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# Yorkshire and the Humber Regional Competitiveness and Employment Programme

## Operational Programme

### 2007-13

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**Revised October 2010**



## CONTENTS

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1	<b>Executive Summary</b>	4
2	<b>Socio Economic Analysis</b>	12
	Introduction	12
	Employment	15
	Competition	18
	Enterprise	22
	Innovation	28
	Business Investment	28
	Skills	32
	Environment	35
	Urban/Rural	37
	Sustainable Communities	39
	SWOT	45
3	<b>Programme Strategy</b>	51
	Strategy Development and Partnership Involvement	51
	Programme Vision	52
	Priorities for Action	52
	Financial Allocations across the Priorities	58
	Additionality	59
	Building on Lessons Learnt	61
	The Wider strategic context – Alignment with other Strategies	63
	The Lisbon Strategy and Lisbon Earmarking	64
	Yorkshire and the Humber – Strategic context	65
	Spatial Development/Territorial cohesion	69
	Links with other UK and EU Regions	71
	Environment	71
	Strategic Environmental Assessment	73
	Ex Ante Evaluation	74
	Equalities Impact Assessment	76
4	<b>Priority Axes</b>	77
	Priority 1 Promoting Innovation and R&D	77
	Priority 2 Supporting and Stimulating Successful Enterprise	87
	Priority 3 Sustainable communities	100
	Priority 4 Economic Infrastructure	110
	Priority 5 Technical assistance	115
5	<b>Cross Cutting Themes</b>	123
	Environmental Good Practice	123
	Equality and Diversity	124
	Integration of Cross Cutting Themes and Priority Axes	125
	Integration of Cross Cutting Themes at Project Level	125
6	<b>Financial Allocations</b>	128
	Financial allocations by year	128
	Financial Allocations by priority	130
7	<b>Coordination</b>	132
	The European Social Fund	133

	The European Agricultural Fund for Rural Development	134
	The European Fisheries Fund	134
	The European Investment Bank	144
8	<b>Implementing Provisions</b>	145
9	<b>Glossary &amp; Abbreviations</b>	173
10	<b>Annexes</b>	
	A Data Sources	178
	B Lessons Learnt	180
	C Lisbon Earmarking Targets	188
	D Strategic Environmental Assessment	192
	E Ex Ante Evaluation Report	234
	F Equality Impact Assessment Screening Report	245
	G Indicators and Quantifications	266
	H Major Project Notification	268
	I Project Development Process	270

### **Note on the TEXT Changes contained in this revision**

The text of the Yorkshire and The Humber's Operational programme has been revised. The revisions in the main are contained within Chapter 4 and Annex C.

We have taken the opportunity offered by this revision to correct obvious spelling, grammatical and typographical errors in the original text as well as correcting the miss-numbering of tables. None of these changes alters the meaning of the content.

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### Introduction

- 1.1 This is the Yorkshire and the Humber European Regional Development Fund (ERDF) Operational Programme (OP) for the 2007-13 period. The Programme describes how the region will benefit from funding from the European Union's Regional Competitiveness and Employment objective. Total funds for the 2007-13 programming period amount to €583,580,959<sup>1</sup>. South Yorkshire will receive transitional support as a phasing in region that qualified for Objective 1 funding in 2000-2006 and will receive €271,041,326. The remainder of the region will receive €312,539,633.
- 1.2 The Programme's vision is based on delivering the Lisbon agenda in Yorkshire and The Humber, and contributing to realising the potential of the region's people, businesses and environment. It builds on previous rounds of Objective 1, 2 and 3 European funding and its emphasis on the knowledge economy clearly adds value to the overall vision laid out in the Regional Economic Strategy (RES) and provides direction for Structural Fund interventions. The programme's vision is:

***"To capitalise on the region's assets and secure a prosperous future for the region's people and businesses within a viable knowledge economy"***

- 1.3 The Programme's priorities are founded on a sound evidence base developed through a thorough socio-economic analysis. Its strategy and interventions are based on alignment with European, National and Regional policies and evidence from the lessons learnt from previous rounds of Structural Funds.

### The Socio Economic Analysis

- 1.4 As a whole, the economic performance of the region has improved during the 2000-2006 period, however, the region still remains below the UK average for per capita Gross Value Added (GVA). The weakest sub-regional economy, that of South Yorkshire, has shown most improvement, due in no small part to the investments made during the Objective 1 Programme. South Yorkshire and the economy of the Humber, however, remain below the average for EU25 GVA. The region's socio-economic analysis has highlighted a number of key areas to address in this OP in order to meet the challenges laid out in the Lisbon agenda.

### Key Employment issues for the Programme

- 1.5
- Yorkshire and The Humber has reduced the employment rate gap against the national figure, with employment growing faster than the national rate.
  - This masks increases in the number of people on incapacity benefit and high rates of economic inactivity amongst some groups including BAME (Black, Asian and Minority Ethnic) communities.
  - Low levels of micro businesses in South Yorkshire reflect previous patterns of poor start-up rates.
  - South Yorkshire needs to continue restructuring and attracting investment to replace lost jobs and meet the employment needs of a growing economy.

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<sup>1</sup> At 2006 prices

## Key Competition issues for the Programme

1.6

- Despite recent strong regional GVA growth, forecasts predict growth to be slower than the United Kingdom (UK) average, although predictions for South Yorkshire suggest it will make up ground on both the region and the UK.
- The Regional Economic Strategy identifies a number of key clusters that will drive economic growth in the region. These are Creative and Digital, Advanced Engineering/Manufacturing and Metals, Chemicals, Bioscience, Food and Drink, Healthcare Technologies and Environmental Technologies. In addition, in South Yorkshire the Sports Science cluster has been identified.
- South Yorkshire could also grow in terms of employment and GVA due to the potential in its digital business base.
- Financial services, construction logistics and tourism are becoming increasingly important, demonstrated by the growth in their contribution to GVA.
- Manufacturing and other traditional industries are still important for the region partly because of the major contribution they make to GVA.

## Key Enterprise issues for the Programme

1.7

- Growth in value added tax (VAT) stocks has been above the UK average and has been fastest in South Yorkshire, whilst North Yorkshire has above-average registrations and stocks. Business survival rates in the region are higher than the UK average.
- Ratios of businesses to population and start-up rates remain below the national average: the region therefore needs to increase its business base by encouraging and supporting more people to start a business
- Rates of female entrepreneurship and the number of business owners under 35 years of age are high, and data suggests that Black Asian and Ethnic Minorities have high entrepreneurship levels in certain areas.
- Interest in starting a new business is increasing, however fear of failure affects more people in Yorkshire and the Humber than in the rest of the UK.

## Key Innovation issues for the Programme

1.8

- More jobs in high growth businesses are needed as growth over the last five years has only been half the national increase.
- Although large business innovation activity is encouraging, levels of innovation in the region's small and medium sized enterprises (SMEs) are well below the national average: better links are therefore required between universities and businesses to promote innovation and drive productivity.
- Higher education research and development (R&D) accounts for a high proportion of investment: business spend, however, needs to be improved despite recent progress - in 2003, businesses spent less on R&D than any other region, except London.
- Centres of Industrial Collaboration can foster links with businesses, encouraging them to develop new markets and products to meet demand.
- Although South Yorkshire is average on networking with universities, it only has half the average national figure for links with industrial networks.

## Key Investment issues for the Programme

1.9

- The region receives a significantly lower level of public expenditure in a number of key areas including transport - second lowest in the UK.

- Despite 100% broadband coverage, 30% of businesses still do not use information and communication technologies (ICT).
- Stimulating and supporting access to finance will be crucial to enabling firms to grow and innovate.
- Companies should be encouraged to realise the potential that ICT can offer to competitiveness.

### Key Environment issues for the Programme

1.10

- The region's ecological footprint<sup>2</sup> is below the UK average but higher than the world average.
- The region is the highest energy consumer and highest emitter of carbon dioxide in England.<sup>3</sup>
- Potential exists to exploit the need for renewable energy, both in production, use of and technology development.
- The region needs to create and maintain attractive environments YF
- The region needs to promote energy and resource efficiency

### Key Sustainable Communities issues for the Programme

1.11

- Businesses in deprived communities continue to suffer from market failure.
- There is significant potential to increase social enterprises across the region.

### The Operational Programme Strategy

1.12

The Programme Strategy addresses the key issues which Yorkshire and the Humber has to address in order to meet the jobs and growth challenge set by Lisbon. It elaborates the strategic actions and interventions that are needed for a knowledge-based economy. It builds on key strengths to support economic transformation, with high quality sustained growth that maximises long-term benefits for businesses, people and the environment. It adds value to the RES through specific interventions.

### Priorities for Action

1.13

Key to capitalising on the regions' assets is improving the links between knowledge and economic growth, raising the importance of innovation in businesses and ensuring sustainable communities are developed. In order to achieve this the priorities for action for Yorkshire and Humber are:

- to increase R&D , innovation and technology transfer
- to create dynamism and entrepreneurship within enterprises
- to embed creativity in the process of product development
- to drive more company innovation (product and process) and embed technological advances into production processes
- to restructure the business base towards a more high value added economy
- to secure the physical and electronic infrastructure that underpins business productivity
- to ensure that disadvantaged communities are included in growth in the economy
- to move towards a low carbon economy

<sup>2</sup> Ecological footprint: – a calculation that identifies the impact of domestic, industrial and other activity on the world's environment. The UK average is 5.36gha/cap and the world average is 2.2gha/cap

<sup>3</sup> The figure takes into account emissions from the Region's power stations.

- 1.14 Sustainable development is the overarching principle which underpins the Operational Programme and its aim is to have a low carbon impact. The Programme recognises that investments in human, social and environmental capital, as well as technological innovation, are the prerequisites for long-term competitiveness and economic prosperity. In this context, sustainable development objectives will be integrated into all the Programme's actions by the application of two Cross-Cutting Themes - Environmental Good Practice and Equalities/Social Inclusion and Diversity. All projects and activities supported by the Programme will have to demonstrate that they have included specific actions in their projects which deliver on these themes

#### Alignment with other Strategies

- 1.15 Yorkshire and The Humber's vision and Operational Programme are consistent with and supportive of strategies at a European, national and regional level.

- The Lisbon Agenda and the Gothenburg Principles
- The Community Strategic Guidelines and
- The UK National Reform Programme,
- The National Strategic Reference Framework;
- 2005 Skills Strategy;
- Advancing Together;
- Regional Economic Strategy;
- Regional Spatial Strategy;
- City Region and Sustainable Communities Strategy
- Regional Innovation Strategy
- Regional Climate Change Action Plan
- Environmental Enhancement Strategy

- 1.16 The Lisbon Strategy concentrates on developing a more attractive place to live and work improving the attractiveness of Member States, regions and cities by improving accessibility, ensuring adequate quality and level of services, and preserving their environmental potential. It focuses in on knowledge and innovation for growth: encouraging innovation, entrepreneurship and the growth of the knowledge economy by research and innovation capacities, including new information and communication technologies; and on creating more and better jobs: by attracting more people into employment or entrepreneurial activity, improving adaptability of workers and enterprises and increasing investment in human capital. This Operational Programme seeks to deliver this agenda across Yorkshire and the Humber. It focuses on more and better jobs delivered in the context of greater social and economic inclusion, whilst at the same time ensuring that growth is not at the expense of the environment.

#### Priority Axes

- 1.17 Three key priorities emerge from the regional economic analysis of Yorkshire and the Humber for this Programme with a fourth specific priority for South Yorkshire. A fifth priority for Technical Assistance will operate across the Programme.

- Priority 1 Promoting Innovation and R&D
- Priority 2 Stimulating and Supporting Successful Enterprise
- Priority 3 Sustainable Communities
- Priority 4 Economic Infrastructure for a Competitive Economy (South Yorkshire)
- Priority 5 Technical Assistance



### Financial Allocations by Priority

- 1.18 This Programme aims to deliver the Lisbon Agenda in Yorkshire and the Humber as such its aim is to meet at least the minimum standard of 75% of resources directed at promoting competitiveness and creating jobs. **Table 1** shows the financial allocations by priority that facilitate the Lisbon Earmarking.

Table 1 Financial Allocations				
	Yorkshire & the Humber %	South Yorkshire %	Yorkshire & the Humber €	South Yorkshire €
Priority 1 Promoting Innovation and R&D	20%	18.4%	62,507,927	49,871,604
Priority 2 Stimulating and Supporting Successful Enterprise	56%	33%	175,022,194	89,443,638
Priority 3 Sustainable Communities	20%	20%	62,507,927	54,208,265
Priority 4 Economic Infrastructure for a Competitive Economy (South Yorkshire)	-	24.6%	0	66,676,166
Priority 5 Technical Assistance	4%	4%	12,501,585	10,841,653
<b>Total</b>			<b>312,539,633</b>	<b>271,041,326</b>

### Priority 1 Promoting Innovation and R&D

- 1.19 Priority 1 will focus on growing the region's innovation culture and developing a region-wide environment for innovation. It will do this by stimulating an innovation culture and strengthen the innovation system in the region by increasing technology transfer from universities, institutes and businesses to the business base to improve products and processes; promoting networking; and setting the framework for businesses to respond to the challenges and opportunities of the knowledge economy. Its objectives are to:

- stimulate and facilitate knowledge and technology transfer, increased investment in innovation and R&D, engender a culture change and promote business practices that are environmentally sustainable
- build, and commercially exploit the research, technological development and innovation capacity of the Y&H region whilst ensuring the social, environmental and economic conditions are improved
- increase and support the exploitation and commercialisation of new technologies and processes that underpin the future viability and growth of new and existing businesses and target clusters

- 1.20 Priority 1 will foster innovation in businesses through the exchange, sharing and exploitation of new knowledge and technology. It will ultimately lead to and inspire businesses to undertake more research and development, and assist them to continually innovate through new products and processes, new organisational changes and novel marketing methodologies. This will enhance the exploitation of the region's knowledge and technology base.

### Priority 2 Stimulating and Supporting Successful Enterprise

- 1.21 Priority 2 aims to promote a greater shift towards the knowledge intensive growth clusters and sectors in Yorkshire and the Humber by increasing the number of businesses and occupations in high growth and knowledge industries, by investing in key business sectors to accelerate economic growth and encourage high value



added businesses and by developing a more entrepreneurial culture. Its objectives are:

- To establish integrated business support for innovative and high growth businesses which encourages entrepreneurship and enables them to grow more quickly
- To promote a more enterprising and entrepreneurial culture and support the growth of businesses at start up and early stage and those with growth potential
- To promote the development of new and high technology clusters and sectors through embedding investment in the regional economy
- To ensure that business growth supported by the Programme takes account of CO2 emissions and adopts environmental best practice

- 1.22 Priority 2 will promote a more entrepreneurial culture and create a supportive environment for SMEs, including social enterprises and new businesses, across Yorkshire and the Humber. It will foster the creation of new firms and offer targeted assistance to businesses and entrepreneurs with the potential to add value to the region's economy. It will support business leadership and a programme of activities aimed at creating an entrepreneurial culture, promoting best practice in management, innovation, motivation and culture change and will seek to improve links between enterprise and education.

### **Priority 3**

- 1.23 Priority 3 targets resources at those most deprived communities where continued under performance is a threat to the region's economic growth - focusing on tackling social and economic exclusion and improving territorial cohesion, creating enterprise opportunities within disadvantaged neighbourhoods and extending the social economy. Its objectives are to:

- improve connectivity to economic opportunities through tackling social, economic and digital exclusion faced by disadvantaged communities
- increase economic activity and entrepreneurship within communities
- create sustainable jobs in the social economy supported by existing and new social enterprises
- promote active participation in the development of a knowledge driven economy

- 1.24 Priority 3 will build on the extensive work already undertaken by the Objective 1 and 2 2000-06 Programmes which established the building blocks for sustainable development across the region. Priority 3 will facilitate better connectivity between people, places and economic opportunities it will explicitly make the link between strategies for economic growth and social inclusion. It will achieve this by focusing interventions where they are needed most.

### **Priority 4 Economic Infrastructure for a Competitive Economy**

- 1.25 Priority 4 will operate in South Yorkshire only. Its aim is to continue investing in South Yorkshire's economic infrastructure to maximise the impact of Structural Fund investments in the sub region to date and support the development of a knowledge-based economy. Priority 4 will facilitate the key centres in their role of acting as attractive locations for new and re-investment. Its objectives are to:

- support the Sheffield City Region Development Plan by developing the critical business/environmental/cultural infrastructure in the four key urban centres and contribute to the development of an accessible and sustainable knowledge economy
- ensure that South Yorkshire has the digital infrastructure to support business competitiveness and the growth of the knowledge economy

1.26 Economic infrastructure and place based regeneration is essential for the development of a knowledge based economy within South Yorkshire. Priority 4 will be focused on rehabilitating the physical environment and building on natural and cultural assets that are directly linked to the development of innovative and job creating businesses and the creation of attractive environments for businesses and people to live and work in.

#### Priority 5 Technical Assistance

1.27 The aim of Priority 5, Technical Assistance, is to improve the delivery of the Programme by financing preparatory, management, monitoring, evaluation, information and control activities to reinforce the region's capacity for implementing the Fund. Technical Assistance resources will greatly enhance the impact of the Programme through:

- providing funding for a core development, implementation and monitoring team to manage the Programme.
- part-financing feasibility and evaluation studies
- developing the Cross Cutting Themes
- supporting exchanges of best practice and links to inter-regional co-operation
- funding publicity and promotion for the Structural Funds, and this Programme in particular
- assisting with Programme management, including the development and maintenance of appropriate technology solutions
- Supporting the involvement of communities of interest and the voluntary and community sector in Programme delivery and governance

#### Key Outputs

1.28 Reflecting the key objectives of the 2007-13 Programme, the core results of investment will be job creation and gross domestic product (GDP) growth. Success in pursuing the Lisbon Agenda will be monitored through the increase in GVA at the business level; the increase in jobs and businesses in knowledge intensive sectors and other regional cluster and sector targets; the development of new products and services and business start up rates, particularly in deprived areas. Progress towards sustainability will be shown by reductions in emissions from businesses contributing to greenhouse gases, whilst at the community level the numbers of people, particularly from disadvantaged communities, overcoming barriers to employment and the growth of social enterprises will be monitored.

1.29 The Programme aims to create or safeguard 39,634 new jobs, support the creation of 4,072 new businesses, and assist 16,927 businesses to become more competitive.

Table 2 Programme Outputs and Results			
	Yorkshire & Humber	South Yorkshire	Total
No of businesses assisted	11,389	5,538	16,927
No of new businesses created	2,779	1,293	4,072
Gross new jobs created	16,384	9,124	25,508
Gross jobs safeguarded	8,735	5,391	14,126
Gross increase in GVA £	575,247,000	275,309,000	850,556,000

### Impact

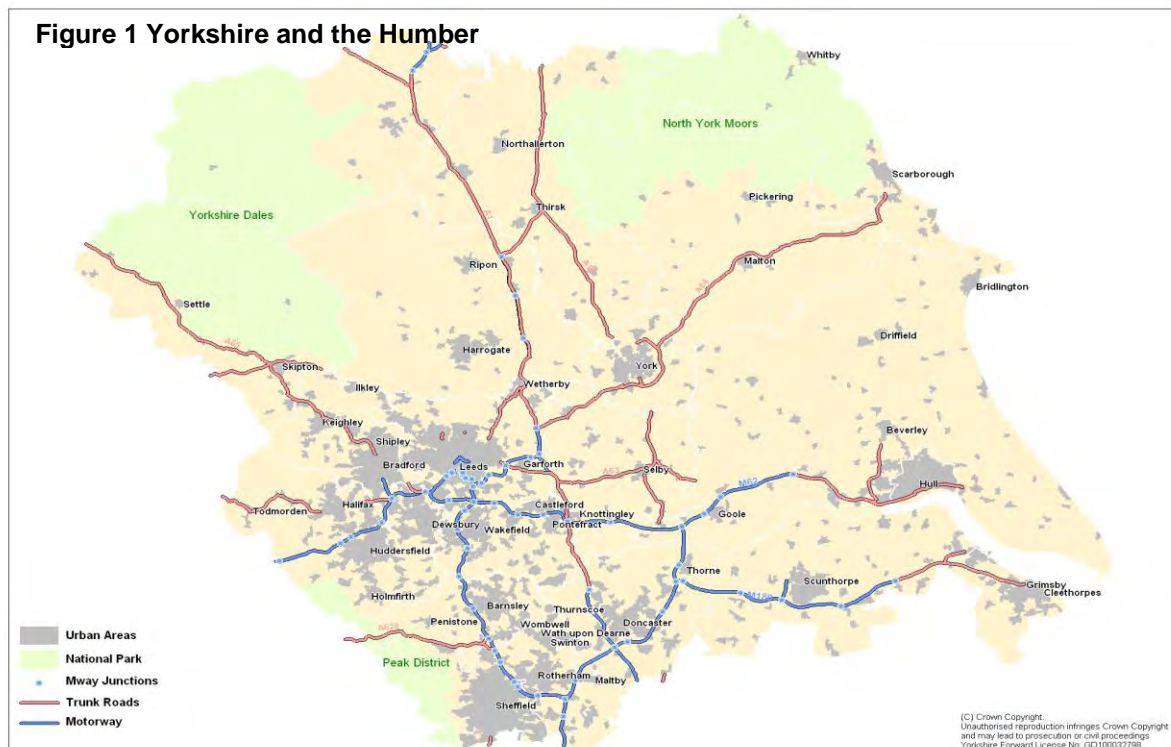
- 1.30 The resources made available through the Structural Funds add significant value to existing activity through targeted interventions designed to maximise the benefits of ERDF. Assistance will be provided where activities would not otherwise proceed, or would do so on a smaller scale or at a later date. For example, increasing the levels of innovation and R&D in businesses; enabling the growth of businesses in high growth knowledge intensive sectors particularly high growth start-ups; tackling weaknesses in leadership and management; connecting those that are in more deprived communities with the economic opportunities created; and connecting businesses to the benefits of physical investment.

