



**Coventry & Warwickshire**  
Local Enterprise Partnership

# **European Structural and Investment Funds 2014 to 2020**

**Coventry and Warwickshire European Structural  
and Investment Funds Strategy: ERDF, EAFRD  
and ESF Priority Descriptors**

December 2016

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# SECTION 1: ERDF and EAFRD PRIORITIES



**European Union**

European Regional  
Development Fund



The European  
Agricultural Fund  
for Rural  
Development:  
Europe investing in  
rural areas



Department  
for Environment  
Food & Rural Affairs

## PRIORITY 1: RESEARCH AND INNOVATION

### PRIORITY 1: FINANCIAL ALLOCATION

Priority 1	€ 20,310,221	£14,420,256.64
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#### P1: GROWTH OPPORTUNITIES

The Europe 2020 ambition is to improve the conditions for research and development, in particular with the aim of raising combined public and private investment levels in this sector to 3% of GDP. In the UK the ambition is to improve the framework conditions for research and innovation to facilitate greater private sector investment over the period. In the European Commission's proposal for cohesion policy in 2014-2020 it is a precondition for using the European Regional Development Fund (ERDF) that investments in research, development and innovation are made based on a smart specialisation strategy that supports integrated, place-based economic transformation.

Coventry and Warwickshire is recognised as a global UK hub in Advanced Manufacturing and Engineering (AME), with business and research links across the world. AME directly employs 34,000 people in Coventry and Warwickshire accounting for 10% of employment, 57% greater than the UK average overall and 500% greater than the UK average for the automotive industry and with an AME workforce that is 10% more productive than the UK average.

Advanced Manufacturing and Engineering (AME) is a key driver of economic growth and is of global significance. It is a competitive asset in terms of its depth, capability and industrial heritage. Coventry and Warwickshire has retained its technical and engineering strengths and has a presence of large AME businesses which are critical to future growth. Companies such as Aston Martin, BMW, Jaguar Land Rover and Tata have chosen Coventry and Warwickshire as a base to do business. Many technology businesses based here have been at the forefront of using new materials and developing them into innovative products.

The area has major R&D and innovation centres; Coventry University, the Manufacturing Technology Centre (the location of a new high temperature research centre for the development of future generation aero engines), the University of Warwick and WMG (home to the National Automotive Innovation campus and Tata Motors European Technical Centre) and on the border with Leicester and Leicestershire LEP is the location of MIRA, a world class independent vehicle engineering consultancy.

The Coventry and Warwickshire LEP area is a core part of the UK High Value Manufacturing Catapult through both WMG and the Manufacturing Technology Centre. The Catapult provides UK business with a gateway to access the best manufacturing talent and facilities in the country. It also acts as a conduit for funding from both the public and private sectors for projects and initiatives with due merit. In addition the focus on AME supports the Governments strategy for both the automotive and aerospace industries and linkage to the eight great technologies including; Advanced Materials, Robotics and Autonomous Systems and Energy Storage.

The foundation of employers and R&D and innovation centres in Coventry and Warwickshire provides a significant basis for further inward investment and the enhancement of employment.

A significant opportunity for Coventry & Warwickshire is to become a leading centre in the UK for intelligent mobility; drawing upon the significant industrial and research strengths, ranging from major automotive manufacturers (and their supply chains), niche vehicle providers, technology developers, and research institutions. Coventry & Warwickshire provides an ideal location with the potential to attract investment from funders and commercial partners, and allow a concentration of research, development, and innovation activity, supporting the future development of this growing market. This focus on intelligent mobility within Coventry & Warwickshire supports the research and development priorities of at least two of the “eight great technologies” first cited by UK Government in 2012 (big data, robotics and autonomous systems), and the ten intelligent mobility innovation challenges of the Technology Strategy Board Transport Systems Catapult.

Coventry and Warwickshire has a strong representation of employment in Advanced Manufacturing and Engineering, specifically motor vehicles (automotive), aerospace, architectural and engineering activities, fabricated metal products, machinery and equipment, electrical equipment and other transport equipment. Private sector businesses have undertaken significant investment into research and development and modern technologies in AME and relying on a highly-skilled workforce with transferrable skills. 94% of investment in research and development and innovation is accounted for by our top 5% largest R&D investors with 95% of R&D investment in manufacturing.

Advanced Manufacturing and Engineering is expected to remain a large part of Coventry and Warwickshire’s economy. By 2025 the sector is projected to be worth £2.4billion (2009 prices) which equates to 12% of the sub-region’s output. The manufacture of motor vehicles is expected to increase its specialism within the region increasing its location quotient from five to seven by 2025 (LQ of seven in 2025 suggesting employment will be seven times more concentrated than the UK average). The ESI funds will provide additional investment alongside this projected growth.

Coventry and Warwickshire is strong in the fields of digital technologies and the development of communication tools and software applications. As a result our digital technology expertise is a high value asset. Aligned to our capabilities in both Advanced Manufacturing and Engineering and Digital Technologies is a focus on Healthcare which is identified as a growth sector in the CWLEP area for the period to 2025 and in which the Coventry and Warwickshire area has innovation expertise in assistive technology and digital healthcare.

In support of development in IT services and computer games we have established:

- The Serious Games Institute & SG International Ltd at Coventry University. This is the first digital research centre of its kind, providing an accessible centre of innovation and excellence in digital technologies to serve business, industrial, healthcare and educational needs.
- The International Institute for Product and Service Innovation (IIPSI) at the University of Warwick, which features a range of demonstrators in the technology areas of Digital Innovation, Polymer Innovation and Experience-led Innovation, enabling SMEs to explore ways in which the technology can work for their specific business needs.

The forecast growth in health and residential and social care for Coventry and Warwickshire is significant. The CWLEP area is well positioned to take advantage of this growth through the

complementary R&D and innovation capability and capacity of Coventry University and the University of Warwick.

- At the University of Warwick is the Institute of Digital Healthcare (IDH) which was set up in partnership with the NHS, WMG and Warwick Medical School (WMS). The IDH aims to improve people's health and wellbeing through the use of innovative digital technologies.
- At Coventry University the Health Design Technologies Institute (HTDI) supports the development of new and innovative community healthcare products, providing design, prototyping and user-centred product evaluation services to entrepreneurial individuals and companies developing new technologies in this area.

In the European Commission's proposal for cohesion policy in 2014-2020 it is a precondition for using the European Regional Development Fund (ERDF) that investments in research, development and innovation are made based on a smart specialisation strategy that supports integrated, place-based economic transformation. A report by Centre for Cities "Driving Growth: Supporting Business Innovation in Coventry and Warwickshire" was published in May 2013, funded by both public and private sector partners and providing the strong evidence base for the Smart Specialisation focus that will be adopted.

## **P1: GROWTH CHALLENGES**

The socio-economic analysis in the original ESIF Strategy identified that while Coventry and Warwickshire is a particularly innovative area, its research and development expenditure is predominantly within manufacturing companies and there is a long tail of less innovative and less productive firms. There is also less research and development expenditure in rural areas due to the predominately smaller nature of enterprises in such areas and their tendency to remain small and inability to achieve significant growth.

There is an identified need to improve the connectivity between businesses, and between businesses and research institutions to help increase the level and, critically, spread of innovation activity across Coventry & Warwickshire. While the area performs well on overall measures of innovation activity (e.g. on average firms in Coventry and Warwickshire spend around £15,000 per year on R&D compared with a UK average of under £7,000), R&D expenditure is predominantly in the manufacturing sector (accounting for 95% of such expenditure in Coventry & Warwickshire, compared to 45% nationally). Expenditure is dominated by just a few large companies, with 89% of R&D employment and 94% of in-house R&D expenditure in the area accounted for by the top 5% largest R&D spending firms. The top 5% comprises just 16 firms or 0.05% of the business base.

By comparison, at the national level the top 5% of firms (940 companies or 0.04% of the business base) account for 81% of R&D employment and 90% of in-house R&D expenditure. A similar pattern is reflected in the data on patent and design applications. There is a need to support and diffuse innovation across Coventry & Warwickshire, in particular to support the growth of businesses in line with the priority of SME competitiveness, and increase the dissemination of innovation activity across our whole business base.

One of the biggest challenges for the area will be to close the productivity gap between the CWLEP area and the UK, this gap will only widen (to 87% by 2025) without further intervention. Additional

investment through the ESI funds will target activities which will support a long term reduction in the productivity gap. Additionally the area will need to work to narrow the gaps between local authority areas within Coventry and Warwickshire in terms of economic output and wealth. These disparities will be addressed by concentrating on identified growth opportunities in Advanced Manufacturing and Engineering, IT Services / Digital and Creative Industries, Logistics, Culture and Tourism, Healthcare and Assistive Technologies and Business and Professional Services.

## **P1: MARKET FAILURE**

For research, technological development and innovation, there are three specific market failures, which hinder the full exploitation of RTDI.

- **Technological or knowledge spillovers:** For RTDI it is important that the process of innovation (or the end-result) may generate positive externalities for the economy or society as a whole (knowledge spillovers), while the individual R&D company may decide that the risks are too high and/or the rate of return is too low. In fact, this means that an individual company does not take into account (or neglect) the common interest in its R&D decision. This is recognised in the RTDI Framework as the Commission considered that 'left to the market, a number of projects may have an unattractive rate of return from a private perspective, even though the projects would be beneficial for society because profit seeking undertakings neglect the external effects of their actions when deciding how much R&D&I they should undertake'.
- **Coordination and Network Failures:** Innovation is often realised in collaboration with other firms, which makes coordination between and access to, intercompany networks very important. However, there may occur failures which hinder this collaboration, such as difficulties in finding the right partner (high search costs), lack of trust, the existence of high transaction costs (dealing with high risks), imperfect and asymmetric information about partners and their expertise (resulting in for example adverse selection), difficulties in coordinating R&D, etc. For smaller firms, inadequate access to innovation systems and lack of access to business advice and relationships are important network failures.
- **Imperfect and Asymmetric Information:** Related to the previous failure is the existence of imperfect and asymmetric information, which leads to non-transparent market situations and allocation problems. For R&D, the most obvious situation is that SMEs with innovative ideas are not able to find the right investors due to imperfect and asymmetric information (risks are uncertain). RTDI is characterised by a high degree of risk and uncertainty and that, as a result, the allocation of human resources and financial resources may not be adequate in these markets and valuable projects for the economy may not be carried out.

The overall objective of the Research and Innovation priority will be to build capacity within the Coventry and Warwickshire area for the commercial exploitation of new ideas stemming from research and innovation.

## **P1: GROWTH SOLUTIONS**

Investment will be focussed in areas where the area and the UK has particular strengths and can take advantage of large global markets and ensure that the support provided is delivered and can be accessed in the most efficient and effective ways. The priority is to enhance AME in the CWLEP area,

to maximise impact for the sector from the existing innovation and R&D assets and to ensure that AME businesses have access to new technologies which will keep them competitive. International programmes of excellence will be delivered for the development of innovative products, processes and systems across the AME Supply Chain.

This will include:

- **Advanced Materials:** The utilisation of advanced materials is of fundamental importance to the transport industry and Lightweight materials (including metals, composites, polymers, hybrid structures and other structural materials and their associated joining and assembly technologies) applied to vehicles, structures and devices are crucial to reducing energy consumption and emissions, and increasing efficiency.
- **High Value Manufacturing:** The application of leading-edge technical knowledge and expertise to the creation of products, production processes, and associated services has strong potential to realise sustainable growth and high economic value. Concentration on manufacturing process improvement will include; polymer processing, additive manufacturing, joining and forming, robotics, processes and metrology.

Investment will be utilised from the European Structural and Investment fund allocation matched with private sector funding to enhance the collaborative working between AME businesses and R&D and Innovation Centres of Excellence (e.g. High Value Manufacturing Catapult, MIRA, WMG and Coventry University). Investment will support the development and strengthening of clusters of innovative companies in AME in Coventry and Warwickshire by investing in research and development and innovation technology support programmes and demonstrator programmes and projects which will act as a catalyst to help the companies behind the projects to develop their entrepreneurial skills and attract more investment. These will be aligned with Technology Strategy Board priorities and local opportunities e.g. inductive charging, intelligent mobility, intelligent logistics, renewable energy technologies and innovative energy infrastructure, smart grids, low-impact buildings, future automotive propulsion technologies including hybrid technologies, energy systems and energy storage technologies, power electronics, human-machine interface technologies and visualisation technologies.

Assistance will be provided to businesses to work with our two universities and knowledge centres to obtain knowledge and expertise to address their business challenges and embed sustainable innovation by funding the employment of recent graduates into AME businesses to work on strategic growth projects, with ongoing support from experienced university and knowledge base experts.

As a result Coventry and Warwickshire AME businesses will be able to exploit the commercialisation opportunities of new technologies and ways of working developed as a result of public-private R&D and innovation collaboration and will be firmly established as a Global centre of excellence in AME with a strong and innovative business and research and development base.

By 2025 the highest value sectors in Coventry & Warwickshire are expected to be IT services, education, construction and business support services with retail trade and health following close behind. These six sectors are predicted to value some £8.3billion contributing 40% to the LEP economy in 2025. The specialism of manufacturing motor vehicles is projected to increase by 84% between

2012 and 2025 contributing 3% to the value of the LEP economy by 2025. The ESI funds will provide additional investment alongside this projected growth.

Programmes of intervention will be delivered that support the development of innovative products and services across growth sectors. This will include:

- Digital Economy and ICT: The education sector, innovation organisations and the private sector will be mobilised to ensure that businesses are able to develop and exploit new technologies. ICT enables process, product and service innovation across all sectors, leading to increased competitiveness and sustainability.
- Healthcare: Existing infrastructure will be used as the basis for helping businesses to deliver products, systems and services to help people live independently. This will include rehabilitation engineering, mechanical & electrical engineering, remote sensing/telecoms, and imaging and biomechanics. A major barrier to innovation in healthcare is that the pace of technology innovation is outstripping the ability of users to adapt to the way healthcare is delivered.
- Logistics: The efficient and effective movement of people and goods, and the development and deployment of intelligent, connected vehicles for on and off-highway use (often in hostile environments), are critical to the future growth of the UK economy. Tackling road congestion, environmental pollution, and transport safety and security are key issues which cannot be simply overcome through the further increases in infrastructure alone.

Interventions will include; support for the establishment of business incubation, growth accelerators and technology centre support programmes linked to priority economic areas; specialist technology support programmes and demonstrator programmes and innovation support programmes for product design and development and systems integration.

Investment from the European Structural and Investment fund allocation matched with private sector funding will be utilised to deliver a targeted investment programme supporting innovation and knowledge transfer and exchange. Support will be provided for the development and strengthening of clusters of innovative companies by investing in research and development and innovation projects which will act as a catalyst to help the companies behind the projects to develop their entrepreneurial skills and attract more investment.

The actions funded through this priority of the ESI Funds programme will integrate with the business-led, single point of access (Growth Hub) being proposed by the Coventry and Warwickshire City Deal that will provide support to Advanced Manufacturing and Engineering businesses across a range of areas. Businesses will be supported to engage with and navigate through the range of business infrastructure organisations and the 'offers' open to them including access to trade, investment and business growth services. This aligns with the feedback from our ESI Funds consultation event which highlighted the need for "a stepped process of support, taking SMEs on a journey", the "joining of support" and a "single point of contact". The Hub will streamline the number of contacts that businesses will need to make with support agencies by assessing their needs once and providing good links and referral arrangements into relevant initiatives.

## P1: GROWTH INTERVENTIONS

This priority will focus support for research, development and innovation in: high-value manufacturing including low carbon vehicles, intelligent mobility; computer gaming and serious gaming; and healthcare (social innovation and innovation in health). Actions that will be supported include:

- Cluster and sector based research and development commercialisation and collaboration between enterprises, research institutions and public institutions, including:
  - Technology support programmes and demonstrator programmes for current and future technologies e.g. inductive charging, intelligent mobility, intelligent logistics, renewable energy technologies and innovative energy infrastructure, smart grids, low-impact buildings, future automotive propulsion technologies including hybrid technologies, energy systems and energy storage technologies, power electronics, human-machine interface technologies and visualisation technologies.
- Innovation support programmes for product design and development (including customer and patient feedback into design, ergonomics and human machine interface and legislation for health technology products) and systems integration.
- Specialist Technology support programmes and demonstrator programmes e.g. integrated transport solutions, automated vehicle control systems and driverless vehicles, energy management systems, cloud computing, digital/visualisation technologies, management of large data sets, assistive living and digital healthcare technologies, remote sensing and telecommunications and metrology.
  - Support for health technologies including rehabilitation engineering, mechanical & electrical engineering, remote sensing/telecoms, and imaging and biomechanics
- Support for the establishment of business incubation, growth accelerators and technology centre support programmes linked to prioritised economic areas.

This strand of activity within the RTDI priority will include the dissemination and adoption of new technologies, in particular key enabling technologies, through cooperation with actors in the world of research and education, technology transfer, applied research, technology development and demonstration facilities, in order to help companies develop more innovative products, processes, marketing and services and diversify the national/regional economy through new high-growth activities.

