisation**’ collaborating with other LEPs to support innovation where it makes sense to do so.
- II. Commercialisation, open innovation and new products and business processes:
  - To improve the connectivity across our local ‘**innovation ecosystem**’ through ‘**open innovation**’ - universities, colleges, public sector research organisations and the wider public sector can support businesses to innovate better.
  - Help universities, colleges and PSREs connect, **collaborate and interact better with business**, and helping business access the knowledge, skills and expertise of the area’s universities, colleges and PSREs.



- To create better **connections to other** UK and international '**innovation ecosystems**' and work with local partners, UKTI, TSB and RCUK to support partnerships working with other high growth regions globally. Again the aim here is to support business led innovation.
  - To raise **aspirations** so that all businesses and public sector organisations understand the benefits of innovation as a way of improving productivity and efficiency.
- III. To support innovation infrastructure by:
- Developing commercial real estate and infrastructure solutions that support business innovation – providing market intelligence to help the private sector respond to the growth needs of innovative businesses and public sector partners, making highly targeted public investment available to overcome areas of market failure.

4.16 The ESIF provides a unique opportunity to secure greater local impact, ameliorate the fragmentation of facilities and simplify and better co-ordinate the ways in which business accesses the expertise and knowledge of HE/FE institutions. We also aim to exploit complementary activity through Horizon 2020.

### Process - Consultations underpinning the INNOVATION Programme

- 4.17 The development of the Enterprise M3 Innovation strategy began in April 2013 with an initial meeting that brought together representatives from universities, science parks, business incubators, as well as other stakeholders from the innovation community. From this initial meeting an action plan was developed that outlined the potential role that Enterprise M3 could play in supporting the innovation community.
- 4.18 This plan was refined through a series of one-to-one follow-up meeting that Enterprise M3 held with universities, colleges and business incubators. In addition, Enterprise M3 has met with other major players involved in supporting innovation nationally, including the Technology Strategy Board and Research Councils as well as talking to local players such as Surrey Connects. Meetings have taken place with sector experts including the Enterprise M3 Satellite Applications Group chaired by Dolores Bryne (ex QinetiQ), sector specialists within universities and at Hampshire County Council and Surrey Connects. From these additional meetings new innovation support concepts have been identified, including a collaborative partnership between Enterprise M3 and the BBSRC to support innovation and connections between businesses in the area's Public Sector Research Establishments. These discussions have also led to discussions about cross LEP collaborations involving the successful SETsquared partnership and four other LEPs in the South East and South West of England and collaborations around Big Data between Hampshire County Council and Royal Holloway (University of London), with Enterprise M3 recognised as a key contributor.
- 4.19 A better understanding of the challenges and opportunities to support innovation and areas of 'smart specialisation' came out of these discussions with universities, colleges and business incubators. Importantly, Enterprise M3 has worked closely with the businesses community on the development of the Innovation Strategy. This has included a series of one-to-one meetings with a range of businesses, including large multinationals that are actively deploying innovation across their organisations and SMEs that are embracing innovation.
- 4.20 Enterprise M3 are working with a number of businesses, including BP, Procter and Gamble, as well as less well known SMEs to identify the role that Enterprise M3 can perform in:
- Helping what already exists in innovation support work better
  - Filling identified gaps, or market failure where Enterprise M3 can stimulate market driven solutions to support innovation
  - Enabling better connections be made between business, universities colleges and funders.

## Additionality of EU Funds

- 4.21 EU funding is essential to ensure that the commercialisation of locally developed research and intellectual property realises its job creation, economic growth and company formation impact on the UK economy. Without these interventions, economies outside Europe are likely to gain the impact benefits gained from this activity.
- 4.22 Appropriate domestic funding to support these interventions is not available. Where some funding is available, it is fragmented and is not of sufficient scale to deliver impact and outputs associated with this project.

## Value for Money

- 4.23 We will seek to maximise value for money from key public sector investments by focusing on areas of smart specialisation, where we have a competitive advantage. EU funding will unlock the benefits from previous domestic investment in the UK's research and knowledge base.
- 4.24 We have drawn inspiration for this innovation intervention from a range of **successful university and industry programmes** including the SETSquared partnership, which was rated by the University Business Incubator (UBI) index report as one of the top four most influential university business incubators globally, and number one outside the United States. - See more at: [http://science-park.co.uk/news/104/16/Global-recognition-for- SETSquared- Partnership#sthash.vaYYJ6r7.dpuf](http://science-park.co.uk/news/104/16/Global-recognition-for-SETSquared-Partnership#sthash.vaYYJ6r7.dpuf) . Our aim is to build on good practice and expand successful intervention models to deliver wider outputs across our economy.
- 4.25 We calculate these activities will generate £72,050,000 GVA, an estimated ROI (gross) of £11 for every £1 invested.**

## Prioritisation of Activities

- 4.26 A key priority for Enterprise M3 is innovation investment that will quickly unlock local growth. We considered a range of interventions that mirrored existing national products, including innovation voucher schemes and broadly focused innovation support, but we quickly decided on a tightly focused approach that would exploit opportunities from close-to-market research in areas of smart specialisation.
- 4.27 Our aim is to add value in areas where other public funding was not able to make an impact, using public investment to leverage private sector funding to accelerate the commercial impact from our research and knowledge base. With more resources we would have the flexibility to support a broader range of areas of smart specialisation, which would then enable us to deliver significant additional growth benefits to the UK economy.



## Proposed Activities

4.28 A list of proposed activities to deliver these objectives is presented below

2. INNOVATION - SCALING UP CAPABILITIES, WIDENING NETWORKS AND FOCUSING ON SMART SPECIALISATION	
Proposed Activities	Thematic Objective
<b>Smart Specialisation - Building collaborative research between enterprises, research institutions &amp; public institutions</b>	
<b>Smart specialisation</b> - Accelerating the commercialisation of World Class Public and Private Research and Intellectual Property (20% of which will be in CleanTech/Low Carbon areas). Developing strong supply chains creating new business opportunities that would not otherwise exist within the Enterprise M3 Sci:Tech Corridor. Activities include HEI/Business links, commercialisation, inward investment, collaborative research, incubation, and innovation products such as innovation vouchers / KTPs, working with key employers on supply chain development. Examples could include Aerospace or 5G, R&D in the Health Sector or proximity to London's high growth creative community. Looking at Witty concept of 'arrow' projects, potentially around 5G communication, with funding being used to co-ordinate different players.	ERDF/ Priority Axis 1 & 4
<b>Commercialisation, Open Innovation and New Products and Business Processes</b>	
<b>Innovation for Everyone.</b> Innovation adoption measures aimed at high growth companies, every business, public or voluntary sector organisations, or social enterprises. Activities include leadership and management, management development, peer-to-peer learning, business collaboration e.g. capital equipment pooling to support innovation; webinars/on-line tools highlighting best practice in innovation application (available through the Enterprise M3 Business Portal) or expanding successful university based models which enable business innovation.	ERDF/ Priority Axis 1 & 3
<b>Bringing new products and business processes to the market</b> , including those linked to the UK Government's 'eight great technologies' and 'industrial strategy sectors'. This will include stimulating the demand for new (or improved) services, processes and products; and practical support to stimulate the commercialisation of R&D (e.g. workshops, user-group sessions and networking opportunities to help entrepreneurs develop & commercialise innovations, connect with potential customers and collaborators as well as institutions and Government sponsored partners, such as the TSB, who will give access to a wide variety of innovative products).	ERDF/ Priority Axis 3
<b>Physical infrastructure</b>	
Development of physical " <b>incubation space</b> " and " <b>move on</b> " accommodation to support the needs of high growth companies to retain their economic value within the area including: a) development of sector specific incubation centres; b) exploring bringing back for the purposes of innovation centres vacant and/or underused buildings and land; and c) supporting a new generation of real estate entrepreneurs	ERDF/ Priority Axis 3
Supporting businesses to benefit from the <b>capital assets and opportunities</b> arising from activities such as Cyber Security Lab, 5G Test Bed	ERDF/ Priority Axis 2 & 3

**There are two levels of indicators under ESIF the performance framework targets and the investment priority targets.**

**4.29 Performance framework targets**

There are three types of performance framework targets in the England Operational Programme: output, implementation steps (milestones); and spend targets for 2018 and 2023

- **Output targets and milestones:** these are measured for each category of region at Priority Axis level in 2018 and 2023 and are set out in the performance framework.

- **Spend targets:** these are based on total eligible expenditure for each category of region and will be measured for each Priority Axis in 2018 and 2023.

If the national performance framework targets are not met for 2018, the performance reserve that had been set aside for the failing Priority Axis may potentially be moved to another Priority Axis in the same category of region. This may result in either a revision of a LEP area's PA targets or notional allocations.

**4.30 Priority Axis Investment Priority targets**

There are two targets at this level, output and results targets. These are provided in the Operational Programme at Investment Priority level under each Priority Axis. Although there is no direct reward or sanction for achieving these, the Commission may consider failure to meet these targets as symptomatic of failure in the general management and control of the programme and may act as appropriate in response.

**4.31 Priority Axis Investment targets for Innovation and enterprises activities under priority axis 1, 2 and 3**

Investment priority (extract from ERDF Operational Programme)	Output indicator	Target by 2023	Unit
1b - Promoting business investment in R&I, developing links and synergies between enterprises, research and development centres and the higher education sector, in particular promoting investment in product and service development, technology transfer, social innovation, eco-innovation, public service applications, demand stimulation, networking, clusters and open innovation through smart specialisation, and supporting technological and applied research, pilot lines, early product validation actions, advanced manufacturing capabilities and first production, in particular in key enabling technologies and diffusion of general purpose technologies	Number of enterprises receiving support	289	Enterprises
	Number of enterprises receiving grants	203	Enterprises
	Number of enterprises receiving financial support other than grants	5	Enterprises
	Number of enterprises receiving non- financial support	71	Enterprises
	Number of new enterprises supported	24	Enterprises
	Private investment matching public support to enterprises (grants)	245 076	EUR
	Private investment matching public support to enterprises (non- grants)	342 849	EUR
	Employment increase in supported enterprises	23	Full time equivalents
	Number of enterprises cooperating with research institutions	156	Enterprises
	Number of enterprises supported to introduce new to the market products	23	Enterprises

	Number of enterprises supported to introduce new to the firm products	46	Enterprises
	Public or commercial buildings built or renovated	125	Square meters
2b - Developing ICT products and services, e-commerce and enhancing demand for ICT	Number of enterprises supported	394	Enterprises
	Number of new enterprises supported	276	Enterprises
	Number of enterprises supported to introduce new to the firm products	63	Enterprises
	Additional businesses taking up broadband with speeds of at least 30Mbps	1 508	Enterprises
3a - Promoting entrepreneurship, in particular by facilitating the economic exploitation of new ideas and fostering the creation of new firms, including through business incubators	Number of enterprises receiving support	129	Enterprises
	Number of enterprises receiving grants	85	Enterprises
	Number of enterprises receiving financial support other than grants	12	Enterprises
	Number of enterprises receiving non- financial support	33	Enterprises
	Number of new enterprises supported	100	Enterprises
	Private investment matching public support to enterprises (grants)	447 304	EUR
	Private investment matching public support to enterprises (non- grants)	14 442	EUR
	Employment increase in supported enterprises	52	Full time equivalents
	Number of enterprises supported to introduce new to the market products	10	Enterprises
	Number of potential entrepreneurs assisted to be enterprise ready	407	Persons
	Public or commercial buildings built or renovated	16	Square meters
3c - Supporting the creation and the extension of advanced capacities for product and service development	Number of enterprises receiving support	329	Enterprises
	Number of enterprises receiving grants	220	Enterprises
	Number of enterprises receiving financial support other than grants	30	Enterprises
	Number of enterprises receiving non- financial support	86	Enterprises
	Number of new enterprises supported	103	Enterprises
	Private investment matching public support to enterprises (grants)	1 391 541	EUR
	Private investment matching public support to enterprises (non- grants)	448 676	EUR
	Employment increase in supported enterprises	135	Full time equivalents
	Number of enterprises supported to introduce new to the firm products	52	Enterprises

3d - Supporting the capacity of SMEs to grow in regional, national and international markets, and to engage in innovation processes	Number of enterprises receiving information, diagnostic and brokerage	33	Enterprises
	Public or commercial buildings built or renovated	41	Square meters
	Number of enterprises receiving support	184	Enterprises
	Number of enterprises receiving grants	123	Enterprises
	Number of enterprises receiving financial support other than grant	17	Enterprises
	Number of enterprises receiving non- financial support	48	Enterprises
	Number of new enterprises supported	58	Enterprises
	Private investment matching public support to enterprises (grants)	852 932	EUR
	Private investment matching public support to enterprises (non- grants)	286 134	EUR
	Employment increase in supported enterprises	76	Full time equivalent
	Number of enterprises supported to introduce new to the firm products	29	Enterprises
	Number of enterprises receiving information, diagnostic and brokerage	18	Enterprises
	Public or commercial buildings built or renovated	23	Square metres

For Priority axis 4, please refer to the Low Carbon Section page 69.