### Delivery & Implementation

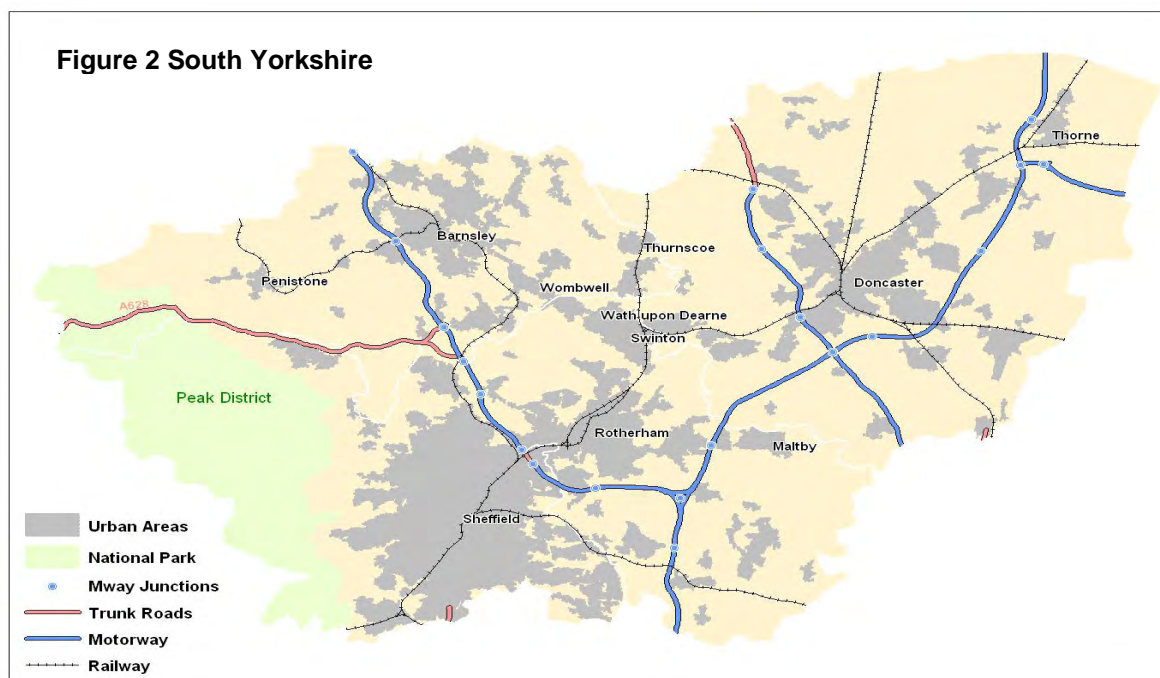
- 1.31 The region will adopt the principle of devolving decision-making and investment to the most appropriate level. Planning, decision-making and interventions will take place at the most appropriate level based on the priorities. The principle is that of subsidiarity – action at the level required to achieve coherence of policy, to catalyse partnerships and the capacity to deliver.

### Introduction

- 2.1 The socio-economic analysis provides the context for the Operational Programme (OP) interventions highlighted in the next two chapters. The analysis will focus on the social, physical and economic performance of the Yorkshire and The Humber region and its sub-regions, and compare these with national figures and other regions where possible. As the South Yorkshire sub-region will be benefiting from ring-fenced funding, the analysis also highlights statistics on South Yorkshire. This chapter is based on regularly produced local and official national and European data. An annual summary version of this analysis will be used as a live document when the new programme begins to provide a contextual account of the contribution being made by the programme to the regional economy. It will also include monitoring data on the progress of the programme for the Annual Report.
- 2.2 Yorkshire and The Humber has a population of 5 million, and covers an area of 15,411 sq km. The region has four sub-regions: The Humber, North Yorkshire, South Yorkshire and West Yorkshire. The region is both geographically and economically diverse. North Yorkshire is predominantly rural containing two National Parks, coastal resorts and a tourist industry. It has half the regions' land area but only a seventh of its population. West Yorkshire has the largest population, mainly a series of urban conurbations and contains Leeds, the most powerful economy in the region. The Humber is also rural, except for Kingston upon Hull and a number of medium sized towns it contains the Humber Ports and 130 miles of coastline. Parts of The Humber, North Yorkshire and West Yorkshire have benefited from Objective 2 funding during the 2000 to 2006 Structural Funds Programme.



- 2.3 South Yorkshire is a metropolitan county of 1.3m people and 1559 sq km (the size of Greater London) lying to the south of the region and containing the urban districts of Barnsley, Doncaster, Rotherham and Sheffield. The sub-region has been an Objective 1 area following the decline of its industrial base of coal and steel and ancillary engineering industries, although its recent economic performance has been one of growth. Despite being a metropolitan county it is characterised by flat arable land to the east, moor land of the Peak District National Park to the west and four conurbations in the middle.



### Gross Value Added

- 2.4 The size of the regional economy is £80.1 billion (gross value added, GVA). The Humber accounts for £13.4bn, North Yorkshire £12.3bn, South Yorkshire £18.2bn and West Yorkshire £36.3bn. Yorkshire and The Humber and all the sub-regions are below the UK average on per capita GVA. Compared with Europe, the region and North and West Yorkshire are above the EU25 average, while The Humber and South Yorkshire are below.

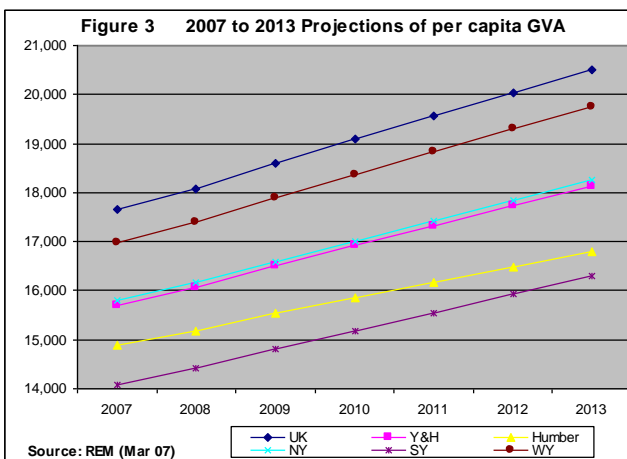
Table 3 Gross Value Added/GDP/Area and Population						
Area	Population 2005	Area (Sq km)	Pop. Density (per sq km)	REM Est. GVA (£m) 2007	Nat Stat (5yr rolling ave.) 2004 GVA/Capita (UK=100)	Eurostat GDP/Capita (EU25=100) 2004
Yorkshire & The Humber	5,063,900	15,411	329	80,139	87.2	103.1
The Humber	891,000	3,511	254	13,363	83.3 est.	99.6 est.
North Yorkshire	768,700	8,038	96	12,297	92.4	108.1
West Yorkshire	2,118,600	2,034	1,042	36,312	93.6	110.1
South Yorkshire	1,285,600	1,559	825	18,167	76.4	91.0
Barnsley	222,100	328	677	2,441	67.8	81.3
Doncaster	289,600	581	498	3,752		
Rotherham	253,200	283	895	3,684		
Sheffield	520,700	367	1,419	8,290	89.1	105.4

Source : 2005 Mid year est., Annual Population Survey, REM (Mar 2007), Eurostat, National Statistics (Exc. DG Extra Regio)



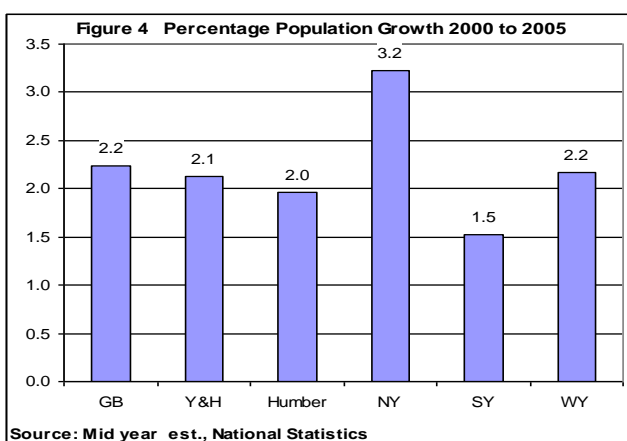
2.5 Regional GDP had grown by 18.5% between 2000 and 2004, compared with 19% for the UK and 12.7% for EU25. In the sub-regions South Yorkshire grew fastest by 23.1% while West Yorkshire grew by 15.6%, North Yorkshire by 18.5% and The Humber by 20.4%.

2.6 The Regional Econometric Model (Experian) can project future per capita GVA growth for each of the four sub-regions. Projections suggest that the region will grow slightly slower than the UK. Only West Yorkshire, partly driven by Leeds, will grow faster than the UK and pull away from North Yorkshire. South Yorkshire, growing above the region, will be catching The Humber; North Yorkshire will grow at the same rate as the region; but the gap between The Humber and the region is expected to increase.



### Population

2.7 The population in the region has grown by 105,300 or 2.1% since 2000, just below the national figure of 2.2%. The largest proportional increase has been in North Yorkshire (3.2%) and the slowest in South Yorkshire (1.5%). However, prior to 2000 South Yorkshire's population had fallen every year since 1981 when annual data estimates began, so moving from annual decline to net growth has been a major transformation.



2.8 Projected population growth from 2007 to 2013 (REM) indicates that the region should grow by 1.7%, well below the expected UK trend (2.7%) North Yorkshire (at 3.0%) will grow above the UK trend and West Yorkshire will grow below (2.1%). It is expected that both South Yorkshire (0.5%) and The Humber (1.3%) will grow slowly and may be in danger of losing their share of skilled labour.

### Key Sub-regional issues for the Programme

- South Yorkshire has the lowest sub-regional GDP per head and slow population growth but has shown signs of recovery and needs to build on that momentum in the coming years with its economy projected to improve against the regional average.
- North Yorkshire statistics show a relatively affluent economy but sub-regional averages mask remoteness, scarcity of population, and low incomes in parts of the area.
- West Yorkshire is the major economy in the region led by Leeds. It must work together with other economies in the region to take advantage of opportunities and strengths.
- The Humber sub-region lies third on per capita GVA and population growth but the projections for both these indicators suggest that it has the poorest prognosis. This presents a challenge for both existing disadvantage and expected under-achievement.

## Employment Structure

- 2.9 There are 2.26m people employed in Yorkshire and The Humber. The largest employment sector is public administration and health which employs 28.2% of the region's workforce although it only accounts for 10.1% of business units. Distribution, hotels and restaurants account for another quarter of total employment with banking, finance and insurance (17.1%) and manufacturing (13.8%) accounting for the other larger employment sectors. South Yorkshire has a broadly similar profile but has an even larger public sector presence; and a smaller agricultural sector.

Table 4 Employees by Sector for Region, Sub-region and GB, 2000–2005							
Sectors	2005				2000		
	Y&H(n)	Y&H(%)	SY(%)	GB(%)	Y&H(%)	SY(%)	GB(%)
Agriculture and fishing	16,200	0.7	0.2	0.9	0.9	0.3	1.0
Energy and water	11,700	0.5	0.4	0.6	0.8	0.7	0.8
Manufacturing	312,900	13.8	13.6	11.1	18.5	18.5	15.0
Construction	114,800	5.1	5.0	4.6	4.7	5.3	4.5
Distribution, hotels & rest.	543,700	24.0	23.5	24.1	24.2	23.6	24.1
Transport & comm.	134,700	6.0	6.2	6.0	6.0	6.6	6.1
Banking, finance & ins etc	386,000	17.1	17.0	20.7	15.4	13.5	19.6
Public admin edu & health	637,100	28.2	29.4	26.9	25.1	26.6	24.0
Other services	105,300	4.7	4.7	5.2	4.5	4.9	5.0
Total	2,262,400	100.0	100.0	100.0	100.0	100.0	100.0

Source: Office for National Statistics, Annual Business Inquiry 2006

- 2.10 Since 2000 the bigger changes in employment have come in some of the largest sectors of the economy. The proportion of employees in manufacturing has decreased from 18.5% to 13.8% whereas public administration has increased from 25.1% to 28.2%. These are reflected in the national trend. However, manufacturing remains a significant sector to the region. Total employment has grown faster than in GB since 2000. The region's jobs increased by 184,300 and 8.9% compared with an increase of 5.1% in the country. Employee growth has been even faster in South Yorkshire (up 13.3%) than both the region and GB.

## Businesses and Employment

- 2.11 This section looks at the number of companies (using the closest proxy - business units) and employment in the region broken down by broad industrial groups and total employment rate. The two business sectors with the most companies are distribution, hotels and restaurants and banking, finance and insurance.
- 2.12 There were 176,300 business units in the region in 2005, a rise of 8.3% since the year 2000 compared with a GB increase of 7.1% and 10% for South Yorkshire. (This pattern is consistent with VAT stocks where the region grew by 6.3% compared with an increase in the UK of 5.7%, and 7.2% for SY.) Compared with the GB average, Yorkshire and The Humber has a higher concentration of distribution, hotels and restaurants and a smaller percentage of banking, finance and insurance companies. Since 2000 it is in these two sectors that the greatest changes in the region have been seen. The distribution, hotels and restaurants sector has decreased by 2.8 points whereas financial services has increased by 3.5 points.
- 2.13 All business unit size bands have grown since 2000 although proportionately medium sized enterprises (employing 50 to 199) grew fastest (up 12.5%). In South Yorkshire there is a significant under-representation of micro businesses and higher proportions of 11-49 business units. This reflects the low level of business start-ups in past years.



<b>Table 5 Business Units by Sector for Region, Sub-region and GB, 2000–2005</b>							
Sectors	2005				2000		
	Y&H(n)	Y&H(%)	SY(%)	GB(%)	Y&H(%)	SY(%)	GB(%)
Agriculture and fishing	800	0.4	0.2	0.5	0.5	0.2	0.6
Energy and water	400	0.2	0.2	0.2	0.3	0.2	0.3
Manufacturing	15,200	8.6	9.1	7.2	9.7	10.1	8.4
Construction	17,400	9.9	10.0	9.5	8.9	9.4	8.9
Distribution, hotels & rest.	56,200	31.9	31.8	28.5	34.7	35.6	30.7
Transport & comm.	8,900	5.1	5.2	4.4	5.2	5.4	4.6
Banking, finance & ins etc	45,900	26.1	25.2	31.7	22.6	21.7	28.8
Public admin edu. & health	17,800	10.1	10.7	9.4	9.3	9.3	8.5
Other services	13,700	7.8	7.7	8.6	8.7	8.1	9.3
<b>Total</b>	<b>176,300</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

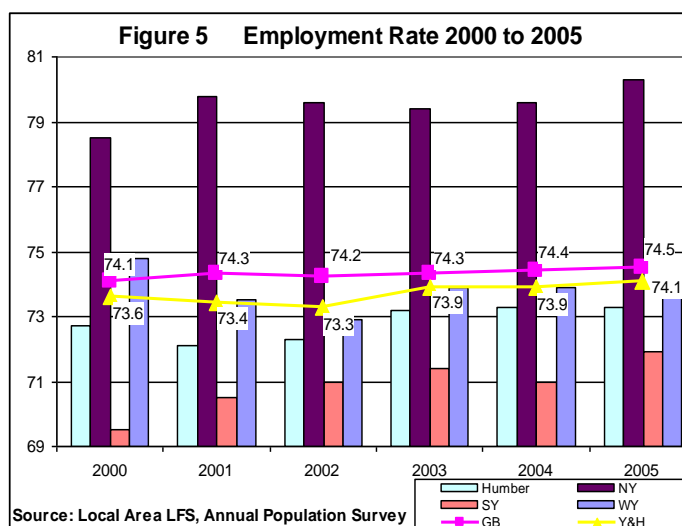
Source: Office for National Statistics, Annual Business Inquiry 2006

<b>Table 6 Business Breakdown in the Region by Size of Firms, 2005</b>									
Year	Total Units	1-10 Employees	% of Total Units	11-49 Employees	% of Total Units	50-199 Employees	% of Total Units	200 + Employees	% of Total Units
2000	162,700	132,300	81.3	23,800	14.7	5,300	3.3	1,300	0.8
2001	162,800	131,900	81.0	24,000	14.7	5,700	3.5	1,300	0.8
2002	164,200	132,700	80.8	24,400	14.9	5,800	3.5	1,300	0.8
2003	167,200	135,100	80.8	24,900	14.9	5,900	3.5	1,300	0.8
2004	170,700	138,500	81.2	24,700	14.5	6,100	3.6	1,400	0.8
2005	176,300	143,700	81.5	25,300	14.3	6,000	3.4	1,300	0.8

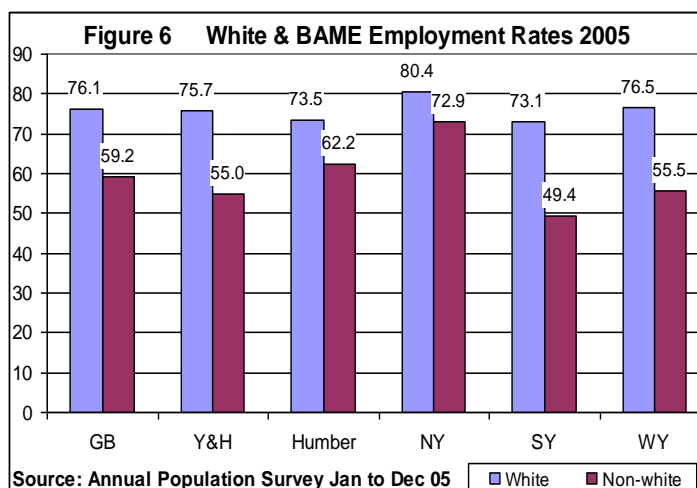
Source: Office for National Statistics, Annual Business Inquiry 2006

## Employment Rate

- 2.14 The employment rate in Yorkshire and The Humber is 74.1% of the working age population and 0.4 points below the GB average. Regional employment has grown faster than the GB average. North Yorkshire and South Yorkshire employment rates have been increasing fastest since 2000 rising by 1.8 and 2.4 points respectively, compared with a 0.4 points growth for GB. These two areas also provide an example of sub-regional disparities, with high levels of employment in the more affluent North Yorkshire at 80.3% compared with 71.9% in South Yorkshire (2005).



2.15 The region as a whole has a 20.7 points gap between Black Asian and Minority Ethnic (BAME) and white workers, compared with a 16.9 points gap for GB. Further disparities in employment rates exist between Black Asian and Minority Ethnic BAME communities and the white community. The greater differences between white and non-white rates are currently in South Yorkshire and West Yorkshire, whilst the differences in The Humber and North Yorkshire are less pronounced.



### Lisbon Targets

2.16 Compared with the quantifiable Lisbon targets for employment rates it is clear that both the region and South Yorkshire have already achieved the 2010 figure for the 'overall rate' and the 'female employment rate'. There are no figures for those aged 55 to 64 but the nearest comparator of 50 years to retirement is well above the 50% target. The part of the community which is behind on the overall target is the BAME community, particularly in South Yorkshire.

Table 7 Relevant Lisbon Targets by 2010: Employment Rates as % of Working Age (2005)				
	Target (%)	United Kingdom (%)	Y&H (%)	South Yorkshire (%)
Overall Rate	70	76.2	75.7	71.9
Female Rate	60	73.2	73.0	70.3
Aged 55 to 64 Rate	50	70.6*	70.4*	66.3*

Source: NS, Annual Population Survey, NOMIS

Note: \*= Age 50 to retirement

### Key Employment issues for the Programme

- Yorkshire and The Humber has reduced the employment rate gap with the national figure, currently employment is at a historic high in the region.
- High employment rates are masking high numbers of people on incapacity benefit and high rates of economic inactivity amongst some groups including BAME communities
- Although becoming more diverse, the region's business base is still characterised by traditional industries. Manufacturing is still important for the region but employment in this sector will continue to fall in future years.
- Employment in the region has grown faster than in GB
- Low levels of micro businesses in South Yorkshire reflect previous patterns of poor start-up rates
- South Yorkshire needs to continue restructuring and attracting investment to replace lost jobs and meet the employment needs of a growing economy
- The 2010 Lisbon targets for employment rates have all been met

### Competition Gross Value Added

- 2.17 To increase economic performance, the region must increase its gross value added (GVA) – the economic contribution of goods and services made and delivered in the region. Two main factors determine GVA - **employment** and **productivity**. Employment covers the number of people in work and their wages. Productivity is linked to efficient businesses and the value they add. To raise our GVA we need high productivity and high numbers of people in work in highly paid jobs. The skills of the workforce are vital in linking these two factors.
- 2.18 GVA per head in Yorkshire and The Humber in 2005 was £15,419, well below (87.2%) the UK average of £17,677. Over the previous five years GVA has increased at a rate just below the national average but faster than five other UK regions. The proximity of the southern regions to London is a major productivity advantage and a more realistic comparison is to measure GVA per head among the Northern regions and the Midlands. Here Yorkshire and The Humber, the North West and West Midlands have relatively similar levels of GVA per head with our region growing slightly faster. Levels of productivity are above the North East but behind the Midland regions, with the East Midlands showing particular strong improvement over the past few years.
- 2.19 It has already been reported that sub-regional economic forecasts suggest inter-regional disparities will continue. The Humber is predicted to grow below the UK and the rest of the region, particularly as West Yorkshire (the largest sub-regional economy) is predicted to grow at a rate just above the national trend. South Yorkshire on the other hand is expected to make up ground on the region but fall further behind the UK.

