

# **Executive Summary**

## **Greater Birmingham and Solihull LEP**

### **EU Structural and Investment Funds**

### **Strategy (ESIF)**

**BCU Consortium**  
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**Greater Birmingham and Solihull LEP**  
**EU Structural and Investment Funds Strategy (ESIF)**

## **1. Background**

The ESIF Strategy is a key pillar of the Strategic Economic Plan. The draft follows closely the Board's priorities detailed in the Strategy for Growth to focus the proposed use of the allocated EU funds from the European Regional Development Fund (ERDF) and the European Social Fund (ESF) for the period 2014 to 2020.

Total EU resources allocated to the LEP are circa £239m for this period.

Resources must be drawn down against the agreed Strategy which is to be submitted in draft to DCLG/BIS on 7<sup>th</sup> October for consideration. This summary highlights the key points of this Strategy.

The final ESIF Strategy document will be agreed and completed in January 2014 with a view to seek projects to start to bid for resources in line with the Strategic Economic Plan by mid -2014.

## **2. Rationale**

### **2.1 The strategic overview to the ESIF Strategy**

The Structural and Investment Fund Strategy is set against key external strategies. The EU 2020 Strategy<sup>1</sup> aims to achieve smart, sustainable and inclusive growth. The approach is responsive to the demands of climate change, the huge potential of the digital agenda and the imperative to create new jobs in the EU after the financial crisis.

The EU encourages cities and regions to develop integrated approaches through an the Integrated Territorial Initiative approach and to adopt "Smart Specialisation" approaches to innovation focussing on key strengths and embracing innovation at the grass roots through social innovation.

A Key EU target aims for Research, Development and Innovation to constitute 3% of GDP by 2020. The EU seeks a 20% reduction in greenhouse gases, raising the share of energy consumption from renewables to 20% and a 20% improvement in energy efficiency.

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<sup>1</sup> European Commission, Europe 2020, A Strategy for Smart, Sustainable & Inclusive Growth, 2010

UK National strategies emphasise the critical importance of innovation <sup>2</sup> and the Witty Review further focusses on the importance of the 8 great technologies.<sup>3</sup>

The Heseltine Review encapsulated many of these ideas focussing on decisions being made on the ground closest to the communities which best understand their needs.<sup>4</sup>

The LEP produced its Strategy for Growth in May 2013<sup>5</sup> and The City Deal and the Skills Action Plan are underpinning structures to take the LEP forward in how EU resources should be applied. The Enterprise Zone Implementation Plan and the announcements on UK Central constitute important aspects to inform the ESIF Strategy.

## **2.2 The socio – economic background**

The recent news from JLR about the investment planned for the LEP represents an excellent backdrop. There has been a recent resurgence in manufacturing with positive developments in new sectors such as life sciences and digital. New infrastructure projects are significant, the Library of Birmingham, Birmingham Airport, the Translational Medicine Institute, BCU’s Parkside Campus and New Street Station are recent developments. GBS LEP is a youthful and enterprising city region. However, rising unemployment represents a structural issue which needs to be tackled and there is a particularly serious issue in the rise of youth unemployment. Gender inactivity in terms of employment is also a concern particularly amongst Bangladeshi and Pakistani women. On a positive note, skill levels although comparatively low are on an upward curve. In terms of Innovation, the LEP is a mid –performer in the UK and poor in energy efficiency although recently there has been growth in the low carbon economy.

## **2.3 Strategic Choices**

There is therefore a need to focus resources in the ESIF Strategy to achieve impact as set out in The Strategy for Growth. The LEP is committed to investing in what works, as well embracing new approaches to achieve the next level of growth.

Approaches highlighted to meet the LEP objectives include an emphasis on collaboration, connecting the parts better together and planning for “serendipity” across the sectors, developing distinct sector plans for key strengths, adopting a cross cutting approach to digital and emphasising the key role social enterprise can play at the grassroots level. Key to this is the “up skilling” of local people to align skills development at intermediate and higher levels in support of the growth sectors.

Furthermore, innovation in the structures underpinning the investment through supporting new governance models such as the ITI (integrated Territorial Initiative) and new financial models such as JESSICA is highlighted.