In addition, this priority will seek to increase research, development and innovation activity in sectors and business groups that are less intensive in research and development in the LEP area. Actions that will be supported include:

- The development of new research, development and innovation led businesses including:
  - Student and graduate led start-up and spin-out schemes including social enterprises
  - Support for innovation in small- and medium-sized enterprises (including social enterprises) specifically targeting:
    - Those that are new to engagement with the knowledge base (e.g. Innovation vouchers)
    - Businesses in product, process and service development.
    - Innovation in service sector industries

- A proof of concept fund aimed at bridging the funding gap for research with commercial potential which is at proof of concept stage.
- An innovation demonstrator for SMEs, highlighting the advantages of innovation

Stimulating collaborative research and innovation activity between business and academia, between businesses and between businesses, academia and the third sector is essential. This investment will stimulate and support the development of businesses focused on innovation and the absorption of knowledge and technology in key priority sectors and clusters through cooperation in Research and Development. Additionally, it will provide support for businesses to undertake research and innovation projects and for universities and research institutions to access 'proof of concept' or 'pre-commercialisation grants'.

Supporting the development of graduates and researchers to engage in knowledge and technology transfer activity is an important component of a research and innovation system. An aim of this strand of the funding priority is to enhance the skills base of graduates and researchers to support knowledge and technology transfer activities with business and the commercialisation potential of research and development activities in both the public and private sectors. Additionally there are strong linkages to the priorities for SME Competiveness and Skills to support new business start-ups and wider business growth.

This activity will also focus on helping existing rural businesses grow, with a focus on innovation and technology. The interventions of activities within the programme would be focussed on:

- Increasing awareness among rural businesses of the benefits of investing in innovation and new technology,
- Demonstrating new technologies. These will be small scale with a particular focus on ICT, low carbon and environmental technologies,
- Increasing the number of rural businesses drawing on the skills and resources of universities, other research institutions and rural hubs (e.g. Rural Growth Network) to help solve the issues they face,
- Increasing the number of rural businesses participating in knowledge transfer partnerships,
- Increasing business to business collaboration to identify and develop innovative products, services and processes; or to adopt and utilise new technologies,
- Supporting rural businesses in the commercialisation of new products and processes.

## PRIOTY 1: INVESTMENT PRIORITY LEVEL OUTPUT INDICATORS

Indicator ID	Indicator	Measurement unit	Target value (2023)
CO01	Productive investment: Number of enterprises receiving support	Enterprises	779
CO02	Productive investment: Number of enterprises receiving grants	Enterprises	546
CO03	Productive investment: Number of enterprises receiving financial support other than grants	Enterprises	14
CO04	Productive investment: Number of enterprises receiving non- financial support	Enterprises	190
CO05	Productive investment: Number of new enterprises supported Final	Enterprises	66
CO06	Productive investment: Private investment matching public support to enterprises (grants)	EUR	660,139
CO07	Productive investment: Private investment matching public support to enterprises (non- grants)	EUR	923,500
CO08	Productive investment: Employment increase in supported enterprises	Full time equivalents	62
CO26	Research, Innovation: Number of enterprises cooperating with research institutions	Enterprises	421
CO28	Research, Innovation: Number of enterprises supported to introduce new to the market products	Enterprises	62
CO29	Research, Innovation: Number of enterprises supported to introduce new to the firm products	Enterprises	124
P2	Public or commercial buildings built or renovated	Square metres	337

## PRIORITY 2: ENHANCING ACCESS TO, AND USE AND QUALITY OF, INFORMATION AND COMMUNICATION TECHNOLOGIES

### PRIORITY 2: FINANCIAL ALLOCATION

Priority 2	€ 11,225,828	£7,970,338.18
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### P2: GROWTH OPPORTUNITIES

The EU has a target that by 2020 all Europeans will have access to broadband above 30 Mbps and 50% will be connected to and using 100Mbps. The current UK target (at December 2013) is that 95% of premises will have superfast broadband access (24Mbps or above) using fixed-line coverage by 2017.

In Coventry and Warwickshire the rollout of commercial broadband will leave some 91,385 premises without access to superfast broadband, whilst at the end of the currently contracted CSW Broadband (BDUK) project some 57,326 premises will not be able to achieve superfast speeds (24Mbps). According to Ofcom, Warwickshire's average downstream speed is currently around 12Mbps whilst approximately 13 per cent of the population receive less than 2Mbps.

There is a clear link between the availability and adoption of ICT and broadband and economic recovery and growth. Businesses in Coventry & Warwickshire are particularly reliant on ICT and broadband, given the increasing importance of the knowledge economy for future growth. SMEs could make much better use of ICT and broadband technologies to improve profitability and reduce costs. Supporting Coventry and Warwickshire SMEs in harnessing the potential of ICT and broadband will make a very significant contribution towards the region's economic growth.

The economy of Coventry and Warwickshire has changed considerably over the last 25 years, with a move towards more knowledge based activities and business services.

The knowledge economy is increasingly important to the sub-region's economic growth, with the Coventry-Solihull-Warwickshire Software Triangle providing an excellent example of its potential. This sector has experienced phenomenal growth in the last five years, which has contributed significantly to the local economy and is also leading to increased employment in the region. There are 1,300 ICT and software companies in the CSW sub-region, concentrated in six major science parks located in and around the CSW Software Triangle. These companies represent a vibrant base of high growth indigenous companies underwritten by many of the world's leading global ICT and software companies.

Coventry and Warwickshire's manufacturing sector is dominated by high tech, high value manufacturing. This sector is increasingly reliant upon high performance connectivity, for example, to support collaboration and data exchange with national and international partners and suppliers. Coventry and Warwickshire is particularly strong in the areas of digital media and the development of various communications tools and software applications. We are the UK hub for Serious Games and home to the Serious Games Institute (SGI), a global leader in smart spaces and the gaming industry with leading computer games companies including Codemasters, and the Game Science Group. The cluster is Europe's fastest growing area of games activity. We have the latest development and testing

with industrial partners which sets Coventry and Warwickshire apart and makes us the ideal location for Serious Games companies and our digital technology expertise is a high value asset.

There is a strong link between economic performance and the extent of local innovation activity and potential. All of the high-growth LEP areas are notable by their higher levels of patenting and higher shares of employment in the knowledge economy and in high and medium technology manufacturing. Continued growth will be increasingly dependent upon high quality broadband infrastructure and services. This will not only support new ways of doing business but will also provide a conduit for the learning and re-skilling necessary to equip citizens to participate as fully as possible in this new employment environment. The ability of companies across Coventry and Warwickshire to take advantage of technological developments will be key to their future competitiveness.

Continued investment in broadband is essential if businesses Coventry and Warwickshire are to compete in a global marketplace. Similarly, there is a need to support measures which stimulate demand such as business support projects that increase awareness of the benefits of superfast broadband and increase uptake amongst, and improved use of broadband in, small and medium enterprises.

## **P2: GROWTH CHALLENGES**

A solid foundation for extending the availability and use of superfast broadband is now in place across Coventry and Warwickshire, but there is still more to do to ensure the benefits of faster broadband speeds reach as many businesses as possible across the area. Continued investment in broadband is therefore essential to promote further economic recovery and growth. Similarly, there is a need to support measures which stimulate demand such as business support projects that increase awareness of the benefits of superfast broadband and increase uptake amongst, and improved use of broadband in, small and medium enterprises.

## **P2: MARKET FAILURE**

In rolling-out the UK's superfast broadband infrastructure, the focus for the private sector will inevitably be on those geographical parts of the network which offer the highest return for least cost. That can only mean a heavy bias towards urban areas and larger communities. Such parts of the network already have internet connection speeds far higher than those available in rural areas, who will have to wait "at the back of the queue" to see any upgrade in speed. In consequence, non-metropolitan citizens will have to wait longer, for slower internet connections than their urban counterparts. Yet, given rural life and work styles, high personal transport costs, high rural energy costs, and the possible prospect of an end to a universal postal service, those non-metropolitan citizens can be argued to include those most in need for faster internet.

The digital divide, the gap between those with easy fast internet access and those without, appears set to grow wider, as urban users get ever-faster speeds, and longer, and rural communities wait ever-longer until the private sector finally have nowhere else left to upgrade.

The commercial broadband rollout by a range of providers has covered mainly the urban areas where there is higher density of subscribers and correspondingly lower installation costs. Property developers are still not always installing high speed wholesale networks because the spines to connect

back to the main network are not in place, or because the infrastructure costs are simply too high. Particularly in the rural areas there are significant civil engineering costs in digging fibre to sites.

The commercial broadband rollout will leave some 91,385 premises without access to superfast broadband, whilst at the end of the currently contracted CSW Broadband (BDUK) project some 57,326 premises will not be able to achieve superfast speeds (24Mbps). The EU targets for 2020 are that all Europeans should have access to broadband above 30Mbps. At the end of the currently contracted CSW Broadband rollout 69,497 premises will be unable to achieve the 2020 EU minimum target speed of 30Mbps.

Investment in ICT business support activities will focus on addressing the market failures which affect SMEs specifically and, as a consequence, continue to impede economic and business growth in the Coventry and Warwickshire area. These market failures can be categorised under three broad headings:

- Limited access to external information, advice and expertise;
- Imperfect market knowledge;
- Limited access to finance.

These market failures are considered in detail in the chapter for the SME Competitiveness priority.

## **P2: GROWTH SOLUTIONS**

A solid foundation for extending the availability and use of superfast broadband is now in place across Coventry and Warwickshire, but there is still more to do to ensure the benefits of faster broadband speeds reach as many businesses as possible across the area. Continued investment in broadband is therefore essential to promote further economic recovery and growth. Business broadband needs are dynamic not static; businesses' bandwidth requirements will continue to increase. CSW businesses (high value engineering & manufacturing, design/ digital/ creative/ knowledge economy businesses) are particularly dependent on broadband.

In June 2013, CSW Broadband, a partnership of eight local authorities led by Warwickshire County Council, agreed a deal with BT to help deliver superfast fibre broadband to around 91 per cent of premises by Spring 2016. This exceeds the Government's target of reaching 90% of premises in each local authority area, as set out in the strategy document *Britain's Superfast Broadband Future* in December 2010. It is anticipated that around 9% of premises will remain beyond the reach of superfast services. This reinforces the importance of broadband investment continuing beyond 2015, both to narrow the gap between those able and unable to access superfast services and to increase broadband speeds, as businesses' requirements will only increase over time.

The project will build on BT's on-going commercial investment in fibre across the area, which has already pledged to bring faster fibre broadband to more than 1.7 million homes and businesses across the counties of the West Midlands by the end of Spring 2014 as part of its UK-wide £2.5 billion programme. As a result of this new partnership around a further 51,000 premises should have access to broadband speeds of 24Mbps and above by the end of the project. The project will transform broadband speeds across the partnership areas narrowing the bandwidth gap between urban and

rural areas. According to Ofcom, Warwickshire's average downstream speed is currently around 12Mbps whilst approximately 13 per cent of the population receive less than 2Mbps.

The CSW Broadband Project provides a solid platform to support businesses across Coventry and Warwickshire in realising the potential offered by ICT and broadband. The project also provides a close fit with future Government strategy and investment priorities detailed in *Investing in Britain's Future*, June 2013 and further analysis of the premises in areas requiring further funding will allow funds to be applied to maximum effect.

The CSW Broadband Project roll-out provides a strong foundation for future expansion (of both coverage and speeds) to keep pace with growing business requirements, however we need to ensure that the benefits are available to all – which means further expansion of superfast broadband coverage and speeds, to ensure rural businesses are as competitive as their urban counterparts. All networks should be provided on a wholesale basis to ensure competitiveness in the market and to keep end-user costs down.

All networks should be provided on a wholesale basis to ensure competitiveness in the market and to keep end-user costs down. The overall capital support requirement to install the wholesale fibre network to existing premises is £26m (based on 2011 data, plus inflationary uplift to 2014, and the incorporation of project management costs)

The issue of state aid compliance in relation to the provision of broadband networks is recognised. This has been delivered through the current CSW broadband project and geographic areas that are eligible for intervention have been clearly identified. Further Open Market Reviews and public consultations will be carried out before any procurement is undertaken. A state aid-compliant platform for further investment in broadband would be developed, and would utilise the National Competency Centre scheme wherever possible.

There is also a need to increase the number of SMEs making productive use of digital technologies.

Exploitation of ICT is key to increasing SME competitiveness and productivity growth and to enabling research and innovation. However, while the majority of UK businesses with 10 or more employees have a website (79% in 2010), approximately 85% do not use a website for selling their goods or services (ERDF Operational Programme, 2015). For small firms it is estimated that a 10% productivity increase is achieved from internet usage, as SMEs with significant internet usage grow and export twice as fast as others. In fact, evidence shows that the impact of broadband on productivity is highest for enterprises with between 1 and 9 employees and increasing the proportion of SMEs exploiting ICT opportunities will increase growth potential in SMEs.

At present only a small proportion of SMEs are fully exploiting the opportunities ICT offers in areas such as e-commerce, open innovation, and market research. Lack of awareness of the advantages in using ICT and how to exploit them, constrain business exploitation of the opportunities ICT presents.

The support provided through this specific objective will help SMEs to be able to understand and use ICT products and services appropriate for their business. It will complement the investment in

superfast broadband as well as activities funded under the Research & Innovation and SME Competitiveness priorities.

## **P2: GROWTH INTERVENTIONS**

### **ERDF investment priority 1 of priority axis 2: Extending broadband deployment and the roll-out of high-speed networks and supporting the adoption of emerging technologies and networks for the digital economy**

Under this investment priority indicative actions that the European Regional Development Fund may support include but are not limited to:

- Providing financial support for projects to extend availability of superfast broadband networks;
- Providing financial support for projects to provide availability of ultrafast broadband networks.

Activities will target ERDF eligible SMEs, including social enterprises, with a strong but not exclusive focus on CWLEP's Priority Sectors.

Good quality open access broadband infrastructure is as much a necessity for modern business and life as roads, electricity or water, yet new developments are still being built without this being installed. These will become the "digitally excluded" areas of the future. Whilst the CSW Broadband project will look at properties that were existing at the time that the contract was let, the funding cannot be expected to cover new developments. The availability of good quality and affordable broadband is increasingly part of the decision-making process for those who are looking to locate a business or to move home. We must, therefore, ensure that open-access fibre infrastructure is installed to all developments, even if the backhaul is not immediately available.

In this context it is vital to;

- undertake key analysis of the final deployment areas; promote active engagement with local communities and businesses to identify levels of demand and "hot spots".
- create a data bank to present to the market to encourage investment in expansion of the planned network.
- develop a portfolio of investment opportunities to address barriers to commercial provision in the market.
- Identify public and private assets that could be utilised to assist with the provision of superfast broadband to those areas that meet state aid requirements.
- Enable communities and business clusters to investigate self-fund initiatives.
- Commission open access wholesale network services that any ISP can use to deliver superfast broadband to residential and business customers.
- Understand the forward-planning policies of each Local Authority and engage in the development of Local Plan documents to encourage the inclusion of fibre infrastructure on new developments.
- Identify developments that already have outline or full planning permission and engage with the developers to ensure that they recognise the benefit of providing good broadband and the importance of making sure that the infrastructure is open-access to drive down cost and increase competition among ISPs.

- Where appropriate to work with developers to ensure that fibre broadband infrastructure is installed from the outset on all new developments.

### **ERDF investment priority 2 of priority axis 2: Developing ICT products and services, e-commerce, and enhancing demand for ICT**

Under this investment priority indicative actions that the European Regional Development Fund may support include but are not limited to:

- Support for SMEs to update or introduce new ICT business models which will drive business performance;
- Provision of coaching, advice, consultancy, mentoring and support for SMEs to access new markets through improved ICT connections;
- Provision of coaching, advice, consultancy, mentoring and support for SMEs to develop ICT skills strategies;
- Provision of coaching, advice, consultancy, mentoring and support for SMEs to implement productivity improvements from use of ICT;
- Demand-side voucher schemes;
- Demonstration and pilot projects, showcasing how SMEs can stimulate innovation through smart use of ICT;
- Support for diffusion of results from demonstration and pilot projects;
- Support for the integration of small and medium sized enterprises in digital supply chains through the smart use of ICT.

Activities will target SMEs, including Social Enterprises, with a strong but not exclusive focus on CWLEP's Priority Sectors.

This strategic action will be linked to the priorities for Innovation and SME support. This strategic action promotes the take-up and exploitation by Small and Medium Sized Enterprises of emerging technologies and networks for the digital economy and supports SMEs and social enterprises to develop ICT products. Broadband offers significant potential for SMEs, which many have yet to realise and extending reach and speed of SFB is crucial for the competitiveness and sustainability of SMEs in an increasingly global world. SMEs need further support and training if they are to realise the potential SFB offers. It is vital that ICT companies are assisted to develop the broad range of skills, including business development skills that they need to compete in a global economy. Local businesses need to be encouraged to work more closely with higher and further education establishments for the development and testing of new products.