Table 8 GVA/head by region, 2000–2005 (exc. Extra-Regio)				
GVA per head (£)	2000	2005	% of UK (2005)	Growth 2003-05
UK	13,910	17,677	100.0	27.1
Y&H	12,229	15,419	87.2	26.1
England	14,241	18,097	102.4	27.1
North East	11,007	14,048	79.5	27.6
North West	12,353	15,504	87.7	25.5
E.Midlands	12,734	16,451	93.1	29.2
W.Midlands	12,791	15,812	89.4	23.6
East	15,150	18,933	107.1	25.0
London	18,394	24,075	136.2	30.9
South East	16,279	20,375	115.3	25.2
South West	12,962	16,685	94.4	28.7
Wales	10,920	13,813	78.1	26.5
Scotland	13,256	16,944	95.9	27.8
N.Ireland	11,352	14,196	80.3	25.1

Source: Office for National Statistics, Regional Gross Value Added, 2006

## Sector Contribution to GVA

- 2.20 Yorkshire and The Humber has enjoyed output growth in recent years, outperforming a number of other regions but still below the UK between 2000 and 2005. Of all the industrial groups in Yorkshire and The Humber, between 2000 and 2004, manufacturing has fallen from making the largest contribution to GVA to being second behind real estate, renting and business activity. Although manufacturing businesses and employment are declining, the sector still has a major influence and its per capita contribution is still significant. The largest increase in terms of contribution to GVA has been in financial intermediaries (74%), construction (43.9%), and real estate (39.7%). The last two are particularly influenced by the housing market. The two mining sectors, manufacturing and energy were the only falls in contributions to GVA, while perhaps surprisingly the agriculture etc. sector increased its contribution, although this will have been influenced by the recovery from foot and mouth disease. South Yorkshire has outperformed both the region and the UK over the same period on total GVA growth. South Yorkshire manufacturing has reduced its contribution to GVA with the value falling by 1.5%, compared with a fall of 0.7% in the region. The biggest improvements have been in finance, real estate, construction, health and education. The challenge is to sustain growth by actively investing in key business sectors to accelerate economic growth and encourage higher value added business.

Table 9 Yorkshire and The Humber Gross Value Added by industry group (2000–2004)				
Sector	Value to GVA (£m) 2004	% Contribution to economy 2000	% Contribution to economy 2004	Value Growth 00-04
Real estate, renting & bus.	14,560	16.3	18.2	38.7
Manufacturing	13,694	21.4	17.1	-0.7
Wholesale and retail trade	10,026	12.5	12.5	24.5
Health and social work	6,627	7.5	8.3	36.7
Transport, storage & comm.	5,873	7.5	7.3	21.3
Construction	5,360	5.8	6.7	43.9
Education	5,075	6.3	6.3	25.5
Financial intermediation	4,897	4.4	6.1	74.0
Public admin and defence	4,258	5.0	5.3	32.4
Other services	3,167	4.0	4.0	22.1
Hotels and restaurants	2,223	2.8	2.8	22.6
Electricity, gas & water	1,157	1.8	1.4	-1.8
Agri, hunt., forest & fish.	854	1.2	1.1	8.7
Mining/quarrying of energy	141	0.3	0.2	-20.3
Other mining and quarrying	84	0.2	0.1	-17.6

Source: Office for National Statistics, Regional Gross Value Added, 2006

## Regional Clusters

- 2.21 The cluster theory of economic development suggests that when companies within an industry sector collaborate, as well as compete, they benefit not only themselves but also the entire regional economy. The Regional Development Agency has identified key clusters that have been traditionally strong in the region or have potential to grow:

- Chemicals and Bioscience
- Creative and Digital Industries (CDI)
- Advanced Engineering and Metals (AEM)
- Food and Drink
- Environmental Technologies
- Healthcare Technologies

- 2.22 These clusters together account for 333,500 employees (14.8% of all jobs) in the region and 21% of output. They vary in size from Creative Digital Industries with 115,700 employees to more niche sectors such as Healthcare Technologies that employs 6,000 people. However, there is considerable cross-fertilisation between clusters, for instance most firms in Bioscience are rooted in the agri-food, environmental and especially healthcare sectors. In turn, a third of the Environmental Technology companies and jobs are within the CDI and AEM clusters, although they also have legislative drivers for growth.
- 2.23 From 2000 to 2005 all clusters, except Food and Drink have seen an increase in output, with particularly strong growth in CDI and Health Technologies. Total employment has fallen, particularly in AEM and Food, with only the Digital, Environmental and Health clusters demonstrating growth. The total number of companies has grown by 1,100, including a big increase in Environmental Technologies and a fall in AEM and Food and Drink. With a 4.8% increase in businesses and a 7.2% fall in jobs, falls in employment appear to be the result of efficiency and higher start-up rates rather than a decline across the clusters. CDI is now the largest cluster in the region for both jobs and output. South Yorkshire has seen an even more impressive increase in businesses (up 13.9%) and only a small fall in jobs (down 0.5%). It also has a higher proportion of cluster businesses and jobs than the region.

<b>Table 10 Employment and Output in Clusters in Yorkshire and The Humber. 2005 and 2000</b>						
Target Sectors	2005			2000		
	Employees	Business Units	Output (£m)	Employees	Business Units	Output (£m)
Chemicals and Bioscience	19,300	400	1,395	24,400	400	1,354
Creative and Digital	115,700	14,400	6,385	113,200	13,700	4,670
Advanced Engineering and Materials	108,100	5,700	4,469	129,000	5,900	4,148
Food and Drink	55,500	1,100	2,518	68,000	1,200	2,584
Environmental Technology	46,100	1,900	2,729	38,000	1,400	2,547
Healthcare Technology	6,000	200	271	5,600	200	176
Totals (exc. SIC overlaps)	333,500	23,200	17,063	359,400	22,100	14,880

Source: Experian Business Strategies Econometric Model, March 2007, ONS, Annual Business Inquiry

- 2.24 **Table 11** shows forecasts for the clusters and highlights an expected trend of increased output (up 19.9%) set against employment decline (down 1.5%). This is similar to the forecast for manufacturing in the region and reflects that the majority of clusters are manufacturing based. The only exception is the CDI cluster which is expected to increase in both employment and output. This is in part due to the make up of the cluster, including 60% service industries and the manufacture of electrical equipment which is not forecast to be as badly hit as other manufacturing industries. South Yorkshire is expected to have a smaller rise in output (by 18.2%) and have a larger fall in jobs (of 2.3%), largely due to less productive businesses in these clusters.
- 2.25 For output, all of the clusters are forecast to increase between 3.7% and 38.5% between 2007 and 2013. The largest proportional increases in output are to be in the CDI and Health Technologies clusters, partly due to the sluggish growth in AEM and

Food and Drink. The clusters' share of the regional output will increase from 21 to 22% by 2013. South Yorkshire's largest cluster is AEM for both jobs and output and by 2013 should see CDI output overtaking it, although more will still be employed in AEM, having an implication on the sub-regional structure and performance. Two growth areas where the sub-region is expected to outperform the region in both jobs and output is in the Environmental and Health Technologies clusters. It is in the main 'job losing' sectors (AEM, Food and Drink and Chemicals and Bioscience) where South Yorkshire is being hit the hardest.

<b>Table 11 Forecasts for Employment and Output in the Region's Cluster Industries, 2007-2013</b>						
Cluster	FTE Employment ('000)			Output (£m)		
	2007	2013	% Change	2007	2013	% Change
Chemicals and Bioscience	18.8	15.7	-16.6	1,416	1,610	13.7
Creative and Digital Industries	132.8	140.5	5.8	5,927.0	8,211.3	38.5
Advanced Engineering and Metals	109.6	106.2	-3.1	4,703	5,149	9.5
Food and Drink	52.4	46.1	-11.9	2,620	2,717	3.7
Environmental Technologies	46.3	46.0	-0.6	2,716	3,126	15.1
Healthcare Technologies	5.1	5.0	-2.8	279	374	33.9
Totals (exc. SIC overlaps)	348.3	343.2	-1.5	16,935.1	20,301.3	19.9

Source: Experian Business Strategies Econometric Model, March 2007.

### International trade

- 2.26 In 2005, Yorkshire and The Humber had a trade deficit of just over £1bn compared with a £2.1bn deficit in 2004. The value of exports from the region in 2005 was £11.7bn, a rise of 16% on the previous year, compared with a 10% rise in the UK. The numbers of companies exporting has also increased from 5,407 to 5,528. Imports into the region were worth £12.7bn in 2005 and had risen by 4% on the previous year. The European Union is the most important export market for the region accounting for 58% of all exports (£6.8bn). The other key markets for Yorkshire and The Humber firms are North America (15% of total exports) and Asia and Oceania (12% of total exports).
- 2.27 Business survey data shows that exporters have seen a stabilising of export orders after eighteen months of strong returns (making up for a down turn in orders over 2002-03). For South Yorkshire the expected trend in export orders in the next 12 months suggests that the sub-region, at 6% growth, will under-perform the region at 10%.

<b>Table 12 Balance of Firms Reporting More or Less Export Orders in last 12 Months</b>										
Export Orders	Marc h 2001	April 2002	April 2003	Oct 2003	Marc h 2004	Sept 2004	Marc h 2005	Sept 2005	April 2006	Sept 2006
Yorkshire & The Humber	8	-3	-2	-1	4	6	4	-1	2	4

Source: CBI/Yorkshire Forward Business Survey

- 2.28 The Business Survey also presents a trend analysis of regional firms' purchase and customer bases. Over half (56%) of firms surveyed sell most of their goods within the region, while just over 49% of firms purchase most of their goods and materials within the region.
- 2.29 Around 10% of companies in Yorkshire and The Humber do not purchase from outside the region – compared with 8% nationally; the highest figure for any UK region. Around half do not buy anything from overseas. In terms of cargo movements, the region 'exports' 198m tonnes of cargo to the rest of the UK and 'imports' 186m tonnes – a small net positive regional trade balance<sup>4</sup>.

<sup>4</sup> Department for Transport, Continuing Road Goods Survey, 2003



### **Key Competition issues for the Programme**

- The region's GVA growth in recent years has lagged behind the UK and forecasts predict growth to continue to be slower than the UK average, increasing the gap between the region and the rest of the UK. Predictions for South Yorkshire suggest it will make up ground on the region but fall further behind the UK.
- Financial services and construction are becoming increasingly important to the region and sub-region, which is demonstrated in the growth of their contribution to GVA
- The regional clusters are contributing to growth in output with 21% of the region and this is forecast to continue. Only the Creative and Digital Industries cluster is forecast to see an increase in employment over the same period.
- South Yorkshire clusters are expected to be hit because of the dependence on AEM but could have growth potential if the structure converts further towards Creative and Digital Industries, Environmental Technologies and Health Technologies clusters
- Investing in clusters will help companies improve their competitive position through funding initiatives that will increase the efficiency of supply chains, increase knowledge transfer, encourage networking and promote innovation
- More companies are exporting their goods but at the same time imports have risen
- Almost 10% of companies do not purchase from outside the region
- Manufacturing and other traditional industries are still important for the region partly because of the major contribution they make to GVA.

### **Enterprise**

- 2.30 Part of the wealth of a region is dependent on the size of its business base. The more businesses there are the greater the contribution to GVA. Yorkshire and The Humber must therefore create more businesses to ensure a more competitive economy. More start-ups, changing attitudes towards starting a business, higher survival rates, better business support advice, and more investment in the region are needed to do this. A recent report by the Local Futures Group<sup>5</sup> suggests that core cities in England do not punch their weight economically compared with European counterparts. The report argued that if cities could bring their performance on enterprise up to the level of European cities, the economic gains would be enormous. To achieve this, cities must become centres of enterprise.

### **VAT Registrations**

- 2.31 In 2005, 12,690 new businesses registered for VAT in the region and 10,745 de-registered, resulting in an increase of 1,945 in the stock of VAT registered businesses. This represents an increase of 1.5% in the stock and is above the national average of 1.4%. Recent trends show that the number of business registrations in the region had decreased after 2003, after several years of increases. However, fewer de-registrations mean that stocks in the region have increased unabated since 1996. VAT registrations have also fallen away in South Yorkshire since 2003 at a faster rate than in the region but decline in de-registrations have been greater still as company survival improves.

### **VAT Stocks**

- 2.32 VAT stocks provide an indication of the size of the business base, and trends over the past six years have shown increases in VAT stocks across the region. Stocks appear to be particularly high in North Yorkshire and low in South Yorkshire. While North Yorkshire has only 60% of the adult population of South Yorkshire it has 15% more VAT registered companies. However, the improvement in VAT stocks has been

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<sup>5</sup> Local Futures Group, 2006



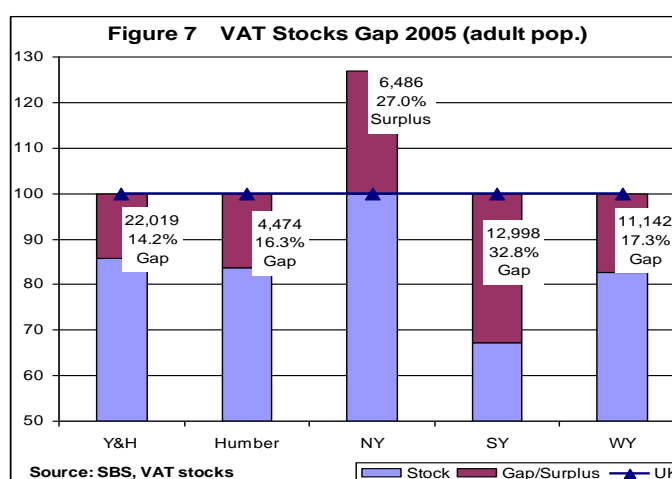
highest in South Yorkshire (up 7.2%) bolstered mainly by the performance in Doncaster and Rotherham. This suggests the economy is responding to the economic growth across the country.

Table 13 Trend in VAT Stocks 2000 to 2005							
	2000	2001	2002	2003	2004	2005	2000-05 %Chg
UK	1.756m	1.768m	1.782m	1.808m	1.828m	1.853m	5.7
Y&H	125,470	125,975	126,855	129,555	131,390	133,335	6.3
The Humber	21,755	21,730	21,970	22,440	22,680	23,020	5.8
North Yorkshire	28,610	28,890	29,230	29,785	30,195	30,510	6.6
West Yorkshire	50,265	50,315	50,460	51,530	52,255	53,180	5.8
South Yorkshire	24,840	25,040	25,200	25,805	26,255	26,625	7.2
Barnsley	4,250	4,230	4,225	4,325	4,420	4,450	4.7
Doncaster	5,235	5,280	5,375	5,525	5,650	5,755	9.9
Rotherham	4,375	4,415	4,480	4,610	4,695	4,800	9.7
Sheffield	10,980	11,115	11,120	11,345	11,490	11,620	5.8

Source: Small Business Service, VAT stocks 2000-2005.

2.33 Figures for business stocks by industry continue to show a declining manufacturing presence. Sectors that have shown a consistently strong performance over the past five years include Hotels and Restaurants, Construction, and Real Estate, Renting and Business Activities in particular.

2.34 The size of the company gap is shown by Figure 7 which indicates that, based on the size of the adult population, the region needs 22,000 more businesses to match the UK average. South Yorkshire only has two-thirds of the number that it should have and has a gap of 13,000 businesses. Similarly, The Humber (4,500) and West Yorkshire (11,100) both have fewer companies than the UK average. North Yorkshire, because of the predominance of small enterprises, has a surplus of 6,500 businesses.



### Business Survival

2.35 Although Yorkshire and The Humber lies towards the bottom of the regional rankings for business start-ups, those that do start have a better survival rate than the UK average. Almost 70% of businesses started in 2001 were still trading after three years. Yorkshire and The Humber is fifth among the English regions for three year survival rates compared with a seventh place ranking in 1998. Survival rates for both the region and the South Yorkshire sub-region have progressively improved against the national average. The latest data available for one, two and three year survival rate figures shows that a VAT registered start-up in South Yorkshire and Yorkshire and the Humber have a better survival rate than the UK, with very little difference between the region and South Yorkshire.

<b>Table 14 Business Survival Rates by Year of Registration, 2000 to 2003</b>									
	Registered in 2000			Registered in 2001			Registered in 2002		Reg. in 2003
	1 yr	2 yrs	3 yrs	1 yr	2 yrs	3 yrs	1 yr	2 yrs	1 yr
UK	90.7	79.9	69.5	92.0	81.1	68.9	92.4	80.1	92.0
Y&H	90.3	78.7	67.9	91.1	80.4	69.8	91.8	80.5	92.2
SY	89.8	78.6	68.0	90.9	80.1	69.3	91.9	80.4	92.2

Source: Small Business Service

### Enterprise Culture

- 2.36 The National Lifestyle Survey asks households if they are considering starting a new business. Although business ownership is declining, interest in starting a new business is increasing. All regions reported that those thinking about becoming self-employed increased year on year between 2003-05. In 2003 across England, 4.8% of households said they were thinking about starting a business compared with 4.3% for the region. By 2005, rates had increased to 7.2% and 5.8% respectively. With the exception of London, at 11.2% in 2005, there is little variation across the regions. Sub-regional analysis of the data illustrates that entrepreneurship is a particular problem in South Yorkshire and The Humber, where only 5.2% and 5.1% of households are thinking of starting their own business.
- 2.37 There do appear to be opportunities, however. Twice as many BAME households, compared with white households in the region, are thinking of starting a business, which provides an opportunity to invest as well as learn from these communities. Rates of female entrepreneurship have started to increase above the national average. Furthermore, Yorkshire and The Humber is second only to London in having more business owners under 35 years old which suggests that the enterprise culture amongst the young is better than expected when looking at other statistics.
- 2.38 Fewer people in the region see business start-up opportunities, feel they have the skills to start a business or know of an entrepreneur than for the country as a whole. The last of these suggest that fewer people are likely to have a role model or learn from other people's experiences. Fear of failure also affects more people in the region than in the rest of the UK. Training in enterprise skills in schools and Further Education (FE) colleges may provide the attitudinal encouragement to change the understanding and culture of business.

<b>Table 15 Attitudes to entrepreneurship (2004 and 2005)</b>				
Criteria	Y&H (%)		UK (%)	
	2004	2005	2004	2005
There are good start-up opportunities in next 6 months	35.9	36.2	35.9	38.5
I know an entrepreneur start a business in past 2 years	21.9	27.4	27.6	27.7
I have the skills to start a business	46.9	50.3	51.7	50.7
Fear of failure would prevent me	33.6	34.5	32.9	34.2

Source: Global Entrepreneurship Monitor (2005)

### Lessons learnt from Structural Funds programmes

- Structural Funds should align with RDA and other funding streams and focus on a sub-set of regional target clusters and sectors with the potential for greatest impact
- Support for job creation in clusters has provided a higher contribution to GVA
- A strong evidence base for interventions is needed
- Sub-regional strengths should be built upon
- Networking is an essential component of clusters and partnership working
- Must move SMEs away from grant dependency and towards loan/equity finance

- Inward investment packages must be clearly articulated and consistent across the region
- A thorough diagnosis of business needs is essential to determine type of support required

### Innovation

- 2.39 A thriving and modern economy with a constant aim of improving the way it operates will seek to encourage innovation in its businesses, education institutions and public sector. This requires investment in research and development for both its products and systems, and the transfer of knowledge and technology in creating a high-added-value economy.

### R&D Spend

- 2.40 In 2003, research and development (R&D) spend in the region was £863m, an increase of 13% on 2002. This is 4% of the total UK research and development spending of £20bn which compares with 8.3% of the regional share of the national population. Expressed as a percentage of GVA, Yorkshire and The Humber spends less on R&D than any other region. When this is broken down by source of funding, higher education and government research spends similar amounts to other regions but it is with business R&D that Yorkshire and The Humber falls behind. The figures for 2003 show that business R&D in Yorkshire and The Humber is 2.8% of the UK total, well below the region's business share of 8% of all companies in the UK. While levels of innovation within the region's large enterprises are good, with innovation activity taking place in 70% of businesses, for the region's SMEs the figure is only 42% against a national average of 46%.
- 2.41 The fourteen higher education institutions (HEIs) in the region contribute nearly £3bn to the local economy through direct and indirect employment, importers of students, business creation and providers of knowledge and skills. HE investment in R&D in the region is 40% of total research expenditure compared with 22% in the UK. It is important to ensure that higher education research is turned into commercial profit, and companies are encouraged to work with universities to develop new products and services. Alternatively, only 44% of expenditure is invested by businesses in R&D compared with 68% in the UK.