### 3. SKILLS, EMPLOYMENT AND EMPLOYABILITY – MEETING EMPLOYER NEEDS AND ENHANCING OPPORTUNITIES FOR LOCAL PEOPLE

#### Rationale for Intervention

4. Skills are a fundamental component of productivity and a key area of focus of the Enterprise M3 strategy. The Local Futures report placed Enterprise M3 sixth highest (out of 48 economic sub-regions) for its share of 'knowledge workers', and third for the local skills base. However, looking towards the future the Enterprise M3 area will need to address two key issues: (i) skills gaps in professional and management occupations; and, (ii) the fact the labour force is growing much slower than the job market. Challenges but also opportunities are summarised below

Opportunities	Challenges
<ul style="list-style-type: none"> <li>Engagement with employers around a transformation and step change in information, advice and guidance with significantly enhanced knowledge of what opportunities and training are available.</li> <li>Closer working between schools, colleges &amp; universities to pool resources and meet the demanding growth needs of employers – with a move towards supporting people to gain employment rather than numbers</li> </ul>	<ul style="list-style-type: none"> <li>Slow growth of a labour market against projected growth in jobs and increased demand for higher skills and STEM expertise. This issue is pronounced because of the high number of technology-based firms / proportion of knowledge-intensive services, and the importance of priority sectors like aerospace and defence.</li> <li>An ageing work force and fierce and growing competition for lower skills jobs (manifested through significant replacement demand).</li> <li>Apprenticeships are growing but not at higher</li> </ul>

<p>educated.</p> <ul style="list-style-type: none"> <li>• <b>A strong training network, third sector and FE sector looking to collaborate and focus on areas for growth combined with willing employers wishing to engage, lead and influence the skills agenda.</b></li> <li>• <b>The above could help stem the outflow of knowledge workers to London and will have a knock on effect on unemployment levels.</b></li> <li>• <b>New Funding through the EU and Single Local Growth Fund to deploy on key skills priorities – to make the system work better and respond to projected employer demand;</b></li> </ul>	<p>level, or necessarily, in Enterprise M3 priority sectors.</p> <ul style="list-style-type: none"> <li>• The links between skills providers and employers are patchy – employers say skills are holding them back.</li> <li>• Significant net out commuting especially London and low graduate retention resulting in a net-out flow of high skilled commuters.</li> <li>• The high cost for business and employees compound this issue with further talent and skills in danger of relocating.</li> <li>• 31% of CEOs and senior managers from the 'Barriers to Growth' survey stated that basic skills shortages were an issue. A shortage of people with skills at degree level and above (NVQ level 4 and above) was also perceived as significant, particularly for larger companies</li> </ul>
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4.23 A number of issues have been considered in developing the Strategic Programme for this priority and these are discussed below.

- **Demand Side.** Looking at the demand side, employment in the Enterprise M3 area will increase by some 59,000 jobs in the decade between 2010-2020 with accelerated growth after 2015 (Working Futures, UKCES). This is faster than the national rate of 0.5% (Enterprise M3 is predicted to grow by 0.7% per annum). Looking at broad sectors the highest demand (19,000) for additional employment will be generated by professional services over this period. It's not surprising that much of the employment growth will increasingly be found in higher skilled occupations (principally professionals, senior managers and associated professional and technical occupations). This in turn will generate increasing demand for higher level qualifications at QCF (post graduate) levels 7 and 8 and QCF degree or equivalent levels 4-6. The Enterprise M3 Skills and Employment Strategy (developed by Enterprise M3 with Shared Intelligence and partners) notes that replacement demand created by people leaving the labour market will create six times more jobs (345,000) than those expected from new jobs (59,000). Replacement demand will generate employment opportunities in all industries and result in an intensification of competition for lower skilled jobs as well as a requirement for skillstraining.
- In summary, there is a need to prepare for the likely acceleration in employment growth generated by new and replacement demand with a general shift towards higher skilled/technical occupations. This, in our view, necessitates a programme of activities to support the world-class skills that will be required in one of the fastest growing LEP economies nationally.
- **Supply Side.** The Enterprise M3 Labour Market is already strong and recovering from the recession. 77.4% of working age residents are in employment. This is higher than the SE and UK averages at 74.7% and 70.6% and the Strategy for Growth aims to raise this already high rate to an ambitious 80% by 2020. However the recovery here has left many young people behind with more older people working (between 2007 and 2012 the net change in employment was 10,900 for the over 50's compared to a loss of 7,900 for 16-24 year olds). Younger people struggle to get on the housing ladder and this is compounded by the fact that many highly skilled people commute out of the area. There are 64,000 high skilled out-commuters with a net out-commute of over 50,000 as result of well-paid employment opportunities in the capital and low graduate retention. While unemployment and youth unemployment are relatively low compared to other areas, in light of commuting and prospect growth it still represents lost opportunities for the economy and can have drastic knock on effects on the future prospects of those affected. That said the phenomena of 'silver slavers' (older people working longer) is quite prevalent in the Enterprise M3 area and has been identified as potential opportunity.

- The Enterprise M3 area is a high performing economy with an incredibly highly skilled work force; it has the highest proportion of people with the highest skills (39.5% with NVQ4 or higher skills in 2011, an increase from 34.7% in 2006) out of the 39 LEPs. It also has the second lowest percentage of the resident working age population without qualifications. Despite this exceptionally well-qualified workforce, Enterprise M3 had the highest incidence of hard to fill vacancies (8% of all establishments) and the highest rate of establishments reporting skill-shortage vacancies (6%) amongst LEPs in 2011 (UKCES NES 2011). This is in spite of two thirds of employers (68%) reporting carrying out training.
- The Skills and Employment Strategy cites lack of skills as holding back growth – this was found strongly in stakeholder interviews and the Enterprise M3 Barriers to Growth business survey. Businesses also raised lack of Science, Technology, Engineering and Maths (STEM) skills as a problem and all respondents including learners wanted improved IAG. A key conclusion from the Skills and Employment Strategy is that we have got to get the learning market to work better to address these concerns and meet the demands of a strong and growing economy.
- The effects of projected employment growth are particularly stark when set against the modest working age population growth, and the changing composition of the workforce as people continue to work longer. By 2020, 32.8% of the working age population will be over 50. Looking at provision, the learning sector is well placed to respond with four universities, strong neighbouring higher education institutions and rich mix of further education provision. Our intention is to ensure provision is highly attuned to the needs of local businesses and our priority sectors' growth ambitions. Whilst apprenticeships are increasing rapidly, this is from a low base with some 16,360 starts in Hampshire and Surrey (2010/11, SFA/BIS). That said, they do not necessarily match the Enterprise M3 priority sectors and there have been very few higher apprenticeships with the majority at the intermediate level. Enterprise M3 aspires to a greater number of higher level starters in our priority sectors.
- In terms of social inclusion, Enterprise M3 has seen consistently lower rates of unemployment over the years 2009 – 2013 than have been seen in England as a whole (this is also true of those claiming Job Seekers' Allowance). However, we have pockets of excluded groups including families with complex needs and youth unemployment and NEETs, which - although comparatively low - is increasing rapidly compared to the national average.

## Consultation for the SKILLS AND EMPLOYMENT Strategic Programme

- 4.24 The Employment and Skills Strategy was developed by Enterprise M3<sup>26</sup> between May and August 2013. The strategy informs many of the ESIF skills priorities. It is based on a detailed review of evidence on skills and employment and recent policy developments. A series of scoping discussions and detailed interviews were conducted with business representative organisations and businesses, colleges, universities, the National Careers Service, Skills Funding Agency, and other organisations. These discussions explored the challenges and barriers currently faced by local stakeholders (for instance in meeting business needs or accessing in-demand skills) and allowed the team to develop and test a series of propositions emerging from the data analysis. These propositions covered ways in which the skills system could be improved to support economic growth. They were developed further through a number of learner focus groups. These were conducted with students studying courses, including Business BTEC, Hairdressing, Beauty Therapy, Engineering, and Public Services, at Levels 2 and 3. The process involved a series of workshops with businesses and providers. These sessions examined the propositions in detail, prioritised them, and agreed a number of responses or interventions to take them forward. There were four workshop sessions held with

<sup>26</sup> Undertaken by Shared Intelligence Consulting Ltd on behalf of Enterprise M3.



100 attendees. An action plan has subsequently been developed, reviewed following consultation and approved by the Enterprise M3 board.

- 4.25 With over 150 delegates the Enterprise M3 World Class Skills Conference (Developing a Workforce for the Future) held in Woking (10 September 2013) brought together partners from the learning and skills sector and key employers to discuss the implication of the Draft Skills and Employment Strategy and Evidence Base and the skills priorities for the use of European funding, along with the wider funding package available to the LEP. There was broad agreement and ratification of key activities within the Strategy's draft Action Plan. Delegates stressed the importance of getting employers to realise the benefit of skills, to try to stem the tide of commuters and there was very real interest in transforming IAG for the area. They were keen to ensure that the fast growing economy would be able to draw on a world class skills base.
- 4.26 Some 28 partners attended an extended Implementation Group meeting in September 2013 to help shape key actions and outcomes. It was agreed that the skills component of the LEP's ESIF activity should give primacy to the role of SMEs in giving their perspectives on the skills market, using labour market intelligence (LMI) to determine priorities and giving a stronger focus on the role of work experience and more on exposure to entrepreneurship and enterprise in schools. Continuing this theme, there was consensus of the need for further practical approaches to inspiring young people (in STEM subjects in particular) and maintaining that enthusiasm with strong careers advice. The role of incentives, particularly financial incentives, for apprenticeships and other activity by employers was discussed as well as an increasing role for and relationship between, intermediate and higher level apprenticeships. The importance of workforce development measures (covering retention, re- skilling and up-skilling for older people) was also mentioned. There has been a surprising degree of unanimity across of the recent skills consultations. For instance the EU strategy consultation event (October 2013) reiterated the fact that higher level apprenticeships are not very well developed in Enterprise M3.

## Objectives for SKILLS AND EMPLOYMENT Strategic Programme

- 4.27 The actions outlined below have been devised as part of our Skills and Employment Strategy and accompanying evidence base and action plan, responding directly to the challenges and opportunities outlined above. They are structured within three inter-linked work-streams: (a) world class skills; (b) increasing employer take up of training; and (c) enhancing employability prospects. These priorities were developed with a number of skills providers, employers and partners – we found an appetite for employers to engage in employment and skills and we want the pool of employers doing so to get bigger. We want to enable the learning market to work better. It will require strategic planning, pooling of resources and lining up actions underpinned by effective promotion. This will be overseen by a fit for purpose Employment and Skills Board capable of guiding local actors towards achieving these ambitious plans. In addition, there are a series of social inclusion interventions, which have been developed with local partners.
- I. The objectives of the **world-class skills programme** are focused around:
- Increasing interest in STEM subjects to create a world-class skilled labour pool (including the promotion of female take-up).
  - Meeting specific skills gaps through close collaboration between employers and learning providers.
  - Boosting the take up of Higher/Degree Apprenticeships, particularly in STEM subjects, and alternative higher-level vocational pathways, with increased SME participation (including apprenticeship hubs or other shared arrangements).
- II. The aim of the next work stream is quite simply to increase **employer take-up of training**.



It has four elements:

- Boosting employers' engagement with learning providers. This involves developing better links between business and educators and promote learning more effectively to employers and support them in identifying and meeting their training needs.
  - Improving information about the learning offer;
  - The development of skills brokerage support through the Growth Hub.
  - The creation of a labour market intelligence unit
- III. The employability work stream aims to increase learners' understanding of employer needs, employment opportunities and progression pathways, to improve employer engagement with schools and colleges and to enhance IAG. It has the following objectives:
- Helping people back to work through vocational pathways and apprenticeship programmes;
  - Strengthening Careers Information Advice and Guidance to provide a more integrated service with a particular focus on meeting the needs of growth sectors and technologies and target groups (including women in relation to STEM career opportunities);
  - Working with learning providers and employers to develop, promote and provide traineeships, internships and other employability and re-engagement programmes focussed on the disadvantaged, NEETs and other target groups and SMEs.
- IV. **Social inclusion** objectives include the following:
- Developing the capacity of social enterprises within Enterprise M3, with regard to specific social inclusion needs across the area. Could build on, for example, the local models for Social Entrepreneur development, which could be expanded to cover the whole LEP area.
  - Employability and basic skills around groups at risk of discrimination from the workforce. Could include active inclusion activities for groups with protected characteristics, or activities to combat discrimination of these groups from labour market. This will ensure excluded groups are given the support to tackle barriers to work and that they are employment ready or entering training or self-employment.

There is an opportunity to recruit socially excluded groups and NEETs into new environmental sectors such as renewable energy. These sectors do not just require highly qualified workers.