To encourage take up and exploitation it is vital that:

- the awareness of the benefits of broadband-enabled technologies is embedded within business support provision
- that a range of business-support options that encourage SMEs to move up the e-adoption ladder are available
- Further networking and best practice sharing between ICT companies is developed, and that collaborative working is encouraged between businesses and with HE, FE and between larger companies and SMEs to cascade knowledge and good practice in the use of ICT.

## PRIORITY 2: INVESTMENT PRIORITY LEVEL OUTPUT INDICATORS

Indicator ID	Indicator	Measurement unit	Target value (2023)
<b>2a - Extending broadband deployment and the roll-out of high-speed networks and supporting the adoption of emerging technologies and networks for the digital economy</b>			
CO01	Productive investment: Number of enterprises receiving support	Enterprises	547
CO05	Productive investment: Number of new enterprises supported	Enterprises	118
P3	Additional businesses with broadband access of at least 30mbps	Enterprises	5,549
<b>2b - Developing ICT products and services, e-commerce and enhancing demand for ICT</b>			
CO01	Productive investment: Number of enterprises receiving support	Enterprises	70
CO05	Productive investment: Number of new enterprises supported	Enterprises	49
CO29	Research, Innovation: Number of enterprises supported to introduce new to the firm products	Enterprises	11
P4	Additional businesses taking up broadband with speeds of at least 30Mbps	enterprises	267

## EAFRD PRIORITY: FUNDING BROADBAND INVESTMENTS IN RURAL AREAS

Supporting broadband investments in rural areas is also a priority for the Rural Development funding in the Growth Programme. Funding can be provided under EAFRD sub-measure 7.3 which allows support for:

- Broadband infrastructure, including its creation, improvement and expansion, passive broadband infrastructure and provision of access to broadband and public e-government.

Coventry and Warwickshire's EAFRD allocation could be used to support the following activities under the ICT priority:

- Support for broadband infrastructure in 5-10% hard-to-reach rural areas;
- Provision of demand aggregation and stimulation schemes; and
- Training support to rural businesses and communities.

## PRIORITY 3: ENHANCING THE COMPETITIVENESS OF SMALL AND MEDIUM ENTERPRISES (SMEs)

### PRIORITY 3: FINANCIAL ALLOCATION

Priority 3	€ 21,930,915	£15,570,949.78
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### P3: GROWTH OPPORTUNITIES

Improving the competitiveness of Europe's small and medium sized enterprises (SMEs) is a crucial element in addressing the Europe 2020 priority of sustainable growth and its associated employment target of 75% of the population aged 20-64 in employment.

The UK Government's 'Plan for Growth' recognises the importance of a competitive SME base to the global competitiveness of the overall UK economy, and identifies a key ambition to make the UK one of the best places in Europe to start, finance and grow a business (Policy: Making it easier to set up and grow a business). In order to achieve this, the Government's plans focus in particular on measures to support SMEs in accessing the finance they need, and in exploiting new global export markets (Policy: Increasing the UK's exports and attracting inward investment). The continuing importance of a competitive manufacturing sector to the UK economy is also highlighted in the Growth Plan, particularly with respect to high value, advanced manufacturing, as are the digital and creative industries (Policy: Using Industrial Strategy to help the UK economy and business compete and grow).

Coventry and Warwickshire already has clear competitive advantages considering its existing business and skills base, and high quality research and development assets. It is also well placed to exploit the transition to the low carbon economy (particularly with respect to low carbon vehicles), and the opportunities presented by the growth of the digital technologies sector.

The objective for Coventry and Warwickshire is to ensure that the area's SMEs are able to compete in these markets at both national and international levels. Evidence from the economic review of the Coventry and Warwickshire LEP area shows the continuing importance of manufacturing to the local economy, and highlights the existing strengths in this sector, particularly with regards to advanced manufacturing and vehicle engineering. This is largely a consequence of a skilled manufacturing workforce in the area, and the presence of a range of high quality, world class research and innovation assets. These factors have contributed to the location of a number of major global manufacturing companies in Coventry and Warwickshire, which in turn has supported the presence of a significant number of high technology SMEs that operate within the manufacturing supply chain.

For Coventry and Warwickshire the most significant growth opportunity to 2025 in terms of employment and productivity growth is forecast in IT services/ Digital and Creative Industries. The emergence in recent years of an active and innovative digital technologies cluster in Coventry and Warwickshire is a significant strength of the area, and has the potential to make a substantial contribution to the local economy. This cluster is largely characterised by the presence of SMEs, and is supported by high quality research and innovation facilities located in the area. The ESI funds will provide additional investment alongside this projected growth opportunity and help to reduce the productivity gap between the Coventry and Warwickshire area and the national average.

In addition the economy is forecast to see significant growth in construction, health, residential and social care, legal and accountancy services, culture and tourism, warehousing and postal services (logistics) alongside food and beverage services and the accommodation and retail trade. In these sectors Coventry and Warwickshire already has a strong presence of private sector businesses including; NFU mutual (Business & professional services), Morgan Sindell (construction), Codemasters (games software), Telent (ITS), IBM (ITS), the Royal Shakespeare Company (Culture and Tourism), TNT (logistics), Sainsburys (Retail and Logistics) and Aldi (retail).

One of the biggest challenges for the CWLEP will be to close the productivity gap between the CWLEP area and the UK. Forecasts show that this gap is only going to widen (to 87% by 2025) without further intervention. This disparity will be addressed by concentrating on identified growth opportunities that exist within the Coventry & Warwickshire economy:

- **IT Services / Digital and Creative Industries:** Coventry and Warwickshire is the UK hub for Serious Games and the gaming industry with leading computer games companies and a leading cluster of game development. Silicon Spa is one of the world's largest concentrations of computer gaming companies and is situated in and around Leamington Spa in the south of Warwickshire. An action plan for Silicon Spa is being developed which will create a rationale and basis for action to support a key micro-cluster within Warwick District and the sub-region that has the potential to thrive and expand as a key point of differentiation for the area.
- **Logistics:** The central location of the CWLEP area has led to the development of a number of major road and rail based freight distribution facilities over the last 15 years. These include Hams Hall near Coleshill, Bermuda Park between Nuneaton and Bedworth, Keresley in North West Coventry, Birch Coppice in North Warwickshire and Coton Park near Rugby.
- **Culture and Tourism:** The tourism and cultural offer includes Warwick Castle, Shakespeare's Birthplace Trust, Royal Shakespeare Company, Compton Verney, Coventry Cathedral, Belgrade Theatre, Warwick Arts Centre and Coventry Transport Museum which welcome approximately 5m visitors per year. Overall tourism supports the employment of approximately 40,000 people within the CWLEP area, of which approximately 15,000 are employed in Stratford and Warwick and approximately 10,000 in Coventry.
- **Healthcare and Assistive Technology:** Healthcare is a significant employer within Coventry and Warwickshire through our NHS trusts and additionally through the University of Warwick (Warwick Medical School), Coventry University and private sector employers.
- **Professional Services:** Coventry and Warwickshire's vibrant professional and financial services sector is well placed as a skills required hub to meet the demands of a local economy that is growing. There are 11,950 businesses in the C&W LEP area within Financial intermediation, Real estate, renting and business activities and Public administration, other community, social and personal services employing 174,900 people

### **P3: GROWTH CHALLENGES**

One of the biggest challenges for the CWLEP will be to close the productivity gap between the CWLEP area and the UK. In 1981, productivity was 89% of that of the UK average, by 2000 this gap had closed to 92% but by 2011 the gap had opened back to 89%. Forecasts show that this gap is only going to widen (to 87% by 2025) without further intervention. The additionality of the ESI funds will help to reduce this productivity gap.

Within the CWLEP area there are inter-LEP differences in economic output and wealth. A challenge for the CWLEP will be to narrow the gaps between local authority areas. GVA per head in Nuneaton and Bedworth is 48% of that in North Warwickshire. Warwick district has always performed well and is forecast to remain above the UK average. North Warwickshire, having been below the LEP average has, from 2003, seen an increase in wealth through to the recent economic downturn, but is forecast to grow and remain the wealthiest local authority in the LEP area. Rugby borough, since the onset of the recession has performed below the LEP average and is forecast to continue to do so. Stratford and Nuneaton and Bedworth have followed the LEP average through the 1980s and 1990s but from the early 2000s the two have diverged: Stratford has seen increased growth which is projected to continue to the UK average and above the LEP average, whereas Nuneaton and Bedworth has seen slower growth and dropped below the LEP average and is forecast to remain so.

The Coventry and Warwickshire economy is underperforming relative to the national average, largely as a result of lower than average productivity. It is suggested that one of the contributory factors is that not all businesses with growth potential have realised this, coupled with a potential under-representation of “high growth” businesses which have been shown to drive employment and productivity growth. This latter factor suggests that while the area has reasonable presence in higher value, knowledge intensive businesses and sectors (particularly with reference to advanced manufacturing, vehicle engineering and digital technologies) these have not been growing at the same rate as the rest of the national economy. It is interesting to note here that in spite of the relatively high number of manufacturing employees working in the high technology sub-sectors, there are still a significant proportion of manufacturing companies in Coventry and Warwickshire that are operating in low technology based sub-sectors, which may contribute in part to the area’s productivity deficit.

With regard to business creation and growth, the socio-economic analysis of Coventry and Warwickshire indicates that following the economic downturn the number of new businesses has started to increase in the last two years. Whilst this is clearly a positive development for the local economy, it is recognised that young businesses are particularly vulnerable to failure in the first few years of their existence. Similarly, the evidence from the economic review suggests that micro enterprises employing less than 10 people (and accounting for some 89% of the business population in Coventry and Warwickshire) tend to display a lack of resilience, and as a consequence are particularly vulnerable in economic downturns.

In view of the above, the key aim for Coventry and Warwickshire under this priority will be to build on the core strengths of the area by enhancing the competitiveness of its SMEs, including those operating within the advanced manufacturing, vehicle engineering and digital technologies sectors, whilst also addressing the key weaknesses identified above of low productivity, business survival and growth rates relative to other parts of the UK.

### **P3: MARKET FAILURE**

Investment in SME competitiveness activities will focus on addressing the market failures which affect SMEs specifically and, as a consequence, continue to impede economic and business growth in the Coventry and Warwickshire area. These market failures can be categorised under three broad headings:

- Limited access to external information, advice and expertise;
- Imperfect market knowledge;
- Limited access to finance

In the case of the former, it is widely accepted that some SME growth potential can be unlocked by accessing external advice (Lord Young, *Growing Your Business*, 2013). Generally speaking however, SMEs tend not to value support of this nature and its take up is mostly patchy. The difficulty for SMEs is that, due to their size and structure, they do not necessarily have the capacity to determine the type of external advice that could be useful and, as a corollary to this, identify the appropriate organisations that might supply it. Put another way, SMEs with growth aspirations are for more likely to benefit from external support if access can be simplified; in other words, if there is process for correcting market failure. Moreover, the topics that have a clear and close association with business growth are fairly well known: sales and marketing, access to finance and financial advice (see below), increased adoption of digital technologies, improved access to skills training (including management training) and workforce development.

These are all areas where there is an abundance of external suppliers but SME access remains imperfect. Indeed, national evidence tells us that whilst ICT offers opportunities for SMEs to grow, there are market failures in terms of diagnosing need, identifying suppliers and evaluating the impact of services. However, there are good examples locally (from the current ERDF programme especially) where this market failure has been addressed successfully through investment in impartial diagnostic, brokerage and supplier management services for SMEs. In addition, the recently approved Coventry & Warwickshire City Deal, with its 'Clearing House' focus, addresses this market failure with a mainly sector-based approach.

Closely related to the use of external support is SMEs' imperfect market knowledge. Once again this relates to the size and structure of SMEs and, in particular, their limited capacity to absorb market knowledge. This spans a range of activities. At one end of the spectrum there is the general market knowledge needed to start and grow a new business successfully. Indeed, the provision of local business start-up support through a combination of workshops and individual coaching advice has been demonstrated to be an effective way of addressing this market failure. At the other end of the spectrum, there is the detailed market knowledge required for the expansion of particular markets, often with a particular sector focus.

In particular, recent work that encourages and facilitates businesses to collaborate in accessing and growing new markets has proved highly effective locally, and will therefore be extended and developed further. The role of overseas also requires comment. Indeed, the long tradition of public support for developing export markets in particular is a strong reflection of market failure through provision to SMEs of appropriate high quality information, advice and guidance. Furthermore, support for SMEs to develop new markets overseas underpins the overall Government policy objective of a private sector driven recovery which results in a more balanced economy. In alignment with this, investment priorities will target activities that build on previous interventions to support the area's SMEs to export their products and services. The same principle applies to sector specific market knowledge so investment priorities will include focused interventions for Advanced Manufacturing & Engineering SMEs.

Turning to the third category, access to finance, the views of SMEs in Coventry and Warwickshire strongly suggest that this remains a significant market failure and, as such, acts as an appreciable impediment to local business growth. Access to finance should be considered in its broadest sense rather than being confined merely to the physical availability of finance. Thus, its application extends to the managerial skills necessary to access finance that supports business growth alongside the associated red-tape.

Research commissioned by the 6 participating LEPs (set out in the West Midland Cross-LEP Access to Finance Sub-Group Report dated November 2013) covered both National and Regional evidence on the ongoing gaps in the access to finance market. This report overwhelmingly confirms that gaps in the regional access to finance market persist in a number of areas of the market including the provision of micro-loans (sub £100k unsecured loans), loans for business expansion, equity finance for start-ups and early stage expansion and the provision of development capital (equity/mezzanine) up to £2m. Coventry and Warwickshire is keen to make use of financial engineering instruments under the 2014-20 European Structural Investment Fund ('ESIF') programme to underpin and support its economic growth strategy and bridge gaps in the private sector.

Evidence for example from activities delivered under the recently combined ERDF, Growing Places and RGF schemes as well as the Warwickshire Rural Growth Network indicates there is ongoing demand for financial assistance to underpin key investment projects that lead to business expansion and job creation. As a consequence, there has been significant development of local capacity and capability to respond successfully to these SME demands. Moving into the next phase of ERDF and EAFRD related activity therefore, the LEP and its experienced delivery partners will continue to work innovatively on interventions that address this need and demand, and that are designed to be responsive to local needs.

### **P3: GROWTH SOLUTIONS**

Interventions through the ESIF funds will be targeted within areas of the economy that are currently underperforming compared to the England average. This will focus on; Stimulating and supporting innovation activity within our SMEs; Increasing business start-up rates, and reducing business failure rates; Creating a step change in our economy; Supporting the growth and performance of our rural economy; Improving skill and qualification levels and Enhancing the employability of our residents

One of the key dynamics of a local economy stems from an increasing supply of new business start-ups. Investment through the European Structural and Investment fund allocation will support a business start-up programme that equips local people with the confidence, knowledge and skills necessary to start and sustain a new enterprise, coupled with tailored support for businesses in their first three years of trading and support a significant increase in rates of business formation and sustainability. Interventions will be prioritised which; support individuals looking to start and grow a business through capability building; provide small grants to help overcome the hurdle of start-up costs; provide post-start support for those with identifiable growth ambitions or employment potential; specialist support for social enterprise start-up and growth and general business coaching support to SMEs that have identifiable growth plans.

Investment in business growth aligns with the vision and the stated intention for Coventry and Warwickshire to become a “high performing economy with innovative businesses competing internationally”. While it is acknowledged that not all local businesses may wish to grow, an appreciable number have growth aspirations. It is accepted that an appreciable amount of growth potential can be unlocked by accessing external advice. Businesses that utilise external advice are generally better performers than those that do not, as a result if more firms access sources of external advice, this should lead to a general improvement in business performance.

Investment in creating a step change in business competitiveness will be based on an integrated package of interventions that enable the private sector to be at the heart of business and economic growth in Coventry & Warwickshire. This will include; a local business growth programme that offers support in areas clearly associated with SME growth: raising finance; developing a marketing strategy; exploiting ICT; management development and education and support that encourages workforce expansion, and a priority sector focus that removes barriers to growth for SMEs in sectors with ambitious growth potential. Support will be provided to businesses to access finance from mainstream banks. In addition, a series of funds will be created to enable businesses unable to secure finance from the banks to deliver major capital investments (including research and development) that will enable them to modernise their operations and grow. Three types of funds will be delivered (tailored to individual business requirements), including business loans, business grants, and venture capital/equity finance.

#### **FUND OF FUNDS**

Coventry and Warwickshire are involved in the development of a cross-LEP fund of funds programme within the West Midlands. The Six Local Enterprise Partnerships (LEPs) in the West Midlands have agreed to join together to create a major investment fund worth at least £125m, expected to create or safeguard 9,000 jobs and help 400 new businesses to start up. The Regional Investment Fund will provide a range of programmes to support growing businesses in the Black Country, Coventry & Warwickshire, Greater Birmingham & Solihull, Marches, Stoke-on-Trent & Staffordshire and Worcestershire LEP areas.