**Table 16 R&D spending as a percentage of GVA by region, 1998 and 2003**

	Business		Government		Higher Education		Total	
	1998	2003	1998	2003	1998	2003	1998	2003
Yorkshire and The Humber	0.5	0.5	0.1	0.2	0.4	0.5	1.0	1.2
United Kingdom	1.2	1.4	0.2	0.2	0.4	0.5	1.8	2.1
North East	0.6	0.9	0.0	0.0	0.4	0.5	1.0	1.4
North West	1.4	1.6	0.1	0.1	0.3	0.4	1.8	2.0
East Midlands	1.4	1.5	0.1	0.0	0.3	0.4	1.8	1.9
West Midlands	1.0	4.4	0.3	0.4	0.2	0.5	1.5	5.4
East of England	2.7	3.6	0.3	0.4	0.2	0.4	3.2	4.4
London	0.5	0.5	0.2	0.2	0.6	0.7	1.3	1.3
South East	1.9	2.3	0.5	0.4	0.3	0.4	2.7	3.1
South West	1.4	1.8	0.5	0.3	0.2	0.3	2.1	2.4

Source: Office for National Statistics, The Region in Figures, 2004; Regional Gross Value Added, 2005

### Employment in Science and Technology

- 2.42 Employment in science and technology in the region is 35.5% of total jobs compared with 41.3% in the UK. There are no figures for The Humber but East Riding and North Lincolnshire only account for 29.4%, which must be an underestimate for the sub-region as it does not include Hull. North Yorkshire (40.9%) employs near the

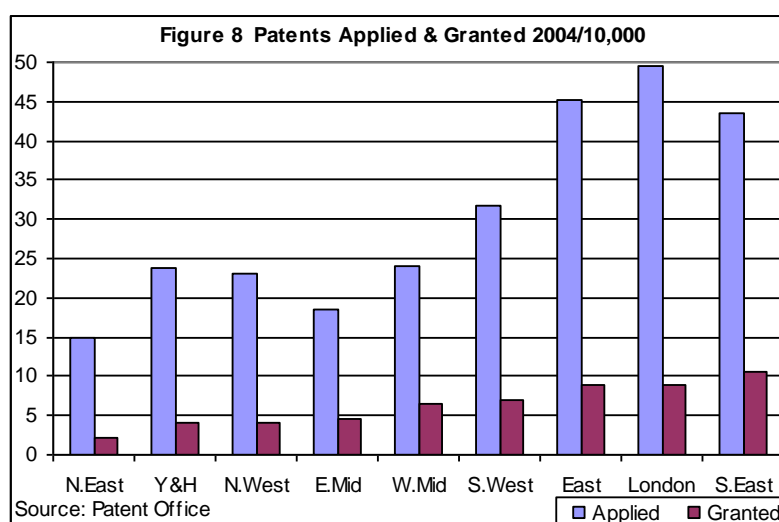
national figure while both West and South Yorkshire are below the UK. The most worrying trend is that the regions' growth has only been half that of the UK, so although the trend appears to be broadly upward, the gap with the UK has grown. This reflects and confirms the need to modernise the sub-regional industrial base. Employment in high and medium technologies in Yorkshire and the Humber was 3.3% or 86,000 in 2004.<sup>6</sup> Employment in R&D in businesses was 6,000 in 2005.<sup>7</sup>

Table 17 % of Employment in Science and Technology							
	2000	2001	2002	2003	2004	2005	Change 2000-05
UK	37.3	37.9	38.2	39.3	40.8	41.3	+4.0
Y&H	33.6	33.5	33.6	34.0	36.4	35.5	+1.9
E.Riding & N.Lincs	27.5	31.1	31.5	30.9	31.4	29.4	+1.9
NY	39.2	36.7	38.6	40.5	43.7	40.9	+1.7
SY	30.1	31.8	31.3	30.9	35.9	32.1	+2.0
WY	36.1	34.2	34.0	34.7	36.1	37.9	+1.6

Source: Eurostat

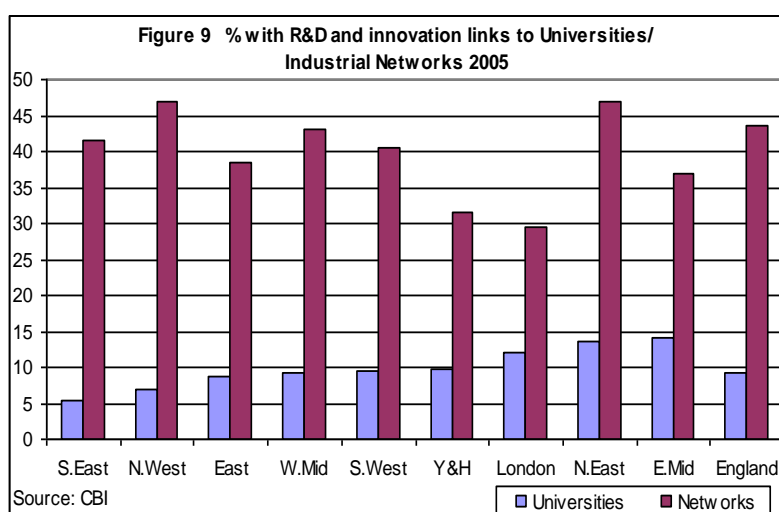
### Patents

- 2.43 Patent applications filed and granted per 10,000 population shows that the region is second lowest only to the North East in terms of patents granted, and is ranked fourth lowest of the English regions in terms of applications filed. This also shows that the success rate of patent applications is lower for the region. Within the region South Yorkshire was ranked second behind North Yorkshire for patent application.



### Business links to Universities and Industrial Networks

- 2.44 The CBI Survey reported that only 10% of firms have R&D links to universities. However, the latest data suggests that the region is, for the first time, rated above the national average of 9%. More links are required between businesses and university research resources and knowledge to promote higher efficiency and productivity. South Yorkshire has the same level of



<sup>6</sup> Source: Annual Business Inquiry ONS

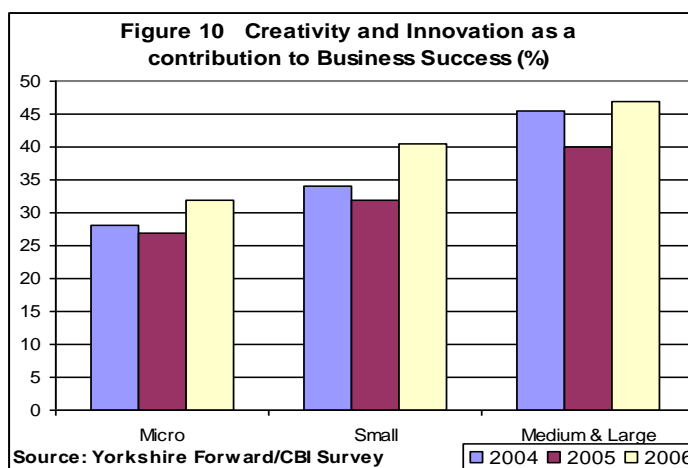
<sup>7</sup> Source ONS MA014 table 16 This figure excludes R&D employees in the university sector and only covers businesses.

university links as the region (10%).

- 2.45 The CBI Survey also collects information on whether firms belong to industrial networks that exist to help companies innovate. Historically, the region has recorded some of the lowest levels in this area, and the latest data shows a drop-off in the numbers of firms reporting a positive response to this question. Only London has a lower level than Yorkshire and The Humber, again suggesting a cultural aversion to partnership working in innovation. Unfortunately, on industrial networking, South Yorkshire, at 23%, is worse than the region (31%), which is only half the England average (44%).

#### Attitudes and Innovation Scorecards

- 2.46 The Yorkshire Forward and CBI survey looks at responses to the question on whether businesses believe creativity and innovation is a contributory factor to business success. Answers were analysed by size of firms and revealed that innovation is much more important to medium and large firms. This finding is consistent with other research which identifies a need, in the new Programme, to address the attitudes of smaller firms towards investing in innovation to drive their productivity.



- 2.47 The selected measures from the European Innovation Scorecard presented in Table 17 provide a snapshot of the region's medium to high tech employment, and of the number of high tech patent applications made. In all three measures, Yorkshire and The Humber is below the levels recorded for the rest of the UK, and the EU15.

Table 18 Performance against Selected Criteria in the European Innovation Scorecard 2005			
	Medium/High-Tech Employment in Manufacturing (% of total workforce)	Medium/High-Tech Employment in Services (% of total workforce)	High-Tech Patent Applications (per million population)
Y&H	5.6	3.2	15.3
UK	6.7	4.5	35.6
EU15	7.4	3.6	31.6

Source: Eurostat

#### Lisbon Targets

- 2.48 Comparing our areas with the quantifiable Lisbon targets for R&D as a percentage of GDP, both the UK (2.1%) and the Yorkshire and The Humber region (1.2%) are below the 2010 target of 3%. Business expenditure as a proportion of total R&D spend in the UK (68%) is just above the Lisbon target of 67% while the region, at 44%, is well below. Household access to the internet is already well above target for both the UK and the region. There are no figures for South Yorkshire.

**Table 19 Relevant Lisbon Targets by 2010: R&D as % of GDP (2003), /Internet Access (2006)**

	Target (%)	United Kingdom (%)	Y&H (%)
R&D as % of GDP	3	2.1	1.2
Business R&D as a % of total R&D expenditure	67	68	44
Household Internet Access	30	57	52

Source: NS Omnibus Survey, Annual Population Survey, NOMIS

Note: \*= Age 50 to retirement

### Lessons learnt from Structural Funds programmes

- Innovation support should be based on a strongly evidenced regional strategy
- Innovation should be integrated with other business support interventions
- Knowledge and technology transfer interventions should be driven by market need and demand
- Knowledge and technology transfer requires an integrated partnership approach
- High innovation performing regions recognise and promote the commercial value of knowledge and technology
- Innovation requires long-term intensive support because the benefits cannot typically be quantified in the short-term

### Key Innovation issues for the Programme

- In 2003 businesses in the region spent less on R&D than any other region, excluding London
- More science and technology jobs are needed; growth over the last 5 years has been half the national increase
- Businesses need to be creative and generate new ideas, and to exploit those ideas through innovation.
- Universities have to be embedded in the process for creativity (ideas generation) and innovation (exploitation).
- Although in large businesses innovation activity is encouraging, levels of innovation in the region's SMEs is well below the national average and this must be a focus of attention.
- Higher education R&D in the region accounts for a larger proportion of investment. It is business spend, however, that needs to be improved despite recent progress
- Centres of Industrial Collaboration can foster links with businesses, encouraging them to develop new markets and products to meet demand
- Although South Yorkshire compares with the national average on networking with universities, it has only half the average national figure for links with industrial networks
- There is a long way to go for the region to achieve 2010 Lisbon targets on R&D and on business' share of R&D expenditure.

### Business Investment

- 2.49 The YF/CBI Survey (Sept 2006) on investment intentions for the year ahead reports that increases in all types of expenditure are planned over the next twelve months, despite firms reporting that they are more cautious about the general business situation, and that under half of firms in the region (45%) are still working below full capacity.
- 2.50 A higher proportion of firms in the region expect to increase spending on buildings than the previous survey but expenditure on plant and machinery, product and process innovation and training, though weaker, remain positive. Planned investment is generally lower than the last survey, output growth is stronger and profits have



deteriorated. Manufacturing businesses are the most likely to increase spending on product and process innovation (balance of 26%), whereas construction businesses are most likely to increase spending on training. South Yorkshire investment is expected to be higher than the region for training and product/process innovation and below the region on buildings and plant/machinery.

<b>Table 20 Do you expect to authorise more or less expenditure in the next 12 months than the last 12 months?</b>							
On Balance	Mar 2001	Apr 2002	Apr 2003	Mar 2004	Mar 2005	Apr 2006	Sep 2006
Buildings	5	10	8	17	1	6	10
Plant & machinery	9	5	7	15	2	4	2
Product & process innovation	18	15	14	24	13	13	7
Training & retraining	26	21	18	29	22	22	20

Source: YF/CBI Surveys, Figure is 'on balance' – subtract %age of opposite of responses

- 2.51 In 2003, manufacturing companies in the region invested £1.5bn. Expressed as a percentage of total manufacturing output, this is 11.2% compared with the England average of 8.8%. Foreign firms accounted for 39% of this investment, above England at 36%.

<b>Table 21 Manufacturing investment as a proportion of total manufacturing output, by region</b>										
	N. East	N. West	Y&H	E Midlands	W Midlands	East	London	S. East	S West	England
2000	12.0	11.0	11.1	10.1	10.8	11.1	9.1	11.8	11.7	11.0
2001	19.7	10.2	10.9	10.0	11.3	11.2	8.4	10.7	13.0	11.1
2002	14.6	10.1	10.3	8.4	8.5	8.9	5.4	9.6	10.2	9.3
2003	11.6	9.9	11.2	8.1	8.2	8.9	5.9	8.0	8.5	8.8

Source: Department of Trade and Industry, Regional Competitiveness Indicators, 2006

- 2.52 Research suggests that access to finance is perceived as a barrier by high numbers of potential business owners. Lower levels of capital wealth in the region exacerbate the problem. The availability of security and an entrepreneur's willingness to invest their own money is a key determinant in the rate of business formation. Evidence from GEM Data shows that whilst a similar amount of finance is used to set up a new business in Yorkshire and The Humber as nationally, the proportion that is contributed by the entrepreneur is less, (£7,716 compared with £10,000 nationally) demonstrating that more finance is being sought through lenders than via personal wealth. Experience from the venture capital funds set up in Yorkshire and The Humber to address this issue also suggests that investment readiness is a barrier to business formation. In 2003, 39% of people thinking about starting a business stated that access to finance was the main barrier preventing them from starting a business. Strict criteria set by banks and financial institutions had a huge impact on converting potential business owners.
- 2.53 Addressing the "Finance/Equity Gap" is an obvious area for action to respond to the need by many growth-oriented businesses for significant injections of funding – the so called "equity gap". While there has been significant success in this area in recent years, there is still considerable evidence – asserted by a variety of reports and reiterated by entrepreneurs and business owners – of a need for continued effort to sustain the supply of risk capital to entrepreneurial businesses. (EKOS consulting, Regeneris, PWC and the European Investment Fund) This need has been underlined by the impact on start-ups of the significant down-turn and/or reluctance from the private sector to back entrepreneurial businesses that has occurred in recent months.
- 2.54 Whilst it is acknowledged that the UK has one of the most sophisticated financial markets in the world, the sophistication is not universal and there is an absence of wide ranging Venture Capital in the North of England. The investment community



has argued that in the North the lack of Venture Capital funding is as a result of good investment opportunities and that this is a reflection on the business community - that is it is less advanced and still needs greater levels of public intervention to stimulate enterprise growth. Evidence from the business community suggests that the private market does not understand their projects, is risk averse and when available Venture Capital funding costs too much. In short, it is still widely acknowledged that the demand side of the equation needs long term intervention to accept the basics of private sector backing.

- 2.56 The experiences of high growth business start up programmes and those of Connect illustrate the gap in the market place and lack of Venture Capital funds in the north. In most cases the attraction of Venture Capital fund managers from London has been a focus to ensure that the businesses (using services such as Connect) can get funding.
- 2.57 The impact of these factors has led to an enterprise culture, in which generic and high growth businesses have accelerated at slower levels in the north compared with the south where higher levels of risk finance is abundant. Although Yorkshire and The Humber has increased its levels of enterprise it is acknowledged that this could be increased more with the availability of risk capital or venture capital and loan funds. All reports acknowledge the need for both types of finance.
- 2.58 At present there are three main funds in the region - South Yorkshire Investment Fund (SYIF), Partnership Investment Fund (PIF) and the Regional Venture Capital Fund (RVCF). There is a need for some form of follow on funding when the current funds reach the end of their investment period.

#### **Public expenditure/investment**

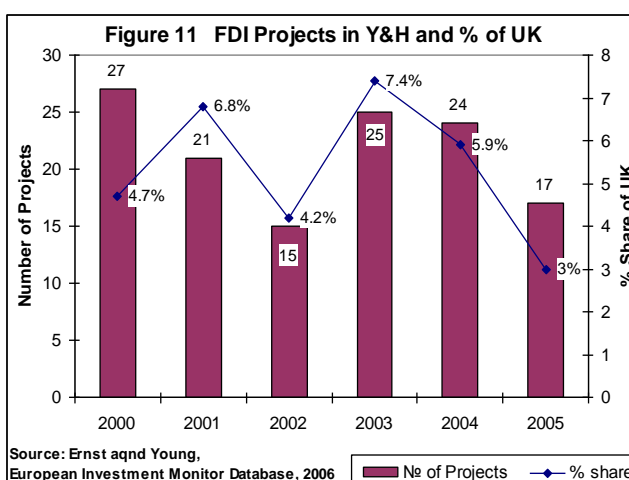
- 2.59 Expenditure by Central Government on services in the region totalled £34.4bn in 2005/06<sup>8</sup>. Expenditure per head works out at £6,829, marginally above the England average of £6,762 but below the UK figure of £7,000. Spending per head in Yorkshire and The Humber is below the England average on general public services, public order and safety, science and technology, transport, environment protection, and housing. The greatest expenditure was in health (£7.708bn), education (£5.932bn) and social services (£13.999bn). All these were above the England per head average totals.
- 2.60 Capital expenditure on transport in the region by Government stood at £466m, second lowest in the UK behind the North East but at £197 per head it is the lowest in the UK. This is only two-thirds of the national average. In contrast, perhaps not surprisingly, London benefited from £1.904bn of capital investment or £631 per head (27.1% of transport expenditure in England). Transport affects business success, quality of life and the environment, and is a critical issue for the region. Other Government expenditure that is important to the region and will be a feature of the next European programme is science and technology. Here, spending is only three-quarters, and environment protection is four-fifths of the national figure. Enterprise and economic development, however, at £784m is 143% of the UK average and can provide opportunities for strategic alignment.

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<sup>8</sup> HM Treasury, Public Sector Expenditure Analysis, 2006

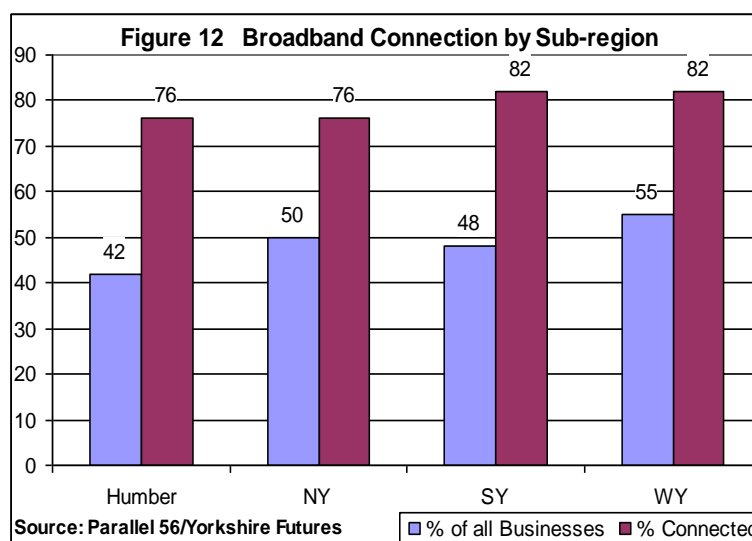
## Foreign Direct Investment (FDI)

2.61 In 2005, the number of FDI projects in the region was 17, representing 3% of all projects into the UK. Europe accounted for eight of these followed by North America (5) and Asia (4). Recent trends have shown the number of projects coming into the region has fluctuated between 15 and 30 projects per year and a share of between 3% and 7.5% of UK FDI. This is below the regional expectations of 8%. The recent trend in Yorkshire and The Humber has been for declining FDI but this has not been matched across the UK and the region's share of investment has been falling. South Yorkshire has benefited from 16 of the 102 projects that have come into the region over the past five years, which is even lower on expectations (of 26). Although the number of projects has declined, the quality of investment is just as important. In 2006, 70% of investment across the region is in production and R&D which is likely to impact more on the local economy both in employment and value added.



## ICT and Broadband

2.62 The Yorkshire Futures E-Business Survey 2005 provides data that would allow comparison and evaluation of 'information society' trends. Levels of website ownership in Yorkshire and The Humber are similar to other areas of the UK, at 46%. West Yorkshire businesses average 55% compared with 48% in South Yorkshire. The trend is reported on a range of technologies and also correlates with GVA per head for each sub-region.



2.63 Thirty percent of businesses in Yorkshire and The Humber do not use computers, predominantly due to a perceived lack of relevance or benefits. These non-adopters tend to be micro businesses, to a greater extent within the Agriculture, Community, Wholesale and Retail or Construction industries, and often located within the Humber or South Yorkshire.

2.64 A range of aspects of infrastructure investment, public and private, are important to the region and these include ICT infrastructure. Basic broadband provision is available throughout the region at 500kb, including isolated rural communities (including through wireless and satellite provision). Uniquely in the North, the vast majority of broadband infrastructure in Yorkshire and The Humber has been provided without public sector intervention. Where the public sector has needed to act, projects have been of modest scale. The next stage for regional broadband will be securing next generation high speed internet access which has already been supported in rural North Yorkshire by Objective 2 investment.

### Lessons learnt from Structural Funds programmes

- Infrastructure investments need to align with strategic sites (such as existing Integrated Development Plans)
- Investments must also be consistent with the current strategic investment programme (regionally this would include the Investment Planning process)
- Physical investments should be governed by environmental sustainability and connectivity to deprived communities
- SME premises should be linked to the needs of cluster development particularly where it acts as a driver
- The use of ICT and broadband in businesses has been particularly successful where it has been supplemented and supported by training, which requires identifying linkages with the ESF programme
- Changing the business culture is crucial to ensuring the sustainability of ICT and broadband initiatives

#### Key Investment issues for the Programme

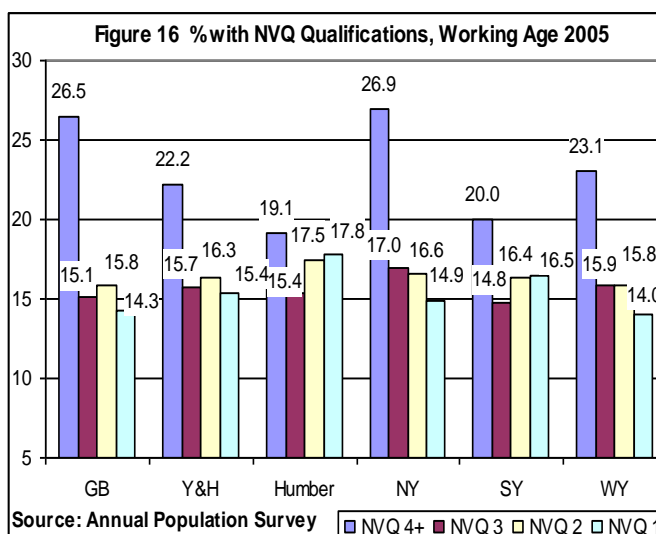
- Yorkshire and The Humber's share of FDI has been declining relative to the UK
- More recently there has been improvement in the quality of FDI – moving from sales and marketing functions to R&D and production capacity
- South Yorkshire's share of FDI is worse than the region's
- The need to address the region's equity gap through a financial engineering instrument
- The region receives a considerable public expenditure on Enterprise and Economic development which provides the opportunities for strategic alignment with EU funds.
- The region has 100% broadband coverage but 30% of businesses still do not use ICT. Usage for both of these correlate with performance on GVA. Adoption rates by businesses appear to be lowest in South Yorkshire and the Humber.
- The capacity of firms to grow and innovate is influenced by the availability of finance. Stimulating and supporting access to finance will be crucial to business investment.
- Companies should be encouraged to realise the potential that ICT can offer to competitiveness

### Skills

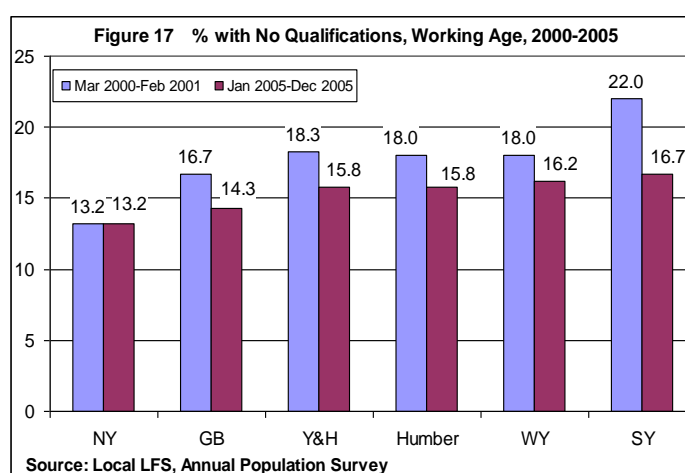
- 2.65 A crucial component of all economies is the level of skills contained within its workforce. The higher the skills equilibrium (level of skills the economy operates under), the greater is the ability of that economy to attract and create higher order jobs, and thereby help to assist the growth of that economy. Although EU funded skills interventions will be broadly supported through the European Social Fund (ESF), complementary ERDF investments will enable SMEs to develop their capacity and desire for training. It is regionally important that linkages between the ESF and ERDF Programmes are established and maintained.