## **Additionality of EU Funds**

- 4.28 There is ongoing STEM subject promotion in the Enterprise M3 area, but we know that levels of STEM engagement are lower amongst women. The EU funds will allow more targeted activity that is tailored towards encouraging female, and other under-represented groups, to participate in STEM subjects.
- 4.29 The skills activity focused on higher level skills will be focused on those groups that are underrepresented in the labour market, i.e. young people, women and older people. This will be supplementary to the universal offer from FE Colleges and private providers, with a specific aim to increase the higher level skills attainment in these groups. The funding will also be used to develop skills to meet future needs (e.g. in relation to new technology, construction or production methods).
- 4.30 Without the EU funding targeted interventions in this area will lack the critical mass to have impact at a level that is in any way proportionate to scale of need and opportunity in our local

economy. For example, without EU funding, the level of employer engagement in the provision of vocational training for target groups would be greatly reduced which would have a disproportionate negative impact on the effectiveness and value for money of interventions.

- 4.31 The funding available through FE Colleges will be used as match through the SFA until 2018. This is for universal activity – the EU funds will allow us to target the disadvantaged and underrepresented groups, increasing the attainment of higher level skills and increasing uptake of STEM subjects. Devolution of these funds from 2018 could add further flexibility of match to the local area.
- 4.32 There is limited other funding available to deliver higher levels skills activity – the LEP intends to source local match at increasing levels from the start of the programme and particularly from 2017 onwards.

### Value for Money

- 4.33 As we develop our skills and employment propositions further, we will undertake a thorough value for money assessment around these activities. We will be undertaking this as part of the development of our wider Strategic Economic Plan.

### Prioritisation

- 4.34 As described above, the Skills and Employment Strategy was developed through an extensive consultation process with a range of partners. Through this process, a clear idea of the areas it would be most beneficial to focus on was developed. The list of interventions proposed in the EU strategy is specifically targeted at underrepresented groups.
- 4.35 Activity is scalable – with greater levels of funding we would be able to achieve more outputs and a higher rate of return on investment. There would also be the opportunity to increase the level of employer involvement, including increasing links between businesses and educators, which would enhance the reach and beneficial economic impact of the programme. For example, with additional funding we could do more to support intermediate, technical and higher level skills for specific industries and sectors identified as driving growth in our local economy. We could also do more to develop skills for innovation (focussed on SMEs) and to align our skills programme with ERDF supported activities in line with our growth priorities. Scaling-up in these areas would benefit both individuals in target groups (in terms of numbers reached and the quality of the support provided) and ramp-up the economic impact of our skills programme.

### Proposed Activities

- 4.36 A list of proposed activities to deliver these objectives supported by ESF is presented below review as per 4.1)

Proposed Activities	Thematic Objective
<b>World Class Skills</b>	
The development of an Enterprise M3 <b>STEM programme</b> designed to enhance perceptions of STEM subjects preparing young people (and women in particular) for the industries of the future. Working with schools, employers and colleges to map, promote and develop an inspiring local tailored suite of STEM events, hands-on-experiences and activities designed to stimulate interest in local technology focused industries.	ESF/ Thematic Objective 10
Working with learning providers to develop, build capacity and deliver skills to meet future needs in line with our growth priorities (e.g. in relation to new technology, digital skills and sector priorities and skills for innovation in SMEs). Including Support for specific <b>intermediate, technical and higher level skills</b> for Enterprise M3 industries, sectors and supply chains.	ESF/ Thematic Objective 08

Boosting the take up of Apprenticeships and Higher/Degree Apprenticeships, particularly in STEM subjects, and alternative higher-level vocational pathways, with increased SME participation (including apprenticeship hubs or other shared arrangements). Working through NAS, HE and FE institutions, and employers through existing channels and new sector based groupings for instance the proposed Heathrow Academy Model. Activities have a focus on STEM subjects.	ESF/ Thematic Objective 08
<b>Increasing Employer Take-up of Training</b>	
Measures boosting the volume and quality of <b>employers engaging with schools, colleges, universities and other learning providers</b> including the provision of diverse work placements, internships, traineeships and apprenticeships. Support for collaborative projects or other activities with SMEs that enable students and graduates to gain industry relevant experience and skills.	ESF/ Thematic Objective 10
Substantially improving information about the learning offer and developing skills brokerage support through the Growth Hub. Independent Enterprise M3 skills brokers will provide impartial advice and support to businesses and to publicise learning more effectively to employers and support them in identifying and meeting their training needs. Joint working protocols and an appropriate brokerage model will be devised with appropriate support mechanisms/infrastructure.	ESF/ Thematic Objective 10
The development of a labour market intelligence unit to give up to date intelligence on employer skills requirements. Working with learning providers, the SFA and others to improve the quality, consistency and co-ordination of information about the learning offer in Enterprise M3, including the possible co- design of current information systems with employers and the marketing of providers' offers through employer bodies.	ESF/ Thematic Objective 10
<b>Enhancing Employability Prospects</b>	
Helping people back to work through vocational pathways and apprenticeship programmes. Targeting older workers to support the Fuller Working Lives agenda, including engagement in apprenticeship programmes	ESF/ Thematic Objective 10
Strengthening Careers Information Advice and Guidance to provide a more integrated service with a particular focus on meeting the needs of growth sectors and technologies and target groups (including women in relation to STEM career opportunities);	ESF/ Thematic Objective 10
Working with learning providers and employers to develop, promote and provide traineeships, internships and other employability and re-engagement programmes focussed on the disadvantaged, NEETs and other target groups and SMEs.	ESF/ Thematic Objective 10
<b>Social Inclusion</b>	
Employability and basic skills around groups at risk of discrimination from the workforce. Could include active inclusion activities for groups with protected characteristics, or activities to combat discrimination and barriers to employment of these groups from labour market.	ESF/ Thematic Objective 09
Developing the capacity of social enterprises within Enterprise M3, with regard to specific social inclusion needs across the area. Could include, for example, the model of the Hampshire School for Social Entrepreneurs, which could be expanded to cover the whole LEP area.	ESF/ Thematic Objective 09

## Outputs/Results Indicators

4.37 The table below summarises the target outputs indicators for the Enterprise M3 ESF programme.

### .1.3 Investment Priority 8i (1.1)

4 ID	5 Indicator	6 Total Target Value (2023)	7 Men target value (2023)	8 Women target value (2023)
O1	.9 Participants	.1.1.1.10 5 120	.1.1.1.11 2 810	.1.1.1.12 2 310
13 ESF - CO01	.14 Unemployed, including long-term unemployed	3 580	.15	.16
17 ESF - CO03	.18 Inactive	.1.1.1.19 1 280	.20	.21
22 O4	.23 Participants over 50 years of age	.1.1.1.24 1 130	.25	.26
27 O5	.28 Participants from ethnic minorities	1.1.1.1.29 480	.30	.31
32 ESF - CO16	.33 Participants with disabilities	1.1.1.1.34 910	.35	.36
37 O6	.38 Participants without basic skills	1.1.1.1.39 900	.40	.41
42 ESF - CO14	.43 Participants who live in a single adult household with dependent children	1.1.1.1.44 430	.45	.46

### .1.47 Investment Priority 8ii (1.2)

48 ID	49 Indicator	50 Total Target Value (2023)	51 Men target value (2023)	52 Women target value (2023)
53 O2	.54 Participants (below 25 years of age) who are unemployed or inactive	.1.1.1.55 1 320	.1.1.1.56 720	.1.1.1.57 600
58 ESF - CO01	.59 Unemployed, including long-term unemployed	1.1.1.1.60 920	.61	.62
63 ESF - CO03	.64 Inactive	330	.65	.66
67 O5	.68 Participants from ethnic minorities	1.1.1.1.69 110	.70	
71 ESF - CO16	.72 Participants with disabilities	1.1.1.1.73 110	.74	.75
76 O6	.77 Participants without Basic Skills	1.1.1.1.78 230	.79	.80
81 ESF - CO14	.82 Participants who live in a single adult household with dependent children	1.1.1.1.83 40	.84	.85

**1.1.1.1.86 Investment Priority 9i  
(1.4)**

87 ID	88 Indicator	89 Total Target Value (2023)	90 Men target value (2023)	91 Women target value (2023)
92 O1	.93 Participants	.1.1.1.94 1 720	.1.1.1.95 950	.1.1.1.96 770
97 ESF - CO01	.98 Unemployed, including long-term unemployed	1.1.1.1.99 910	.100	.101
102 ESF - CO03	Inactive	1.1.1.1.103 690	.104	.105
106 O4	.107 Participants over 50 years of age	1.1.1.1.108 340	.109	.110
111 O5	.112 Participants from ethnic minorities	1.1.1.1.113 160	.114	.115
116 ESF - CO16	.117 Participants with disabilities	1.1.1.1.118 300	.119	.120
O7	.121 Participants who are offenders or ex-offenders	.122 n/a (NOMS only)	.123	.124

## 5 Investment Priority 10iii (2.1)

126 ID	127 Indicator	128 Total Target Value (2023)	129 Men target value (2023)	130 Women target value (2023)
131 O1	.132 Participants	.1.1.1.133 7 650	.1.1.1.134 3 750	1.1.1.1.135 3 900
136 O4	.137 Participants over 50 years of age	.1.1.1.138 1 680	.1.139	.1.140
141 O5	Participants from ethnic minorities	1.1.1.1.142 720	.1.143	.1.144
145 ESF - CO16	.146 Participants with disabilities	1.1.1.1.147 400		.1.148
149 O6	.150 Participants without basic skills	.1.1.1.151 1 350	.1.152	.1.153
.154 ESF - CO14	.155 Participants who live in a single adult household with dependent children	1.1.1.1.156 260	.1.157	.1.158

## .1.159 Investment Priority 10iv (2.2)

160 ID	161 Indicator	162 Total Target Value (2023)	Men target value (2023)	163 Women target value (2023)
164 CO23	.165 number of supported micro, small and medium-sized enterprises (including cooperative enterprises, enterprises of the social economy)	1.1.1.1.166 140	1.1.1.1.167	1.1.1.1.168

4.38 The table below summarises the target results indicators for the Enterprise M3 ESF programme

Thematic objective 8i (1.1)		
ID	Indicator	Target value (2023)
R1	Unemployed participants into employment (including self-employment) on leaving	22%
R2	Inactive participants into employment, or job search on leaving	33%
R3	Participants gaining basic skills	4%
R4	Participants with childcare needs receiving childcare support	36%
ESF- CR06	Participants in employment, including self-employment, 6 months after leaving	34%
Thematic objective 8ii (1.2)		
ID	Indicator	Target value (2023)
R3	Participants gaining basic skills	4%
R5	Participants (below 25 years of age) in employment, including self-employment, or education/ training upon leaving	43%
ESF- CR06	Participants in employment, including self-employment, 6 months after leaving	34%
Thematic objective 9i (1;4)		
ID	Indicator	Target value (2023)
ESF - CR02	Participants in education or training on leaving	17%
R1	Unemployed participants into employment, including self-employment on leaving	14%
R2	Inactive participants into employment, or jobsearch on leaving	27%
R4	Participants with childcare needs receiving childcare support	36%
Thematic objective 10iii (2.1)		
ID	Indicator	Target value (2023)
R3	Participants gaining basic skills	11%
R6	Participants gaining level 2 or below or a unit of a level 2 or below qualification (excluding basic skills)	25%
R7	Participants gaining level 3 or above or a unit of a level 3 or above qualification	8%
R8	Employed females gaining improved labour market status	35%
Investment Priority 10iv (2.2)		
ID	Indicator	Target value (2023)
R9	Small and Medium Enterprises successfully completing projects (which increase employer engagement; and/or the number of people progressing into or within skills provision)	75%



## 4. LOW CARBON AND SUSTAINABLE PLACES PROGRAMME

### Rationale for Intervention

- 4.39 Enterprise M3 is keen to support the shift towards a low carbon economy in all sectors and building the market in low carbon environmental technologies, goods and services. For instance we will further exploit our woodland assets creating new jobs in the low carbon and rural economy by developing woodland enterprises, encouraging investment in the timber and wood to warmth supply chain. We will seek out entrepreneurs, best practice and finance modernising and develop new opportunities, building collaboration and adding market value to products. The advice and guidance of the Local Nature Partnerships will help harness natural capital and optimise environmental gain. To achieve joint environmental and economic outcomes the programme will need to work from small-scale woodfuel/woodshop ventures through to major investment (sawmilling/primary product processing including wood pellet manufacture). By favouring collaborative ventures the supply chain will be shortened removing waste, improving profitability and encouraging economies of scale. The EU strategy event in October 2013 noted the potential of this sector to recruit excluded people.
- 4.40 There is near unanimity about the need for additional investment in infrastructure in the Enterprise M3 area and this measure also has some substantial complementary activity around transport and broadband.
- 4.41 According to the CBI, infrastructure brings greater economic returns on investment than many other forms of capital expenditure, producing £10 of benefit for every £1 spent and creating jobs, supporting business growth and reducing carbon - a three-way benefit for the economy. We need to promote much more sustainable and smarter use of transport infrastructure in our area, which is straining under the pressure of growth and over reliant on commuting and car based travel. We want a transport network fit for growth through low carbon solutions which result in enhanced mobility, reduced emissions and a much more personalised experience for transport users. Investment in super-fast broadband and 4G mobile phone signal can reduce the need to travel.
- 4.42 Given our need to develop so much more housing we would like to ensure that we develop and advocate low carbon technologies (for instance in construction) and energy efficiency measures including retrofit. We are very interested in optimising the resilience of transport network and the sustainability of our local areas by exploring whole place low carbon solutions and smart cities solutions through a town centre pilot (it was suggested at our EU strategy consultation event (October 2013) that we should build on the example of Heathrow's state of the art wood fuel energy system at its Terminal 2 development). Given our high emissions of CO<sub>2</sub> per capita and energy consumption per capita promoting the innovation and adoption of low carbon technologies is a priority for the LEP.