An outline timetable of the tasks required to commence the project process has been drawn up and endorsed by the X-LEP sub-group. The proposed timetable has been split into 3 project phases:-

##### *Stage 1 – Due Diligence/Ex Anti Evaluation*

- The undertaking of due diligence of eight ex-RDA fund legacies with a current cash value of £9.1m and a projected total value of c.£46m, realisable by 2020.
- The development of a formal application to BIS to recycle ex-RDA fund legacies to support the conceptual development and if positive, the subsequent set-up, operating and investment capital costs of the proposed JEREMIE fund.
- The completion of a detailed market, needs and solutions analysis that will comply with the requirements of a full ex-ante assessment (EAA).
- The development of a comprehensive financial model for each sub-fund, with balance sheets, p & l and cash flow analyses consolidated up to Holding Fund level.
- Drafting of a business plan and proposals to BIS/BBB, DCLG and EIB.

##### *Stage 2 – Establish Fund-of-Fund Programme*

- Establishment of the Holding Fund company
- Procurement of fund management and Holding Fund functions
- Negotiation of funding
- Legal documentation – LPAs, FMAs, finance agreements.
- Regulatory and governance frameworks
- All associated project management.

### *Stage 3 – Establish the JEREMIE Programme*

Assuming that by completion of stage 2, the new JEREMIE fund has been approved and finance secured - at least in principle, stage 3 does not contain any substantive activities other than the transfer of any remaining BIS interests in ex-RDA fund legacies to the new WM JEREMIE fund. Legacies may be recycled primarily as investment capital but may also be utilised to support operating costs in line with its business plan, subject to approval for ERDF by DCLG and British Business Bank/BIS.

An ex-ante assessment of the target, scope and impact of each sub-fund will form part of the businesses case to be submitted to BIS and DCLG for approval of the detailed programme as each stage is progressed. This ex-ante assessment will specifically cover the evidence of need, the gap(s) in the market and the subject of non-proliferation with other public sector backed FEI programmes and schemes.

### ***Micro Loan Fund***

To complement the Fund of Funds, a second key finance solution will be the establishment of a **Local Micro Loan Fund** that will provide debt-based loans of up to £50k to Coventry & Warwickshire SMEs. This will address the key areas of market failure of SMEs being unable to access finance of under £150k in secured loans/£25k for unsecured loans, particular SMEs operating in less capital intensive sectors (including ICT and Professional Services) and SMEs that have traded for under three years. The Fund will provide levels of finance that will be lower than the debt-based sub-fund to be delivered through the Fund of Funds (which will provide loans of up to £150k).

This Micro Loan Fund will target Coventry & Warwickshire based microbusinesses and small/medium enterprises that have been unable to easily or otherwise access traditional forms of finance and require finance to grow or modernise. This Micro Loan Fund would particularly target SMEs operating in CWLEP's priority sectors, but would also need to have built-in flexibility to respond effectively to any local economic shocks.

### ***Sector Considerations***

Achieving significant growth through innovation in rural areas and innovation in rural technologies and development is a significant priority and builds upon the experience of Coventry and Warwickshire as one of five rural growth networks nationally. Despite the relatively strong economic performance of rural areas, businesses in rural areas face some specific barriers to growth. There are a wide range of market failures in the rural economy which limit private sector investment. These market failures can also hamper take up of new technologies, the development of skills and generally hold back the performance of the rural economy and contribute to the remaining gap in productivity between rural and urban areas. Supporting the continued growth in small and micro-enterprises within rural communities is a specific priority. These businesses play a strong role in rural areas, supporting employment and with their products and services helping to develop local supply chains and often

have wider social and community benefits. The environment and resource efficiency priority is being considered as cross-cutting within the Coventry and Warwickshire ESI Funds Strategy. Support will be aligned through the priorities for SME Competitiveness in addition to the priorities for R&D and Innovation, Low Carbon and Skills.

Culture and Tourism is a core asset for Coventry and Warwickshire and this has been reinforced by stakeholders through the consultation process for the economic plan and the establishment of the CWLEP Culture and Tourism group. The support from destination management organisations will enable better coordination of marketing activity to advertise what Coventry and Warwickshire offers on the whole and attract more visitors, bringing benefits to the wider sector. Destination management will support the generation of growth in the visitor economy, and will help to maximise the benefits of that growth in long term, including additional income and jobs. It will also support inward investment, the retention of value-added jobs, and support the employment of new talent and in stimulating innovation. With the conclusion of destination management plans in late 2014 wider tourism support will be delivered through the SME competitiveness priority of the structural funds.

The actions funded through this priority of the ESI funds programme will integrate with the business-led, single point of access (Growth Hub) supported through the Coventry and Warwickshire City Deal from April 2014. The Growth Hub (or 'Clearing House') will provide assistance to Advanced Manufacturing and Engineering businesses across a broad range of growth areas. Specifically, SMEs in these priority sectors will be supported, through a dedicated brokerage service, to access the range of 'offers' from business organisations operating in Coventry & Warwickshire. This includes access to trade, investment and innovation services. This service will streamline the number of contacts that SMEs will need to make with local business support agencies by offering a needs assessment followed by active brokerage and effective referral arrangements into relevant services. Complementing this sector-specific brokerage, the Hub will also offer a 'lighter touch' signposting service to SMEs in general that are looking to grow and develop.

### **P3: GROWTH INTERVENTIONS**

**ERDF investment priority 1 of priority axis 3: 3a -Promoting entrepreneurship, in particular by facilitating the economic exploitation of new ideas and fostering the creation of new firms, including through business incubators.**

Under this investment priority indicative actions to be supported by the European Regional Development Fund may include but are not limited to:

- Targeted engagement, outreach and mentoring to strengthen entrepreneurial and enterprise culture
- Provision of advice and support for entrepreneurship and self employment in particular amongst under-represented groups by developing entrepreneurial skills and attitudes with a focus on increasing the number of business start-ups .
- Provision of advice and support for new business start-ups to survive and grow.
- Support to address market failures in the provision of start-up finance, e.g. seed finance, start-up loans

Business start-up rates in general fell sharply in Coventry & Warwickshire in the wake of the 2008 economic downturn. Rates in Coventry only returned to 2004 levels in 2011 whilst others, Stratford upon Avon and Warwick, have yet to regain lost ground. Business formation is characterised by high rates of churn in Coventry & Warwickshire, so high start-up rates are offset by failures. Local Growth Investment will support a business start-up programme that equips local people with the confidence, knowledge and skills necessary to start and sustain a new enterprise, coupled with tailored support for businesses in their first three years of trading. Actions that will be supported include:

- Support for individuals looking to start and grow a business through capability building
- Small grants to help overcome the hurdle of start-up costs
- Provision of loans to start-up businesses with growth and employment potential
- Post start support for those new businesses with identifiable growth ambitions or employment potential
- Specialist support for social enterprise start-up and growth, especially for marginalised groups
- Efficient local referral routes to public and private suppliers of business support services including knowledge transfer and innovation
- Directly linking growing businesses to the employment support services (for example, apprenticeships offered by Coventry & Warwickshire area partners).

**ERDF investment priority 2 of priority axis 3: 3d - Supporting the capacity of small and medium sized enterprises to grow in regional, national and international markets and to engage in innovation processes**

Under this investment priority indicative actions to be supported by European Regional Development Fund may include but are not limited to:

- Provision of efficient local referral routes to ensure that SMEs are able to identify and access the most appropriate and tailored support for their specific growth needs
- Support SMEs to develop focused growth strategies and update or introduce new business models which will drive business performance
- Attracting new business investments to England.
- Advice and support for SMEs to enter, establish and expand in new domestic and international markets.
- Advice and support for businesses to become investment ready

There is an increasing productivity gap between Coventry & Warwickshire and the rest of the UK and it is recognised that economic resilience and business growth is a more significant challenge among businesses with lower levels of employment (less than 5 employees) and low turnover (less than £250,000 per annum). At the same time, there is a strong representation in Coventry and Warwickshire of employment in Advanced Manufacturing and Engineering. Alongside this there is strong forecast growth in employment and gross value added in IT Services and Health. However there is insufficient support provision to growth sectors that will drive Employment and Gross Value Added. On this basis, the programme will include a priority sector focus that removes barriers to growth for SMEs in sectors with ambitious growth potential. Priority interventions in this area are grouped under three headings:

- **Growing Businesses**
- General business coaching support to SMEs that have identifiable growth plans and especially around the topics clearly with SME growth e.g. sales and marketing; increasing adoption of digital technologies; management development and workforce expansion.
- Efficient local referral routes – signposting service - to public and private suppliers of business support services, including knowledge transfer and innovation
- Directly linking growing businesses to the employment support services
- A demonstrator programme to help businesses identify the opportunities afforded through the adoption of new technologies or making better use of what is used currently.
  
- **Investing Businesses**
- An Access to Finance programme that includes loans and business grants and a cross-LEP fund of funds programme
- Development and facilitation of business networks that drive innovation, collaboration, research and, crucially, supply chain development. In particular, there is scope for supporting the ICT supplier and developer industry, especially in terms of business strategy and operational management.
- Activities that attract businesses from the LEP priority sectors to Coventry & Warwickshire
- Provision of sector specific support for product and process innovation and the facilitation of business to business collaboration that supports this activity.
  
- **Exporting Businesses**
- Additional promotional, marketing and engagement activities to increase the awareness of exporting and its benefits amongst potential exporters.
- Additional support for new and existing exporters to exploit overseas markets (e.g. capacity to expand, management capability and skills training - ‘pre export’ support and export support)
  - Access to dedicated sector specific (Advanced Manufacturing & Engineering; Digital Technologies) international trade support. A collaborative programme that will provide bespoke international trade advice for key sectors or fund trade missions to target markets.

It is also recognised that support for tourism in rural areas is a national priority for Defra. The emerging Coventry and Warwickshire Strategic Economic Plan identifies tourism as an area for growth potential linked to our cultural assets and heritage in South Warwickshire and Coventry in particular as well as business tourism due to our central location and connectivity. Tourism is particularly important to some of the CWLEP's rural areas. Coventry and Warwickshire will consider allocating a small element of the EAFRD to support specific rural business-focused actions identified in emerging destination management plans or other strategically important tourism projects. The Coventry and Warwickshire LEP is also aware that support for tourism in rural areas will be a national priority for the new Leader programme.

### PRIORITY 3: INVESTMENT PRIORITY LEVEL OUTPUT INDICATORS

Indicator ID	Indicator	Measurement unit	Target value (2023)
<b>3a - Promoting entrepreneurship, in particular by facilitating the economic exploitation of new ideas and fostering the creation of new firms, including through business incubators</b>			
CO01	Productive investment: Number of enterprises receiving support	Enterprises	574
CO02	Productive investment: Number of enterprises receiving grants	Enterprises	378
CO03	Productive investment: Number of enterprises receiving financial support other than grants	Enterprises	52
CO04	Productive investment: Number of enterprises receiving non- financial support	Enterprises	147
CO05	Productive investment: Number of new enterprises supported	Enterprises	444
CO06	Productive investment: Private investment matching public support to enterprises (grants)	EUR	1,994,446
CO07	Productive investment: Private investment matching public support to enterprises (non- grants)	EUR	64,394
CO08	Productive investment: Employment increase in supported enterprises	Full time equivalents	232
CO28	Research, Innovation: Number of enterprises supported to introduce new to the market products	Enterprises	44
P11	Number of potential entrepreneurs assisted to be enterprise ready	Persons	1,814
P2	Public or commercial buildings built or renovated	Square metres	71
<b>3d - Supporting the capacity of SMEs to grow in regional, national and international markets, and to engage in innovation processes</b>			
CO01	Productive investment: Number of enterprises receiving support Final	Enterprises	837
CO02	Productive investment: Number of enterprises receiving grants	Enterprises	559
CO03	Productive investment: Number of enterprises receiving financial support other than grants	Enterprises	79

<b>CO04</b>	Productive investment: Number of enterprises receiving non- financial support	Enterprises	217
<b>CO05</b>	Productive investment: Number of new enterprises supported Final	Enterprises	267
<b>CO06</b>	Productive investment: Private investment matching public support to enterprises (grants)	EUR	3,887,884
<b>CO07</b>	Productive investment: Private investment matching public support to enterprises (non- grants)	EUR	1,304,271
<b>CO08</b>	Productive investment: Employment increase in supported enterprises Final	Full time equivalents	349
<b>CO29</b>	Research, Innovation: Number of enterprises supported to introduce new to the firm products Final	Enterprises	133
<b>P13</b>	Number of enterprises receiving information, diagnostic and brokerage	Enterprises	84
<b>P2</b>	Public or commercial buildings built or renovated	Square metres	104

## **EAFRD PRIORITY: FUNDING AND DEVELOPING MICRO, SMALL AND MEDIUM-SIZED RURAL BUSINESSES**

Supporting SMEs in rural areas is also a priority for the Rural Development funding in the Growth Programme. Funding can be provided under three EAFRD sub-measures:

- 6.2 – business start-up aid for non-agricultural activities in rural areas;
- 6.4 – support for investments in the creation and development of non-agricultural activities; and
- 4.2 – support for investments in processing/ marketing and/ or development of agricultural products.

Eligibility under these sub-measures is restricted to micro and small businesses, except for sub-measure 4.2, which is also available for medium-sized businesses. Coventry and Warwickshire’s EAFRD allocation could be used to support the following activities under the SME priority:

### **Sub-measure 6.2**

- Rural tourism activities including those linked to economic development including tourist accommodation;
- Construction, re-construction or establishment of workshops, factories, plants and other premises and facilities;
- Processing and marketing of non-agricultural products;
- Development of crafts and handicraft activities;
- Leisure, recreational and sport activities;
- IT activities;

- Architecture and engineering activities, accounting, book keeping and auditing services, technical services, industrial cleaning, veterinary activities;
- Support for members of the farm household or others to start up farm related services e.g. contracting services.

#### **Sub-measure 6.4:**

- Rural tourism activities linked to economic development including tourist accommodation;
- Farm diversification activities, including rural tourism, that also contribute to wider rural growth;
- Construction, re-construction or establishment of workshops, factories, plants and other premises and facilities;
- Processing and marketing of non-agricultural products;
- Development of crafts and handicraft activities; and
- Leisure, recreational and sport activities.

#### **Sub-measure 4.2**

- Investment in, equipment, technologies or processes to reduce waste;
- Investment in equipment, technologies or processes to Develop new or higher quality products;
- Marketing activity, excluding hard copy material, associated with the above investments; and
- Construction/ conversion of buildings to be used for processing activities.

### **EAFRD PRIORITY: SUPPORTING TOURISM IN RURAL AREAS**

Supporting tourism in rural areas is a key priority for the Rural Development funding in the Growth Programme. Funding can be provided to tourism businesses and the tourism sector under three EAFRD sub-measures:

- 6.4 – support for investments in the creation and development of non-agricultural activities;
- 7.5 – support for investments in recreational infrastructure, tourist information and small scale tourism infrastructure; and
- 16.3 – co-operation amongst small operators for developing or marketing tourism.

Coventry and Warwickshire's EAFRD allocation could be used to support the following tourism activities:

#### **Sub-measure 6.4:**

- Rural tourism activities linked to economic development including tourist accommodation;
- Farm diversification activities, including rural tourism, that also contribute to wider rural growth;
- Construction, re-construction or establishment of workshops, factories, plants and other premises and facilities;
- Processing and marketing of non-agricultural products;
- Development of crafts and handicraft activities; and
- Leisure, recreational and sport activities.

#### **Sub-measure 7.5:**

- Investments linking people with the natural environment, e.g. access infrastructure;

- Investments that provide information on and develop, cultural, leisure and heritage products and activities that attract visitors and benefit the local community;
- Shops, catering services – restaurants and cafes;
- Investments in green infrastructure – such as paths, cycle ways;
- Visitor attractions and associated, marketing; and
- Support for events and festivals.

**Sub-measure 16.3:**

- Activities which promote cooperation in the tourism sector to bring forward integrated projects to develop a better co-ordinated local visitor economy.

**EAFRD PRIORITY: BUILDING KNOWLEDGE AND SKILLS IN RURAL AREAS**

ESF is the main source of funding for the skills needs of rural businesses. EAFRD funding can also be used to provide support for farming, forestry, agricultural and other rural businesses where there are specific needs that ERDF and ESF cannot meet.

## PRIORITY 4: SUPPORTING THE SHIFT TOWARDS A LOW CARBON ECONOMY IN ALL SECTORS

### PRIORITY 4: FINANCIAL ALLOCATION

Priority 4	€ 14,260,458	£10,124,925.03
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#### P4: GROWTH OPPORTUNITIES

The Europe 2020 ambition is to reduce greenhouse gas emissions by 20% compared to 1990 levels; increasing the share of renewables in final energy consumption to 20%; and moving towards a 20% increase in energy efficiency. The Government has targets in each of these three areas by 2020 as follows: reducing greenhouse gas emissions by 34% compared to 1990 levels; increasing the share of renewable energy to 15%; and enhancing the energy efficiency of homes, business and transport. The Government believes that the policies and measures it has in place will ensure that the UK Green House Gas target and Renewable Energy target will be met by 2020. It is therefore proposed that the EU funds in England in this thematic objective should be focused on the Energy Efficiency target and driving jobs/growth in the Low Carbon economy. Those activities that need to be implemented now to achieve longer term targets will also be supported.