## Adults with and without Qualifications

2.66 In the region, 84.2% of people of working age have at least one qualification. More than one in 4 people in GB have NVQ4+ level qualification (i.e. first degree equivalent or above) compared with one in 5 in The Humber and South Yorkshire sub-regions. All economies need a balance of skills but ideally should maximise their share of NVQ2 level and above qualifications. Most regeneration initiatives, including Structural Fund programmes, would need to provide training for a range of skills to help economies improve their skills equilibrium. This training must be matched to job opportunities to ensure it feeds into the economy.



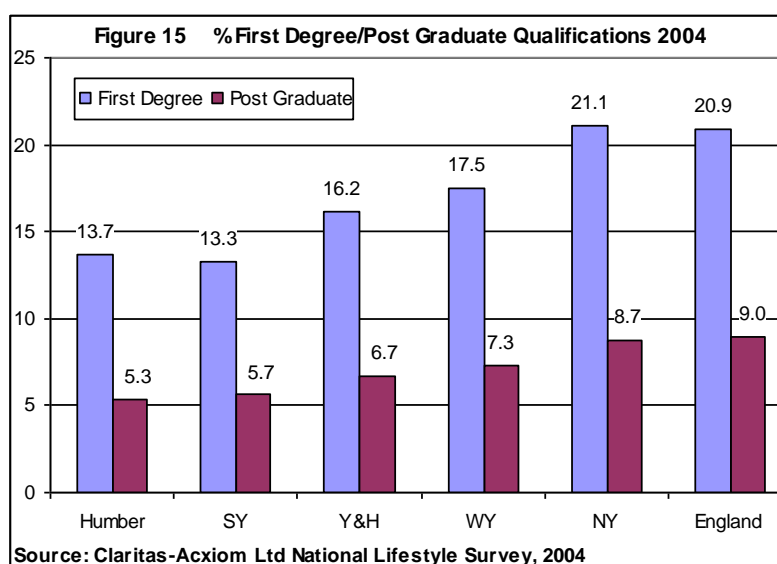
2.67 In 2005, 481,000 people in the region who are of working age had no qualifications (15.8%), compared with GB with 14.3%. This was a reduction of 66,000 since 2000. At 16.7%, South Yorkshire has the highest proportion of people with no qualifications but has reduced its numbers by a quarter over the same period, 39,500 fewer people. A reduction in the number of people with no qualifications has to be a priority for the next round of Structural Fund programmes. The need for basic skills training for people without paid work or in employment across the region will contribute to its competitiveness.



## Skills Gaps and Shortages

2.68 The LSC National Employer Skills Survey 2005, reported that 26% of vacancies in the region were considered by employers to be skills shortage vacancies, a little worse than the national average of 25%. These skills shortage vacancies are most prevalent in skilled trade occupations, and lowest in personal services, sales and customer service occupations.

2.69 Regionally, 80% of employers quote the reason for skills gaps is partly due to lack of experience, 34% say its staff motivation, and 26% also say that a failure to train staff is partly responsible. The major impact of these skills gaps, as quoted by employers, is an increased workload on others (76%), while 40% say it increases their operating costs. However, 86% of employers do



aim to tackle their skills gaps by expanding their training.

- 2.70 Figures from the National Lifestyle Survey show that in 2004, 16.2% of households in Yorkshire and The Humber had at least one adult with a first degree, and a further 6.7% of households had at least one adult with a postgraduate qualification. These compare poorly to the England averages of 20.9% and 9.0% respectively. At sub-regional level, The Humber and South Yorkshire lag behind in terms of first degrees and postgraduate qualifications.

### Forecasts on Occupations

- 2.71 The Experian Regional Econometric Model provides forecasts by occupations and industry. **Table 22** shows how demand for most trade skill occupations will decline as will protective services, research and teaching, and associated science professionals.

Table 22 Yorkshire and The Humber Occupational Forecast 2007-2013					
Occupation	2007	2009	2011	2013	% Chge 07-13
Corporate Administrators	300,937	302,649	305,403	306,948	2.0
Managers and Proprietors	84,710	85,176	85,976	86,662	2.3
Science/Tech/Prof	60,671	61,824	63,163	64,179	5.8
Health Professionals	30,894	31,654	32,538	33,915	9.8
Teaching/Research Prof	113,411	109,412	106,325	104,188	-8.1
Business/Public Serv./Prof	78,737	78,621	79,455	80,416	2.1
Science Associate Prof	40,024	39,129	38,437	38,011	-5.0
Health Associate Prof,	102,520	104,015	106,665	110,385	7.7
Protective Service Occ	36,667	35,558	34,735	34,388	-6.2
Culture/Media/Sport Occ	42,622	42,741	43,164	43,550	2.2
Bus/Public Serv, Ass Prof	129,832	130,434	131,557	132,635	2.2
Admin & Clerical Occ	235,119	237,259	240,330	242,535	3.2
Secretarial & Related Occ	79,738	78,896	78,823	79,155	-0.7
Skilled Agricultural Trades	18,710	18,171	17,528	16,916	-9.6
Skilled Metal/Elect Trades	117,126	116,773	115,863	114,659	-2.1
Skilled Construct. Trades	100,941	103,209	104,939	105,529	4.5
Other Skilled Trades	66,199	65,129	64,849	65,042	-1.7
Caring Personal Serv Occ	153,184	154,931	158,217	163,070	6.5
Leisure/Oth Pers Serv Occ	51,272	52,672	54,117	55,575	8.4
Sales Occupations	175,243	178,293	181,940	183,494	4.7
Customer Service Occ	39,250	39,859	40,709	41,426	5.5
Process, Plant & Mach Op	124,407	119,438	113,871	109,669	-11.8
Transport Drivers & Op	115,567	116,694	117,074	116,321	0.7
Elementary Trades: Plant/Mach	98,305	98,487	98,718	98,423	0.1
Elementary: Clerical Serv	229,381	229,233	230,167	231,676	1.0
Occupation Total	2,625,468	2,630,257	2,644,563	2,658,766	1.3

Source: Experian Business Strategies/Yorkshire Forward Regional Econometric Model March 2007

- 2.72 Skills in demand will include health professionals and associated professional, and leisure and culture occupations. When developing learning provision it is important that the skills are relevant to existing and future needs in these sectors. Advice and guidance must also be provided for sectors forecast to decline in employment over the next few years.

### Key Skills issues for the Programme

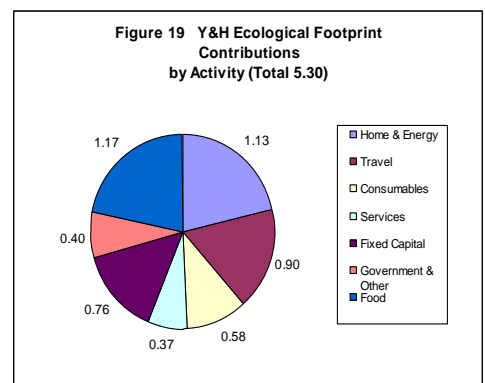
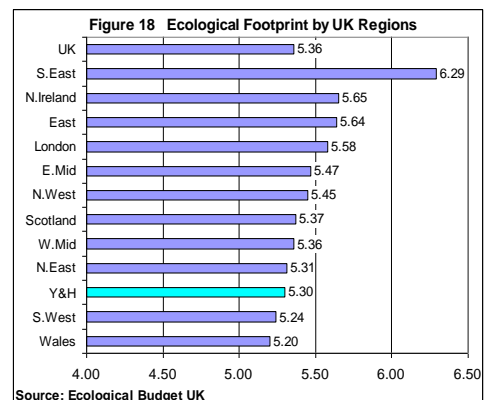
- The region needs to improve its skills equilibrium by maximising the proportion of people with NVQ2 level and above qualifications
- While there have been marked improvements across Yorkshire and The Humber, the region has the lowest attainment rates at GCSE level in England
- However, our region has the best results in England for A/AS level exams for young adults
- The region produces nearly 11% of England's graduates but has real problems with retaining them for employment in regional businesses
- Some parts of the region have severe skills problems with the lack of qualifications
- 26% of vacancies are deemed to be due to skills shortages
- Must provide training for the occupations that are forecast to grow and advice and guidance to those occupations forecast to decline.

### Environment

- 2.73 The challenge for the new programme is to limit environmental damage through the delivery of interventions and adoption of projects that have the potential to improve and sustain the local environment. This means investing in activities that help the region move towards a resource-efficient and low carbon economy that maximises environmental benefits.

### Ecological Footprint

- 2.74 The Ecological Footprint has been calculated by The Ecological Budget UK project. It calculates the emissions generated by fossil fuel and how much land is required to absorb them. It is measured in 'global hectares per person (gha/capita)'. The higher the score the more of the Earth's resources are being used. World capacity is estimated to be a footprint of 1.8 gha/cap. The region's footprint of 5.30 gha/cap is below the England average of 5.36 but well above the world average of 2.2. In common with the rest of the UK and many other industrialised nations, the region is exceeding the earth's "fair share" of ecological services by a significant margin. It is therefore important for the region to make a commitment to stabilise its footprint and to work towards its reduction. In South Yorkshire, Sheffield as a city with significant urban concentrations at 5.40 is both above the region and the UK. Barnsley (5.17), Doncaster (5.19) and Rotherham (5.2) are all below and at 5.27 South Yorkshire is also below both country and region. The main contributors to the region's ecological footprint is home and energy consumption (1.13), food (1.17) and travel (0.90)



### Renewable Energy

- 2.75 The development of renewable energy resources will also make a contribution to reducing greenhouse gas (GHG) emissions as well as meeting specific government targets of generating 10% of electricity from renewable resources by 2010 and 20% by 2021. Regional targets contained in Policy ENV5 of the Draft Regional Spatial Strategy are 674 MW by 2010 and 1,850 MW by 2021. The policy also requires 10%



of energy used in sizeable new developments to come from on-site renewable energy sources. Currently, regional electricity generation capacity is about 13,000 MW but renewable energy capacity, at 130 MW, represents only 1% of this. The region currently lies fourth from bottom on the creation of renewable energy.

### Climate Change and Greenhouse Emissions

- 2.76 Climate change is acknowledged to be the most significant challenge facing our planet, with ramifications both for people and wildlife. The region has almost 550,000 people who live in areas at risk of flooding, including 95% of Hull. Changing patterns of temperature, rainfall and rising sea levels will require the region to adapt to new ways of living and working. Global warming is linked to greenhouse gas emissions with power stations being the region's largest source of these emissions (59% in 2001), having 16% of all UK power generation capacity and 31% of coal-fired capacity. In 2003, the region generated 15.8m tonnes of CO<sub>2</sub> emissions which is 3.15 tonnes per person, the second highest region in England. Climate change affects sea levels, coastal erosion and flood defences, which are potentially catastrophic to the region's coastal and low-lying areas such as the Hull and Humber Ports City Region, York and its surrounding areas and east of Doncaster. However, through focused investment, Yorkshire and The Humber will enable sustainable development opportunities, generating economic and job creation benefits for the region.

### Lisbon Targets

- 2.77 Comparing the quantifiable Lisbon target on greenhouse gas emissions suggests that the UK has met its individual target. However, the trend since 2002 has been moving in the wrong direction, largely due to increases in CO<sub>2</sub> (85% of all GHG emissions) and energy production. No regional/sub-regional targets exist because no 1990 figures are available. The region however is well short of generating 10% of its electricity from renewable sources.

Table 23 Relevant Lisbon Targets by 2010 (Kyoto 2008-12): Greenhouse Gas Emissions 2004			
	Target (%)	UK (%)	Y&H (%)
Reducing Greenhouse gas emissions	12.5 below 1990	14.5 below 1990	NA
Electricity from renewable sources	10%	1.5	1%

Source: Environment Agency

### Key Environment issues for the Programme

- Region's ecological footprint is below the UK but above the world average and global capacity
- Sheffield is above the region's ecological footprint while the other three districts are below
- Household waste is growing but levels are 3rd lowest in England regions. Recycling household waste is improving but well behind England averages. Levels of commercial and industrial waste are falling
- The region is the highest energy consumer and highest emitter of carbon dioxide in England partly due to its power station capacity
- Potential exists to exploit need for renewable energy in production and technology development
- Lisbon targets for greenhouse gas emissions/renewable energy are unlikely to be met by 2010.



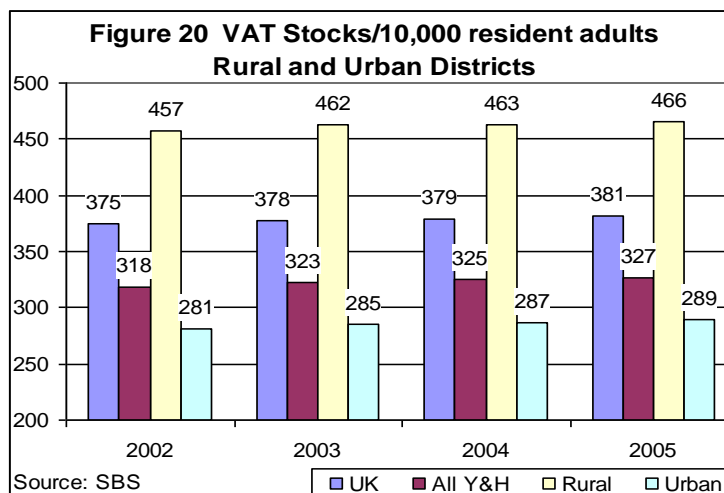
## Urban/Rural

- 2.78 A definition of urban and rural areas was published in 2004 by National Statistics. Based on output areas (OAs) which typically comprise around 300 people per area and designed to be as socially homogeneous as possible, there are 16,792 OAs in Yorkshire and The Humber. There are also classifications for 3,293 super output areas (SOAs) and 496 statistical 2003 wards. There are various sub-categories for each of these geographies but these will be simplified into urban and rural. Some of the analysis will use this classification but the information is driven by what data is available at the rural level and at times it is necessary to use data at the local authority level.
- 2.79 Much of Yorkshire and The Humber is rural in character, with over 85% of its area being inhabited by less than 400 people per square kilometre. Key sectors like agriculture and tourism play a significant role in the 15% of the economy outside major towns and cities. Yorkshire and The Humber's rural communities are also home to 20% of our skilled and graduate level workers, significantly more than their population share would suggest. These areas have distinct opportunities and challenges across economic drivers including enterprise and employment. In some cases, pockets of notable deprivation are masked within generally more affluent communities. Areas such as the Dearne Valley, and some parts of the rural (or semi-rural) Pennines have the most pronounced areas of economic disadvantage. This is also true of some coastal communities such as Scarborough, where deprivation lies alongside miles of Heritage Coast.
- 2.80 There are 464,800 people who live in rural areas and are employed, 21% of all people employed in the region (79% in urban areas). The employment rate in rural areas is 74.3% compared with 71.5% in urban areas. The structure of the rural economy generally reflects the Yorkshire and The Humber structure with one exception – agriculture. This is because people living in rural areas also travel to towns and cities to work.
- 2.81 Annual Business Inquiry (ABI) data reflects employee jobs where they are located. This indicates that rural areas contain 18% and urban areas 82% of jobs (ABI 2004). Sectors such as banking, finance and insurance are less concentrated in rural areas but distribution, hotels and restaurants represent a higher proportion of total jobs in rural areas.

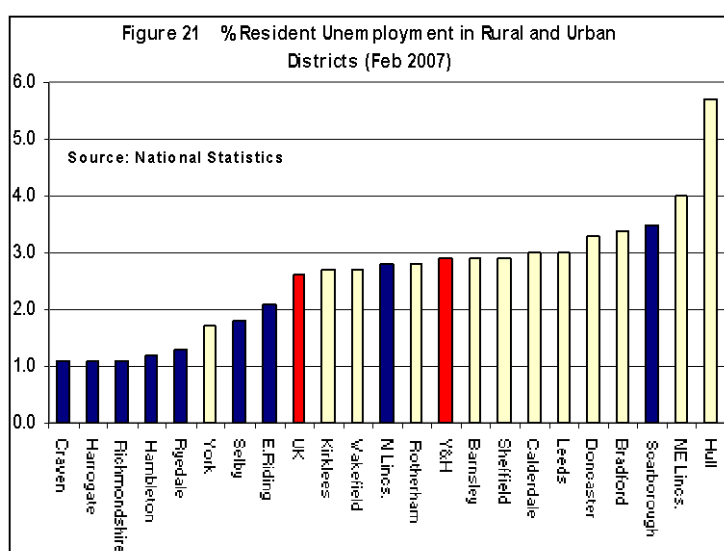
Table 24 Employment in Rural and Urban Areas in Yorkshire and The Humber				
Industry Sector	Rural Emp	% of Rural	Urban Emp	% of Urban
Agriculture and fishing	15,567	3.3	20,039	1.2
Energy and water	6,388	1.4	20,099	1.2
Manufacturing	73,133	15.7	305,133	17.8
Construction	32,362	7.0	120,417	7.0
Distribution, hotels and restaurants	103,036	22.2	397,693	23.2
Transport and communications	27,411	5.9	109,323	6.4
Banking, finance and insurance, etc	65,640	14.1	239,486	14.0
Public admin., education & health	120,155	25.9	428,024	24.9
Other services	21,122	4.5	75,485	4.4
Total	464,814		1,715,699	

Source: Census of Population 2001

2.82 For enterprise in rural areas, we examine VAT stocks per 10,000 residents. In rural areas the level of business stocks is 466 per 10,000 residents, increasing every year as registrations exceed de-registrations (although the level of registrations has been declining over the last three years). The levels of enterprise in rural areas is generally higher than in urban areas with higher levels of SMEs, that include sectors such as tourism and agriculture, but also because major employers tend to locate in or at the fringes of urban areas. Support for new enterprise will need to take account of both the level of enterprise and the sector profiles of urban and rural areas.



2.83 Local authorities with a predominantly rural population tend to have lower unemployment rates than urban areas. Only Scarborough and North Lincolnshire (inc. Grimsby) have a higher unemployment rate than the UK average. Hull is classified as 100% urban by National Statistics, and has by far the highest unemployment rate. Most disadvantage measures tend to reflect high levels of poverty in urban areas. Three of the South Yorkshire districts are above the UK average, and Barnsley is equal to it.



2.84 **Table 25** provides a comparison of the seven indicators that comprise the IMD 2004, against the worst 10% of SOAs in England. The Index itself shows that proportionally more than twice as many people (20.9%) in urban areas in the region live in the 'worst' 10% SOAs in England. By comparison only 2.6% (25,200 people) in rural areas live in the worst 10% in England. All of these are in the former coalfield areas of Barnsley, Doncaster and Wakefield. Deprivation in the region's urban areas is also high in all indicators except housing. Particularly high are the indicators on skills, crime and environment. For rural areas, all deprivation comparisons are low except for housing where the issue is mainly linked to house prices and services/facilities. Under the new programme many of these issues cannot directly be supported but their consequences to quality of place can. Small environmental improvement projects can provide a visual facelift to deprived urban communities that would help to raise the quality of place for those who live there but also the image it portrays to the visitor or potential investor.

<b>Table 25 IMD 2004 Indicators – Urban and Rural (England = 10%)</b>								
	Index	Income	Employment	Health	Skills	Housing	Crime	Environment
Urban	835,270	660,970	756,010	687,590	1,011,970	25,530	921,930	962,110
Rural	25,220	16,300	45,450	45,580	44,760	174,060	4,420	16,420
Urban % in 10%	20.9	16.5	18.9	17.2	25.3	0.6	23.0	24.0
Rural % in 10%	2.6	1.7	4.7	4.7	4.6	18.1	0.5	1.7

Source: IMD 2004

- 2.85 Concentrations of employment are in urban centres which are also the focus of most employment and business opportunities. Furthermore, the momentum of urban renaissance, availability of JESSICA finance loans and the emergence of City Regions suggest that physical investments in urban areas can create the right environment for business. In those parts of Yorkshire and The Humber eligible for Objective 1 and 2, Integrated Development Plans were established during the 2000-2006 programming period to drive the development of physical infrastructure. Particularly in the South Yorkshire phasing-in region urban centres will need a continuation of investment to take these areas to the next phase.