4.43 Key challenges and opportunities arising from all these issues are summarised below.

Opportunities	Challenges
<ul style="list-style-type: none"> <li>• <b>Low carbon technologies and exploiting export potential for low carbon goods and services</b> <b>Smart city growth and whole place low carbon solutions in key towns.</b></li> <li>• <b>Potential to develop the wood fuel supply chain. The low carbon sector around the New Forest could provide a good opportunity for companies to take on unskilled labour, particularly those from deprived groups.</b></li> <li>• <b>Construction &amp; retrofit opportunities in proposed new housing developments</b></li> <li>• <b>The EU Strategy workshop (October 2013) raised the potential of a low carbon skills centre to develop rural and environmental skills.</b></li> </ul>	<ul style="list-style-type: none"> <li>• Lack of commercialised low carbon products and services.</li> <li>• Lack of low carbon awareness and local exemplars to demonstrate what can be achieved</li> <li>• Lack of engagement in low carbon solutions through excluded groups</li> </ul>

### Objectives for the **LOW CARBON AND SUSTAINABLE PLACES Strategic Programme**

4.44 EU funds will be used to help support low carbon businesses and to promote the development and commercialisation of low carbon research and products.

- I. **Low Carbon Commercialisation:** To support the development of low carbon technologies and R&D:
  - Working with universities and business that are leaders in Low Carbon Technologies with an emphasis on commercialisation of public and private research.
  - With a focus on local business including social enterprises, graduate start-ups and enterprise in under-represented groups.
- II. To support the shift towards a **Low Carbon Economy** in all sectors:
  - Building the market in low carbon environmental technologies, goods and services.
  - Non-domestic low carbon technologies and energy efficiency including the development of a small number (5-6) demonstrator sites/project for low carbon technologies.
  - Promoting the innovation and adoption of low carbon technologies including further development of the wood fuel supply chain and business resource efficiency measures.
- III. Complementary objectives (not EU funded) to this programme include:
  - Ensuring that housing provision does not act as a barrier to growth through the following potential activities: housing need assessments, incentives to promote housing development, a revolving loan fund and site development/reuse.
  - Ensuring that the commercial property stock is attractive to business and supports a high quality of life.
  - Developing Enterprise M3's business tourism offer through new a range of measures including possible investment in visitor infrastructure.
  - Investment in additional major transport schemes (local and national such as Crossrail 2 and the western access to Heathrow) that help to deliver the Strategy for Growth, further investment "pots", e.g. around congestion or access to development, where additional works can be undertaken where constraints to growth identified.
  - Town Centre redevelopment and regeneration.

- Empty property initiatives and enhancements to the commercial property offer with the selective development of high quality space, creative reallocation of any redundant space including local authority property/land and MOD assets, or shared office space schemes.
- To deliver a transport network fit for growth through low carbon solutions to enhance mobility, reduce emissions and personalise the user experience including:
  - The promotion of sustainable travel through low carbon modal shift/ smarter choices.
  - Innovation in transport systems enhance its efficiency by promoting a more integrated approach looking at modal integration, system performance, business models and real time information (Linked to Innovation programme).
  - Improving accessibility to work for individuals (Link to skills programme), reducing commuting and promoting sustainable transport to key LEP employment sites. An example might be a shuttle bus to business parks. (An example cited during the consultation was the [Elmbridge Cycle Strategy](#) for commuters).

## Consultation for the Low Carbon and Sustainable Place Programme

- 4.45 Further work on our Low Carbon and Sustainability aspirations was completed in December 2013. The Low Carbon and Sustainability Study made recommendations for the implementation and application of the EU Structural Funds within the low carbon economy and suggestions on how to implement the sustainable development cross cutting theme throughout the strategy, making it an integral part of all activities delivered under the strategy. This study involved consultation with key relevant partners and two workshops held on 2nd December 2013, the first focusing on the Low Carbon Economy and the second on Sustainable Development. Key findings have been integrated into the ESIF.
- 4.46 The Transport Action Group has brought together representatives from local authorities, business, Network Rail, Heathrow, the Highways Agency and train and bus operating companies among others to discuss priorities for action. Some 28 partners attended an extended Implementation Group meeting in September 2013 to help shape key actions and outcomes. It was agreed that the infrastructure & place component of the LEP's ESIF activity should, where eligible, stimulate low carbon activities and smart solutions to address congestion issues, which affect business productivity. Discussions with Network Rail and the Highways Agency are ongoing to ensure alignment with plans such as the Highway Agency Route Based strategies and Network Rail's Long Term Planning Framework and plans for Control Periods 5 and 6). The Group has surveyed business on a number of transport related issues to establish priorities for action. The business survey for Heathrow had 436 respondents from the Enterprise M3 area. The Group has also run a transport seminar for approximately 80 business representatives, which took place in January 2014 and provided an overview of the LEP's proposed transport interventions.
- 4.47 The Enterprise M3 Local Transport Body was established at the end of 2012, in conjunction with Surrey and Hampshire, to agree, manage and oversee the delivery of the prioritised transport schemes from 2015 onwards (see [www.enterprisem3.org.uk/enterprise-m3-local-transport-body/](http://www.enterprisem3.org.uk/enterprise-m3-local-transport-body/)). The Enterprise M3 Local Transport Body is a partnership between Local Authorities, the Local Enterprise Partnership and businesses. Over £24million of funding has been allocated over four years, and will be used to address congestion and open up access to sites across the Enterprise M3 area. Additional funding to support transport improvement in line with Enterprise M3's vision will be sought through the Local Growth Fund. The primary role of the Local Transport Body will be to decide which investments in major schemes should be prioritised, and to review and approve individual business cases for these investments, to ensure effective and efficient delivery of the programmes. We will work closely with this body on the development of sustainable transport infrastructure. This work will complement EU funding.

- 4.48 The Surrey and Hampshire LNP's have offered to act as a communications "conduit" between key partners including the Environment Agency and Natural England. And have contributed to the development of activities around sustainability and low carbon.
- 4.49 Finally, the LEP has a role around developing the connectivity of the area. The ambitious work being undertaken by the two county councils in the Enterprise M3 area means that there will be 99% and 95% superfast broadband coverage in Surrey and Hampshire respectively by 2017. The LEP has an important role in building upon this work by supporting businesses in their use and take-up of this technology.

### Additionality of EU Funds

- 4.50 We have undertaken significant consultation around the development of the low carbon and sustainable place programme, as set out above. Through this we have ensured that our funding programme is positioned in an area where there is no domestic funding available. By focusing this activity in such a way that it supplements our other investments in small and medium enterprises and innovation, we have also promoted the additionality of this funding.

### Value for Money

- 4.51 As part of the development of this programme, we have had regard to the value gained from this funding. When designing out prospectus for the distribution of this funding, we will ensure value for money is taken into account as a key consideration bearing in mind the limited amount of funding available.

### Prioritisation of Activities

- 4.52 The consultation exercise we have undertaken has identified those areas where this funding is most needed. Although this exercise came out with a number of possible projects and a wide range of interventions this funding could be used for, we have used the evidence available to us to inform our decision that this funding will be most effective by being used to specifically support low carbon enterprises and innovation. Other activities, which have not been included within the final plan, can be found within the Low Carbon and Sustainability Study at Annex D.

### Proposed Activities to be supported by ERDF

- 4.53 A list of proposed activities to deliver these objectives supported by ERDF is presented below.

Activities	Thematic Objective
<b>Low Carbon Commercialisation</b>	
Commercialisation of World Class CleanTech/Low Carbon Research and Intellectual Property. Emphasis on commercialisation of both public and private sector research and development, we will work with universities and businesses that are leaders in Low Carbon Technologies	ERDF/ Priority Axis 1 & 4
Supporting the commercialisation of Low Carbon R&D across the economy through Open Innovation. With a focus on local businesses including; social enterprises, graduate start-ups and enterprise in underrepresented groups.	ERDF/ Priority Axis 1 & 4
<b>Supporting the shift towards a Low Carbon Economy in all sectors:</b>	

Enterprise support for low carbon start-ups and established businesses.	ERDF/ Priority Axis 4
Promoting the <b>innovation and adoption of low carbon technologies</b> in the design and operation of new innovation which could include, for example, further development of the wood fuel supply chain and business resource efficiency measures.	ERDF/ Priority Axis 4

### Proposed Outputs/Results Indicators

The following outputs are proposed for the priority axis 4:

Investment priority (extract from ERDF Operational Programme)	Output indicator	Target by 2023	Unit
4a - Promoting the production and distribution of energy derived from renewable sources	No of enterprises receiving support	19	enterprises
	Number of new enterprises supported	4	enterprises
	Additional capacity of renewable energy production	2	MW
	GHG reduction: estimated annual decrease of GHG	1437	Tonnes of CO2eq
4b - Promoting energy efficiency and renewable energy use in enterprises	Number of enterprises receiving support	259	Enterprises
	GHG reduction: estimated annual decrease of GHG	1261	Tonnes of CO2eq
4c- Supporting energy efficiency, smart energy management and renewable energy use in public infrastructure, including in public buildings, and in the housing sector	Number of households with improved energy consumption	0	Households
	Decrease of annual primary energy consumption of public buildings	0	KWh/year
	Estimated GHG reduction	0	Tonnes of CO2eq
4f- Promoting research and innovation in, and adoption of; low carbon technologies	No of enterprises receiving support	0	Enterprises
	No of enterprises receiving non-financial support	0	Enterprises
	No of enterprises co-operating with research institutions	0	Enterprises
	No of enterprises supported to introduce new to the firm products	0	Enterprises
	GHG reduction estimated annual decrease of GHG	0	Tonnes of CO2 eq
	No of new enterprises support	0	Enterprises

## 5. Funding and Outputs

5.28 Enterprise M3 has received a notional allocation of €45.6m (£32.3m) for the period 2014-2020.

<b>Key figures</b>	
Notional allocation in Euros	€45.6
Conversion rate	€1 = £0.71
Notional allocation in £s	£32.3
Average £s per year	£5.4
7% performance reserve	£2.2

5.29 The table below shows **the agreed funding** allocations by EU thematic objective. It is based on extensive consultation with key partners and stakeholders and highlights the focus of the programme on innovation, skills and SME competitiveness.

EM3 ESIF FUNDING ALLOCATION (conversion in euros as of exchange rate of Sept 2015)- SUBJECT TO CHANGE OF EXCHANGE RATE

ERDF Priority Axis	Fund (grant available)	Revised allocation in £ at 0,71 revised exchange rate
Priority Axis 1 - Research and Innovation	7,5m EUR	£5,3m
Priority Axis 2: - ICT	1,7m EUR	£1,2m
Priority Axis 3 - SME competitiveness	10m EUR	£7,1m
Priority Axis 4 - Low Carbon Economy	6m EUR	£4,2
<b>TOTAL ERDF</b>	<b>ERDF 25,2m EUR</b>	<b>ERDF £17,8m</b>

ESF Thematic Objective	Fund (grant available)	Revised allocation in £ at 0,71 revised exchange rate
Thematic Objective 8 - Employment and Labour Mobility	6,5 m EUR	£4,6 m
Thematic Objective 9 - Social Inclusion and Poverty	3,8 m EUR	£2,7 m
Thematic Objective 10 – Education	10,1m EUR	£7,1 m
<b>TOTAL ESF</b>	<b>ESF 20, 4 m EUR</b>	<b>ESF £14,5 m</b>

**Figure 5.1: Enterprise M3 Preferred Investment of EU Funding**

Enterprise M3 Investment		
	%	millions euros
<b>ERDF Funded:</b>		
Innovation	16%	7.5
ICT	4%	1.7
SME Competitiveness	22%	10
Low Carbon	13%	6
Themes 1-4	55%	25,2
Climate Change	0%	0
Protecting the Environment/Resource	0%	0
Supporting Transport	0%	0
Themes 5-7	0%	0
<b>TOTAL ERDF</b>	<b>55%</b>	<b>25,2</b>
<b>ESF Funded:</b>		
Promoting employment/supporting	15%	6.5
Promoting social inclusion/combating	8%	3.8
Investment in education, skills, lifelong	22%	10.1
<b>TOTAL ESF</b>	<b>45%</b>	<b>20.4</b>

The agreement with the European Commission is in euros so the sterling equivalent will fluctuate depending on the exchange rate.