Shifts in the global economy towards low carbon and sustainability represent a huge opportunity for business. The growing low carbon economy is already changing how many companies approach their work. Embracing sustainability and increasing efficiency allows firms to reduce costs, increase profits and become more competitive. Being at the forefront of the development of resource efficient products and services is important - but businesses can also increase sales and grow profits by adopting their own low carbon approach. A smarter approach to using resources like energy can benefit almost every business by cutting costs and improving efficiency and many of these changes can be delivered quickly and with little investment. It's estimated that every £1000 saved through business efficiency equals £10,000 worth of sales for the company. Greater resource efficiency has a fundamental role to play in increasing the productivity and competitiveness of business and it is also increasingly becoming a selling point for customers. A shift to greater resource efficiency would also support the creation of jobs.

Industrial and commercial emissions in the Coventry and Warwickshire sub-region have shown promising reductions in recent years, but emissions from domestic premises must fall by at least another 6% by 2020 and transport emissions by another 9% in order to meet the Government's 2020 targets. This will require well co-ordinated and substantial investment in projects around domestic energy efficiency, renewable energy solutions and low carbon mobility.

A report by Atkins in 2010 identifying the low carbon opportunities for Coventry along with one by Coventry University's Applied Research Centre in Sustainable Regeneration (SURGE) in the same year both pointed to huge opportunities for industry in Coventry and Warwickshire in the new low carbon economy. The SURGE report particularly identified the successful track record of both local universities in research and development and recommended that further work is undertaken in the areas of variable speed generators, energy storage, biofuels, and water purification & reuse. It goes on to state that with a long manufacturing history Coventry is perfectly placed to offer a wide variety of

manufacturing facilities. Many traditional sectors in the city are transferable to new applications in renewable energy and mechanical, electrical and thermal technologies are identified as specific candidate technologies. A planned key intervention is to support businesses to develop low carbon technologies and improve their energy efficiency.

The need to decarbonise road transport requires a range of actions, one of which is the shift to ultra low emission vehicles which, whilst maintaining mobility, will stimulate green jobs and investment. Coventry in particular is seen as a leader in electric vehicle design and manufacture and has a long history of involvement in this area particularly through the two local universities. With the sales of electric vehicles expected to rise to around 6% of new car sales in 2020 from a base of around 1% in 2015, there is a real need to consider how charging infrastructure can properly support the real world use of such vehicles.

#### **P4: GROWTH CHALLENGES**

Reducing the demand for energy can be achieved through improving buildings' thermal efficiency, ensuring that the controls on heating are smarter, improving the efficiency of lighting and other household appliances, and ensuring better use is made of hot water. Much work remains to be done within Coventry and Warwickshire where it is estimated that approximately 200,000 homes still require cavity wall insulation which could save around £20 million per year on heating bills if treated. Such financial savings to households come in addition to the job creation and economic growth effects of investment in capital schemes such as home insulation projects. Housing stock condition surveys for Coventry and for Rugby reveal that a significant number of measures remain to be retrofitted in order to bring private sector properties up to minimum standards of thermal comfort for residents, a scenario likely to be replicated across all of Warwickshire, e.g. in Coventry over half of privately owned homes have less than the recommended level of loft insulation and 1% have none at all.

After transport, the major users of energy are industry and commerce using around 7000 GWh (giga watt hours) of energy in 2010 costing approximately half a billion pounds and adding significantly to the operating costs of companies of all sizes in the region. A report by the Carbon Trust in November 2012 aimed to identify the barriers to improving energy efficiency within the commercial and industrial sectors so as to inform the formulation of policies. It found that no single barrier could be identified but that a mix of organisational, financial and informational barriers existed to hinder the improvement of energy efficiency within businesses.

#### **P4: MARKET FAILURE**

There have been acute challenges and uncertainty in the domestic and commercial retrofit sector which has led to reluctance on the part of installer firms to invest in skills and plant/machinery to deliver on retrofit targets. A number of policy changes and amendments to funding regimes such as CERT, CESP and ECO have caused a widespread lack of confidence and market failure due to information failure in the sector with installer firms publicly calling for long term stability and clarity as to the targets and funding for domestic and commercial retrofit schemes. This priority will work with installers to build a skilled local supply chain to allow building energy efficiency to be improved resulting in increased employment and subsequent GVA uplift.

The socio-economic analysis for the original ESIF strategy reveals that the overall productivity of firms in Coventry and Warwickshire has consistently been below that of the UK since 1981 and is predicted to remain low until at least 2025. Although the reasons for this are unclear, one of the factors could be a lack of investment in energy and resource efficiency on the part of firms. There may be many reasons for this information failure but lack of awareness of the application of appropriate technologies, lack of knowledge of the potential savings, and difficulties in accessing sources of finance are likely to be important. In the advanced manufacturing engineering sector (AME) productivity has been higher than the UK average perhaps reflecting the increased importance of environmental management to this sector resulting in systematic analysis of energy and environmental costs over a whole product life cycle.

Low carbon solutions often struggle to gain acceptance at the planning stage of new developments because of a lack of track record and a perceived high up-front cost. This is an example of a market failure due to negative externalities as developers fail to take account of their actions on future tenants and users of buildings. Alternative solutions such as district energy systems and heat recovery systems require a higher initial investment but can lead to long-term energy savings for building users as well as a degree of insulation from energy price shocks. The market failure issue is that the private sector is reluctant to invest until the entirety of the heat demand and potential customers are known. Investment would allow the crucial first pipe to be installed which then forms the backbone of the network and allows connections to be made to end users. Low carbon technology often requires a 5 - 10 year payback period which for many businesses is not acceptable.

The uptake of electric vehicles has been much lower than expected even with huge advances in battery life and the use of a price mechanism through Government subsidies to incentivise their purchase. The careful provision of charging infrastructure when commercial developments are planned as well as increased availability of rapid chargers will be a key feature of this priority, with ERDF funding potentially removing a major barrier to uptake.

#### **P4: GROWTH SOLUTIONS**

The overall objective of the low carbon priority will be to help organisations in all sectors to realise the benefits of effective energy and carbon management to help reduce operating costs and improve resilience. The use of EU funds can help to enable SMEs to take longer term investment decisions that deliver both job growth and carbon reductions. This priority will aim to identify key interventions where well-planned investment will allow low carbon solutions to be implemented at an early stage. A Green Business Support Network will be a key means of ensuring that best practice is disseminated across all business sectors and that all firms have the opportunity to reduce their operating costs.

Decarbonising the heating and cooling supply network will be achieved through moving from individual gas and oil boilers to low carbon options such as heat pumps, combined heat & power, and heating networks. In “The Future of Heating: Meeting the Challenge” the Government concludes that the most cost effective pathways to the 2050 carbon reduction targets will require a very radical decarbonisation of heat for buildings and a 60 to 70% reduction in emissions for industry in the coming decades. The mass rollout of heat pumps and installation of heat networks will be vital to achieve the overall UK emissions target. The document advises that a heat density of more than 3000 kW/km<sup>2</sup> is considered suitable for district heating. Heat mapping carried out by Halcrow confirms that the core

towns of Warwickshire - Coventry, Rugby, Warwick, Leamington, Nuneaton and Stratford - would satisfy this criterion and would all be potentially feasible for the introduction of heat networks.

Engagement with communities is vitally important if the UK is to meet its carbon reduction targets and community groups are increasingly coming forward with renewable energy solutions in their locality. One such example is Community Energy Warwickshire, a community cooperative which invests in renewable energy projects. Investment is needed in advice provision which enable communities to take their enthusiasm forward.

Finally, the contribution of ICT to emissions from buildings cannot be ignored. Data centres were reckoned to be responsible for using between 1.1 and 1.5% of the world's electricity in 2010 with a 56% rise observed between 2005 and 2010 (Koomey 2011) making it a priority that data centres become more efficient. Where waste heat from data centres is available then significant potential exists to co-locate other industrial, commercial and residential buildings to benefit from low cost heating.

Experience from the Coventry and Warwickshire region is that small and medium sized enterprises in the automotive and aviation sectors are comparatively well-informed on issues of energy (and resource efficiency) due to the need to comply with customers' requirements around quality, environmental and health & safety issues – some may even receive audits from customers as part of an ongoing supply chain development programme or as part of ISO 14001.

This leaves a very large proportion of SMEs struggling to address energy efficiency issues, for the reasons identified in the Carbon Trust report. Research for DECC in 2010 revealed that a third of SMEs were not aware of sources of help without prompting, and 63% of SMEs with 10 – 49 employees having never sought energy efficiency advice - this rose to 86% for sites with fewer than 10 employees. The provision of clear, unbiased advice on energy efficiency with the opportunity to learn from proven best practice elsewhere so that a persuasive business case for change can be made would be of significant benefit to SMEs.

Charging points both at work and at public locations are already provided in Coventry and Stratford on Avon and are vital to encourage vehicle use in these areas; however, range anxiety remains a barrier to the rapid uptake of electric vehicles with 92% of corporate drivers and 75% of private drivers expressing concern about reaching their destination (summary of Ultra Low Vehicle Demonstrator Programme, Cenex Sept 2013). One solution identified is the installation of more rapid chargers which could alleviate much of the range anxiety experienced when planning longer trips and could be located in public areas such as shopping centres and streets as well as work premises.

An unprecedented amount of investment will be required in the electricity network in order for it to be fit for purpose for the future as it has to cope with two-way flows of energy as well as responding to the increased use of electricity in future, partly as a result of the uptake of heat pumps and electric vehicles. The electricity networks will have to be developed to efficiently facilitate low carbon developments in generation, supply and consumption, while ensuring security of supply.

Locally the University of Warwick is about to commence a £15m project led by Western Power Distribution which is looking to address the problems associated future grid capacity. Learning outcomes from the project will be applicable to all urban settings, and they plan to use their own 11KV electricity network as a pilot site and demonstrator for the project. Smart grid projects within parts of urban areas as well as towns and communities in Warwickshire will be valuable in assessing the benefits and learning points in order to inform future more expansive schemes.

This priority supports the objectives to reduce carbon emissions set out in “The Carbon Plan: Delivering our Low Carbon Future” published by the Government in 2011. In this plan are contained sectoral plans dealing with low carbon buildings, low carbon transport, low carbon industry, and low carbon electricity. The first three of these sectoral plans are of most relevance to Coventry and Warwickshire.

#### **P4: GROWTH INTERVENTIONS**

##### **ERDF Investment Priority 1 of Priority Axis 4 (Priority 4a): Promoting the production and distribution of energy from renewable sources**

There is limited scope to support activity under this priority; however, indicative actions to be supported by European Regional Development Fund could include:

- Measures to support the wider deployment of renewable heat, particularly renewable heat networks or district heating.

##### **ERDF investment priority 2 of priority axis 4 (Priority 4b): Promoting energy efficiency and renewable energy use in enterprises**

Under this investment priority indicative actions to be supported by European Regional Development Fund may include, but are not limited to:

- Low carbon innovation in relation to waste and re-use within enterprises
- Energy efficiency in enterprises including industrial processes, designing out waste, recovery of ‘waste’ heat energy and CHP
- Non Domestic Low Carbon Technologies and Energy Efficiency
- Moving to renewable and low carbon fuels to generate heat, electricity and transport.
- Building retrofit and energy efficiency especially whole building solution exemplifying next phase technologies which are near to market.
- low carbon construction techniques

The main target group are enterprises, particularly SMEs.

This activity will provide support to organisations to reduce their energy use, cut their carbon emissions and improve their resource efficiency. This will allow sustainable local supply chains to be created and the competitiveness and resilience of organisations to be improved. This activity will prioritise the provision of support and start-up advice for individuals and SMEs looking to expand into the low carbon sector. This will involve the up-skilling of traditional trades, help in establishing social/community enterprises, supply chain development, and a single point of contact for advice about low carbon innovation and commercialisation of ideas.

- Establishment of a vibrant Coventry and Warwickshire Green Business Support Network to provide specific, targeted advice to help firms reduce their energy use, and thereby improve their competitiveness and resilience.
- A grant and loan scheme (including feasibility studies) to help SMEs invest in low carbon technology, reduce energy use and improve resource efficiency.
- Supporting investment in low carbon infrastructure at key development sites in the sub-region, for example embedding heat network infrastructure or using energy more effectively in data centres at the commencement of any development
- Renewable energy technology training both to train individuals to operate in the emerging renewable technology sectors but also to equip existing trades with the skills to move into this sector.
- Support to develop the local retrofit sector and supply chain
- Establishment of community energy co-operatives and social enterprises
- Establishment of a centre of excellence for low carbon innovation in conjunction with the local universities with coaching and mentoring to start ups.

**ERDF investment priority 3 of priority axis 4 (Priority 4c): Supporting energy efficiency, smart energy management and renewable energy use in public infrastructure, including in public buildings, and in the housing sector**

Under this investment priority indicative actions to be supported by European Regional Development Fund may include, but is not exhaustive of

- Provision of advice and support to increase the use and take up of low carbon technologies and energy efficiency in housing and public buildings
- Low carbon innovation in relation to waste and re-use
- Building retrofit and energy efficiency especially whole building solutions exemplifying next phase technologies which are near to market
- Domestic energy efficiency and low carbon construction techniques

**ERDF investment priority 4 of priority axis 4 (Priority 4e): Promoting low-carbon strategies including the promotion of sustainable multimodal urban mobility.**

There is scope to support activity under this priority; however, indicative actions to be supported by European Regional Development Fund could focus on integrated strategic approaches to reduce greenhouse gas emissions by increasing levels of sustainable urban mobility, particularly through:

- Investments in actions aimed at introducing innovative environmentally friendly and low-carbon technologies (for example, alternative fuel stations or charging points)
- Cycle paths where they are part of an integrated approach to GHG reductions and support improved access to key employment sites

## ERDF investment priority 5 of priority axis 4 (Priority 4f): Promoting research and innovation in, and adoption of, low-carbon technologies

Under this investment priority indicative actions to be supported by European Regional Development Fund may include, but are not limited to:

- R&D, innovation, supply chain work for low carbon technologies and materials, including carbon capture and carbon storage, wave and wind energy, smart grids, distributed generation, solar and photovoltaics, heat networks, heat pumps and low carbon heat for energy intensive industries.
- Technology centres of excellence and test facilities, including relevant Catapult centres
- Renewable technologies in the UK renewable energy roadmap
- Mitigation and adapted technologies
- Development of low carbon vehicles and fuels
- Knowledge transfer with Higher Education/Further Education and Businesses
- Low carbon technologies to build the market in Low Carbon Environmental Technologies, Goods and Services sector and its supply chain, focusing on goods and services with embedded low carbon technologies.