#### **Key Rural and Urban issues for the Programme**

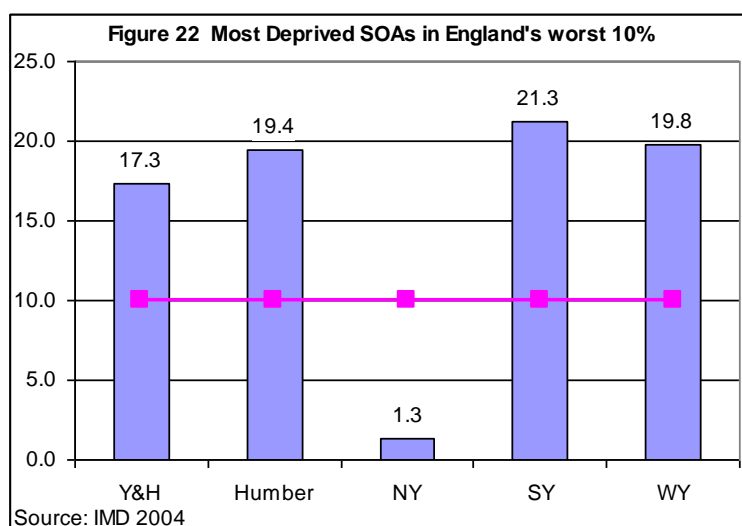
- 85% of the region's land is rural and largely concentrated in the North and East, and residents of rural areas account for 20% of all jobs
- There are proportionately more VAT registered companies in rural districts than in urban districts and rural areas have lower unemployment rates
- Although often appearing affluent, rural areas have masked pockets of deprivation and low wage levels as deprivation is not as concentrated as in towns and inner cities
- Urban areas in the region have higher levels of deprivation and quality of life issues such as crime, environment, health and skills which can influence quality of place
- Concentrations of employment in urban centres are also the focus of opportunities.
- The region enjoys a high quality environment that can be exploited to attract high value, high technology businesses to the region, based on the availability of land in attractive places to live and work.
- Rural community isolation restricts opportunities

#### **Sustainable Communities**

- 2.86 All economies have communities that are disadvantaged and do not always benefit from economic growth opportunities and investments, unless specific provision is made available. This section will address the level of deprivation in the region and analyse labour market statistics which provide many of the opportunities for economic development.

## Areas of Deprivation

2.87 Using the Index of Multiple Deprivation (IMD) 2004 and small geographic units such as 'Super Output Areas' (SOAs) allows the identification of small deprived communities of about 1,500 people per SOA. The chart below illustrates the percentage of our 3,293 SOA communities that are in the 10% of the 'most deprived' in England. Here 17.3% or 860,000 people in the region are in the 10% 'worst' areas in the country. North Yorkshire only has 1.3% of its



communities in the worst 10%, while South Yorkshire at 21.3% has over twice the number of such communities that it should have. This means that almost 270,000 people live in these South Yorkshire communities when at the national average it should be 127,000. Both The Humber and West Yorkshire are just under twice the national figure, with hotspots of deprivation in Hull and Bradford.

2.88 The IMD 2004 also provides data on seven sub-indicators of deprivation which can affect the wealth of a community. (These include income, employment, housing, crime, skills, health and environment.) Across the region (excluding South Yorkshire) the IMD suggests that some of the most important issues for deprived communities are the low level of skills, high crime rates and poor environment. The important deprivation issues for South Yorkshire's deprived communities include low level of skills, low employment rates and poor health/disability figures.

2.89 Most of the areas identified above are urban concentrations. Communities of interest in rural and coastal areas do not tend to appear as deprived in measures of deprivation. The IMD 2004 and previous such measures work on the basis of concentrations of poverty. Rural deprivation is often masked by more affluent communities living nearby. A feature of rural deprivation is not just problems of access, irregular work and low pay but also fewer labour market opportunities. One of the problems identified in the previous section also reported on the problems of housing and services in rural communities, as poorer people are priced out of the housing market.

## Businesses in Deprived Communities

2.90 To identify the level of entrepreneurship in poor communities, an analysis is made of self-employment of the region's areas in the 10% of the most deprived communities in England. Potential clients and beneficiaries of the Programme are either people who are currently self-employed in these communities, or people who may be interested in starting a new business.

- 2.91 In the most deprived 10% SOAs in the region, there are 22,300 people who are self-employed, which is 2.6% of their population compared with 6% across all of England SOAs. If the region's deprived communities had the number of self-employed that there are at the national average, we should have 51,700 self-employed people. This identifies an enterprise gap of 29,400. Although there is less of an enterprise culture in these communities, the gap suggests that there is potential to help people to start new businesses.

Table 26 The Region's Self-employed at 10% of Most Deprived SOAs in England							
	Total IMD Pop	Number in England 10% SOAs	% in England 10% SOAs	Self-emp.	% of Pop Self-emp.	At England Ave. (6.01%)	Self-emp. Gap
Y&H	4,965,250	860,490	17.3	22,328	2.59	51,715	29,387
Humber	867,400	168,450	19.4	3,948	2.34	10,124	6,176
North Yorks.	751,230	10,100	1.3	549	5.44	607	58
West Yorks.	1,265,170	269,150	21.3	7,066	2.63	16,176	9,110
South Yorks.	2,081,450	412,790	19.8	10,765	2.58	24,809	14,044

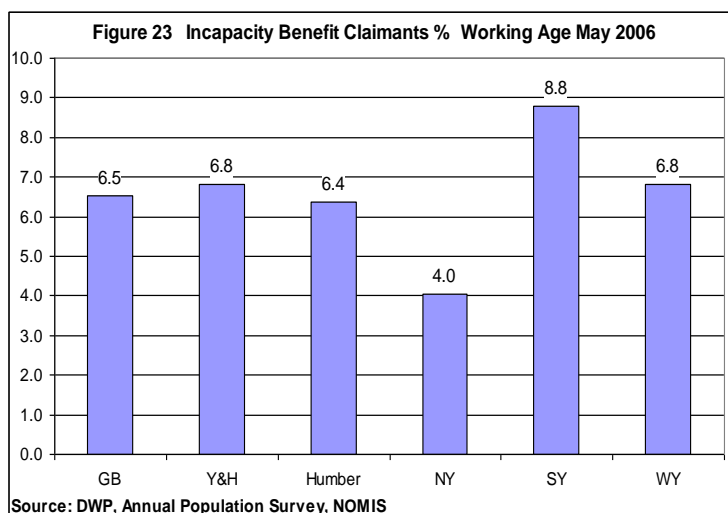
Source: Neighbourhood Statistics, IMD 2004, Census 2001

- 2.92 A Small Business Service survey on '*Social Enterprises across the UK*' (July 2005), with a restricted definition of social enterprise, estimated that about 15,000 such businesses exist across the country and this figure is rising rapidly. It also reported that a large proportion of these businesses are in London, and only 4% are in the Yorkshire and The Humber region compared with our population of 8% of the UK. This would suggest that there is the potential to double the number of social enterprises in the region which currently stands at around 600. These enterprises could be split into creating both higher added value businesses and businesses that cater for specific social needs.

### Labour Market

- 2.93 There are 2.26 million people employed in the Yorkshire and The Humber region, an employment rate of 74.1%, which is just under the GB average of 74.5%. Low employment rates tend to suggest a larger share of lower skills levels, higher unemployment, higher inactivity rates and fewer businesses, which are all features of deprivation. At 80.3%, only North Yorkshire has an employment rate above the GB average, while The Humber (73.3%), West Yorkshire (73.6%) and South Yorkshire (71.9%) are below both region and country. For South Yorkshire, this suggests a gap of over 28,000 jobs, despite significant improvements in the employment rate in recent years.
- 2.94 The worst unemployment rate in the region is in The Humber where the current figure (February 2007) is 3.6% or 1.0 point above the UK (2.6%). Both South Yorkshire and West Yorkshire are at 3.0%, while North Yorkshire is 1.7%. Although deprived communities do tend to have high unemployment rates, a more accurate measure of labour market dysfunction in deprived communities is the level of economic inactivity. Less than one in 5 people of working age are economically inactive in North Yorkshire (17.8%) compared with South Yorkshire (24.2%) where one in 4 people are economically inactive. Economic inactivity hides a great deal of 'hidden unemployment' which will include people claiming 'incapacity benefit'. This benefit is claimed by (in May 2006) 8.8% or 68,300 people of working age in South Yorkshire. This is three times the number unemployed, and 4 out of 10 people classed as economically inactive in the sub-region.

2.95 The highest level of incapacity claimants are in Barnsley where 12.7% of people of working age claim this benefit. Although unemployment appears to be higher in The Humber, the level of incapacity benefit claimants is a major feature of hidden unemployment for South Yorkshire. This translates into less capacity for taking labour market opportunities and could perpetuate high levels of deprivation in the sub-region. This suggests that unless funding support is allocated to deprived communities across the region, high levels of deprivation will continue.



2.96 Tackling worklessness is key to securing economic growth and social inclusion in the region. Along with productivity, employment is one of the two factors that drive economic growth. Research undertaken by the Centre for Social and Economic Inclusion has shown that targeted employment rates could not be achieved even if every Job Seekers Allowance claimant were placed in work. Inclusive and sustainable economic growth can only be achieved if a significant proportion of the inactive population are encouraged to re enter the labour market so the strategy of connecting people to economic opportunities makes sense.

2.97 One of the major barriers that prevents people in the region, particularly from disadvantaged groups, from finding a job is the provision of appropriate childcare. According to NOMIS in Yorkshire and Humber alone 45,000 people would like to work but cannot due to family/home responsibilities and the lack of childcare infrastructure.<sup>9</sup> The impact of helping these groups back to work would be the equivalent of increasing the regional rate of employment by over 1%.

2.98 Barriers to employment, including childcare, need to be tackled as part of a integrated approach to closing the productivity gap at the community level. The whole household approach to social inclusion which links with LEGI and local Community Strategies provides a coherent approach towards tackling barriers to employment in a coordinated way ensuring that no one barrier and solution is treated in isolation and that this activity is complemented by support for training and learning through ESF in order to address both the social inclusion agenda and encouraging people back to work.

<sup>9</sup> NOMIS Annual Population Survey 2005/06



## Lessons learnt from Structural Funds programmes

- A combination of enterprise support and loans reduces grant dependency in enterprises
- Childcare provision can release people to enter the labour market in deprived areas
- Business premises for SMEs in disadvantaged communities can be justified on social and equity grounds and not just on market failure
- Targets should be set flexibly so that they do not restrict activity and hamper progress
- Community action plans ensure that local areas become focused, and the planning process helps towards their sustainability
- Project endorsement and selection at local level are more effective in meeting needs

## Social Infrastructure

2.99 The IMD is a combination of 7 individual factors, 3 of which are Education, Income and Employment and provides evidence for the lack of adequate social infra-structure in some communities

Table 28 South Yorkshire 10% most Deprived Super Output Areas				
	Rotherham	Doncaster	Barnsley	Sheffield
% of Local Authority District 'deprived'	11.4%	25.9%	23.1%	23.0%
Education, Skills & Training	95%	94%	94%	85%
Income	89%	62%	56%	85%
Employment	100%	92%	61%	83%

Source: IMD

and indicates how shortfalls in these areas are strongly correlated to deprivation. Seven factors combine to create the total IMD score for each SOA. When all the SOAs are ranked on this total score, the 10% with the lowest score are defined as the 10% most deprived areas in the country, the next 10% are the 2nd most deprived decile and so on. The analysis below shows what proportion of the bottom 10% deciles of the IMD are also in the bottom deciles for the above 3 factors which limit employment opportunities. So for example, 89% of the most deprived SOA in Hull is also in the bottom 10% of the country's skills ranking, 78% in terms of income and 93% for employment. This provides clear evidence of the need to tackle economic exclusion in the region's most deprived 10% SOA.

Table 29 Yorkshire and Humber 10% most Deprived Super Output Areas										
	Hull	Bradford	NE Lincs	Leeds	Wakefield	Calderdale	Kirklees	Scarborough	N Lincs	East Riding
% of Local Authority District 'deprived'	46.6%	30.3%	24.3%	21.0%	13.9%	12.7%	11.6%	9.9%	8.0%	1.9%
Education, Skills & Training	89%	85%	85%	84%	90%	60%	52%	57%	63%	50%
Income	78%	75%	81%	59%	66%	87%	64%	86%	100%	100%
Employment	93%	100%	69%	61%	93%	24%	58%	86%	88%	100%

Source: IMD

2.100 In terms of ICT, IMD data demonstrates a clear gap that needs to be plugged in the region's most deprived 10% SOA. Over a third of people in the most deprived 10% SOA cannot use a computer effectively to meet their needs, and 70% of households

in the bottom 10% have not undertaken any ICT training in the last 12 months and they were also less likely to have had training subsidised/funded by their employers. These figures are above the Yorkshire and The Humber and England averages, these demonstrating the need for investment in this area in order to improve the employment prospects of those living in the worst 10% SOA. An estimated 40% of households in the most deprived 10% of the region are known to have at least 1 adult with a level 2 equivalent skill set, compared to over 60% in the top 10% and there is an higher instance of willingness to re-train for a career in IT in the most deprived areas.

<b>Table 30 ICT in Yorkshire and the Humber's 10% Most Deprived Communities</b>												
	Are you / your partner able to use a computer to meet your needs? (2004)	Have you / your partner undertaken any training/qualifications in the last 12 months (2005)		If so was this training funded by your employer (2005)		Do you your partner have any of the following qualifications (summarised to highest in household) (2006)						Would you / your partner consider training for a career in IT?
	No	Yes	No	yes	No	No	No qualification s	Level 2 +	Level 3 +	Level 4/5 +	Degree +	Yes
England	22.0	34.1	65.9	50.4	49.6	34.0	12.2	53.8	36.3	26.0	21.0	6.3
Y&H Most deprived 10%	25.2	33.9	66.1	50.0	50.0	35.3	14.0	50.7	33.2	23.0	17.8	5.8
	34.6	30.2	69.8	41.5	58.5	40.1	19.3	40.4	22.3	13.2	10.0	7.1

Source: IMD

### Key Sustainable Communities issues for the Programme

- Over 17.3% (860,000 people) of the region's communities are within the 10% most deprived in England. For South Yorkshire this is 21.3%
- Deprivation Indices do not identify rural disadvantage
- There are 22,300 people who are self-employed in our deprived communities which is less than half the national average and suggests an enterprise gap of 29,400
- The number of social enterprises in the region is half the UK average so there may be significant potential to increase these in the new Programme
- Labour market statistics indicate high levels of economic inactivity where hidden unemployment and lack of skills may be limiting employment opportunities for deprived communities
- Attempts should be made to combat social exclusion by reducing barriers to work including improving the availability of affordable childcare facilities and ICT provision.
- Business activity could include supporting existing and fostering new businesses in deprived areas
- Lisbon childcare target is met but further investment in high quality facilities is needed to enhance access to labour market opportunities for people living/working in deprived communities

## SWOT

- 2.101 A Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis that reflects the findings in this chapter is provided for the region, followed by a SWOT for South Yorkshire.

### Yorkshire and The Humber SWOT

Strengths	Opportunities
<p><b>Business</b></p> <ul style="list-style-type: none"> <li>GVA will grow marginally faster in the region because of forecasts for West Yorkshire and South Yorkshire</li> <li>Manufacturing is still important for the region because of the contribution it makes to GVA</li> <li>The regional clusters contribute to growth in region's output and this is forecast to continue</li> <li>More companies in the region are exporting their goods and services</li> <li>Growth trends in VAT stocks have been above the national average and fastest in South Yorkshire</li> <li>North Yorkshire has both a high level of VAT registrations and stocks, exceeding the national average</li> <li>One, two and three-year business survival rates are now higher than the UK</li> <li>Yorkshire and The Humber is second only to London in having more business owners under 35 years old</li> <li>Humber ports UK &amp; European destinations</li> </ul> <p><b>Innovation</b></p> <ul style="list-style-type: none"> <li>Higher education R&amp;D in the region accounts for a larger proportion of R&amp;D investment</li> </ul> <p><b>Investment</b></p> <ul style="list-style-type: none"> <li>Recently there has been an improvement in the quality of FDI in the region, moving from sales and marketing functions to R&amp;D and production capacity</li> </ul> <p><b>People and Skills</b></p> <ul style="list-style-type: none"> <li>Employment has grown much faster than GB since 2000 and is at a historic regional high</li> <li>Employment rate gap with the national figure has narrowed and is higher than the Lisbon target</li> </ul>	<p><b>Business</b></p> <ul style="list-style-type: none"> <li>Creative and Digital Industries cluster is forecast to see an increase in both output and employment over the programming period</li> <li>Experience has shown that investing in clusters will help companies improve their competitiveness through funding initiatives that increase the efficiency of supply chains, increase knowledge transfer, encourage networking and promote innovation</li> <li>Region can increase its business base by encouraging and supporting more people to start a business</li> <li>Rate of female entrepreneurship has started to increase above the national average</li> <li>Data suggests that BAME communities have higher entrepreneurship levels</li> <li>Interest in starting a new business is increasing but fear of failure affects more people here than in the UK</li> </ul> <p><b>Innovation</b></p> <ul style="list-style-type: none"> <li>Analysis suggests that more links are required between universities and businesses to promote innovation and drive productivity, such as facilitating/brokering relationships between solution provider(s) and business</li> <li>Large business investment in innovation is encouraging</li> <li>Centres of Industrial Collaboration can foster innovation in businesses, encouraging them to develop new markets and products to meet demand</li> <li>Companies could be encouraged to use ICT to help realise the potential of the business</li> </ul> <p><b>Investment</b></p> <ul style="list-style-type: none"> <li>The region receives a comparable level of total public expenditure but significantly less in a number of key areas. Most notably for transport which has the second lowest level of investment in the UK</li> <li>The region has 100% broadband coverage but may need to continue to invest and upgrade the infrastructure to keep pace with developments</li> <li>Lessons learnt suggest stimulating and supporting access to finance is crucial to business investment</li> </ul> <p><b>People and Skills</b></p> <ul style="list-style-type: none"> <li>ICT training in Objective 1 schools in South Yorkshire was successful in improving the culture for</li> </ul>

<p><b>Environment</b></p> <ul style="list-style-type: none"> <li>Household waste levels are the third lowest of the England regions</li> <li>High quality of the region's natural environment</li> <li>Reductions in commercial and industrial waste</li> </ul> <p><b>Urban and Rural</b></p> <ul style="list-style-type: none"> <li>85% of the region's land is rural</li> <li>18% of all people employed in the region are in rural areas with lower unemployment rates than in urban areas</li> </ul>	<p>ICT, which could mean that providing enterprise skills training in schools and FE colleges may help change the culture and understanding of business</p> <ul style="list-style-type: none"> <li>Employment initiatives could be targeted to help new and growing businesses access local people with the right aptitude and skills</li> <li>Lessons learnt point to initiatives need to provide training for the occupations that are forecast to grow and advice and guidance to occupations forecast to decline</li> <li>The region has half the average of social enterprises there are in the UK so there may be a significant potential to increase social enterprise across the region.</li> </ul> <p><b>Environment</b></p> <ul style="list-style-type: none"> <li>Levels of commercial and industrial waste are falling</li> <li>Potential exists to exploit the need for renewable energy, both in production and technology development.</li> <li>Secure competitive advantage through environmental opportunities</li> </ul> <p><b>Urban and Rural</b></p> <ul style="list-style-type: none"> <li>With 85% of the region rural, we enjoy a high quality environment that can be exploited to attract high value, high technology businesses, based on the availability of land in attractive places to live and work</li> </ul>
<b>Weaknesses</b>	<b>Threats</b>
<p><b>Business</b></p> <ul style="list-style-type: none"> <li>Although becoming more diverse, the region's business base is still characterised by traditional industries where job losses will continue to disadvantage communities in future years</li> <li>Almost 10% of companies do not purchase from outside the region</li> <li>Overall levels of business stock and start-up rates in the region are below national figures.</li> </ul> <p><b>Innovation</b></p> <ul style="list-style-type: none"> <li>Business spend in R&amp;D is very poor despite recent progress</li> <li>Levels of innovation in the region's SMEs is well below the national average</li> </ul> <p><b>Investment</b></p> <ul style="list-style-type: none"> <li>Yorkshire and The Humber's share of UK FDI has been declining</li> <li>30% of businesses still do not use ICT</li> </ul> <p><b>People and Skills</b></p> <ul style="list-style-type: none"> <li>Higher level NVQ qualifications trail figures for the country both in schools and adults with these qualifications</li> <li>While there have been improvements across Yorkshire and The Humber, it has the lowest attainment rate at GCSE level in England</li> <li>Some parts of the region have severe skills problems with the lack of experience and</li> </ul>	<p><b>Business</b></p> <ul style="list-style-type: none"> <li>Forecasts predict GVA growth to be slower than the UK average in The Humber, increasing the gap between the sub-region and the rest of the UK</li> </ul> <p><b>Innovation</b></p> <ul style="list-style-type: none"> <li>In 2003 businesses in Yorkshire and The Humber spent less on R&amp;D than any other region, bar London</li> <li>Imports of goods and services have been on the rise in the region in recent years</li> <li>More science and technology jobs needed as growth over the last 5 years was half the national increase</li> </ul> <p><b>Investment</b></p> <ul style="list-style-type: none"> <li>Inability to attract investment in parts of the region</li> <li>Emerging evidence suggests that developable land is in shorter supply</li> </ul> <p><b>People and Skills</b></p> <ul style="list-style-type: none"> <li>High employment rates are masking high numbers on incapacity benefit, and high rates of economic inactivity amongst certain groups</li> <li>The region produces 10% of England's graduates but has real problems with retaining them for employment in regional businesses</li> </ul>