This approach is reflected in the SIF’s 3 ERDF priorities and 3 ESF priorities:

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<sup>2</sup> BIS Annual Innovation Report, 2012

<sup>3</sup> Sir Andrew Witty’s Review of Universities and Growth, Preliminary Findings, 2013

<sup>4</sup> Lord Heseltine Review, No Stone Unturned: in pursuit of growth, 2013

<sup>5</sup> GBS LEP, Strategy for Growth: Delivering Growth, 2013

- Innovation – focus on core sectors plus developing the eco system for innovation across sectors
- Business and Enterprise - focusing on the Strategy for Growth’s sectors & jobs emphasising the key role of SMEs
- Low Carbon – key drivers of retrofitting, decarbonised energy supply, sustainable transport and resource efficiency
- Employment and Mobility – tackling youth Unemployment is critical
- Social Inclusion – addressing gender economic inactivity as well as a range of other issues
- Adult skills and lifelong learning – developing the skills to match employers’ needs and those of the growth sectors

### Introducing the Six Priorities

The six Priorities are:

1. Innovation
2. Stimulating Business and Enterprise
3. Developing Low Carbon Communities
4. Employment and Mobility
5. Social Inclusion/Combatting Poverty
6. Education Skills and Lifelong learning

### 2.4. Spending Allocation

The Strategy recommends the following initial spending allocation. This proposed split of resources between the priorities was agreed for consultation by the LEP Leadership Board on September 9<sup>th</sup> 2013. The relationship between the priorities in this strategy and the EU’s thematic objectives is illustrated below:

	ERDF/ESF Split	Suggested Split
Innovation	50% = £110m <b>ERDF</b>	£30m
Stimulating Business and Enterprise		£45m
Developing Low Carbon Communities		£35m
Employment and Mobility	50% = £110m <b>ESF</b>	£37m
Social Inclusion / Combating Poverty		£37m
Education, Skills and Lifelong learning		£37m
	<b>EAFRD</b>	Will be minimal
Total EU SIF Growth Programme		£220m
Youth Employment Initiative	<b>ESF</b>	£19m
Total EU Resources		£239m

The Six Priorities are described in this Summary with a rationale for each one and key Actions against each Priority.

### 3. Summaries of the Priorities

#### 3.1 Priority 1 - Innovation

The planned programme needs to meet the requirements for a Smart Specialisation Framework for the LEP. Capital spend is limited in terms of scale and new capital spend should complement existing physical and research resources. Crucially this has involved the choice of key sectors to invest in. Appropriate ESF provision will be aligned to support the innovation actions. An enhanced Smart Specialisation Strategy and rationale based on this draft will need to be produced for the Innovation Priority to support the submission of the Final Strategy.

The key sectors in the Innovation priority in line with Strategy for Growth are:

- Life Sciences
- Advanced Manufacturing
- ICT/Digital CCIs
- Low Carbon

These key areas will be supported by the following Actions.

##### 3.1.1 Physical Infrastructure for Innovation including incubation space for enterprises linked to research institutions.

There will be provision for between 3 to 5 major new university led centres. These will be Demonstrator Centres connecting the research community with SMEs. The approach builds on the success in the current programme. The Demonstrators will help companies which are early adopters of new technology and accelerate commercialisation.

Provision for Demonstrators which are collaborative and can help speed ideas to market will be considered – the idea of Rapid Concept Development Centres.

There will be provision for 2-5 incubator centres linked to research centres for new business start-ups.

##### 3.1.2 Building Collaborative research between enterprises, research institutions and public institutions

The specific Actions are:

- **Networks for Innovation** – focussing on growth SMEs in the four priority areas to help develop new ideas and collaborate across the specialist areas.
- There will be an emphasis on the role of **HE Business Schools** in this Action building on the Goldman Sachs Programme approach.
- **Graduate Start up Schemes** – support for graduates in terms of mentoring, training, rental costs and access to finance, building on the success of BSEEN and SPEED projects in the current Programme.

- **HE Spin –outs** (including social enterprises) – focusses on HE Spin Out companies and for advice on licencing of IP linked to research activities.
- **Placement Schemes** between sectors – supporting placements for specific time periods to facilitate knowledge transfer across LEP Priority sectors
- **Links to innovation activities outside the GBS LEP** – supporting “knowledge pull” from the UK and globally and building the LEP as a place where knowledge workers want to interact with. Emphasis will be on Catapult Centres in terms of the UK.