### PRIORITY 4: INVESTMENT PRIORITY LEVEL OUTPUT INDICATORS

Indicator ID	Indicator	Measurement unit	Target value (2023)
<b>4a - Promoting the production and distribution of energy from renewable sources</b>			
CO32	Energy efficiency: Decrease of annual primary energy consumption of public buildings	kWh/year	166,817
CO34	GHG reduction: Estimated annual decrease of GHG Final	Tonnes of CO2eq	2,759
<b>4b - Promoting energy efficiency and renewable energy use in enterprises</b>			
CO01	Productive investment: Number of enterprises receiving support Final	Enterprises	434
CO34	GHG reduction: Estimated annual decrease of GHG Final	Tonnes of CO2eq	2,115
<b>4c - Supporting energy efficiency, smart energy management and renewable energy use in public infrastructure, including in public buildings, and in the housing sector</b>			
CO32	Energy efficiency: Decrease of annual primary energy consumption of public buildings	kWh/year	18,535
CO34	GHG reduction: Estimated annual decrease of GHG Final	Tonnes of CO2eq	153

**4e - Promoting low-carbon strategies including the promotion of sustainable multimodal urban mobility**

<b>CO34</b>	GHG reduction: Estimated annual decrease of GHG Final	Tonnes of CO2eq	153
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**4f - Promoting research and innovation in, and adoption of, low-carbon technologies**

<b>CO01</b>	Productive investment: Number of enterprises receiving support Final	Enterprises	108
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<b>CO05</b>	Productive investment: Number of new enterprises supported Final	Enterprises	18
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<b>CO26</b>	Research, Innovation: Number of enterprises cooperating with research institutions Final	Enterprises	9
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<b>CO29</b>	Research, Innovation: Number of enterprises supported to introduce new to the firm products Final	Enterprises	15
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<b>CO34</b>	GHG reduction: Estimated annual decrease of GHG Final	Tonnes of CO2eq	1,390
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## ERDF COVENTRY AND WARWICKSHIRE: PRIORITY LEVEL INDICATORS

Priority axis	Indicator or key implementation step	Measurement unit	Milestone for 2018	Final target (2023)
1 - Promoting Research and Innovation	Productive investment: Number of enterprises receiving support	Enterprises	#N/A	779
1 - Promoting Research and Innovation	Expenditure	Euros	10,394,426	40,698,355
1 - Promoting Research and Innovation	Number of enterprises receiving support that has been achieved by partially or fully completed operations Final	Number	195	#N/A
2 - Enhancing access to, and use and quality of, ICT	Expenditure	Euros	5,800,013	22,709,383
2 - Enhancing access to, and use and quality of, ICT	Additional businesses with broadband access of at least 30mbps	Enterprises	1,417	5,549
3 - Enhancing the Competitiveness of SMEs Final	Productive investment: Number of enterprises receiving support	Enterprises	#N/A	1,424
3 - Enhancing the Competitiveness of SMEs	Expenditure	Euros	11,413,430	44,688,167
3 - Enhancing the Competitiveness of SMEs	Number of enterprises receiving support that has been achieved by partially or fully completed operations Final	Number	369	#N/A
4 - Supporting the Shift Towards a Low Carbon Economy in all Sectors Final	GHG reduction: Estimated annual decrease of GHG	Tonnes of CO2eq	#N/A	6,970
4 - Supporting the Shift Towards a Low Carbon Economy in all Sectors	Expenditure	Euros	7,279,491	28,502,133
4 - Supporting the Shift Towards a Low Carbon Economy in all Sectors	Number of enterprises receiving support that has been achieved by partially or fully completed operations Final	Number	75	#N/A

## SECTION 2:



**European Union**

European  
Social Fund

## PRIORITY AXIS 1: INCLUSIVE LABOUR MARKETS

### P1: FINANCIAL ALLOCATION

IP 8i (1.1)	€ 15,761,971.66	£11,190,999.88
IP 8ii ESF (1.2)	€ 4,009,335.67	£2,846,628.32
IP 8ii YEI (1.3)	€ 9,800,000.00	£6,958,000.00

### P1: GROWTH CHALLENGE

The Europe 2020 ambition is to raise to 75% the employment rate for women and men aged 20-64, including through the greater participation of young people, older workers and low-skilled workers. The UK Government is committed to increasing employment opportunities for all by providing support mechanisms and benefits systems that incentivise work and reduce worklessness, to ensure that individuals can fulfil their potential within the labour market. Key challenges include workless households, youth unemployment, economic inactivity, underemployment and progression in work. The actions funded through this priority of the ESI Funds Programme will also target funds to the most marginalised groups where the support need is greatest.

Unemployment rates in Coventry and Warwickshire saw a significant increase in 2008 and 2009 as a result of the economic downturn and the labour market impact is likely to be significant and long-lasting. Whilst there are signs of economic recovery, so far there has been no significant improvement in the numbers of residents in employment. Therefore, while unemployment (based on available data) has peaked in all areas of Coventry and Warwickshire, a return to pre-economic downturn rates has not yet been achieved with most areas on average having seen increases of between 1% and 3%. Coventry's unemployment rate of 9.4% compares unfavourably to the national average of 7.8% and while Warwickshire's unemployment is lower at 5.3%, this masks important variances across the county with some areas experiencing significantly higher unemployment and worklessness. For example, the proportion of the population in Nuneaton & Bedworth who are workless is around one and half times the county average of 8%.

Youth unemployment continues to be of significant concern within Coventry and Warwickshire. Youth unemployment rates vary significantly across the area. They range from 29.2% in Nuneaton and Bedworth and 29.1% in North Warwickshire to 19.8% in Stratford-on-Avon, while they stand at 24.8% in Coventry and 24.4% in Rugby. In May 2013 there were 4,300 16-24 year old claimants on Jobseekers Allowance in the area; this represents 25% of all claimants. This is particularly concerning as many young unemployed people face proportionally more barriers to employment than other job seekers and often lack any form of previous work experience, which employers see as a major barrier. Moreover, more than 700 young people have been claiming Jobseekers Allowance for more than 12 months in the CWLEP area and the longer it takes to enter the labour market, the harder it becomes.

In addition, the issue of 'job density' is particularly important within the Coventry and Warwickshire area and highlights the importance of job availability and the need to address the demand side challenges of employers. Considering this, multiple challenges can be seen for instance in Nuneaton and Bedworth where unemployment is approximately 8% and job density is low and in comparison to North Warwickshire where job density is high yet unemployment is approximately 6%; highlighting that a high number of those employed in North Warwickshire do not live in the area.

In Coventry the differential between the city's economy and the economic performance of residents is also an issue. There's been strong job creation whilst the number of residents in work remains static. Pay levels are also higher for those who work in the city compared to residents (with the gap growing significantly wider in 2013) and the net number of commuters increasing.

## **P1: MARKET FAILURE**

The socio-economic analysis detailed in the original ESIF strategy identified that Coventry & Warwickshire has a varied picture of unemployment, with Coventry having the highest unemployment rates followed by Nuneaton & Bedworth. The key market failures are around skills gaps (particularly concerning basic employability and technical skills), labour immobility (reflected in geographical discrepancies in employment and the challenges of job density) and inequality (in relation to both marginalised groups and unequal distribution of income - with commuters into some areas having average earnings significantly higher than local residents).

Evidence from previous recessions tells us that some individuals made redundant or already workless will find it difficult to (re)enter work without assistance and this means, as the job market improves, they will find it harder to compete with other jobseekers. Many communities, both geographical and of interest such as NEETS (young people not in education, employment and training), migrants, disabled people, some ethnic minority groups, lone parents and ex-offenders continue to be marginalised and require support to help them gain employment. For example, in common with the UK, the unemployment rate for ethnic minorities is significantly higher at 13.8% than the white unemployment rate at 5.6%. Working alongside national employment programmes, but providing more targeted and innovative support for a wider range of people who are workless, is essential for the area's economy.

Unemployment is clearly damaging to a local economy, not only in financial terms – loss of taxes, cost of benefits paid - but also in terms of loss of talent to the market place and significantly in terms of social issues such as increased crime and anti-social behaviour. It is estimated that the average saving to the national exchequer for every unemployed person returning to work is £8,000 per year (Freud Report).

The LEP area also has a high level of economic inactivity (over 133,000 people in Coventry and Warwickshire) particularly due to ill health, with an increasing trend in some areas. Our economic inactivity rate is 1.5% higher than the national average. Data suggests that voluntary take up of current available employment support (such as the Work Programme) is very low for this group. Therefore, it is vital that this group is supported to engage with labour market activity and prepare for work.

In common with the UK as a whole the Coventry and Warwickshire area faces the challenge of ensuring sufficient vacancies for jobseekers and responding with sufficient flexibility to employer demand in the local labour markets. In some sectors there is an imbalance in the markets with low or no applicants for vacancies and in others five or more applicants per vacancy. This mismatch needs to be effectively addressed.

## **P1: GROWTH SOLUTIONS**

Going forward we are committed to creating a strong and active labour market locally (in which all groups have fair access to opportunities) and providing a flexible response to local employer demand. We will also seek to find new and innovative ways, working with business, to support people to increase their hours, especially where they are in receipt of Universal Credit. As a failure of the labour market, this priority seeks to address unemployment and worklessness through two high-level objectives:

- To address discrepancies in the employment rate, which includes tackling youth unemployment, providing greater support for marginalised groups, addressing geographical differences (including higher delivery costs in rural areas) and tackling economic inactivity due to ill health.
- To address demand side challenges, which includes simplified support for business, support for employers engaged in employment programmes, and tackling under-employment to enable better pay and increased hours for claimants.

Coventry and Warwickshire stakeholders will work with local authorities, the Department for Work and Pensions and JobCentre Plus to establish an employment programme providing employability support, work-related skills development and tackling barriers to work that will enable individuals to access job support and respond positively to the employment opportunities generated through business growth. The programme will respond flexibly to employer demand in local labour markets where the CWLEP and its stakeholders identify specific needs and it will support the development of the Growth Hub to provide a central offer to business in terms of skills and employment.

Investment will be prioritised in providing tailored support including; coaching and mentoring, career progression and job structure support, current and real labour market knowledge sharing, and demand led and responsive advice to meet employer needs. As a result we will see increased employment rate growth and increased employment levels which will meet local employer demand and national targets.

The Coventry Employer Hub and Warwickshire Apprenticeship Hub have established agreement and pathways with FE and learning providers locally to ensure a streamlined approach to business and alignment of our Apprenticeship strategies. Responding to the challenge from employers to provide a simplified message around Apprenticeships these agencies will work collaboratively to drive up demand and simplify the service for employers. All partners are fully engaged and have begun a process of collating all employer data, across organisations, to map employer contacts and identify gaps where businesses have no contact with any agency. This work will also provide data to assess against sector and our top employers locally, so that a coherent strategy for multi-agency engagement can be developed.

Partners will work together to increase the number of apprenticeships, including those within the AME sector (Coventry and Warwickshire's City Deal focus) within Coventry and Warwickshire as more employers are encouraged and actively supported to take on apprentices. In doing this it will support NAS's objectives of increasing the no. of apprentices and creating apprenticeship programmes within businesses not currently engaged.

A more co-ordinated approach to apprenticeships and traineeships will be delivered so that young people can identify suitable pathways, which will also increase the numbers of those accessing traineeships. The CWLEP, through its Skills Board are working with local providers around their traineeship strategies to address the issue of young people's readiness to undertake a full apprenticeship. This approach will also ensure the use of existing funded programmes is maximised and activity is only provide which wraps around and support this priority.

The CWLEP has worked effectively in partnership with the National Careers Service to deliver a number of innovative local solutions. We are currently engaging with Prospects as the new contract lead for careers to develop our strategy in a way which compliments, supports and fills gaps in any planned careers activity. This is an evolving relationship and we will need to thoroughly understand future activity to develop our plans more fully around IAG.

Our priorities correlate well with national strategy and specifically for Coventry and Warwickshire there is alignment with:

- Helping people to find and stay in work, Department for Work & Pensions and HM Treasury
- Boosting private sector employment in England, Department for Business, Innovation & Skills and Department for Communities and Local Government

We will prioritise tackling youth unemployment, matching YEI priorities and building on the Youth Contract initiatives. Our activities will wrap around, widen and add value to work experience opportunities, increase the take-up of traineeships / apprenticeships (including developing new models with previously unengaged employers) as well as ensuring the most vulnerable young people can access tailored support.

Working collaboratively with DWP and other existing deliverers of youth initiatives, such as Talentmatch, our activities will be designed to maximise impact, enhancing the guidance available for young people and increasing their exposure to industry with JCP as partners in the Employer Hub. A joined up, strategic local plan for young people from education / transition out of schools to work will underpin this activity and ensure added value beyond the Youth Contract and other existing provision.

In addition, the activities of this priority contribute to addressing the priorities set out in the Coventry and Warwickshire Strategic Economic Plan and are aligned to Coventry City Council's Jobs Strategy which seeks greater collaboration with business in addressing unemployment.

The financial profiling of activity includes match funding from national opt-in organisations and from the public sector. This priority includes a proportion of activity the match for which has not been confirmed. This is the result of a conscious approach to ensure flexibility with national opt-in organisations, local public match and other funding sources which will be able to meet the changing requirements of Coventry and Warwickshire throughout the delivery of the programme.

## **P1: GROWTH INTERVENTIONS**

### **INVESTMENT PRIORITY 1.1: ACCESS TO EMPLOYMENT FOR JOB-SEEKERS AND INACTIVE PEOPLE**

This priority will prioritise tackling inequality in the labour market and will concentrate on inequality for some marginalised groups, geographical discrepancies and those suffering worklessness due to ill

health. It will provide additional, innovative and more intensive approaches to engagement, pre-employment training and employment support that move's people towards work. Activity may include locality based delivery, including employability training which moves people into mainstream employment services as well as providing additional and innovative programmes to specific target groups such as disabled people or people with health barriers (including mental health issues), people with caring responsibilities, lone parents, ethnic minorities, ex-service personnel, ex-offenders, care leavers and those from households with inter-generational worklessness. Actions that will be supported include:

Examples of actions which may be supported for all unemployed and inactive people are:

- Additional and innovative approaches to pre-employment training to ensure individuals have the core work-related skills which employers are looking for;
- training for those who need to upgrade their skills or learn new skills (including basic skills and English for speakers of other languages) to compete in the local labour market and adapt to changes in the economy;
- helping people access or benefit from Apprenticeships;
- providing access to transport where this is a barrier to taking up a job;
- providing advice, guidance and support, adding value to National Careers Service where appropriate, in order to help people make better informed choices, and in particular to take account of the jobs available in the local area;
- targeting specific careers advice at women to help them make informed career choices;
- using self-employment as a route out of worklessness, including providing advice and support for self-employment. This can be a particularly helpful option where an individual is struggling to find work with an employer, either because they lack experience or because they face discrimination.

The investment priority will also provide additional support for long-term unemployed people, including those who have completed the Work Programme. Where someone is still unemployed after many efforts to help them, this is likely to need innovative solutions, so this will include new approaches to work experience and training, intermediate labour market activity and volunteering opportunities.

The investment priority will also provide additional support to specific target groups, whose circumstances mean they face particular challenges in getting back to work. These include people with disabilities or health barriers (including mental health issues), people with caring responsibilities, lone parents, ethnic minorities, ex-service personnel, care leavers, those with chaotic lives, legal migrants, people who have difficulty accessing support because they live in isolated rural areas; and those from households with inter-generational worklessness. It will also help older workers to re-train, re-enter or stay engaged in the labour market.

### **INVESTMENT PRIORITY 1.2: SUSTAINABLE INTEGRATION OF YOUNG PEOPLE**

This investment priority will support additional provision that complements existing government programmes to people NEET. The ESF will support additional and more intensive provision that meets the needs of individuals and local labour markets. It will not support activities that duplicate or replace existing provision.

Examples of actions for all young people who are NEET or at risk of becoming NEET include:

- to support the rise in the participation age by providing additional; traineeship and apprenticeship opportunities
- to engage marginalised 15-18 year olds to support them to re-engage with education or training
- to address the basic skills needs of young NEETS so that they can compete effectively in the labour market
- to provide additional work experience and pre-employment training opportunities to unemployed 18-24 year olds
- to support young lone parents to overcome the barriers they face in participating in the labour market (including childcare)
- expanding the quality of careers advice for young people
- tailored intervention, including coaching and mentoring or support with transport costs
- additional literacy, numeracy, ICT and employability provision to ensure that individuals have the basic skills which are needed in all jobs;
- training and vocational qualifications to equip young people for specific jobs;
- community and informal learning which is effective in engaging young people who have struggled at school and can then help and encourage them to access more formal learning
- Intermediate labour market activity to provide a structured and supportive environment where young people can gain work experience
- Using self-employment as a route out of worklessness, including providing advice and support for self-employment.

### **INVESTMENT PRIORITY 1.3: YOUTH EMPLOYMENT INITIATIVE**

This investment priority will prioritise tackling youth unemployment. The Coventry and Warwickshire area, as a NUTS 2 region has been allocated funds from the European Youth Employment Initiative. These funds have been deliberately front-loaded from 2014 and 2015 in order to address youth unemployment as soon as possible. YEI activities will be aligned to the ESI FUNDS priorities to ensure added value and greater impact in tackling youth unemployment. Actions that will be supported include:

- Expanding and improving the quality of careers advice for young people
- Increasing young people's exposure to industry including via traineeships/ apprenticeships
- Tailored intervention, including coaching and mentoring or support with transport costs
- Improved employability skills, including literacy and numeracy
- additional literacy, numeracy, ICT and employability provision to ensure that individuals have the basic skills which are needed in all jobs;
- training and vocational qualifications to equip young people for specific jobs;
- community and informal learning which is effective in engaging young people who have struggled at school and can then help and encourage them to access more formal learning
- Intermediate labour market activity to provide a structured and supportive environment where young people can gain work experience
- Using self-employment as a route out of worklessness, including providing advice and support for self-employment.