5.30 The following table also highlights the split by Strategic Action:

**Figure 5.2: Enterprise M3 Strategic Action**

Enterprise M3 Strategic Action	mEUR	%
<b>Enterprise</b>	10	22
<b>Innovation</b>	9,2	20
<b>Skills/Employment</b>	20,4	45
<b>Sustainable Development</b>	6	13
<b>TOTAL</b>	<b>45,6</b>	<b>100%</b>

5.31 A suite of outputs and results are to be delivered against this funding. The principal outputs of the programme are as follows:

- 2,139 businesses directly supported
- 2,460 new jobs created
- 12,700 participating in skills programmes and development

The following tables show the Enterprise M3 Performance Framework Targets for ERDF and ESF; These Performance Framework indicators will be the basis for the evaluation of the performance of the LEP and linked to the performance reserve indicator.



**Figure 5.3: Enterprise M3 Performance Framework targets for ERDF**

Priority Axis	indicators	Measurement unit	Milestones By 2018	Final targets By 2023
1 - Promoting Research and Innovation	Productive investment: Number of enterprises receiving support	Enterprises	0	289
	Expenditure	Euros	3 854 089	15 090 402
	Number of enterprises receiving support that has been achieved by partially or fully completed operations	Number	51	N/A
2 - Enhancing access to, and use and quality of, ICT	Expenditure	Euros	856 556	3 353 782
	Number of enterprises receiving support	Enterprises	64	357
3 - Enhancing the Competitiveness of SMEs	Productive investment: Number of enterprises receiving support	Enterprises	0	671
	Expenditure	Euros	5 369 514	21 023 940
	Number of enterprises receiving support that has been achieved by partially or fully completed operations	Number	118	N/A
4 - Supporting the Shift Towards a Low Carbon Economy in all Sectors	GHG reduction: Estimated annual decrease of GHG	Tonnes of CO2eq	0	2 579
	Expenditure	Euros	2 697 738	10 562 796
	Number of enterprises receiving support that has been achieved by partially or fully completed operations	Number	28	N/A

**Figure 5.4: Enterprise M3 Performance Framework targets for ESF**

Priority axis	Fund	Key implementation indicator	Measurement unit	Milestone total for 2018	Milestone mmen for 2018	Milestone women for 2018	Final men target (2023)	Final women target (2023)	Final target (2023)
1	ESF	Amount of spend	Euros	3 877 868					20 681 961
1	ESF	Participants	Number	1 534	842	692	4 480	3 680	8 160
2	ESF	Amount of spend	Euros	3 798 135					20 256 721
2	ESF	Participants	Number	1 438	705	733	3 750	3 900	7 650

5.32 The outputs were established drawing upon several sources of intelligence:

- Performance against the current programme 2007-2013.
- Evaluations of similar interventions delivered in the South East during the 2007-13 European Programme (delivered by SEEDA and co-financed by various organisations).
- Credible and robust benchmarks from nationally compiled sources drawing multiple sources which were adjusted to account for inflation. These include work by CRESR (Valuing the Benefits of Regeneration) and PWC (The Impact of RDA Spending). Performance of similar programmes (the TSB for instance).

### Rationale for Configuration of Strategic Actions

5.33 The overall programme architecture was first conceived during an extensive consultation process in developing our Strategy for Growth which was published in May 2013. The process identified three headline targets for the LEP around GVA, jobs and business births and survival. The discussions also led to the development of four key themes of activity to ensure progress towards these headline targets. The four themes are enterprise, innovation, skills and employment, and infrastructure and place. As a result we decided to structure our EU investment priorities principally around these same four themes (though the last theme was refined to low carbon and sustainable infrastructure reflecting the significance of low carbon interventions within the 2014-2020 programming period).

5.34 Within the EU funding parameters, the Enterprise M3 partners have chosen to **focus on a programme driven by enterprise and innovation** (44% of the notional allocation is earmarked to these two priorities) underpinned by substantial investment in the workforce (45%). We know that without the right skills we will be unable to grow at the pace predicted. In light of discussions and what we know about the make up and performance of our economy the programme has been designed around the following building blocks:

- Support to enable the **growth aspirations of SMEs and start-ups and to encourage investment in our priority sectors**. This includes proposals to match two opt-in providers – Growth Accelerator and UKTI combined with our ambitions for much better co-ordination of business support. 28% (£10.6m) of the programme resources are devoted to enterprise.
- Support for **innovation, commercialisation and innovation infrastructure** building on our exceptional research and intellectual property capabilities. We are very keen to support our ‘innovation ecosystem’ by focusing investment in an Enterprise M3 Sci:Tech Corridor which will exploit our unique characteristics and assets, competitive advantage, and rally stakeholders and resources around an excellence-driven vision of their future. Our aim is to use public investment (including £6.5m of ERDF) to leverage private sector funding to accelerate the commercial impact from our research and knowledge base.

5.35 These strategic programmes will be supported by **comprehensive skills measures with an emphasis on skills development supporting business growth and making the skills system work much better**. Following extensive consultation as part of our Skills and Employment Strategy our employment growth aspirations will be met through three strands of activity:

- World-class skills measures;
- Supporting employability; and
- Enhancing employer take up of training.

5.36 We can confirm that we have retained or exceeded the minimum 20% thresholds for both Low Carbon (£4.2m, 23% of ERDF allocation) and Social Inclusion (£3.9m, 26% of ESF allocation) activity. Further work has been undertaken in these areas to elicit key priorities and finalise and

refine allocations. For instance in relation to social inclusion we aim to develop the capacity of social enterprises to address specific social inclusion needs across the area and target employability and basic skills measures around identified groups at risk of discrimination from the workforce.

- 5.37 45% (£14.5m) of our notional allocation will be deployed on **skills, employment and employability** and in line with Commission expectation for more developed areas we have not allocated too much funding to sustainable infrastructure (developing areas across Europe take precedence here). Our **Low Carbon and Sustainable Places** strategic action is therefore modest in size and aimed primarily at supporting low carbon technologies. This underpinning measure will work in tandem with the Local Growth Fund to unlock infrastructural constraints on business growth and ensuring that we exploit opportunities in the low carbon economy.

The combined effects of a slighter greater emphasis on enterprise and innovation will result in a higher cost benefit ratio than a 50:50 split<sup>27</sup>. This will realise a good return on investment for the UK economy.

The above allocations will be complemented by an additional allocation of £3.5m from the European Agricultural Fund for Rural Development (EAFRD) with a suggested emphasis on providing strategic business support activity for small enterprises in rural areas.

### Approach to Opt-ins and national calls

- 5.12 Enterprise M3 has met with the opt-in providers to discuss how each programme could be tailored to meet the EU programme priorities. Opt-in prospectuses were published for a number of co-financing organisations and we have considered the fit of each of these against our own priorities. Using the evidence above, and following consideration of all opt-in prospectuses, it was determined that the Manufacturing Advisory Service did not fit the priorities we had identified within our enterprise support programme and that these would be better served by the Growth Accelerator and UKTI opt-ins, along with other provision. The Growth Accelerator and UKTI offers are no longer opt-in routes but will now operate through national calls. Enterprise M3 will consider these. The Social Housing Financial Instrument was not seen to have sufficient match with our priorities and expected use for these funds.
- 5.13 We have identified providers that meet with our objectives including Growth Accelerator (through an ERDF national call), UKTI (through an ERDF national call), the Big Lottery Fund (ESF opt-in), the DWP (ESF opt-in) and the Skills Funding Agency (ESF opt-in) although this will be subject to further dialogue and evidence about how the national programmes can be tailored to fit with our priorities. We have agreed Memoranda of Understanding with UKTI and Growth Accelerator their cofinancing contributions to our ERDF match funding and will be looking to do the same with the ESF cofinancers listed above, provided that negotiations continue in a satisfactory manner. We have indicated our provisional position around ESF cofinancer as requested by Government.
- 5.14 The progression of the devolution agenda will affect the ability of the current opt-in organisations to offer match as funding programmes are devolved to the local areas. Enterprise M3 will ensure that the opt-in offer is considered at each stage of procurement. Enterprise M3 will work with local partners in regards to the devolution deals being negotiated in the local area(s) to ensure potential to maximise EU funding opportunities.
- 5.15 The LEP has developed rapidly over a short space of time and will doubtless continue to do so in the coming months and years. In light of this, the board have expressed a wish to only commit to partial-term opt-ins with national cofinancers at this stage. This will provide us with maximum flexibility and allow us to make changes to these arrangements during the funding programme if it is in the best interests of the area to do so.

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<sup>27</sup> For instance the cost benefit for skills and training is 2.2 compared to a cost benefit ratio of 8.7 for business support activity (see Valuing the Benefits of Regeneration, CRESR, Volume 1, December 2010).

**Figure 5.4: Indicative Sources of Match Funding**

ERDF match	m£	ESF match	m£
Private	6,8	Private	0
Public – National	6,	Public – National	0
Public – Local	5,0	Public – Local	6,2
Opt In	0	Opt In	8,3

ERDF match	m£	ESF match	m£
		SFA	3,5
		Big Lottery	1,9
		DWP	2,9
<b>TOTAL</b>	<b>0</b>		<b>8,3</b>

### **Priority Axis without Allocated Funding**

- 5.16 Enterprise M3 has taken the decision to focus funding as much as possible to maximise the outcomes for the local economy and to minimise the administrative burden placed on the LEP and its partners through the delivery of these funds. This has meant that we have used the evidence collected during the development of this strategy in order to prioritise areas within which funding will be allocated. In doing this, we have taken account of the activities which have the most appropriate fit to the needs and opportunities present within the area, along with where domestic funding is directed and how the aims of some thematic objectives can be supported through other means and guidance received from Government. Using this process, we have decided not to allocate any funding to Priority Axis 5, 6 and 7. The rationale for each individual Thematic Objective is set out below:

### **Priority Axis 5 – Promoting Climate Change Adaptation, Risk Prevention and Management**

- 5.17 Although we recognise the view of the Environment Agency around the need for investment in climate change adaptation and risk prevention and management activities within the LEP area, it is our belief that the level of funding available will not produce effective outcomes within the LEP area when compared with the outcomes which can be achieved through directing the same funding through our other ERDF activities. We will look to work closely with the Environment Agency as an infrastructure partner in developing our Strategic Economic Plan, under which more capital funding may be available to make an impact in this area.

### **Priority Axis 6 – Protecting the Environment and Promoting Resource Efficiency**

- 5.18 We have taken the decision to focus our efforts around green technologies and business process under our investment programme under Thematic Objective 4. We believe that the aims of this thematic objective can be appropriately served by the activities funded under Thematic Objective 4 along with our commitment to support the cross-cutting priority of sustainable development across all of our activities.

### **Priority Axis 7 – Promoting Sustainable Transport and Removing Bottlenecks in Key Network Infrastructures**

- 5.19 Within our Strategic Economic Plan, we have put forward a case to spend a significant sum of money on infrastructure investments within the local area. This funding is available through the Local Growth Fund, in line with Government advice, we believe that the aims of this Thematic Objective are better served through the use of domestic funding and there is insufficient EU funding available to make an effective impact through this Thematic Objective.

## 6. Delivery Arrangements and Proposed Local Governance Arrangements

### Overall Approach

- 6.28 Enterprise M3 undertook recently a governance review, which covered all aspects of Enterprise M3 governance from membership of our board, the operation of our action groups and the mechanisms for the delivery of the various funds to be made available within the LEP area. The review was completed ahead of the submission of the final Strategic Economic Plan on 31 March 2014.
- 6.29 Hampshire County Council acts as the accountable body for Enterprise M3 and review of this is not within the scope of the current governance review.
- 6.30 We have established an EU Mechanics' Group, which brings together EU expertise from across our constituent local authorities. This group has so far provided advice to the ESIF interim board on technical issues around the development of the ESIF including Technical Assistance, delivery mechanisms, and our approach to opt-ins.
- 6.31 Enterprise M3 has set an interim European Management Group (EMG) to become formal in October 2015 to supervise the development and implementation of the LEP's ESIF programme. Government has issued guidelines on the membership of LEP Area ESIF committees (which EMG is the Enterprise M3's local terminology). The guidance that these groups must reflect the breath of partners in the area and meet the Public Sector Equality Duty. The number of representatives per sector can vary but it is expected that representation should be proportionate to allow full representation of the sector in question. The terms of references and guidance request a representation to cover:
- Partners Chair
  - Managing Authority Deputy Chair
  - Local Enterprise Partnership
  - Local Authority
  - Business partners including small businesses and social enterprise as appropriate to the Enterprise M3 Area
- Voluntary & Community Sector
  - Environment (with relevant expertise in e.g. sustainable development)
  - Trade Union and employer representation
  - Equality and diversity representation
  - Higher Education
  - Education, skills & employment
  - SUD city region groupings (where appropriate) (not applicable to Enterprise M3)
  - Rural (where appropriate)
  - CLLD Local Action Group(s) (where appropriate) (not applicable to Enterprise M3)
  - Managing Authorities for each of the ESI Funds and BIS local
  - Others as needed by the LEP area ESI Funds sub-committee

The Membership of the EMG is for an initial three-year term and will be reviewed in 2017 to ensure that it remains representative and reflects changing priorities. Government will expect the EMG to meet at least quarterly, but initially at least, the group is likely to meet more frequently depending on the pipeline of upcoming activities. The technical role of the EMG is to act as a subcommittee of the national Programme Monitoring Committee (PMC) for EU funds. Each individual (and substitute) appointed onto the ESIF sub-committee represent the wider interest of the 'area/sector' and not their own organisation. Decisions are taken by consensus, which will be judged by the Chair.