### 3.1.3 Commercialising the Knowledge Base – supporting SMEs to bring new products to market

The specific actions are:

- **Challenge events and Spill over Labs** – These provide mechanisms to gather together a range of stakeholders to focus on key economic and societal issues and challenges. The Action will allow for ideas to then be further worked on to enable commercialisation of new ideas arising from the process.
- **Investment in innovation** including Venture Capital Funds – providing investment finance for commercialisation where there is a gap from mainstream sources. Cross LEP in nature building on the Advantage Proof of Concept Fund.
- **Innovation Vouchers** – supporting SMEs primarily within the Priority Sectors but covering all sectors in Delivering Growth where there is an “innovative” aspect.
- **Public sector drivers** – the focus will be on both pre-commercial procurement and in supporting SMEs in major capital projects within the Strategy for Growth.

## 3.2 Priority 2 - Stimulating Business and Enterprise

The government’s ambition to make the UK the best place in Europe to start, finance and grow a business, and the GBSLEP’s mission to create jobs and grow the economy - and in doing so raise the quality of life for all of the LEP’s population, sets the context for this Priority.

### 3.2.1 Business Support

Key Actions are:

- **Business Support Gateway** - A single, easy to navigate signposting service for all businesses – regardless of size and sector - across the GBSLEP area is required. Such a service is already promoted in ‘The Path to Local Growth’ and could include a web portal as well as a tailored service to reach out to sectors, areas and communities which are currently under-utilising mainstream business support services. The inclusion of a Business Needs Analysis will further help specify the potential sources of support.
- **Advice and support to growth businesses**- building on the success of the Goldman Sachs Programme seeking to maximise the expertise of Business Schools
- **Supply Chain development** – maximising opportunities to build on new supply chains including FDI as well as existing chains. This builds on existing provision (e.g. MAS and the Green Bridge Programme).

- **Small scale business finance**- A programme of small-scale finance, soft loans and low or non-interest based finance, as well as micro-loans of up to £5,000.
- **Co working and Enterprise spaces** – supporting new stars and freelancers across the LEP in providing support for flexible space (Moseley Exchange and Boxxed in Digbeth are current examples).
- **Mentoring and coaching** – supporting talented individuals within SMEs
- **Social enterprise hubs** – supporting community led innovation at the grass roots and connecting to other social enterprise spokes in the LEP area.

### 3.2.2 Stimulating Young business

Key Action- Incubator and Accelerator activity

**Incubator and Accelerator activity** – aimed at young companies and at entrepreneurs seeking to start a business mid-career

### 3.2.3 Access to Finance

Key Actions-

- **Growth Equity Fund** – focus on growth businesses in the LEP key sectors including working capital and tooling.
- **Early Stage Equity Fund** – focused on young businesses
- **Pre-start technology Fund**- for proof of concept complementing TSB programmes
- **Small Scale gap funding** – up to £25k for capital investments
- **Business Angel Network** – for existing and potential Business Angels with an international dimension

### 3.2.4 Capitalising on the internationalisation of the GBS LEP economy

Key actions-

- **Export Support** – export readiness for SMEs including video conferencing and global connections
- **Attracting FDI** – focussing on supply chains and sector strategies to meet LEP priorities
- **Export skills development** – support for training in internationalisation, admin and finance

## 3.3 Priority 3 - Developing Low Carbon Communities

Within this priority the programme combines a number of the low carbon and environmental objectives set out in the EU regulations. These objectives are designed to help Europe meet its ambition of reducing greenhouse gas emissions by 2020 by 20% compared to 1990 levels; to increase the share of renewables in final energy consumption to 20%; and to achieve a 20% increase in overall energy efficiency. The UK government wishes to ensure that there is a strong focus within the use of these EU funds on the energy efficiency arena ensuring that real improvements are made

in the energy efficiency of homes, businesses and transport. This priority is particularly concerned to contribute “to the shift to a low-carbon and resource efficient economy”.

It is proposed to explore a JESSICA funding mechanism for this Priority before the January submission.

There are four main themes to the Priority:

### **3.3.1 Improving the energy efficiency of buildings in the GBS LEP area**

Key Actions-

- **Renovation and retrofit to aid domestic energy efficiency**
- **Retrofitting of tower blocks** – representing some of the largest carbon savings
- **Improving heat and energy efficiency** – commercial and public buildings

In addition there will be actions funded from the ESF priorities to provide **new skills to service the green economy** including building networks of advisors for area based community transformation.