**PRIORITY 1 (1.1, 1.2, 1.3): OUTPUT INDICATORS**

**INVESTMENT PRIORITY 8I (1.1): ACCESS TO EMPLOYMENT FOR JOB-SEEKERS AND INACTIVE PEOPLE**

<b>ID</b>	<b>Indicator</b>	<b>Total (2023)</b>	<b>Men (2023)</b>	<b>Women (2023)</b>
<b>O1</b>	Participants	15,510	8,500	7,010
<b>ESF - CO01</b>	Unemployed, including long-term unemployed	10,860		
<b>ESF - CO03</b>	Inactive	3,880		
<b>O4</b>	Participants over 50 years of age	3,270		
<b>O5</b>	Participants from ethnic minorities	2,700		
<b>ESF - CO16</b>	Participants with disabilities	3,930		
<b>O6</b>	Participants without basic skills	2,730		
<b>ESF - CO14</b>	Participants who live in a single adult household with dependent children	1,860		

**INVESTMENT PRIORITY 8II (1.2): SUSTAINABLE INTEGRATION OF YOUNG PEOPLE**

<b>ID</b>	<b>Indicator</b>	<b>Total (2023)</b>	<b>Men (2023)</b>	<b>Women (2023)</b>
<b>O2</b>	Participants (below 25 years of age) who are unemployed or inactive	4,000	2,190	1,810
<b>ESF - CO01</b>	Unemployed, including long-term unemployed	2,800		
<b>ESF - CO03</b>	Inactive	1,000		
<b>O5</b>	Participants from ethnic minorities	600		
<b>ESF - CO16</b>	Participants with disabilities	370		
<b>O6</b>	Participants without Basic Skills	700		
<b>ESF - CO14</b>	Participants who live in a single adult household with dependent children	180		

**INVESTMENT PRIORITY 8II (YEI) (1.3): YOUTH EMPLOYMENT INITIATIVE**

<b>ID</b>	<b>Indicator</b>	<b>Total (2023)</b>	<b>Men (2023)</b>	<b>Women (2023)</b>
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<b>YEI - O8</b>	Participants (below 25 years of age) who are unemployed OR inactive (not in education or training)	2,670	1,410	1,260
<b>YEI - O3</b>	Participants (aged 25-29) who are unemployed OR inactive (not in education or training)	890	470	420
<b>YEI - O9</b>	Unemployed (including long term unemployed) participants (YEI)	2,670		
<b>YEI – O10</b>	Long-term unemployed participants (YEI)	890		
<b>YEI – O11</b>	Inactive participants not in education or training (YEI)	890		
<b>O5</b>	Participants from ethnic minorities	810		
<b>YEI – O12</b>	Participants with disabilities (YEI)	300		
<b>YEI – O13</b>	Participants who live in a single adult household with dependent children (YEI)	140		

## PRIORITY 1 (1.1, 1.2, 1.3) RESULT TARGETS

### INVESTMENT PRIORITY 8I (1.1): ACCESS TO EMPLOYMENT FOR JOB-SEEKERS AND INACTIVE PEOPLE

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%

### INVESTMENT PRIORITY 8II (1.2) SUSTAINABLE INTEGRATION OF YOUNG PEOPLE

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%

### INVESTMENT PRIORITY 8II (YEI) (1.3): YOUTH EMPLOYMENT INITIATIVE

ID	Indicator	Target value (2023)
YEI - CR01	Unemployed participants who complete the YEI supported intervention	70%
YEI - CR02	Unemployed participants who receive an offer of employment, continued education, apprenticeship or traineeship upon leaving	48%
YEI - CR03	Unemployed participants who are in education/training, gaining a qualification, or in employment, including self-employment, upon leaving	48%
YEI - CR04	Long-term unemployed participants who complete the YEI supported intervention	60%
YEI - CR05	Long-term unemployed participants who receive an offer of employment, continued education, apprenticeship or traineeship upon leaving	38%

<b>YEI - CR06</b>	Long-term unemployed participants who are in education/training, gaining a qualification, or are in employment, including self-employment, upon leaving	38%
<b>YEI - CR07</b>	Inactive participants not in education or training who complete the YEI supported intervention	60%
<b>YEI - CR08</b>	Inactive participants not in education or training who receive an offer of employment, continued education, apprenticeship or traineeship upon leaving	32%
<b>YEI - CR09</b>	Inactive participants not in education or training who are in education/training, gaining a qualification, or are in employment, including self-employment, upon leaving	32%
<b>YEI - CR10</b>	Participants in continued education, training programmes leading to a qualification, an apprenticeship or a traineeship six months after leaving	15%
<b>YEI - CR11</b>	Participants in employment six months after leaving	30%
<b>YEI - CR12</b>	Participants in self-employment six months after leaving	3%

## PRIORITY AXIS 1: INCLUSIVE LABOUR MARKETS

### INVESTMENT PRIORITY 1.4: ACTIVE INCLUSION

#### IP1.4: FINANCIAL ALLOCATION

IP 9i (1.4)	€ 18,970,852.66	£13,469,305.39
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#### IP1.4 GROWTH CHALLENGES

The Europe 2020 strategy has a target of promoting social inclusion, in particular through the reduction of poverty, by aiming to lift at least 20 million people out of the risk of poverty and social exclusion. The Government's strategy for social justice, 'Social Justice: Transforming Lives', sets out the Government's commitment to giving individuals and families facing multiple disadvantages the support and tools they need to turn their lives around.

Coventry and Warwickshire has significant levels of deprivation within a range of its local areas, with certain communities of interest particularly affected. Coventry is ranked 50th in the Index of Multiple Deprivation, with Nuneaton and Bedworth having the highest levels of deprivation in Warwickshire at a ranking of 108th most deprived local authority out of 326.

Considering the Local Super Output Areas (LSOA) there are significant pockets of deprivation. For example, Camp Hill Village Centre in Nuneaton and Bedworth has 56% of children aged 0-15 living in income deprived households and Coventry's Wood End/ Hillmorton Rd area has 66% of children living in relative poverty.

An important consideration for the Structural and Investment Fund Strategy is supporting those people who want a job, into employment. The needs are greatest in North Warwickshire, (where the employment percentage is low) and in Nuneaton and Bedworth where unemployment alongside Coventry is also high. These areas along with Rugby represent key focus areas for supporting people in addressing barriers to work and helping them into employment.

A key priority for Coventry and Warwickshire is tackling poverty and increasing employability through financial literacy. This includes a range of anti-poverty initiatives, tackling debt, supporting people to adapt to changes in the benefit system, alternatives to high cost lending and money management skills.

In this context there are nearly 17,000 children living in poverty in Coventry, nearly 5,000 in Nuneaton & Bedworth and over 2,000 in Rugby. Whilst, overall, Warwickshire has relatively low levels of child poverty, there are also small localised pockets where relatively high levels exist. Areas with the very highest levels of child poverty in Warwickshire's urban areas tend to be surrounded by, or located near to, other areas with above average levels. Nearly a third of children considered to be living in poverty in Warwickshire live in only 10% of the Super Output Areas across the county which highlights the concentrated nature of the issue.

Coventry has a higher percentage of child poverty than both the national and West Midlands average, and is the 47th highest local authority with children poverty in England. Low income is a key

component of poverty and family income is largely determined by employment status of the parent or parents. In February 2010 there were 8,870 workless households with dependent children in Coventry. This equates to 16,523 or 27.5% of children between 0-15 in families dependent on workless benefits, with the highest wards being St Michael's 46% and Foleshill 45%.

Data on in-work poverty is not available at LEP level, however we do know that the West Midlands area has a higher than average incidence of in-work poverty. We will seek to provide interventions that support people to work more hours and to increase their skills in order to progress. In both cases successful interventions, and the move to Universal Credit, should help to reduce the numbers of families experiencing in-work poverty. However, it will necessitate the need for increased money management skills as payments will be made monthly in arrears.

#### **IP1.4 MARKET FAILURE**

There is entrenched social exclusion across parts of Coventry and Warwickshire, largely as a result of structural changes to the economy. In Warwickshire, the distribution is complicated. The largest concentrations are found in the county's largest urban areas, particularly Nuneaton and to a lesser extent Rugby and Bedworth. However, these concentrations are combined with spatially dispersed pockets in the rural south and north. Those facing social exclusion in rural areas have the added complication of accessing support services due to their more isolated locations. Lack of car ownership is an issue especially in accessing employment or training. In North Warwickshire 15% of homes and 12% in Stratford District have no car, these people rely on subsidised bus routes. Equally, from the provider perspective, services that are available in rural locations have much higher delivery costs.

A further priority for Coventry and Warwickshire is achieving labour market integration of groups with high inactivity rates through more intensive, flexible and tailored support. There are several groups/communities of interest across the area that have little involvement with the labour market and are often unable to actively participate or take advantage of any opportunities. People within the 25-49 age range in Coventry & North Warwickshire have a relatively higher rate of inactivity, and there is a dominance of those looking after a family at home or on long term-sick.

There are various estimates of the numbers of individuals and families facing multiple disadvantages at any one time. The government estimates that nationally there are 120 000 families living troubled and chaotic lives. Locally this number translates to 905 families in Coventry and 805 families in Warwickshire. The current ESF round is providing some support to these families. However, much more needs to be done and a more flexible and innovative approach should be used.

There are nearly 7,000 lone parents across the area and it is well known that children in lone parent families are more likely to live in poverty than couple parent families. There is often little engagement with this group until their youngest child reaches the age of five (when benefit entitlement changes) and by this point few 'employability' skills have been developed. There are other key communities that also require support, including some BME groups (particularly where ESOL is a priority and for minority ethnic women who have been disproportionately affected by welfare reform and the spending review), offenders, disabled people and problem alcohol or drug users. The key to social inclusion across the area will be to achieve employability and independence for these priority groups.

Our final priority in this active inclusion priority for Coventry and Warwickshire is re-engaging and raising aspirations for young people. There is a clear cycle which starts with low aspirations, leading to under-achievement, which in turn leads to low participation in education, resulting in low social mobility and reinforcing a cycle of disadvantage. We know that young people's hopes for their future vary by gender, ethnicity and social class. Research by the Joseph Rowntree Foundation (JRF) for example, found that young people from working class backgrounds find it difficult to aspire to attain more than their parents. Furthermore, there is a link to other life choices, such as teenage pregnancy. Coventry has a persistently high level of teenage pregnancy and low aspirations are a part of the complex reasons for this issue. It is highly influenced by young people's socio-economic environment.

#### **IP1.4 GROWTH SOLUTIONS**

The effects of growing up in poverty are often life-long with children facing an increased risk of lower educational attainment, lower earnings, increased health problems and a reduced life-expectancy. Lack of financial literacy is something which impacts on various priority groups including troubled families, lone parents, offenders and those with ill-health. It is a significant barrier to social inclusion and to work

The key to social inclusion across the sub-region will be to achieve employability and independence for key priority groups. Building social infrastructure to support individuals who are inactive in the labour market to begin to address the barriers they face is central to helping these individuals achieve employability and social inclusion.

The Coventry and Warwickshire area in addition to its ERDF and ESF notional allocation has funds from the European Youth Employment Initiative. Together with these funds and the local Talent Match offer we are prioritising supporting for young people to re-engage with education and the labour market, and aspire to achieve more. The most vulnerable young people, including care leavers, youth offenders, lone parents and those with learning difficulties and disabilities face significant barriers to participating in employability support. The ESI funds in Coventry and Warwickshire will prioritise support for these groups to deliver innovative solutions in a holistic and more integrated manner.

Through the Coventry and Warwickshire Strategic Economic Plan, City Deal and ESI Funds and the local authorities' strategies there is a comprehensive cohesive package of support for enterprise, skills and social inclusion. We want to ensure that our growth is inclusive and benefits all our local residents. The Coventry Children and Young People's Plan 2011-2014 sets out its Family Poverty priority outcomes as:

- Workless parents supported into work
- Working families are supported to secure higher paid jobs
- Families live in safe and affordable housing
- Families are not financially excluded

Similarly, Warwickshire's Child Poverty Strategy has 4 Strategic Priorities:

- Creating Employment Opportunities to help move people out of poverty
- Intervening to break the cycle of poverty
- Improving financial capability and financial awareness
- Addressing housing needs and homelessness

The financial profiling of activity includes match funding from national opt-in organisations and from the public sector. This priority includes a proportion of activity the match for which has not been confirmed. This is the result of a conscious approach to ensure flexibility with national opt-in organisations, local public match and other funding sources which will be able to meet the changing requirements of Coventry and Warwickshire throughout the delivery of the programme.

## **IP1.4 GROWTH INTERVENTIONS**

### **INVESTMENT PRIORITY 1.4: ACTIVE INCLUSION**

ESF will finance integrated packages of support that address gaps in provision to disadvantaged groups and reach those who are not currently receiving support. Investments will help to tackle inactivity particularly by helping disadvantaged groups overcome barriers, improve their employability and move towards employment. In addition ESF will complement policies to tackle in work poverty by helping people develop the skills needed to progress in work to move into higher skilled jobs with higher pay. There will be a particular focus on workless households, including working through local authority partnerships delivering the extended Troubled Families programme.

It is vital in Coventry and Warwickshire that we tackle poverty and promote social inclusion through financial literacy. Our investment priorities in this area include:

- Specific support to improve money management skills, understanding priority debt, interest rate structures of high street lenders, take up of bank accounts and change of circumstances i.e. introduction of Universal Credit, take up of employment
- Capacity building support for credit unions and other third sector lenders to develop products and services to facilitate money management (relevant to introduction of Universal Credit), increase access or people facing a range of barrier i.e. rural isolation and provide a viable alternative to high cost lending

Social enterprises and voluntary organisations by their nature work to address root causes of deprivation, often located in the most deprived communities, employing people who face disadvantaged in the labour market and offering services specifically aimed at tackling social exclusion would form part of the infrastructure needed to provide intensive, tailored and flexible support. Our investment priorities in this area include:

- Tackling barriers to work in troubled families
- Tackling barriers to work in a holistic and integrated way: including the engagement and provision of integrated and holistic support for financial inclusion, employment and basic skills
  - Promoting a dynamic and inclusive rural economy with fair access and basic amenities

Examples of some of the activities that may be supported include

- Basic Skills and ESOL training;
- Money management support and advice and financial literacy programmes in order to address deep seated debt issues which make moving from enefit into work more challenging

- Providing additional and/or more intensive and flexible support identified by Universal Credit Local Support Service partnerships and health and well being boards
- Helping those with more complex barriers (who may require support to transfer to Universal Credit) closer to employment
- Providing additional support to ex-offenders
- Improving the integration of disabled people into employment, education and training
- Targeting specific communities including some ethnic minority groups
- Supporting bottom-up active inclusion activity in geographical locations
- Supporting local community grant type activity
- Encouraging Social Investment models by providing (matched) outcome funding that enables payment by results programmes to be established in support of the Government’s agenda on Social Justice and encourage innovative delivery models within local communities
- Supporting labour market integration of vulnerable groups through the delivery of motivation and confidence building, specialist barrier breaking support around physical and mental health, substance abuse, dealing with criminal convictions, caring responsibilities, financial inclusion, basic skills deficit-IT, numeracy, literacy, ESOL, raising awareness of the world of work, employer expectations, volunteer placements and employer visits
- Supporting labour market integration through the development of social enterprises to address the needs of local communities
- Digital and internet literacy courses to aid job searching, access to benefits and progress in work
- Local “Community Grant” type activity to support small scale voluntary sector activity which can be crucial to reaching out to these groups
- First contact engagement activities (for example, arranging events in places that people feel comfortable to visit)
- Local networks and groups to support people to get a job or access learning (for example. Jobs Club or Learning Champion type activity) to provide people with a safe environment and peer support.
- Softer skills development (for example, assertiveness, anger management and motivation)
- Volunteering which is recognised in general terms as a good way to re-engage those furthest from the labour market.

#### **PRIORITY 1 (1.4): OUTPUT INDICATORS**

##### **INVESTMENT PRIORITY 9I (1.4): ACTIVE INCLUSION**

<b>ID</b>	<b>Indicator</b>	<b>Total (2023)</b>	<b>Men (2023)</b>	<b>Women (2023)</b>
<b>O1</b>	Participants	8,540	4,690	3,850
<b>ESF - CO01</b>	Unemployed, including long-term unemployed	4,500		

<b>ESF - CO03</b>	Inactive	3,440
<b>O4</b>	Participants over 50 years of age	1,570
<b>O5</b>	Participants from ethnic minorities	1,520
<b>ESF - CO16</b>	Participants with disabilities	2,070

#### **PRIORITY 1 (1.4): RESULT TARGETS**

##### **INVESTMENT PRIORITY 9I (1.4): ACTIVE INCLUSION**

<b>ID</b>	<b>Indicator</b>	<b>Target value (2023)</b>
<b>ESF - CR02</b>	Participants in education or training on leaving	17%
<b>R1</b>	Unemployed participants into employment, including self-employment on leaving	14%
<b>R2</b>	Inactive participants into employment, or jobsearch on leaving	27%
<b>R4</b>	Participants with childcare needs receiving childcare support	36%

## PRIORITY AXIS 2: SKILLS FOR GROWTH

### P2: FINANCIAL ALLOCATION

IP 10iii (2.1)	€ 19,912,847.78	£14,138,121.92
IP 10iv (2.2)	€ 4,173,199.24	£2,962,971.46
TO10 / PA2 Total	€ 24,086,047.02	£17,101,093.38

### P2: GROWTH OPPORTUNITIES

The focus of Europe 2020 ambitions for Education, Skills and Lifelong Learning are related to educational attainment; reducing school dropout rates and increasing the number of people attaining tertiary level qualifications. One of the four overarching ambitions in the UK Government's 'Plan for Growth' is to 'create a more educated workforce that is the most flexible in Europe'. The Government has a broad range of initiatives in this area; the ambition is that the ESI Funds Programme will be used to complement them securing a high quality, rigorous and diverse range of provision that responds to the needs of individuals and businesses.

The Coventry and Warwickshire local economy as a whole has a higher than national average proportion of its workforce engaged in private sector occupations. This presents opportunities to take advantage of current government policies intended to rebalance the national economy towards such jobs, and away from public sector employment. In Coventry however the proportion of public sector jobs has in recent years been higher than average resulting in a need for above average job creation in the private sector to offset the current drop in government employment.