6.32 The functions, roles and responsibilities of EMG are:

- Provide recommendations and strategic advice for the evaluation of the ESIF projects (including ESF, ERDF, EAFRD)
- Provide recommendations and supervise the pipeline of operations that meet local needs
- Provide recommendations on the ESIF strategy and annual implementation plan for Enterprise M3
- Promotion and publicity strategy
- Supervise delivery through opt-in organisations and direct funding
- Provide advice on match-funding sources
- Oversee the governance of the programme for Enterprise M3 area

EMG was set up as an interim board in October 2014 and became formal in March 2016 when the operational programmes for the three funds (ESF, ERDF and EAFRD) were agreed with the European Commission and that the national Programme Management Committee (PMC) become formal.

Currently the position of Enterprise M3 is to allow applications through either Opt-in arrangements through the community grant mechanism. The intention was to set up an overall process and Governance Structure which was as simple as possible within the constraints of EU and national regulations. It is important to ensure that this works in tandem with the process and governance put in place for the Local Growth Fund and Growing Enterprise Fund.

### **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<sup>28</sup>. They are not responsible for any tasks set out in EU regulations for which Managing Authorities are responsible in relation to management of the ESI Funds.

The local sub-committees :

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

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.

## Technical Assistance

- 6.33 Enterprise M3 together with a local partnership has put a bid (under both ESF and ERDF programme) in for technical assistance (TA) funding. It is our expectation that we will be able to use TA to the value of 2% of our notional allocation for these purposes and are proceeding on this basis. We are developing a proposition as to how this could be used to support the operation of the ESIF programme, and allow us to develop our own in depth expertise.

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<sup>28</sup> The Terms of Reference for the Growth Programme Board can be found on the following web page:  
<https://www.gov.uk/government/groups/growth-programme-board>



- 6.34 Our current plan is to develop a service which will support both our governance structure and the project application and delivery processes. This will need to be carefully shaped to prevent duplication of opt-in organisation work and MA functions. We will continue to hone our plans, taking account of guidance from the MA's, over the coming months.

### **Risk Management**

- 6.35 We recognise that the distribution and management of EU funding carries inherent risk. We therefore propose to incorporate effective risk management into the development of our own programme management structures and delivery prospectuses, as well as the project appraisal methodology used to assess applications for funds. We will ask the EMG to make a judgment based on the risks of each proposed project and the suggested mitigation for these risks. We will take a proportionate approach to risk management based on the size of the funding package available. We will not recommend for a project to receive funding under this programme until we are satisfied that risk has been appropriately assessed by the MA's and until the EMG is satisfied that appropriate measures have been put in place to limit the likelihood of risks occurring.

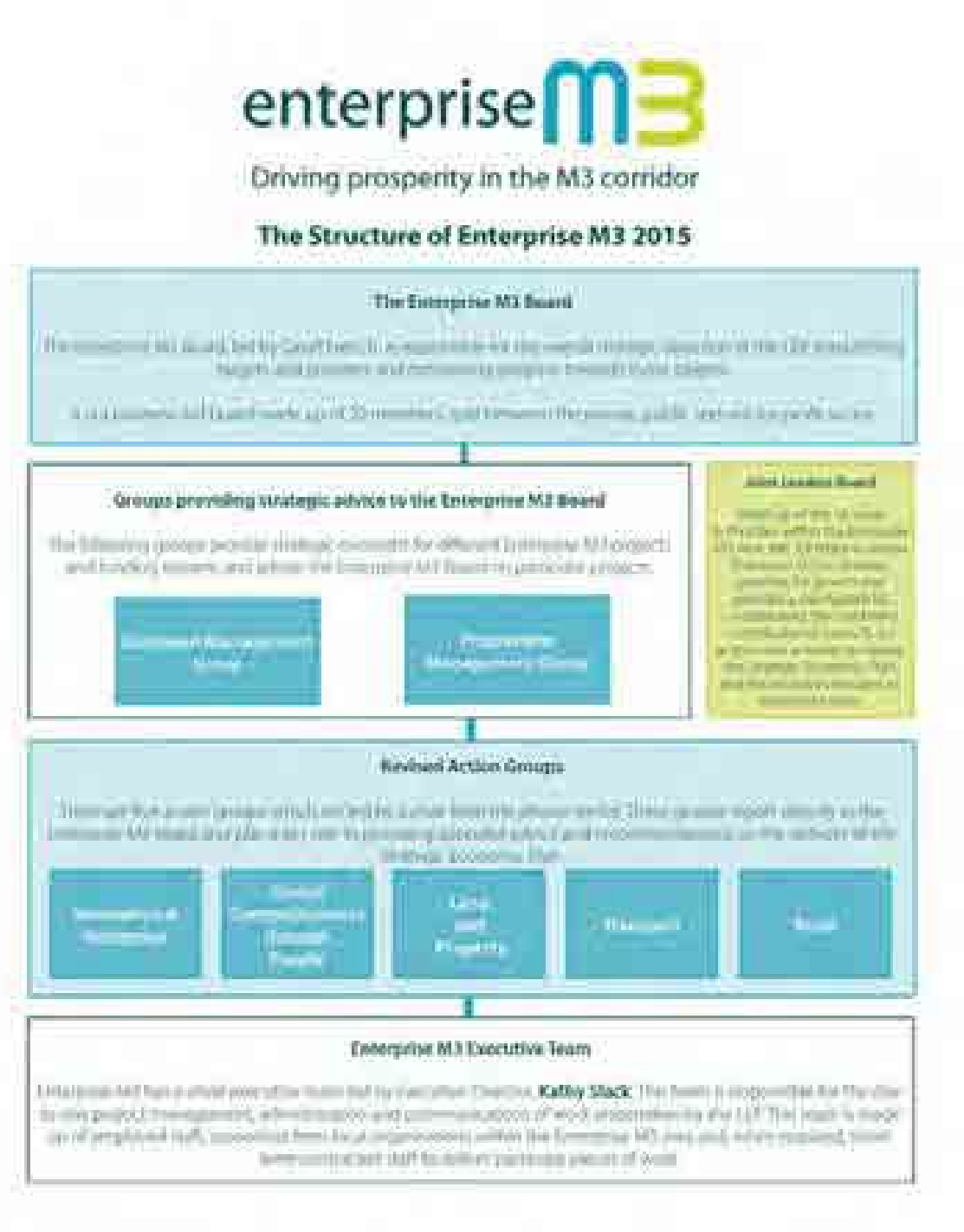
## State Aid

- 6.36 We have been mindful of EU state aid regulations when developing this strategy and will continue to be so as we move towards delivery. Wherever possible we have designed our interventions so that they will not constitute state aid under the definition set out within Article 107(1) of the Treaty of the Functioning of the European Union. Where interventions do constitute state aid, we will work with and seek advice from DCLG to ensure that interventions are designed in such a way as to fall within the exemptions set out within the regulations, particularly the de minimis and General Block Exemption Regulations (GBER).
- 6.37 In all cases we will comply with all reporting and notification requirements as set out within the Government's State Aid Guide along with relevant EC guidance. This will allow us to rely on existing expertise around state aid when shaping the detail of our programme.

## Compliance with wider EU Regulations

- 6.38 In addition to the above, we are aware of a number of other EU regulatory matters that we will need to take into account whilst managing this programme. This will require a familiarity with the Common Strategic Framework and the content of specific Regulations relating to ERDF, ESF and EAFRD. We will, at the same time, need to ensure that we are clear on the content and meaning of the Operation Programme/s which are ultimately agreed between the UK and EU as part of the National Partnership Agreement.
- 6.39 As well as programme level regulation, we will also have regard to applicable general regulation around issues such as procurement – this will particularly apply with our planned Technical Assistance provision and will be an important part of arrangements with our opt-in partners.
- 6.40 Wider compliance with relevant regulations will also be undertaken by our EU Mechanics Group, taking advice from DCLG to ensure we make the most of existing expertise.

## 6.41 EMG and the structure of Enterprise M3



## Further Consultations

6.24 In addition to the consultations that have been already mentioned, other consultations that have taken place are listed below:

- The officers at Surrey and Hampshire County Council, along with those of the District and Borough councils represented by the LEP have actively been involved throughout with the

testing and refinement of ideas + mechanics group.

- Local Authority European officers have been consulted on an ongoing basis as well as and the involvement of Southern England Local Partners, who have produced a report detailing the link between Enterprise M3's priorities and those of the EU<sup>29</sup>.
- Around social inclusion and the involvement of the not-for-profit sector, we have held a workshop with not-for-profit and business representatives (60 people attended) hosted by IBM and follow up 1:1 discussions with Community Action Hampshire and Community Action Surrey. We have also undertaken ongoing and focused discussions with not-for-profit and local authority partners around how our social inclusion programme develops.
- Discussions with both National Parks – together and separately.
- Discussions with Surrey and Hampshire Local Nature Partnerships on priorities for investment.
- Discussions with the Rural and Broadband Action Group on priority areas – the group includes rural businesses, CLA, LAs, National Parks, FE. These discussions will continue beyond the end of January, as agreed with Defra following the allocation of EAFRD funding in December 2013.
- The involvement of tourism operators and Tourism SE and an extensive review of the Visitor Economy.
- Discussions with trade union who are keen to see effective stakeholder consultation, considering the needs of the families of the workforce (i.e. housing, transport quality of life issues) and employer ownership of skills (Union Learn are keen to engage).

A full list of stakeholders engaged with in the preparation of this draft strategy can be found within Annex B.

- 6.25 The LEP board and its action groups have played a key role in the shaping and development of EU priorities offering advice, support and feedback.

### Approach to Securing Provision

- 6.26 In order to ensure any programmes we commission are of sufficient 'scale' for the Managing Authorities to deal with, we will adopt a strategic programme management (rather than project management) approach. This will necessitate us using a range of tools (such as 'bundling' projects, collaborative commissioning etc.) to ensure projects are of sufficient scale to be handled by the Managing Authorities. In addition to the above, we will use a variety of approaches to commissioning projects (including commissioning, competitions, procurement etc.), ensuring compliance with EU procurement rules at all times link with appropriate audit teams etc.
- 6.27 Our approach to securing project provision is to ensure that we help bring about delivery which is clearly relevant to local need; offers genuine additionality and value for money; and delivers the appropriate outputs and impact. In order to do this we will look to develop a mixed market of open calls for projects and much more tightly-focused, commissioned pieces of work to address particular opportunities or challenges.
- 6.28 At the same time, we will be mindful of the logistics of programme and project management post-award, ensuring for example that any work we seek to secure is of sufficient 'scale' for the Managing Authorities to effectively manage. We will adopt a strategic programme level management (rather than project level management) approach. This might necessitate us using a range of mechanisms (such as 'bundling' projects and collaborative commissioning where applicable).
- 6.29 As regards the mechanics of procuring work at project level, this can be broken into two

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<sup>29</sup> 'A European Strategy for Growth for Enterprise M3 LEP' SELP, 27 February 2013

elements. We will be working with opt-in partners to develop joint approaches, which are suitable for our purposes. Where provision does not involve an opt-in partner, we will use a variety of approaches to secure and award project provision (including commissioning, competitions and procurement) compliant with EU procurement rules at all times and which make appropriate links with relevant audit teams.

### Collaboration with other Local Enterprise Partnerships

- 6.30 As far as collaborative commissioning across LEPs is concerned, our structure will also enable a Cross-LEP Investment and Programme Management for collaborative commissioning. These discussions are on-going with the GTV6LEPs and others. GTV6LEP is a Consortium of six Local Enterprise Partnerships in the South East of England that have come together to develop a common approach to delivering EU Structural Fund Investment Priorities. The LEPs represented in the GTV6LEP Consortium are Buckinghamshire Thames Valley LEP; Coast to Capital LEP; Enterprise M3 LEP; Hertfordshire LEP; Oxfordshire LEP; and Thames Valley Berkshire LEP.
- 6.31 The six local LEPs in the GTV6 Consortium have worked together to explore possible areas for collaboration both with regard to industrial and growth strategy, and in relation to operational and delivery methods. Research has confirmed potential for joint or linked actions, and for efficient programme oversight and monitoring. Through this consortium, we have identified a number of potential opportunities to collaborate on alignment, lobbying and joint commissioning including sector development and access to finance.
- 6.32 However, given the number of LEPs involved and the evolving nature of key priorities and strategic goals, we need to first identify what our respective priorities are, before being able to identify areas for possible collaboration. The GTV6 LEPs have met several times since October, most recently in January following the completion of draft Strategic Economic Plans, and we have identified several sector areas such as digital media, film and exploitation of 5G technologies where collaboration may be possible. As we finalise our Strategic Economic Plans areas for collaboration will become clearer.
- 6.33 In addition to working with the GTV6LEP, we envisage a number of other partnerships that will be important to us moving forward (see table).