### **3.3.2 Modernising the energy system & developing a more decarbonised local energy generation capacity**

Key actions –

- **Developing Combined Heat and Power (CHP)** networks in the LEP area.
- **Biomass materials as an energy source**
- **Pyrolysis for local settings building on the expertise of EBRI.**

### **3.3.3 Creating more sustainable opportunities on travel**

Key actions-

- **Travel improvements** which link people to **employment** opportunities.
- **Focus on cycling** – pathways, infrastructure, canal networks and bike hubs.
- **Utilisation of ICT** to help people make informed travel choices
- **Extend the Smarter Choices** Programme to promote public transport and cycling options.

### **3.3.4 Improving Resource Efficiency by re-use of waste and regeneration of old industrial districts**

Key Actions-

- **Assisting businesses** to be more profitable through take up of energy efficiency schemes
- Building the **Green Supply Chain**
- **Industrial Symbiosis** – recovery and reprocessing of waste materials from one industry to be re-used by other businesses. Internationalising this approach for which the LEP has a world- wide market.



- Focussing on **district approaches** – building on the success of the Tyseley Environmental Enterprise Zone.
- Support for **limited green infrastructure investment** to bring forward sites for redevelopment.
- **Create a green digital infrastructure** - projects in this Priority to connect digitally – in the LEP and beyond.

**The next three Priorities are specific to ESF**

### **3.4 Priority 4 - Promoting Employment and Mobility**

The overall percentage for those of working age in employment in GBS LEP is 64.5%; over six per cent lower than the average for the UK (70.6%).

Notably employment among working age females in Birmingham is less than 50% (49.1%)

There is a general and persistent problem with the percentage employed, largely concentrated in Birmingham and particularly amongst women. Within the GBS LEP, Birmingham has the highest unemployment rate (10.4%) significantly above the levels in the other area. Lichfield (2.4%) has the lowest rate.

As a result of Birmingham's high level of unemployment the overall GBS LEP unemployment rate (7.1%) is significantly above that of the UK (4.7%). Youth unemployment in Birmingham (19.2%) is considerably higher than all other areas within the LEP and almost double UK average (10.9%).

The Skills Action Plan has a target of Unemployment rate to reduce to the Core Cities average by 2020 and for the youth unemployment rate to similarly decrease to the Core City average, again by 2020.

A proportion of the ESF resources will be taken for new approaches to pilot innovative methods of delivery to involve the third and community sector including social enterprises and trade unions.

Key actions-

- Creating employment opportunities through initiatives like the Birmingham City Centre Enterprise Zone, the Enterprise Belt and UK Central, investment in priority sectors and sectors where significant replacement demand is anticipated.
- Additional/ more intensive support for **LTU/unemployed** to move towards, enter or progress in work (& self-employment) and including innovative ways of providing work experience, training and pre-employment training.
- Reducing Young People **NEET** (e.g. literacy, numeracy, traineeships /apprenticeships, brokerage, innovative & hard-to-reach actions) in deprived GBS LEP areas.
- Responding flexibly to **employer demand** in local labour markets where LEPs and their partners identify specific needs.
- Providing additional/innovative support to **specific target / marginalised groups** e.g.

people with disabilities or health barriers, young lone parents, carers, ex-offenders. Also gender equality.

- Promoting self-employment as a credible route out of “worklessness”.
- Jobs created through SME development including the uptake of new/improved business processes and technology – supporting SMEs to grow by attracting talent locally.
- Overcoming **rural** employment challenges and creating job opportunities important **tourism, recreation and leisure** projects.

### 3.5 Priority 5 - Promoting Social Inclusion and Combatting Poverty

The Europe 2020 strategy has a goal of promoting social inclusion, in particular through the reduction of poverty, by aiming to lift at least 20 million people across the EU out of the risk of poverty and social exclusion. The number of people at risk of poverty or social exclusion in the UK has fallen slightly from 14.2 million in 2010 to 14.0 million in 2011. There are also other potential measures for this thematic priority for instance the Government estimates that there are 120,000 families living particularly troubled and chaotic lives.