### P2: GROWTH CHALLENGES

The Skills Analysis by Ecorys in 2013 for the Coventry and Warwickshire LEP highlights in its introduction that skills development and increasing the proportion of the population qualified to Undergraduate Degree level and above (Level 4+) has formed a significant element of Government policy since the Leitch Review of Future Skills Needs in the UK, published in 2006. The Leitch Review, widely considered as the catalyst to National skills strategy development, placed UK skills and productivity behind that of the US, France and Germany and plotted a trajectory to higher level skills via an ambitious plan centred on achieving the following objectives :

- 95% of working age adults to achieve functional literacy and numeracy;
- Exceeding 90% of workforce adults to be qualified to at least Level 2, achieving 95% when feasible;
- Shifting the balance of intermediate skills from Level 2 to Level 3;
- Exceeding 40% of the adult population qualified to Level 4 and above.

The working age population of the Coventry and Warwickshire area has rates of educational attainment that are below the national average across Levels 2-4. The rates for Nuneaton and Bedworth, Coventry, and North Warwickshire are notably lower than for the other Local Authorities within the area. Though rates of attainment at all levels have improved in recent years, they have done so less markedly than across the country as a whole.

An analysis of qualification levels across the Coventry and Warwickshire area highlights the dominance of level 1 qualifications achieved by 80% of workforce adults, approximately 70% at level 2 and approximately 50% at level 3. A gap of 20% when compared to the level targeted for future skill needs at level 2. Reviewing data in time series highlights an increase in 2012 in levels 2, 3 and 4 over attainment from previous years. Attainment at level 4 is approximately 30% for the Coventry and Warwickshire area, a gap of 10% against the higher level skills target.

A consideration for the Coventry and Warwickshire area is the proportion of the population that have no qualifications. The areas of North Warwickshire, Nuneaton and Bedworth and Coventry are those with the highest percentage of those people not qualified and alongside this these are also the areas of lower employment and largest unemployment.

Coventry and Warwickshire is renowned for its advanced manufacturing and engineering. In a Skills Analysis of the advanced manufacturing and engineering sector by Ecorys in 2013 for the Coventry and Warwickshire LEP almost one third of companies have stated that they are suffering skills gaps or shortages. The study highlighted that the sectoral and activity profiles of respondent businesses clearly illustrated the diversity of activities and associated multidisciplinary skills required to succeed in advanced manufacturing and engineering. In smaller companies, it is important that staff possess a number of technical skills. All sectors, irrespective of activities and disciplines, have seen a significant and continued increase in the use of new technology and technological advancements. It was argued by a number of companies, predominantly SMEs that this technological advancement was leading to a loss of manual and skilled trades.

The Coventry and Warwickshire area is likely to need up to 25,000 level 2 and level 3 engineers to replace the existing work force. Businesses in AME are reporting skills gaps around leadership and management, particularly in relation to export markets; promotional activity; IT usage; product design and development; software programming and operating systems programmes. Alongside this we have technical skills gaps within electrical, structural, mechanical and manufacturing disciplines with particular requirements in metrology and robotics.

## **P2: MARKET FAILURE**

Coventry and Warwickshire data regarding educational attainment highlights that the area is below the national average across levels 2-4. This highlights that the sum total of education and training undertaken falls short of the long-term needs of our economy and society. The total investment in skills is still sub-optimal and is insufficient to support future growth.

For education, skills and lifelong learning, there are market failures, which hinder education and skills attainment. These include:

- **Imperfect Information:** Employers or individuals lack reliable information on quality and content of learning opportunities available to them, and the benefits that may accrue from investment in particular types and levels of training. For employers, the payback on investment in skill may mean improved product or service quality, increased productivity, or a range of 'bottom line' financial performance measures. For individuals, the benefits may be monetary – higher wages, improved promotion, career prospects – or wider, embracing health or job satisfaction.

- Time Preference, Short-Termism and Risk Aversion: Individuals and organisations may fixate on the short-term and ignore longer-term benefits.
- Investing in Skills: Problems may be encountered in obtaining funding to invest in skills. For individuals this means constraints on personal loans. And for firms there is the problem of investment in staff that may leave taking their skills with them.
- Low Skills Equilibrium: Low skills equilibrium exists where a substantial part of the economy uses low levels of skill to produce relatively low specification goods or services, which are sold on the basis of low price and support large swathes of relatively low-paid employment. Demand for skill is therefore limited. Limited demand in turn impacts uptake of learning opportunities and supply of skills.

Providing better paid employment opportunities for residents is a stated aim within the vision for Coventry and Warwickshire. It is recognised that while creating opportunities is fundamental we also need to ensure that there are the right people with the right skills to meet employer demand. Overall, skills shortage vacancies, which occur when employers cannot find people with the right skills and qualifications to do the job, now account for more than one in five of all vacancies. Almost two-thirds of all skill-shortage vacancies are attributed to a lack of technical, practical or job-specific skills. But “Softer” skills such as planning and organisation, customer handling, problem solving, team working, communication skills and basic skills (literacy and numeracy) have also been cited as reasons for skills shortage vacancies.

## **P2: GROWTH SOLUTIONS**

The overall aim of the CWLEP is to drive forward growth in the area, remove barriers to growth and to create more high value jobs. The skills strategy of the LEP seeks to support this by developing a workforce with the right skills to meet employers’ needs. Our vision is one where:

- All young people leaving school, college or university have not only the technical skills needed for sustainable employment but the ability to be enterprising, capable of showing initiative and having high ambitions
- More young people choose to develop skills in science, technology, engineering or mathematics (STEM) and to apply them in high value added technical occupations in the area
- All employees have the opportunity to improve and extend their skills throughout their working life and to deploy them to help drive productivity and growth
- Those who are unemployed are supported to retrain and acquire the skills needed for long term, satisfying and productive employment.
- Employers and education providers develop close and effective working relationships that enable courses at all levels to reflect the practical needs of businesses as well as the skills and knowledge for personal fulfilment.
- Employers have confidence in the quality and relevance of local education and training provision and understand where to go to access support.
- Individuals and employers are clear about the benefits of training and invest more in developing skills alongside publicly funded provision

In delivery, it is considered essential that consistent long-term programmes of activity, developed in partnership are delivered in order to reduce duplication of supply, focus capability and capacity and maximise the use of available match funding. An important consideration will be support for education and skills for the key priority groups identified within our social inclusion priority. A key requirement is also the provision of subsidised travel to enable individuals to engage with training provision.

A range of local FE and learning providers offer employability, literacy and numeracy skills delivery but a number of gaps in provision have been identified. ESIF activity will concentrate on complimenting existing activity and wrapping around current provision. It will also address the access to provision issue which sees many people reluctant to engage with classroom-based activity initially. Anecdotal evidence from the Job Shop suggests that those with complex social barriers and those who fear a formal learning environment are not accessing the learning they require, which is reflected in our relatively static rate of those with no/low qualifications. We will seek more innovative models of engagement and will ensure provision reaches our most vulnerable communities, as well as setting clear performance targets through the commissioning framework.

Worklessness support will focus on complimenting, enhancing and building on existing provision such as the work programme, through wrap around activity, outreach activity to increase participation in certain groups and early interventions for people who are newly unemployed. Developing skills to tackle unemployment will not duplicate or replace existing provision but will provide additional activities to those who require more support and the most vulnerable in our communities who need very tailored support in order to develop their skills and find sustainable work.

Engagement in education, skills and lifelong learning is critical for the development of the Coventry and Warwickshire area. By developing a skilled and adaptable workforce, this priority will help to improve productivity, innovation, enterprise and competitiveness. It will help workers to develop the skills needed by business in a knowledge-based economy.

Linked to the European Structural and Investment Fund Strategy CWLEP will work with the Skills Funding Agency, Further Education, Higher Education and the private sector to establish a comprehensive workforce development programme. Investment will be prioritised in technical and sector specific skills (including engineering, hardware and software design, metrology, robotics, computer aided design, machining and welding), general skills and training (including management and leadership and ICT) and practical industrial experience. The programme will support upskilling and retraining and address the key market failures of investing in skills, short-termism and risk aversion. Interventions will include; mapping and promoting management training programmes available to employers, particularly in SMEs; helping SMEs to develop their capacity to identify, predict and meet their own training needs; increasing opportunities for existing employees to improve and extend their skills and engaging employers in the design, delivery an assessment of programmes.

The actions funded through this priority of the ESI funds programme will integrate with the business-led, single point of access (Growth Hub) within the Coventry and Warwickshire City Deal that will provide support to businesses across a range of areas. Businesses will be supported to engage with and navigate through the range of business infrastructure organisations and the 'offers' open to them including access to trade, investment and business growth services. The Hub will streamline the

number of contacts that businesses will need to make with support agencies by assessing their needs once and providing good links and referral arrangements into relevant initiatives.

Support for higher level skills may include graduate internships and support for Master's and PhD programmes. For example; the University of London piloted an MA in Innovation in Practice and a graduate apprenticeship scheme through the structural funds; and the Welsh Access to Masters (ATM) programme which was backed by the European Social Fund (ESF) and the Welsh government, providing both financial support and access to business – a core element of the programme being that students were linked to an external partner company. With the company benefitting through the student work placement and from the postgraduate research project, which is tailored to meet the company's interests and needs.

The financial profiling of activity includes match funding from national opt-in organisations and from the public sector. This priority includes a proportion of activity the match for which has not been confirmed. This is the result of a conscious approach to ensure flexibility with national opt-in organisations, local public match and other funding sources which will be able to meet the changing requirements of Coventry and Warwickshire throughout the delivery of the programme.

## **P2: GROWTH INTERVENTIONS**

### **INVESTMENT PRIORITY 2.1: ENHANCING EQUAL ACCESS TO LIFELONG LEARNING**

Unemployment is not simply a matter of skills, but skills interventions can help in a number of ways. To the extent that improving the supply of skills can boost growth the opportunities for employment are increased. Individuals who increase their skills are generally more likely to find employment, but only if the skills they develop are ones that are in demand locally. It is clear that many of the long term unemployed and young people who are NEET (not in education, employment or training) are held back by their lack of the basic skills of literacy and numeracy. Moreover those in employment are more likely to remain so if their skills are kept up to date and developed to meet changing requirements.

Young people (and adults) with Learning Difficulties and/or Disabilities (LLDD) often need special arrangements to help them manage the transition from education to employment – the skills needed are often soft skills rather than formal qualifications.

By focusing on those who lack basic skills and level 2 qualifications, this priority will also promote sustainable employment and social inclusion. By improving the qualifications of low skilled and part-time workers, it will help to promote gender equality and reduce gender gaps in the workforce. In this context the priority will support training for the unemployed and marginalised groups to help bring them to and support them in learning including those with low level skills in Maths and English to achieve vocational qualifications and to upskill. Actions that will be supported include:

- Additional and innovative approaches to training for the unemployed, including marginalised groups, to help bring them to and support them in learning.
- Additional or innovative approaches to training in a vocational context for those with low level skills in Maths and English, to support them in finding work or progressing in work; and to enable them to achieve vocational qualifications and continue to upskill.

- Support for intermediate and high level vocational provision for the unemployed and for career progression
- Skills and training packages in response to redundancies.

Skills gaps, skill shortages or skill mismatches can be important barriers to growth; conversely raising the skill of the workforce can encourage investment and new product development. Improving the supply of skills is not the only lever for increasing productivity or encouraging the use of high performance business techniques but it is a powerful one. Improving skills can bring benefits to firms and to employees – it can have a ‘win-win’ outcome. Improving skills is not just a matter of technical competence or qualifications. The ‘soft skills’ of self organisation, team working, initiative etc can be just as important. It is however acknowledged that the STEM subjects – science, technology, engineering and mathematics - are particularly important for the advanced manufacturing sector in which Coventry and Warwickshire has a leading position and which can be a springboard for further success. In addition support for service sector industries is vital and this includes health and social care which is forecast for significant employment growth.

Responsibility for the development of skills is shared. Through public funding schools and colleges provide individuals with qualifications at all levels; but there is a need for them to focus more on the issue of ‘employability skills’ and match their output more closely to those sectors which will drive growth. Individuals invest in their own development, particularly through higher education, but will need to do so even more in the future. They need clearer signals about where investment in learning will pay off. Employers spend the most on training, but even they will need to invest more if we are to match the best in the world.

Actions that will be supported include:

- Supporting low skilled people in low paid work to help them progress
- Support for activities to start and grow a business from promoting entrepreneurship (including social enterprises) and self-employment, to providing leadership and management training/advice within Small and Medium Sized Enterprises to develop internal capabilities and growth potential.
- Support for upskilling and retraining for industries identified in investment strategies including training costs (including higher level skills)
- Support for staff training and development, independent of their level of education (including higher level skills)
- Support for structural change in the local economy to meet skills gaps at all levels, including for Small and Medium Sized Enterprises and the social economy (including higher level skills)

Full details of the indicative actions within this investment priority can be found in the ESF Operational Programme for England

## **INVESTMENT PRIORITY 2.2: IMPROVING THE LABOUR MARKET RELEVANCE OF EDUCATION AND TRAINING SYSTEMS**

- Developing better links between business and schools, Further and Higher Education providers and other education partners to equip students with the skills to start and grow a business.

Improving the fit between the outputs of the education and training system and the needs of employment depends on a step change in the relationship between educators and employers. There are many good examples of collaborative practice but too many employers are still not effectively engaged with schools, colleges or universities and much of the education system is still not informed by the expertise or insight of employers. Building relationships needs to be made much easier if collaboration and partnership is to become the norm. The engagement of smaller companies is fundamental and the funds should enable partnerships or networks of small companies to engage particularly with work experience provision.

It is also increasingly accepted that there should be greater local involvement in the planning and monitoring of skills provision. At the same time the planning of the skills system needs to reflect a re-balancing of financial contributions with the state expected to pay less and individuals and employers having to shoulder more of the costs. This finds expression in moves towards greater 'employer ownership' of the skills agenda and the use of public funding as incentive rather than subsidy. In this context it is vital that the needs of employers and their ability to take on new staff is fully understood.

Actions that will be supported include:

- Support for collaborative projects, placements, internships or other activities with SMEs that enable students and graduates to gain industry relevant experience and skills;
- Building capacity in SMEs to provide project / placement / internship opportunities and enhance the contribution of advanced skills to SME growth
- Brokering opportunities to encourage and increase work experience, work placements, traineeships, apprenticeships and graduate placements particularly through wider employer engagement and involving supply chains
- Promoting apprenticeships by developing a supportive environment for employer engagement
- Enhancing access to lifelong learning, upgrading the skills and competences of the workforce and increasing the labour market relevance of education and training systems, including improving the quality of vocational education and training, and the establishment and development of work-based learning and apprenticeship schemes such as dual learning systems.
- Work to promote interaction between business and Higher Education and Further Education providers to meet local business needs.

## PRIORITY 2 (2.1, 2.2): OUTPUT INDICATORS

### INVESTMENT PRIORITY 10III (2.1): ENHANCING EQUAL ACCESS TO LIFELONG LEARNING

ID	Indicator	Total (2023)	Men (2023)	Women (2023)
O1	Participants	18,190	8,910	9,280

<b>O4</b>	Participants over 50 years of age	3,700
<b>O5</b>	Participants from ethnic minorities	3,190
<b>ESF - CO16</b>	Participants with disabilities	1,350
<b>O6</b>	Participants without basic skills	3,200
<b>ESF - CO14</b>	Participants who live in a single adult household with dependent children	880

#### INVESTMENT PRIORITY 10IV (2.2): IMPROVING THE LABOUR MARKET RELEVANCE OF EDUCATION AND TRAINING SYSTEMS

ID	Indicator	Total (2023)	Men (2023)	Women (2023)
<b>CO23</b>	number of supported micro, small and medium-sized enterprises (including cooperative enterprises, enterprises of the social economy)	320		

#### PRIORITY 2 (2.1, 2.2): RESULT INDICATORS

##### INVESTMENT PRIORITY 10III (2.1): ENHANCING EQUAL ACCESS TO LIFELONG LEARNING

ID	Indicator	Target (2023)
<b>R3</b>	Participants gaining basic skills	11%
<b>R6</b>	Participants gaining level 2 or below or a unit of a level 2 or below qualification (excluding basic skills)	25%
<b>R7</b>	Participants gaining level 3 or above or a unit of a level 3 or above qualification	8%
<b>R8</b>	Employed females gaining improved labour market status	35%

##### INVESTMENT PRIORITY 10IV (2.2): IMPROVING THE LABOUR MARKET RELEVANCE OF EDUCATION AND TRAINING SYSTEMS

ID	Indicator	Target (2023)
<b>R9</b>	Small and Medium Enterprises successfully completing projects (which increase employer engagement; and/or the number of people progressing into or within skills provision)	75%



# European Union

## European Structural and Investment Funds

<https://www.gov.uk/european-structural-investment-funds>