LEP	Joint working to date / Potential Areas of Interest
<b>Solent LEP</b>	We have attended consultation events and identified areas for collaboration around priority sectors such as aerospace and rural activities where we share Local Action Groups that cross LEP boundaries. We also have common priorities around skills and will need to work together where colleges/universities serve both LEPs such as with University of Southampton and Brockenhurst College in the New Forest.
<b>Coast to Capital LEP (GTV6)-</b>	We have attended consultation events and identified areas for collaboration around exporting and rural activities where we are both working with South Downs National Park. We are sharing our work on skills and trying to align our skills strategies through working with the Surrey Employment and Skills Board. Chichester college (located in Coast to Capital area) are currently delivering a £2m Skills for Work ESF programme in our area).
<b>Thames Valley Berkshire LEP (GTV6)</b>	Already working closely with TV Berks LEP on issues around aviation and Heathrow. We are working with Thames Valley and London LEP on an ESF skills project with the Heathrow Academy that has successfully developed skills solutions for people living in the Spelthorne BC area. We are exploring possibility of working closely with Thames Valley and Coast to Capital on access to finance as all 3 of us have plans to deliver an expansion/equity fund funded through Growing Places. The total value of this current fund would be approximately £17m and could be matched against EU funds.

<b>London Enterprise Panel –</b>	We have commenced a dialogue with the London Enterprise Panel on areas of joint opportunity. Other GTV6 members have also been involved in these discussions and we have identified potential opportunities to complement activity within London specifically around innovation in key sectors.
<b>West of England, Heart of the SW, Solent LEP</b>	Working with LEPs and universities within SETsquared partnership (Bath, Bristol, Exeter, Surrey and Southampton) on sector collaborations around open innovation and particular sectors.
<b>Dorset LEP</b>	We have held initial conversations with Dorset LEP around potential areas for collaboration and attended the SELP conference in Poole on 4 October 2013.

- 6.34 Enterprise M3 LEP is committed to exploring all avenues to obtain best value for money from deployment of EU funds, and will use this as the main criterion for deciding when and how to work across our borders during the 2014-2020 programme.

### Match funding

- 6.35 We see the need to match out ESIF notional allocation as both an opportunity and a challenge. It is an opportunity to lever and use local and national resource in a new way and to involve parties not traditionally involved in EU programme delivery. At the same time there is risk involved and we do not underestimate the complexity of finding compliant match.
- 6.36 Pending developments over the coming months what we are in the process of developing an approach which starts building match funding from three types of sources:
- Opt-in providers (as described above)
  - Project applicants' own resources – typically "local" match
  - "third party" match from national programmes or other clean sources

We feel confident that we can develop this work with the help of both the EU Mechanics Group and Technical Assistance in such a way that we are able to identify, secure and subsequently capture/record eligible match funding at a mixture of programme and project level over the lifetime of the programme.

## **7. Cross-cutting Themes – Sustainability and Equalities and Social Innovation**

### **Rationale**

- 728 Many visitors to the area are attracted by our natural including the New Forest National Park, the South Downs National Park, the river Thames, the Surrey Hills AONB or our extensive woodland or greenbelt areas. Two fundamental drivers of change will be climate change and continuing population growth within southern England, which in turn will lead to complex social, economic and environmental interactions and anticipated increases in tourism recreational pressure. The New Forest National Park alone is visited by 13.5 million visitors every year. It is important we preserve and protect these habitats and landscapes to maintaining local distinctiveness. We will achieve this partly through working with Local Nature Partnerships.
- 729 The South East of England will be disproportionately affected by climate change, particularly with regards to water scarcity. Climate change is already destabilising the economy and food production. Future restraints on water supply pose risks to local communities, agriculture and the environment. This means actions must be taken to prevent and adapt to climate change by reducing carbon dioxide emissions, and requiring the inclusion of water efficiency measures to reduce water consumption.
- 730 Our priority sectors and global transport infrastructure also place immense pressure on the environment resulting in high per capita energy usage and energy consumption. The strategy therefore places great important on applying the principles of sustainable development in our activities.

### **Commitment to Promoting Sustainable Development**

- 731 Sustainable development is a key principle of our strategy and we recognise its significance as a key component of our continued economic competitiveness and social well-being. It is also recognised as a source of significant economic opportunities over the coming years – investment in sustainable development will help to make businesses we work with more resilient in coming years. Enterprise M3 is committed to ensuring that sustainable development is embedded within all projects – it will form a principal consideration in the application and approvals process and subsequent implementation. Enterprise M3 project development, selection and appraisal criteria will include sustainable development requirements and targets. Successful applicants will be required to monitor and manage their sustainable development performance. Performance in this area will be evaluated and all project will be required to complete a sustainable development risk review to ensure that appropriate measures/mitigating actions are being taken consciously from the outset.
- 732 All applicants will be actively supported to address sustainable development through local guidance and assistance. For instance we intend to use case studies of exemplar local businesses who have flourished through the adoption of sustainable development practice. This, it is anticipated, will help engage participants and board members alike. We will also explore the possibility of using environmental champions to assist in embedding, supporting and maintaining progress against the sustainable development cross cutting theme objectives. Champions could use a range of techniques to embed good practice from advice and guidance to good practice and project applicant surgeries.
- 733 There is a strong emphasis on sustainable and low carbon development in the sustainable infrastructure theme with activities focused on smart transport and a shift towards a low carbon economy through the development of goods and services relating to the natural environment.



## Objectives

7.34 Our objectives for this cross cutting theme build on some of the work led by Surrey and Hampshire Climate Change Partnerships. We have not opted to allocate monies to thematic objectives five and six (Climate Change Adaption and Environmental Protection) as the annual allocations would be spread too thinly to be effective. Instead our approach is to mainstream sustainable development practice in a robust manner offering advice and support across the programme. They include measures to:

- Reduce emissions by:
  - Promoting sustainable and low carbon development principles across all of our activities including the use of the Code for Sustainable Homes BREEAM targets and CEEQUAL<sup>30</sup>, for new developments;
  - Providing practical advice for all projects including skills and employment activities;
  - Encouraging energy efficiency and reduced carbon emissions by businesses and communities;
  - Take issues around sustainable development into account within project appraisal.
- Adapt to climate change by:
  - Protecting and enhancing natural and built environments preserving our distinctive sense of place. This includes non-intrusive integration of new development, the sustainable management of visitors to the area and the promotion of renewable and low carbon technologies;
  - Encourage development and investment that is resilient in the face climate change and stimulate resource efficiency amongst our local businesses (this is a particular priority for the two Counties given the recent floods (December 2013 and January 2014);
  - Support investment and development that helps to manage the environmental impacts of travel and transport addressing congestion and promoting smarter travel (dovetailing our capital transport investment programmes).
- Raise awareness of the issue amongst board members, companies, partners and applicants and highlight some of the practical support that is available.

## Commitment to Promoting Equality and Combating Discrimination Rationale:

### Social Inclusion

7.35 Although Hampshire and Surrey are some of the least deprived counties in England there are pockets of significant deprivation within Enterprise M3. The geographic area covered by Enterprise M3 is comparatively wealthy compared with national statistics and has only 6 (5 in Hampshire and 1 in Surrey), out of over 1,000 super output areas that rank amongst the lowest 20% in the country.

7.36 Although Surrey is a prosperous county there are at least 23,090 children (under the age of 20) living in poverty. Hampshire is ranked the tenth least deprived principal authority in England (out of 150) with Hart district the least deprived of all local authorities in England (out of 326). Deprivation in Hampshire is most concentrated in a small number of neighbourhoods with pockets of very localised deprivation across the county e.g. in Aldershot, Andover, Basingstoke and Blackfield and Holbury in New Forest.

7.37 Skills levels among Hampshire's adult population are generally higher than the national average – but there are fewer highly qualified people in Hampshire compared to Berkshire (5% lower) and Surrey (10% lower).

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<sup>30</sup> BREEAM is an environmental assessment method and rating system for buildings and CEEQUAL is the sustainability assessment, rating and awards scheme for civil engineering

- 7.38 Overall the picture masks significant variations and social inclusion needs such as low income, poor skills attainment and education deprivation exist in several urban areas such as Alton, Andover, Basingstoke, Borden, New Milton, Rushmoor and Winchester. For example, in Rushmoor social cohesion challenges range from: levels of migration and demands for better integration, English speaking and communication difficulties in particular with older and more vulnerable people, social housing and overcrowding problems and low attainment / grades in education.
- 7.39 Other key contributors to social exclusion (relevant to Enterprise M3) are highlighted in the following boxes.

#### **Elderly population**

- An increasing older population; rising numbers of older and vulnerable people living alone raise concerns over their health and the impact on access to care and support. For example, in Hampshire out of a population on 1.32M people the population shows an increasing proportion of older people with 18.5% of the population aged 65 and over compared to 17.2% regionally and 16.3% nationally. Yet the age structure varies significantly across the districts with an average age of 47 years in the New Forest and 36% in Rushmoor.
- Hampshire's partnership strategy – Ageing Well in Hampshire Older People's Well-Being (April 2011-March 2014) identifies 'tackling social isolation and loneliness' as a key objective. In Surrey, there is a higher proportion of older people compared to England with the number of people aged 85 and over will double to 69,000 by 2033. Surrey also has over 4,000 people over 65 years with learning disabilities and 15,100 people have dementia in Surrey with 32% of carers working more than 20 hours per week.
- In addition, 10% of Surrey's population aged 60 years and above live in low income households; a very high proportion in Woking and Runnymede.
- Reliance on car-based transport within Enterprise M3 means that access and road infrastructure is particularly important for older and disabled residents who have a high dependency on use of cars and those without can be left isolated.

#### **Vulnerable groups**

- Within the Enterprise M3 area there are an increasing number of vulnerable population groups such as young people (aged 20-24), working age men/JSA claimants, disabled residents and women lone parents. In addition, the 2011 census found that 26.7% of households across Hampshire were single person households and almost half were pensioner households.
- Within the Enterprise M3 area disabled young people have significantly higher rates of young people not in education, employment or training – and people with low skills are increasingly at risk of unemployment and relative poverty with knock-on effects to their health and wellbeing. Children and young people with disabilities are a particularly vulnerable group in society – and likely to increase over next 10 years. For example, in Surrey there are an estimated 2,000-3,000 children and young people with a disability who do not access any social care, education or health support services.
- Rising numbers of older and vulnerable people living alone raises concerns over their health and the impact on access to care and support for these groups. Around half of elderly households in Hampshire are reliant on support. The physical environment is an important influence on health.

#### **Health and wellbeing**

- Deprivation, poverty and socio-economic disadvantage are associated with poor health outcomes. Surrey has the 2<sup>nd</sup> highest rate for increasing risk drinking in England and smoking is the single most important cause of early death and ill health. For Surrey

supporting communities and encouraging people to improve their health and wellbeing is central. Gaps still exist in knowledge about the needs of children, young people and their families – it will be important to encourage more efficient data collection and sharing to help develop a more holistic picture and better understanding of those needs.

- Lifestyle programmes to change unhealthy behaviours will reduce demand on health and social care. For example, in Surrey around 31% eat the minimum of five fruit and vegetables per day (slightly higher than the 2010 average for England at 26.7%). The economic situation is an important influence on population health.
- Unemployment within Enterprise M3 is primarily concentrated in Basingstoke Town and Rushmoor (Heron Wood and Mayfield areas).
- Improving education attainment and skills is a top priority within Enterprise M3. A key challenge is in deprived areas for example, Rushmoor has the 3<sup>rd</sup> lowest GCSE results in Hampshire (11<sup>th</sup> worst in the UK) – with 13% or 1,400 of school children in Rushmoor eligible for free school meals which is an indication of economic disadvantage as eligibility for free school meals is based on levels of income. Poor educational attainment makes it harder for young people to find employment.

### Diversity and migration

- In terms of diversity and migration, for example, ethnic diversity is gradually increasing across Hampshire although the population remains predominantly white British. Asian ethnic groups make up the largest non-white categories in Hampshire, the South East and across England. Rushmoor has the largest non-white population at 15.3% (up from 4.4% in 2001) – mostly due to a growing Nepalese population due to a rapid immigration on ex-Ghurkha soldiers and dependents following legislative changes giving them the right to settle in the UK. Rushmoor is less cohesive than England as a whole for example, only 66% of Rushmoor's residents agreed that Rushmoor was a place where people from different backgrounds get on well together (329 out 352 local authorities 2008 Place national survey).
- 23% of Hampshire's population live in the 85% of the county classified as rural while 77% live in the 15% categorised as urban.