<p>qualifications</p> <ul style="list-style-type: none"> <li>• 26% of vacancies are deemed to be due to skills shortages</li> </ul> <p><b>Environment</b></p> <ul style="list-style-type: none"> <li>• Recycling of household waste is improving but levels are well behind England averages</li> <li>• The region is the highest energy consumer and highest emitter of carbon dioxide in England partly due to its power station capacity</li> </ul> <p><b>Urban and Rural</b></p> <ul style="list-style-type: none"> <li>• Rural community isolation restricts opportunities</li> </ul>	<ul style="list-style-type: none"> <li>• Apart from North Yorkshire, the rest of the region has twice the level of deprivation compared with the England average</li> <li>• Deprivation Indices do not identify rural disadvantage</li> <li>• Business ownership in deprived communities is only 40% of the England average</li> </ul> <p><b>Environment</b></p> <ul style="list-style-type: none"> <li>• The region's ecological footprint (harm to environment) is below the UK average but well above the world average and the available global capacity</li> <li>• Climate change and impact on sea levels, coastal erosion, flood defence and businesses</li> <li>• Household waste is growing</li> </ul> <p><b>Urban and Rural</b></p> <ul style="list-style-type: none"> <li>• Although often appearing affluent, rural areas mask pockets of deprivation and low wage levels because deprivation is not as concentrated as in large towns and inner cities</li> </ul>
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## South Yorkshire SWOT

Strengths	Opportunities
<p><b>Business</b></p> <ul style="list-style-type: none"> <li>• Since 2000, jobs, businesses and GDP have been growing at a faster rate than the national and regional economies</li> <li>• A significant improvement in business survival rates in the last few years with the sub-region are now better than the GB average for 1, 2 and 3 year rates</li> <li>• South Yorkshire has particular strengths in the manufacture of surgical instruments, and is a global specialist in active and inactive implant components</li> <li>• All four boroughs are forecast to achieve growth in GVA over the next ten years</li> <li>• There has been population growth in the last five years following many years of decline</li> <li>• Image of area is improving</li> <li>• Growth in 'business activities' has exceeded national growth rates</li> <li>• High concentration of jobs in the AEM sector which employs 38,000. Output is forecast to grow</li> <li>• Significant number of small businesses in digital sector</li> </ul> <p><b>Innovation</b></p> <ul style="list-style-type: none"> <li>• Two world renown universities with large engineering/research capability</li> <li>• Research and Trade Associations</li> </ul> <p><b>Investment</b></p> <ul style="list-style-type: none"> <li>• Competitively priced commercial property</li> <li>• Central location in the UK</li> <li>• Doncaster excellent logistics centre</li> <li>• Regional airport</li> </ul> <p><b>People and Skills</b></p> <ul style="list-style-type: none"> <li>• Over past 4 years, improvement for those with a qualification (NVQ1 to NVQ4+) was greater than the improvement for GB</li> <li>• Between 2002 and 2006, 5+ GCSE/GNVQ A* to C grades improved faster than the national average</li> <li>• Strong growth in the numbers of knowledge workers. This group represents an increasing share of the total workforce</li> </ul>	<p><b>Business</b></p> <ul style="list-style-type: none"> <li>• A growth in construction sector suggests greater levels of development and confidence in the area</li> <li>• There is a cost advantage to attract business investment</li> <li>• The sub-region has overcome the worst effects of industrial collapse with the economy growing and shifting towards a growth sector potential</li> <li>• The number of new business start-ups has grown suggesting more confidence in the economy</li> <li>• Growth of medium sized firms</li> <li>• Opportunities for increasing share in AEM, Environmental Technologies and CDI</li> <li>• There is a large cohort of companies employing 11-49 employees, many of which are in growth sectors</li> <li>• With 3,000 companies, manufacturing has performed better than nationally</li> <li>• There has been growth in the bio-science sector from a low base. Sheffield universities are drivers of research and commercialisation</li> <li>• Although healthcare technology is relatively small in employment terms, output from the sector is expected to grow and businesses are higher than regional average.</li> </ul> <p><b>Innovation</b></p> <ul style="list-style-type: none"> <li>• There is growth and development in key sectors such as AEM and CDI</li> <li>• Innovation and research links between business and universities is improving in Sheffield</li> <li>• Potential to develop R&amp;D capacity/patent applications.</li> </ul> <p><b>Investment</b></p> <ul style="list-style-type: none"> <li>• Growth potential in broadband capacity</li> <li>• State Aids advantage till 2011</li> <li>• East Coast Mainline access</li> <li>• Regional airport with significant potential.</li> </ul> <p><b>People and Skills</b></p> <ul style="list-style-type: none"> <li>• Provision of high skilled managers through higher education</li> <li>• Creating enterprise links with schools, further education and higher education</li> <li>• Social enterprises is high in the region and growing</li> <li>• Social enterprises growing nationally with local potential</li> <li>• More potential in disadvantaged communities.</li> </ul>



<ul style="list-style-type: none"> <li>• Although generally low, Rotherham has seen a significant reduction in the number of wards considered to be deprived</li> </ul> <p><b>Environment</b></p> <ul style="list-style-type: none"> <li>• A greatly improved environment following investment in reclamation and greening</li> <li>• Access to quality natural environments such as the Peak District National Park</li> </ul> <p><b>Urban and Rural</b></p> <ul style="list-style-type: none"> <li>• Partnership commitment to Urban and Rural Renaissance</li> <li>• Sheffield City Region</li> </ul>	<p><b>Environment</b></p> <ul style="list-style-type: none"> <li>• Potential reduction in costs of integrating environmental practices</li> <li>• Huge opportunities in environmental technologies and renewable energy</li> <li>• Increasing opportunities for recycling</li> <li>• A growing Environmental Technologies sector, with strengths in bio-remediation; and is well placed to take advantage of further growth.</li> </ul> <p><b>Urban and Rural</b></p> <ul style="list-style-type: none"> <li>• Urban renaissance programmes across the sub-region are beginning to improve and challenge the external and internal image of the sub-region</li> <li>• The sub-region is involved and well positioned to take advantage of City Region collaboration</li> </ul>
Weaknesses	Threats
<p><b>Business</b></p> <ul style="list-style-type: none"> <li>• Still high proportion of traditional industries</li> <li>• A significant part of the rise in employment came from the public sector, which may not be sustainable in the long-term</li> <li>• Reliance on large employers persists, and the sub-region remains vulnerable to closure of large scale employers in traditional sectors</li> <li>• Low Gross Value Added</li> <li>• Low business density with self-employment the lowest in the region</li> <li>• Low levels of small businesses</li> <li>• Lack of entrepreneurial culture</li> <li>• Structural weaknesses in the industrial profile of the sub-region despite the gap against GB and the region narrowing in recent years</li> <li>• Lower than average share of the regional clusters</li> </ul> <p><b>Innovation</b></p> <ul style="list-style-type: none"> <li>• Businesses typically invest low levels in R&amp;D</li> <li>• Low margins implies squeeze on investment in innovation</li> <li>• Low ICT usage by businesses</li> </ul> <p><b>Investment</b></p> <ul style="list-style-type: none"> <li>• Low levels of high quality premises</li> <li>• Generally weak property market</li> </ul>	<p><b>Business</b></p> <ul style="list-style-type: none"> <li>• Reliance on public sector employment</li> <li>• Reliance on traditional industry employers</li> <li>• 90% of recent employment growth has been in large companies, making South Yorkshire more vulnerable to wider market changes</li> <li>• Further decline of manufacturing base</li> <li>• Rate of employment growth is forecast to slow, when stakeholders are seeking to increase the participation rate and reduce inactivity rates</li> <li>• Industrial profile suggests inability to respond to economic growth</li> <li>• Because of its low margin base the gap in business density rates is likely to increase if there is an economic downturn</li> <li>• Although the stock of businesses has been growing, there is an increase in de-registrations</li> <li>• With 10,000 jobs in Food and Drink sector, forecasts showing a modest decline in employment and only a modest increase in output.</li> <li>• Likely further reduction in manufacturing base.</li> </ul> <p><b>Innovation</b></p> <ul style="list-style-type: none"> <li>• Could hamper improvement in competitiveness due to lack of ICT infrastructure.</li> </ul> <p><b>Investment</b></p> <ul style="list-style-type: none"> <li>• Transport and road networks under-investment</li> <li>• Under-performance in attracting businesses with a high growth potential</li> <li>• Emerging evidence suggests that developable land is in shorter supply</li> <li>• There is a mismatch in supply and demand for the 'right type' of available land.</li> </ul>

<p><b>People and Skills</b></p> <ul style="list-style-type: none"> <li>• Lack of high level skills – need to attract quality jobs</li> <li>• Low interest in training</li> <li>• Although education and skills attainment is improving, there is still a significant gap between sub-regional and national figures</li> <li>• Poor basic skills</li> <li>• Serious weakness in skills can stifle economic transformation</li> <li>• Significant number of communities are categorised as deprived</li> <li>• Low earnings stifles contribution to GVA</li> <li>• Very high numbers of people are on incapacity benefit and housing benefit</li> <li>• Childcare provision is poor</li> <li>• High levels of economic inactivity in localised areas despite economic activity levels rising</li> <li>• Enterprise is lower in disadvantaged areas</li> </ul> <p><b>Environment</b></p> <ul style="list-style-type: none"> <li>• Suffers from some poor physical environment that adversely affects external perceptions</li> <li>• Low levels of recycling</li> </ul> <p><b>Urban and Rural</b></p> <ul style="list-style-type: none"> <li>• High levels of poverty as the sub-region is predominantly urban</li> <li>• Poor rural communities in former coalfield areas.</li> </ul>	<p><b>People and Skills</b></p> <ul style="list-style-type: none"> <li>• Lack of skilled staff to support growth</li> <li>• Unemployment gap is widening again</li> <li>• The severity of deprivation in some communities could mean being marginalised from participating in further improvements in economic performance</li> <li>• Low income households remain a feature of many communities and gap appears to be widening</li> <li>• Incapacity benefit is falling at a slower rate than nationally.</li> </ul> <p><b>Environment</b></p> <ul style="list-style-type: none"> <li>• Increases in car usage and CO2 emissions</li> <li>• Increasing congestion could limit economic development potential</li> <li>• Flood risk to areas of economic development.</li> </ul> <p><b>Urban and Rural</b></p> <ul style="list-style-type: none"> <li>• Rural communities in danger of being out-priced in the housing market.</li> </ul>
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**Introduction**

- 3.1 This Chapter sets out the strategy for building a knowledge-based economy, building on the region's key strengths to deliver an economic transformation that includes high quality growth and maximises the long-term benefits to businesses, people and the environment. The strategy covers the single Operational Programme (OP) for Yorkshire and The Humber (minus South Yorkshire) one of the UK's 'Competitive' regions, and the South Yorkshire 'Phasing-in' area. The Operational Programme has been developed to respond to the challenges and opportunities outlined in Chapter 2, the policy drivers set down in the EC's Community Strategic Guidelines and the UK's National Strategic Reference Framework and not least the region's agreed vision for growth:

***“to be a great place to live, work and do business, that fully benefits from a prosperous and sustainable economy”<sup>10</sup>***

**Strategy Development & Partnership Involvement**

- 3.2 The region has an agreed economic vision which is set out in the Regional Economic Strategy (RES) and sits within the context of Advancing Together/the Integrated Regional Framework<sup>11</sup>. It is a framework of common priorities around which businesses, public agencies, voluntary groups, and communities can focus their investment. It provides a 10 year blueprint for economic development in the region built on the drivers of productivity. This programme adds value to the RES objectives by focusing on the Lisbon agenda of jobs, growth and cohesion.
- 3.3 The OP has been developed out of extensive regional consultation. Its strategy is owned and will be delivered by the region as a whole. The process has been driven by the Government Office for Yorkshire and The Humber, Yorkshire Forward, and the Yorkshire and Humber Regional Assembly. The development of the Programme involved a Task Group of key regional players, with representatives from the public, private and voluntary and community sectors, the higher education sector, the cultural sector, trade unions, skills and Local Strategic Partnerships all of whom consulted widely within their constituent communities in order to develop a common consensus around priorities for action. The Task Groups remit was to:
- Agree the socio economic analysis
  - Determine the strategy, priorities and indicative actions
  - Identify where Structural Funds could add value to the RES objectives
  - Determine the consultation process
  - Monitor the Ex-Ante, Strategic Environmental Assessment and Equalities Impact Assessment
- 3.4 The process included widespread consultation on early drafts of the strategy through events and workshops and the establishment of a Weblog for comments. Specific discussions on the priorities for the South Yorkshire phasing-in region were managed through workshops with South Yorkshire partners and the Objective 1 Programme Management Board. Sub-regional partnerships played a key role consulting with partners in different parts of the region.

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<sup>10</sup> The Regional Economic Strategy for Yorkshire and Humber 2006-2015 (Page 32)

<sup>11</sup> The Yorkshire and Humber Regional Assembly's framework for regional development.

- 3.5 Formal consultation on the Yorkshire and The Humber OP, the Strategic Environmental Assessment and the Equalities Impact Assessment took place over a 3 month period between December 2006 and March 2007. During this time the Task Group took on board comments from the European Commission, Central Government and regional partners. As a result of the consultative and iterative approach adopted during the production of the OP consultees were very supportive of the strategy and approach.

### Programme Vision

- 3.6 This Programme is about delivering the Lisbon agenda in Yorkshire and the Humber. Its aim is:

***“...to capitalise on the region’s assets and secure a prosperous future for the region’s people and businesses within a sustainable knowledge economy”***

- 3.7 Its emphasis on the knowledge economy adds value to the RES vision and provides direction for Structural Funds interventions. Our aim is to contribute to the UK’s commitment to deliver the EU’s Lisbon vision by targeting at least 75% of the Programme activity on Lisbon friendly activity. The qualities that will lead to success are those which Yorkshire and The Humber has traditionally excelled. This OP aims to capitalise on these assets and secure a strong and prosperous future for the region.

- 3.8 The OP strategy is founded on a number of key principles that will influence the types of actions developed and implemented. These are:

- **partnership** – the Programme will be implemented through a partnership approach across the public and private sectors, community, educational and environmental interests;
- **additionality** – the Programme will ensure the effective use of Structural Funds by providing assistance where activities would not otherwise proceed, or would do so on a smaller scale or at a later date;
- **management** - the Programme will be delivered in a transparent way;
- **concentration** – the Programme will target resources on areas which produce the best value for money and the greatest impact.
- **subsidiarity** - planning, decision-making and interventions will take place at the most appropriate level based on the priorities

### Priorities for Action

- 3.9 The key challenges for the region are:

- Longstanding weakness in terms of performance in R&D.
- Low levels of innovation and knowledge and technology transfer
- The region’s business base is still characterised by traditional industries,
- Overall levels of business stock and start up rates are below the national average
- South Yorkshire’s share of regional knowledge clusters is low and reliance on large employers in traditional sectors persists.
- The quality of jobs needs to be increased with more higher value added employment opportunities
- Lack of entrepreneurial culture and self employment levels
- Continuing problems with economic inclusion
- In South Yorkshire a lack of quality infrastructure for a knowledge economy
- To move towards a low carbon economy

Yorkshire and The Humber needs:

- to increase R&D , innovation and technology transfer
- to create dynamism and entrepreneurship within enterprises
- to embed creativity in the process of product development
- to drive more company innovation (product and process) and embed technological advances into production processes
- to restructure the business base towards a more high value added economy
- to secure the physical and electronic infrastructure that underpins business productivity
- to ensure that disadvantaged communities are included in economic growth

3.10 Four Priority Axes contribute to the Y&H OP vision through improving the links between knowledge and economic growth, raising the importance of innovation in businesses and ensuring sustainable communities are developed. There are three region-wide priorities and a fourth specific priority for South Yorkshire. A fifth priority runs across the Programme for Technical Assistance. A full rational and description of the Programme Priorities is in detailed in Chapter 4.

#### **Priority 1 Promoting Innovation and R&D**

3.11 From the regional SWOT, in Chapter 2, it is clear that Yorkshire and the Humber needs to stimulate an innovation culture and strengthen its innovation system by increasing technology transfer, promoting networking and setting the framework for businesses to respond to the challenges and opportunities of the knowledge economy.<sup>12</sup> The challenge for the region is to give innovative businesses ready access to the available knowledge and to encourage more businesses onto the 'innovation ladder'. Targeted support is needed to increase the rate of knowledge and technology transfer and to promote business innovation and productivity growth. For this to happen, a more extensive and intensive relationship between companies and the available knowledge needs developing.

3.12 Priority 1 aims to develop a region-wide environment for innovation, with the ultimate aim of increasing both public and private investment in R&D. It aims to stimulate an innovation culture and strengthen the innovation infrastructure. Seizing productivity gains means increasing knowledge and technology transfer from universities, institutes and businesses to the business base to improve products and processes. This will be achieved through working with key partners such as Higher Education Institutes and Further Education Colleges, Research and Technology Organisations and Public Sector Research Establishments, the business community and associated bodies (eg. Chambers of Commerce).

3.13 Yorkshire and The Humber has an opportunity to learn from regions across Europe and share best practice in developing and implementing coherent incubation strategies, particularly, science and technology park provision. The science park development in York, supported through Science City York, (a partnership between Yorkshire Forward, University of York and York City Council) and the Advanced Manufacturing Park in South Yorkshire, have both had a major influence on moving the local economy towards a more knowledge based economy. This Programme will build on these success stories and seek to replicate them in other key locations.

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<sup>12</sup> See SWOT Analysis Chapter 2

- 3.14 The Programme will help to deliver the Regional Innovation Strategy (RIS), which articulates the region's commitment to improving performance in innovation.<sup>13</sup> The Technology Strategy Board (TSB) is a new Executive Non-Departmental Public Body, which is being set up to develop a coherent UK-wide strategy for technological innovation and to deliver a programme of Government financial support to encourage business investment in, and use of, technology across all sectors of the UK economy. Where Structural Funds interventions aim to promote innovation and knowledge transfer, they will seek to achieve alignment with national priorities and maximise the benefits from collaborating with TSB supported programmes.

### **Priority 2 Stimulating and Supporting Successful Enterprise**

- 3.15 The major challenges facing Y&H are to sustain and accelerate economic growth by actively investing in key business sectors and encouraging high value added businesses and by creating dynamism and entrepreneurship in enterprises and in attitudes more generally. Yorkshire and The Humber's businesses are part of a competitive international marketplace which constantly presents new challenges. The region cannot rely on past strengths to compete but needs to create a diverse business base, more businesses that innovate, a highly skilled workforce and a good quality of life. The profit margins of existing businesses are generally below the national average and contributions to GVA across the region vary considerably.
- 3.16 Priority 2's aim is to promote a greater shift towards knowledge intensive growth sectors by increasing the number of businesses and occupations in high growth and knowledge industries and by developing a more entrepreneurial culture. Encouraging more people to start a business will increase the business base. Investing in key clusters will help companies improve their competitive position. Stimulating and supporting investment, including providing access to finance will increase the capacity of businesses in Yorkshire and The Humber to grow. Under Priority 2 the Programme will concentrate on removing barriers for new start-ups and existing businesses, on promoting entrepreneurship, on boosting the number of SMEs in the region and on creating the right physical conditions for growth.
- 3.17 In 2006 a region-wide Review of Business Support in Yorkshire and Humber was undertaken involving Yorkshire Forward, Government Office, regional public sector partners regional and National Employer representative organisations and regional business. One of the key issues raised by the Review was the continuing importance of "Finance" as a strategic issue in relation to entrepreneurship and business start-ups. The issue remains a pivotal one to the development of entrepreneurship in Yorkshire and The Humber, and one that is particularly important to innovative, high-growth business creation.
- 3.18 In the past, the availability of finance to new and growing businesses has largely been through two routes, grant funding and publicly-backed (or influenced) venture capital style funding. However, in addition to this, the linkage to business support such as Investor readiness initiatives and mentoring and money-with-management programmes has been considered as important as the direct provision of finance itself. Access to Finance, as a programme approach, therefore comprises not only those initiatives which provide investment directly to entrepreneurs and business. Rather it is those direct financial initiatives and includes, in its broadest definition, the

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<sup>13</sup> The Regional Innovation Strategy was endorsed by key regional partners, the RDA, businesses and the regions Higher Education Institutes in October 2006.  
[Http://www.yorkshirescience.co.uk/archives/assets/docs/YF\\_RIS\\_Final\\_Nov2006.pdf](http://www.yorkshirescience.co.uk/archives/assets/docs/YF_RIS_Final_Nov2006.pdf)



supporting mechanisms which address the needs of entrepreneurs and business at a pre and post investment stage.

- 3.19 It is recognised that as a group, entrepreneurs and businesses exist in an economic and competitive market place and the private sector, generally, is equipped to satisfy their needs. Consequently, banks and other private sector investment organisations take a top position in providing appropriate finance for business growth at regional and national levels. However, the vast majority of regional initiatives currently in place at present are the result of the introduction of projects addressing the needs of entrepreneurs and business identified across Yorkshire and The Humber at either a regional or sub-regional level over the last 6 years. The introduction of these initiatives by the public sector has been in response to failure in the private sector market place.
- 3.20 Loan funds will by and large be aimed at young companies at an early stage in their life and looking toward early growth factors. The limitations of taking equity in those companies remains a challenge for the private sector. The public sector can, however, provide such finance and be able to sustain the longer timescales to see growth prospects emerging from those businesses. Equity funds will be aimed at those in the technology related market on high growth stages of expansion, although this is inevitably linked to high risk. Evidence to support this need has been shown in studies by EKOS, PWC and the Review of Business Support.
- 3.21 Both of these types of funds will tackle a gap in the market place which has not been filled by the private sector and continues to be evidenced by spatial economic disparities ie lower rates of enterprise/ business start ups compared to regions in the south of the UK or other areas in Europe which have addressed the equity gap. Due to the reluctance of the private sector to fully fill this market gap, there will be no displacement of the commercial market in the public sector taking or providing such finance. Indeed, public sector finance increasingly provides the anchor finance or corner stone finance to complete deals and make them attractive.
- 3.22 While there has been significant success in this area in recent years, there is still considerable evidence – asserted by a variety of reports and reiterated by entrepreneurs and business owners – of a need for continued effort to sustain the supply of risk capital to entrepreneurial businesses. This need has been underlined by the impact on start-ups of the significant down-turn and/or reluctance from the private sector to back entrepreneurial businesses that has occurred in recent months.
- 3.23 At present there are 3 main funds in the region - South Yorkshire Investment Fund (SYIF), Partnership Investment Fund (PIF) and the Regional Venture Capital Fund (RVCF). There is a need for some form of follow on funding when the current funds reach the end of their investment period in Dec 2008. These funds provide a range of finance solutions for companies ranging from small loans (up to £150 k) through to large equity investments (up to £1m). The benefits of these models for the region are strong providing; a track record of money invested with some investments already providing returns to investors and future legacy funds , money with management where aftercare management services follow the finance invested to make companies more competitive, they bridge the divide between customer expectations and investor demands, whilst providing gap finance and operating in a commercial sense, which has been a strong attraction for private sector finance to add to the public sector money. An important aspect of the provision of risk capital is addressing the lingering dependence on grants in Y&H. Prior to 2001, grant finance was widely seen as the way to support enterprise. Whilst there has been a change in attitudes,

there is still a hangover from this period. The market is being won over by the provision of venture capital funds although much still has to be done to ensure that the acceptance of venture capital funds is seen as a way of starting and growing a company or business.