Locally, deprivation is mainly concentrated in Birmingham but most of the GBS LEP area has pockets of deprivation. Birmingham is the most income and employment deprived local authority in the country (1<sup>st</sup>) and has the highest percentage of its’ Super Output Areas (SOAs) in the 10% most deprived SOAs in the country (39%) in the GBS LEP and is measured on ‘rank of deprivation’ 9<sup>th</sup> in the UK (Bromsgrove is (281<sup>st</sup>).

Key Actions-

- Targeting **specific communities or ethnic minorities** with high levels of poverty and social exclusion
- Tackling barriers to work in **troubled families and** complementing/adding value to other services/funds helping those with **complex barriers** closer to employment
- Tackling barriers to work in a holistic/integrated way including early action
- Additional support for **specific groups** (ex-offenders, young people, Universal Credit claimants)
- Combating **discrimination** and promoting **equal opportunities**
- Support for **social investment, enterprises and social entrepreneurs** to work creatively to find new ways of tackling exclusion
- Support for activities promoting **social inclusion whilst tackling environmental issues** (plus fair access to **rural** services and amenities)
- Innovative **social investment / innovative models** focusing on disadvantaged individuals and families. This might include the use of digital technology to track the

progress of individuals and encourage joint agency working.

### 3.6 Priority 6 - Investing in Education Skills and Lifelong Learning

There have been improvements in skills levels in recent years, but compared to other leading economies the UK could be said to be treading water. It is estimated that one fifth of the UK's productivity gap with competitors such as Germany and the US is caused by a lack of higher level skills. There is also some evidence to suggest a lack of responsiveness of the skills system in the past to the needs of the economy and a mismatch between supply and demand.

Although there has been substantial growth in apprenticeship numbers over recent years (86% since 2009-10 and 114% in advanced apprenticeships), only around 5% of employers currently have apprentices, with a further 4% offering them and 8% planning to offer them in the future<sup>181</sup>. This is low by international standards. Locally there is a significant variation in areas for those possessing NVQ level 4 or above; Solihull (38.4%) to Tamworth (15.2%) and apart from Solihull all are below UK average.

The picture for skills in the 16-24 age group with no qualifications is marginally more positive, with GBS LEP levels almost reaching the UK average.

These are the specific targets from the Skills Action Plan for 2020:

- Individuals in the top occupational groups to increase to Core City average.
- Individuals with qualifications at NVQ 3 and above to increase to Core City average.
- Individuals with qualifications at NVQ4 and above to increase to Core City average.
- An additional target that will result from these targets being met is that employers in the LEP area reporting skills gaps to be reduced to 15% (the figure is currently 18%)

#### Key Actions-

- Supporting progression within the workplace, improved productivity and access to **entry level jobs** where there are skills gaps.
- Support for change in the local economy to meet **skills gaps** at all levels (including for SMEs and the social economy).
- Support for skills for specific **industries/sectors identified as driving growth** the GBSLEP area and supporting gaps in **higher level skills** in priority sectors.
- Support for specific intermediate and higher level skills needed for the digital economy.
- Meeting **cross cutting skills** relevant to many sectors – e.g. customer service, digital or resource efficiency skills.
- Support for **medium sized employers** who create substantial employment opportunities but often fall outside the eligibility guidelines (accepting that this may need to be funded through non-EU sources).

- Providing students and graduates the opportunity to gain **work experience** and skills e.g. placement and internships and supporting SMEs to do so
- Considering **higher level placements** in the public and private sector e.g. for highly skilled individuals in health and life sciences.
- Skills support for **apprentices and traineeships** (including higher level apprenticeships).
- Equipping students with the skills **to start and grow a business** to meet local business needs. Enhancing business education links, working with **schools and local employers** on employability programmes.
- Support for **business start-up and enterprise growth** including links to business hubs and informal local space to collaborate, development of business skills in rural areas and support for community based “informal” learning.
- Capacity-building activities, in the form of training, networking measures and to activities jointly undertaken by the social partners
- Support specific activities to promote equality and diversity, retention, progression and employability in FE and HE

#### 4. Concluding remarks

This strategy will deliver:

- A coherent business support network
- A focus on key strengths and a deepening innovation eco system
- A Low carbon strategy to meet societal needs and grow the low carbon economy
- Targeted investment in skills to support growth
- Significant reduction in youth unemployment and in activity

Overall the Strategy supports key targeted investments in our opportunities and our strengths whilst tackling barriers to growth to significantly improve the LEP economy, create jobs and enhance the LEP’s GVA.