### Narrowing the gap

- Across Enterprise M3 it will be important to narrow the gap between the most and least deprived areas. For example, Rushmoor is seeking to make employment, training opportunities accessible (including the under-represented, disengaged and vulnerable individuals and groups).

## Social Innovation

- 7.10 This new development in the Structural Funds will be fully embraced by Enterprise M3. The Guide to Social Innovation highlights the principles of simplification and integration. While further guidance on social innovation have yet to be established, the approach offers new ways of working which will suit the diverse needs of communities within Enterprise M3 – in urban, suburban and rural areas, and market towns.
- 7.11 Working with its stakeholders across public, private and not-for-profit sectors, Enterprise M3 wants to encourage mechanisms that build the capacity of social enterprises (addressing the issues of social exclusion) and facilitate a supportive business environment for them across the Enterprise M3 area. Enterprise M3 believes by supporting the increased capacity of social enterprises, the LEP will not only address the key causes of poverty and social exclusion within the area but that this will help support our economic growth objectives and vision. “Social enterprises have a higher start up rate, faster growth and are delivering more sustainable local jobs than other businesses. In addition they add significant social value, operating in some of the more deprived areas, something that will be important with the new European structural funds.” (The People’s Business - State of Social Enterprise Survey 2013 – Social Enterprise UK).
- 7.12 The justification and rationale for this is twofold:
- There are persistent social needs in parts of the Enterprise M3 area including pockets of urban and rural deprivation, an ageing workforce and some youth disengagement from the labour market and changing ethnicity and increasing dependency;
  - The presence of a vibrant and experienced not-for-profit sector and other assets (see box).

### Building on existing assets

- Utilising the extensive volunteering community (for example, over 20,000 people volunteer and there are over 3,000 charities and thousands of voluntary groups in Surrey) will have significant benefits. In Hampshire, whilst estimating the scale of the voluntary and community sector (VCS) is not an easy task, the 2009 RAISE (Regional Action and Involvement South East) estimated that there are over 7,000 voluntary and community organisations operating in Hampshire. It is estimated that over 51,000 people are employed in the sector in Hampshire with over 111,000 volunteers. Of this work force it is estimated that 71% are women and 74% are part-time workers. This sector has a significant role in the labour market, not least as a vehicle for moving people towards permanent full-time work. It is also crucial in supporting the areas’ quality of life and contributing to many social, economic and environmental issues such as helping people to take greater control of their health and can help people manage long-term conditions.
- It is important to recognise the area’s assets that can help Hampshire and Surrey meet its social inclusion needs and that have an impact on people’s general health and wellbeing.
- Making use of those assets for example, some of England’s finest parks, woodlands and open spaces will be critically important.

- 7.13 Our early potential ideas for social innovation (drawn up by the not-for-profit sector) include:
- A service that will link into existing successful community development and social enterprise and inclusion models.
  - A brokerage role signposting to all services available for unemployed people, plus a programme of cross-sector mentoring & education.
  - A new service to tap into local knowledge of the not-for-profit sector to support funding bids and business development, e.g. fulfilling the Social Value Act. This service could act as a mechanism to link up and inspire good ideas, consortia and partnerships.
  - A new service to raise awareness of finance products in particular the growing social and peer-to-peer lending platforms.
- 7.14 A ground-breaking MOU has been signed between Enterprise M3, Community Action Hampshire (CAH) and Surrey Community Action (SCA) aimed at promoting social enterprise, delivering better communications across Enterprise M3 and not-for-profit stakeholder communities, encouraging the sharing of ideas and improving mutual understanding and accountability. Enterprise M3 has consulted local authorities to better understand economic and social inclusion programmes within the area. It has utilised research provided by organisations such as Hampshire and Surrey County Councils and CAH to form a baseline picture of priority SI needs.

#### **Approach to Rural Development: the European Agricultural Fund for Rural Development (EAFRD)**

	<b>Total EAFRD allocation in Euros (€s)</b>	<b>Indicative Sterling equivalent (£s)</b>
Enterprise M3	€4,430,352	£3,547,355
Total England (LEP areas)	€221,058,333	£177,000,000

- 7.15 A significant part of the Enterprise M3 area is rural, with a diversified economy in market towns and villages. The outstanding landscapes within the area are recognised in the New Forest and South Downs national parks, which cover a quarter (26%) of the LEP area. Consequently, the rural economy has a stronger emphasis on environment assets and tourism industries. Within this geography, the evidence gathered to support this submission demonstrates that:
- The Enterprise M3 area is home to a large number of micro businesses and small and medium sized enterprises (73,745 businesses employing less than 249 people, ONS – 2011)
  - The visitor economy is a strong driver of local economic growth and supports 8.37% of all employment. It can further support rural regeneration and growth.
  - Although Enterprise M3 is doing better economically in comparison with England as a whole, rural towns and their fringe areas including villages and hamlets are more likely than their urban counterparts to have no adult in employment.
  - In rural areas, access to services is more difficult due to greater distances, and high car dependency.
  - Slow or absent broadband and mobile phone signal is a major problem in rural areas.

- 7.16 For Enterprise M3, £3.5 million of European Agricultural Fund for Rural Development (EAFRD) funding has been allocated to the area for 2014-2020. EAFRD is aimed at developing business and skills in rural areas and can be used to contribute to four main areas of activity.

As part of the development of the European Structural and Investment Fund Strategy in January 2014, an extensive economic review was undertaken to inform the investment priorities for the rural area. The Enterprise M3 Rural Action Group was consulted to inform the key priorities and their rationale were as follows – these are not in priority order

1). Deployment and development of low carbon technologies and renewable energy.

Enterprise M3 is keen to support the shift towards a low carbon economy in all sectors and building the market in low carbon environmental technologies, goods and services. Analysis has identified that we have clusters of business that are already operating in this marketplace and who could develop further. As the area also needs to develop much more housing, Enterprise M3 is keen to develop and advocate low carbon technologies in construction. Due to the large amount of woodland across Enterprise M3, activities focused on woodland management and renewable energy also plays to our strengths

2). Exploitation of broadband technologies

Whilst broadband infrastructure continues to be developed, the Enterprise M3 economy will only benefit from the impact of the infrastructure if businesses adopt and use the technology effectively. For businesses that have not had access to new technology in the past, awareness of the opportunities that it can provide is sometimes overlooked. Businesses may also have to exploit alternative broadband technologies if current BDUK activity does not provide adequate coverage to all locations. It is predicted that 95% of all locations will have coverage by end 2016 but the last 5% is anticipated to be in primarily rural locations.

3). Agricultural diversification

Supporting long term sustainable agriculture is a priority. The modernisation of farming and improving agricultural competitiveness is critical to ensure the productivity and longevity of the sector. Improvements in agricultural techniques will also be required to meet the increasing demands for food from a growing population.

4). Strategic projects that are designed to have a significant impact on the Enterprise M3 economy and complement work of Local Action Groups/other funding streams

The diversity of the rural economy in Enterprise M3 is a key driver of its success. The rural area supports a large number of small and micro businesses often working in non- agricultural activities i.e. digital entrepreneurs working in barn style rural conversions. A further example includes the development of the Pirbright based animal health incubator which is an important and growing Enterprise M3 niche sector and which could support supply chain SME development.

5). Affordable housing

The availability of affordable housing is critical for the Enterprise M3 area and recognised by business as crucial to supporting labour mobility and recruitment. This is true for both urban and rural locations.

6). Development of the rural and visitor economy.

The estimated value of the visitor economy within Enterprise M3 is £2.66bn supporting over 61,000 jobs. Enterprise M3 has 2 national parks situated within its geography along with the Surrey Hills Area of Outstanding Natural Beauty. Destination management plans are not required, neither is the development of visitor accommodation. However, ongoing investment in visitor attractions and facilities is required to ensure the area can compete nationally and internationally and to take advantage of the area's close proximity to the London market

7). Enhancement of food (including drink) and farming businesses

Whilst not a key sector for Enterprise M3 overall, food and drink is massively significant for the rural economy and therefore needs to be considered a priority sector within our rural landscape. The area both hosts large scale manufacturers e.g. Vitacress, Hildon Water and over 600 food

and drink producers. Development of food and drink links to the visitor economy and therefore provides a complementary approach, particularly with respect to the growing importance of provenance for consumers. Our area is also home to a powerful science/academic community that may be able to link food production and food science to matters regarding production, productivity, crop resilience amongst others

## SUPPORTING RURAL PRIORITIES UNDER WHICH SCHEME

As the amount of EAFRD is limited, other funds is thought to be used to complement the EAFRD funding in Enterprise M3 area. Specifically, the existing Rural Broadband Loan scheme, funded from our Growing Enterprise Fund, which is to be used to support the mechanisms for broadband enablement and connectivity, and a proportion of the £8m Enterprise M3 has allocated towards skills development across the LEP area, which is to be specifically focused on rural areas. By focusing the funding where it is most needed, we will be able to concentrate the funding into a smaller number of high level activities which will have a significant impact on the rural economy including job creation, business start ups and increases in GVA per head through improved productivity

	Rural priority area	Potential funding stream
1	Deployment and development of low carbon technologies and renewable energy	EU/ERDF- low carbon. £4.2m available Local Growth Deal – woodfuel hub project, £2m secured
2	Exploitation of broadband technologies	EU/EAFRD
3	Agricultural diversification	EU/EAFRD
4	Strategic projects that provide significant impact on the Enterprise M3 economy	EU/EAFRD
5	Affordable housing	Local Growth Deal
6	Development of the rural and visitor economy	EU- EAFRD
7	Enhancement of food and drink businesses	EU – EAFRD

Therefore, there are five rural priority areas proposed for Enterprise M3 that will be supported by EAFRD.

These are:

### - Exploitation of broadband technologies

For broadband, DEFRA have indicated that grants for rural broadband via EAFRD are not currently available in 2015. This arises as the phase 2 rollout of the BDUK superfast programme is still underway and the final 5% hardest to reach areas on which EAFRD funds could be used cannot yet be defined. The outcome of this work along with EU state aid clearance to the UK's national broadband scheme beyond June 2015 will influence how EAFRD funds can be used to support rural broadband from 2016 onwards. Phase 3 of the BDUK programme is also exploring how to extend superfast broadband into the final 5% hardest to reach areas. Seven pilot projects in a range of locations are now testing a number of solutions suitable for rolling out in these areas. The findings from these trials will be published later this year.

### - Agricultural diversification

For agricultural diversification, DEFRA are not planning to issue any calls under this heading in 2015 and further work is required to identify the specific priorities within this area. It is important to note also that



some priorities might best be supported under the Countryside Productivity Scheme rather than EAFRD.

Strategic projects that provide significant impact on the Enterprise M3 economy with support investments to develop micro and small rural businesses.

Enterprise M3 has a large number of small and micro rural businesses. These businesses cover a variety of different sectors often not linked to agriculture such as digital entrepreneurs working in a rural office base.

This investment priority will provide support for micro and small-sized businesses seeking to expand and create jobs.

Examples of support include:

- Investment in equipment, technologies or processes to develop new or higher quality products
- Farm diversification activities that will create business growth and new markets
- Construction and development of workshops, factories and machinery.

EAFRD Grants will be available for this call from £50k up to €200,000 (approximately £140,000).

State aid rules will apply which may affect the amount of grant offered.

- Development of the rural and visitor economy

The estimated value of the visitor economy within Enterprise M3 is £2.66bn supporting over 61,000 jobs. The sector employs proportionately more people within Enterprise M3 than in the rest of the country. Over a quarter of the land is located within two national parks. These are the New Forest National Park and the South Downs National Park. The area also contains the Surrey Hills Area of Outstanding Natural Beauty that covers over a quarter of the county of Surrey. Hampshire is popular with visitors and it is the second most visited county in England.

Whilst the proximity to London provides a potential market for Enterprise M3, it also results in the area being in competition with the visitor offer in London. Enterprise M3s ESIF strategy identifies the need for investment in visitor attractions to support growth of the tourism sector.

People visit the area to enjoy the natural environment, including the national parks, woodland and green spaces. Applications that improve or enhance the visitor experience of the natural environment are a priority for this call. This call will not fund destination plans or new or existing visitor accommodation.

Applications will be invited that contribute strongly to the growth of the tourism sector in the rural areas of Enterprise M3 with activities that:

- develop new rural visitor or tourism attractions and facilities; or
- enhance current rural visitor attractions and facilities to improve their offer and attract more visitors.

With examples that include:

- Visitor attractions that include niche products and services, that encourage visitor to stay longer and spend more, for example by turning day visits in overnight stays
- Visitor attractions that focus on the natural environment.

EAFRD Grants will be available for this call from £50k up to €200,000 (approximately £140,000). State aid rules will apply which may affect the amount of grant offered.

- Enhancement of food and drink businesses

By Improving competitiveness of food and drink producers by better integrating them into the agri-food chain through quality schemes, adding value to agricultural products, promotion in local markets and short supply circuits, producer groups and inter-branch organisations

# ANNEXES

See separate document