- 3.24 Overall, evidence suggests that venture capital backed companies grow at a rate 2 times greater than those that have received other sources of public sector funds. In addition the levels of technology, innovation and competitiveness are similarly higher. The impact of this is that those companies return greater levels of returns to the national and regional economies, pay higher levels of taxes and return greater levels of legacy to the VC Funds.
- 3.25 The Programme will focus on key clusters and sectors, either where the region has existing strengths or where opportunities in high value-added sectors emerge. It will provide the foundations, or critical success factors, for their growth. In order to ensure added value, the OP will concentrate on those clusters, sectors and growth companies with the greatest potential.<sup>14</sup>

### **Priority 3 Sustainable Communities**

- 3.26 The Programme's socio economic analysis points to a 'two-speed economy' which is pulling economic performance down. Economic growth has not been evenly spread across all the region's communities. Wealthy areas with full employment still sit side by side with others that are run down and have a mass of interrelated problems such as poor housing and health, low skills, drug abuse, run down environments and low aspirations. This situation has had a detrimental effect on the territorial cohesion of the region, or in UK policy terms, on the sustainability of communities, leaving potential human resources untapped. Tackling these issues is important to the region. Deprivation is concentrated in the urban areas, notably in South Yorkshire, Hull, and much of West Yorkshire, as well as in pockets in some rural and coastal areas.<sup>15</sup> For the region to achieve its full potential, a more integrated approach will be needed that takes into account the interdependence between economic, social and environmental drivers associated with sustainable development.
- 3.27 Other key sources of funding exist which aim to tackle the causes and issues associated with worklessness and economic exclusion.<sup>16</sup> This OP will add value to these forms of support by investing in employment creation in disadvantaged areas and supporting enterprise in disadvantaged communities. This focus aims to reduce economic inequalities and improve territorial cohesion by ensuring that everyone has the opportunity to contribute to and benefit from the region's sustainable economic growth. Resources will be targeted at the most deprived communities where continued under-performance is a threat to the region's economic growth goals.
- 3.28 Along with productivity employment is one of the two factors that drives economic growth. Priority 3 will have an integrated approach towards tackling barriers to employment and growth including the provision of capital support for facilities linked to tackling social and economic exclusion (eg childcare facilities) and access to public transport. Delivery will be linked into existing local level community strategies which underpin sustainable urban development across the region and integrate solutions to tackling barriers on the ground.

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<sup>14</sup> Target businesses are outlined in Chapter 4 Priority 2 targets and the RES

<sup>15</sup> See Areas of Deprivation in Chapter 2

<sup>16</sup> ESF, UK Government funding via Job Centre Plus and the Learning and Skills Councils, Local Government funding for Housing Market Renewal, Neighbourhood Renewal etc.

#### **Priority 4 Economic Infrastructure for a Competitive Economy**

- 3.29 Economic infrastructure and place based regeneration is essential to developing a knowledge based economy. Its importance in terms of supporting sustainable and higher levels of growth is widely recognised in the context of city and urban economies. The region's success depends on prosperous and attractive cities, towns and rural communities. According to the UK Government's Migration Model, desirable, lively towns and cities, with access to good jobs, facilities, environments, and with a pleasant feel, attract and retain the skilled and highly mobile people that are most in demand in a knowledge economy.<sup>17</sup> With high employment rates nationally, skilled workers have more choice of where they work and live than ever before. These factors affect how efficiently local markets operate. Quality of place is increasingly influencing whether businesses enter a local market and are able to recruit and retain good staff. High added value businesses seek to locate in the same places to access these skilled employees and project the right image. This creates more spending that further boosts the vibrancy and attractiveness of the place and the cycle continues.
- 3.30 Following the Objective 1 Programme in South Yorkshire there is still work to be done in creating the right economic infrastructure and physical environment in the phasing in region to facilitate the development of a knowledge-based economy. Poor urban centre environments in South Yorkshire remain a disincentive to private sector investment and limit the attraction and retention of growth sectors partly dependent on networking, and similarly, limit the attraction and retention of skilled/professional workers. Under-investment in the sub-region's centres also undermines other investments to support and develop the visitor economy.
- 3.31 Alongside innovation, enterprise and skills development, digital, media content and knowledge-based industries are key to South Yorkshire's future economy. The sub-region's digital infrastructure and attractiveness is fundamental to the growth of these industries as well as to the growth of public services. South Yorkshire's current socio-economic profile offers limited incentive for telecommunications companies to invest in new infrastructure, except in a small number of affluent localities. This will significantly hinder economic growth and competitiveness. Investing in NGN infrastructure will support the area's growth aspirations, build on investments undertaken by the 2000-06 programme and go some way to mitigating the disadvantages South Yorkshire faces by comparison to other more affluent parts of the UK that have better economic infrastructure.
- 3.32 Failure to continue investing in South Yorkshire's economic infrastructure will significantly reduce the impact of Structural Funds investments made to date and hinder the development of a knowledge economy. Securing private sector investment in some centres still requires public sector support and encouragement. In terms of developing a sustainable knowledge-based economy, Priority 4 will support the key centres to fulfil their aim to be attractive locations for both new investment and re investment.

#### **Priority 5 Technical Assistance.**

- 3.33 This priority will ensure the smooth management and administration of the Programme, and the effective engagement of regional partners.
- 3.34 All priorities will be required to ensure that they contribute to the underlying principles of sustainable development ie they should all contribute to the economy, the

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<sup>17</sup> Development of a Migration Model, Housing Research Summary Number 167, 2002 for the Department of Communities and Local Government

environment and social cohesion. All will contribute to social inclusion by endeavouring to ensure that the benefits of actions extend to deprived communities and underrepresented groups.

### Financial Allocations across the Priorities

- 3.35 The total value of ERDF funding in the Y&H region is €312,539,633 for Yorkshire and the Humber and €271,041,326 for South Yorkshire <sup>18</sup>. The region's financial allocation annual profile is significant. In Yorkshire and the Humber, the allocation is more or less the same each year. Because of its phasing-in status South Yorkshire's profile is heavily weighted towards the first four years and tapers off towards the end of the programming period. This has important implications for funding allocations within the sub region. The higher level of resources in South Yorkshire in the short term will not lend itself well to longer term support Programmes but to one off capital projects, one off revenue funded support and building on the current Objective 1 Programme. **Table 31** details financial allocations by priority. The rationale behind the allocations is based on a sound socio-economic evidence base, links with EU, national and regional policy drivers, in particular the need to be Lisbon compliant, likely absorption capacity ie practical delivery issues, past experience and the availability of public match funding.

Table 31 Financial Allocations				
	Yorkshire & the Humber %	South Yorkshire %	Yorkshire & the Humber €	South Yorkshire €
Priority 1 Promoting Innovation and R&D	20%	18.4%	62,507,927	49,871,604
Priority 2 Stimulating and Supporting Successful Enterprise	56%	33%	175,022,194	89,443,638
Priority 3 Sustainable Communities	20%	20%	62,507,927	54,208,265
Priority 4 Economic Infrastructure for a Competitive Economy (South Yorkshire)	-	24.6%	0	66,676,166
Priority 5 Technical Assistance	4%	4%	12,501,585	10,841,653
<b>Total</b>			<b>312,539,633</b>	<b>271,041,326</b>

- 3.36 A range of factors were taken into consideration in determining financial allocations. In terms of Priority 1 R&D and innovation are key priorities for the region, however given the fact that Yorkshire and the Humber has amongst the lowest rates of investment in R&D, and this represents a major challenge to programme delivery, spend has been set at a realistic and achievable level. The allocation split also reflects programme targets and outputs, Priority 1 will not deliver large scale outputs by comparison to Priority 2.
- 3.37 Priority 2 provides the backbone of the region's strategy and will deliver the majority of the programme's core outputs, new businesses created and new jobs created etc. In Yorkshire and The Humber Priority 2's allocation reflects the inclusion of large areas of potential high growth and opportunity which have previously been ineligible for ERDF. Only 1/3 of the region was eligible under the 2000-06 Objective 2 programme, the high proportion of funding reflects the substantial increase in the size of the target market. The financial allocation for Priority 2 South Yorkshire reflects the considerable investment in business support that has been made under the 2000-06 Objective 1 programme. In South Yorkshire investments will concentrate on

<sup>18</sup> At 2006 Prices

maintaining provision and support. Due to the funding profile ie the higher per capita allocation in South Yorkshire in the early years, absorption issues and the issues surrounding support for longer term programmes Priority 2 receives a lower proportion of the Programme than in the rest of the region. This is counter-balanced by Priority 4 which will help facilitate delivery in the early part of the Programme through capital projects.

- 3.38 The region is keen to tackle areas of disadvantage and have sufficient resources available to make an impact on achieving its ambition of connecting people to the opportunities presented by the knowledge economy and the Lisbon agenda. The financial allocation to Priority 3 reflects, the significant reduction in overall resources for the region as a whole, the region's commitment to achieving at least 75% of spend on Lisbon activities, and the significant capacity building legacy of previous ERDF programmes, it is designed to allow communities to capitalise on those investments by connecting them into new opportunities. Third sector partners across the region pressed for a higher proportion of spend on Priority 3 however, given the investment that had already been undertaken through the Objective 1 and 2 Programmes, 20% was felt to be appropriate.
- 3.39 Priority 4 builds on the legacy of the Objective 1 Programme and represents the last significant funding for South Yorkshire. 25% of the programme represents resource intensive interventions with relative lower output ratios than Priority 2 in terms of the programmes core indicators of jobs and businesses created and increased GDP and reflects the concentration on the Lisbon Agenda.
- 3.40 The Ex Ante evaluators assessed the allocation of resources between priorities, considered and concluded that "the financial allocations across the priorities appear reasonable".
- 3.41 Given that less ERDF is available than in previous Programmes, resources will be concentrated to achieve visible impact and added value. Regional partners have agreed Priority Axes and actions that focus on maximising sustained growth and job opportunities. Resources will be concentrated on promising spheres of activity, areas of market failure and on developing sustainable communities.

#### **Additionality**

- 3.42 Alongside the approach of using partnerships and delivery mechanisms for implementation, the OP's Priority Axes have been designed to add value. The types of activities being supported have been considered carefully and only those activities with a strong strategic fit with the Lisbon Agenda will be supported. In terms of additionality this will ensure that activity can be undertaken on a larger scale or earlier than anticipated<sup>19</sup>. Resources will be targeted on selective promising actions which deliver a high potential return on investment. This approach will add further weight to Lisbon through influencing delivery organisations across the region and aligning their activities more closely with the Lisbon Agenda.

#### **Priority 1: Promoting Innovation and R&D**

- 3.43 The emphasis of Priority 1 is on increasing the levels of innovation and R&D in businesses. There is clear market failure amongst SMEs in the region in this regard. Assistance will also be given to large companies for R&D where there is a demonstrable benefit to the region. The OP will add value to the existing activity by:

<sup>19</sup> In DTI terms additionality is the extent to which activity is undertaken at all, on a larger scale, earlier, or within a geographical area of policy concern as a result of being supported by expenditure under the Structural Funds [www.dti.gov.uk](http://www.dti.gov.uk)



- Piloting new methods of transferring knowledge from HEIs to SMEs
- Sharing best practice in innovation and R&D between businesses and between HEIs and business
- Developing business to business networks, mentoring and sharing of information
- Enabling the provision of highly specialist facilities.

3.44 The emphasis is on widening the innovation and R&D capabilities in businesses when this is currently restricted to specific areas and initiatives eg York Science City. There are strong research strengths in some institutions and businesses in the region and the OP can add significant value by extending the breadth of innovation/R&D across the region.

### **Priority 2: Supporting and Stimulating Successful Enterprise**

3.45 The emphasis of Priority 2 is to grow businesses in high growth knowledge intensive sectors. This is the focus of the current RES in developing growth clusters. The OP will add to the existing strategies by:

- Providing resources to boost high growth start-up programmes to create more of these businesses
- Accelerating business growth by addressing weakness in leadership and management
- Supporting business with high growth potential with specific and targeted action such as seedcorn funding
- Increasing the coverage of support to businesses to invest in product and process improvements.
- Providing a focus on under represented groups

3.46 The OP funding will provide very specific and targeted support. Some of the added value will include one or two catalytic projects per cluster as high profile demonstrators, raising the profile of Structural Funds and allowing other SMEs to learn and benefit from these pilots. Activity with supply chains will extend benefits of the OP funding more widely.

### **Priority 3: Sustainable Communities**

3.47 The emphasis of Priority 3 is to connect those that are in more deprived communities with the economic opportunity and growth. Structural Funds will add value by offering highly targeted interventions in the most deprived communities, where ERDF will align and build on existing funding. The OP will enable additional activities to be supported to enhance existing mainstream and targeted programmes. It will do this by:

- Providing support specifically located and available in the target areas (e.g. customised business support)
- Augmenting neighbourhood learning plans to help overcome first steps to the labour market for those in disadvantaged areas
- Addressing barriers (e.g. childcare) in target communities for residents (re)entering the labour market as part of integrated plans for sustainable urban development
- Actions to ensure better connectivity between people, places and economic opportunities



#### Priority 4: Economic Infrastructure for a Competitive Economy

- 3.48 Priority 4 provides focused and targeted interventions to continue the work in South Yorkshire in the urban centres commenced under the 2000-2006 Objective 1 Programme. Added value comes from:

- Connecting businesses to the benefits of physical investment;
- Attracting further businesses and investment into the urban areas to ensure that the significant existing investment is maximised

#### Building on Lessons Learnt

- 3.49 Structural Funds programming in Yorkshire and The Humber has always built on the experience of previous rounds of funding, maintaining good practice while adapting to new circumstances. Experience from the Mid-term Evaluation (MTE) reports for the South Yorkshire Objective 1 and Yorkshire and The Humber Objective 2 Programmes, relevant project evaluation reports, the Urban Programme and the 2006 Regeneris Good Practice Guide for the English ERDF and ESF 2000-2006 Programmes, commissioned by the UK Government have strongly influenced the interventions set out in this Programme.<sup>20</sup> A full analysis of the Lessons Learnt can be found at Annex B).

- 3.50 Key success factors can be drawn from past experience these include:

Table 32 Key Success Factors	
Key success Factors	This Programmes Response
The rationale for public intervention must be clearly stated so that activity can be focused where the economic impact will be greatest	The interventions in this Programme concentrate on where there is market failure
Activity should be aligned with and add value to other regional economic development activity but retain flexibility to respond to future shifts	This Programme's strategy clearly aligns with European, national and regional strategic frameworks and leaves room for flexibility through review.
Using a portfolio approach, a range of intervention types should be pursued, with a concentration on less risky, more certain interventions (which should ensure commitment and spend N+2 targets will be met), supplemented by modest investment in high-risk, high-return activities. The achievement of Programme targets should be balanced across the portfolio of projects so that each individual project is not expected to deliver on the same 'value for money' calculation.	This Programme uses a range of interventions against each objective, thereby spreading risk and facilitating innovation and differentiation. There is an acceptance of risk-taking and innovation. This Programme will aim to deliver realistic profiling at project level to avoid an annual rush to meet spend targets.
There is a need for commissioning of activity to achieve business objectives rather than open bidding.	This Programme will emphasise a commissioning approach in order to deliver the programme strategy and will be closely aligned with sub-regional investment plans. Commissioning of activity will comply with all relevant national and EU regulations including open and competitive access to funds.
Flexibility should be built into management systems, through continual review, in response to changing policy and economic conditions; and by adopting a 'what works' culture through continuing evaluation.	There will be a strong evaluation theme (as outlined in Chapter 4) running through the Programme, evaluating the impact and progress of the Programme as a whole as well as individual projects
Linkages with ESF funded activities ensure that human potential is developed to meet business development needs.	Linkages with ESF will be maximised through a close working relationship between the Government Office for Yorkshire and The Humber and Yorkshire Forward
Robust output frameworks are needed, but outputs should not be allowed to direct Programme and project resources. Targets need to be challenging but realistic and deliverable	The outputs in this Programme have been developed using robust analysis of the indicators achieved in previous Programmes.

<sup>20</sup> Good Practice Guide for English ERDF and ESF Programmes 2007-2013 by Regeneris Consulting for the Department for Communities and Local Government (June 2006)

- 3.51 Projects will be managed in accordance with VOTED project methodology.<sup>21</sup> This is a way of managing projects which is being adopted by Yorkshire Forward in Autumn 2007, it is adapted from PRINCE2. The methodology aims to get better value for money, achieve good quality control and increase the impact of projects. It adopts consistent processes that focus on how to develop projects. Each project will agree a quality plan with quality criteria appropriate for the specific project, criteria may include quality standards as defined by professional trade or standard setting organisations, such as BSI, ISO, etc.

**Table 33** outlines the key lessons learnt from previous rounds of Structural Funds

<b>Table 33 Key Lessons Learnt</b>		
<b>Priorities for Action</b>	<b>Most successful Interventions</b>	<b>Key Lessons Learnt</b>
Promoting Innovation & R&D	<ul style="list-style-type: none"> <li>• Develop existing assets and opportunities within the existing business and Higher Education base, embedding projects to change core ethos, rather than merely co-locate them</li> <li>• Not “stand alone” – SMEs must work with knowledge based organisations to speed route to market</li> <li>• Strong innovation and R&amp;D links to universities and industrial networks working on innovation can help provide knowledge base</li> </ul>	<ul style="list-style-type: none"> <li>• Innovation support should be based on a strongly-evidenced regional strategy, and integrated with other business support interventions to add value.</li> <li>• Knowledge transfer should be seen meeting a market need and demand as well as enabling knowledge or technology to be developed and requires an integrated partnership approach to its strategic management.</li> <li>• R&amp;D support should be about shaping the development of a knowledge economy and recognising the commercial value of knowledge as a driver of economy.</li> <li>• Commercial management of innovation activity is an essential component of the exploitation transfer and application of the knowledge generated.</li> <li>• Innovation may require long-term intensive support because typically the benefits cannot be quantified in the short-term</li> </ul>
Stimulating & Supporting Successful Enterprise	<ul style="list-style-type: none"> <li>• The stimulation of cluster/sector networks</li> <li>• Connection to research institutions e.g. universities and research associations</li> <li>• The provision of specialist premises and facilities, which also attract key players</li> </ul>	<ul style="list-style-type: none"> <li>• Structural Funds should align with and add value to RDA funding streams and focus on a sub-set of regional target clusters and sectors with potential for greatest impact</li> <li>• Support for job creation in clusters has provided a higher contribution to GVA than other eligible sectors</li> <li>• Strong evidence base for interventions is needed</li> <li>• Networking is an essential component of cluster development as a strategic approach resulted in better partnership working</li> <li>• Support needs to be focussed on moving SMEs away from grant dependency towards loan and equity finance.</li> <li>• Inward investment packages need to be clearly articulated and consistent across the region</li> <li>• A thorough and correct diagnosis of business needs is essential to determine the type of support required</li> </ul>
Sustainable Communities	<ul style="list-style-type: none"> <li>• Management of activity should be co-ordinated through strategic planning</li> </ul>	<ul style="list-style-type: none"> <li>• A combination of enterprise support and loans can be effective in reducing grant dependency in social enterprises</li> </ul>

<sup>21</sup> VOTED is based on the acronym of YF Values: **V**alue for money by being, **O**pen to Ideas; using **T**eamwork to deliver, **E**xcellent results to our **D**iverse communities

	<p>and in partnership with the local voluntary and community sector</p> <ul style="list-style-type: none"> <li>• Creation of social enterprises can help area based community economic development towards sustainability</li> <li>• Creating business support centres and SME premises in deprived communities provides the facility where it is needed</li> </ul>	<ul style="list-style-type: none"> <li>• Childcare provision can release people to enter the labour market in deprived communities</li> <li>• Business premises for SMEs in disadvantaged communities can be justified on social and equity grounds and not just on market failure</li> <li>• Targets should be set flexibly so that they do not restrict activity and hamper progress</li> <li>• Community action plans ensure that local areas become focused, and the planning process helps towards their sustainability</li> <li>• Project endorsement and selection at local level are more effective in meeting needs</li> </ul>
Economic Infrastructure for a Competitive Economy	<ul style="list-style-type: none"> <li>• All infrastructure projects must be consistent with wider strategic objectives to increase their chance for success</li> <li>• Using a delivery agent in physical development to pool expertise and coordinate activity</li> <li>• High level of organisation, structure, collaboration and partnership are critical to the delivery of ICT and broadband investments</li> </ul>	<ul style="list-style-type: none"> <li>• Need for alignment with strategic urban sites</li> <li>• Physical investments should be governed by environmental sustainability and connectivity to deprived communities</li> <li>• SME premises should be linked to the needs of cluster development particularly where it acts as a driver</li> <li>• The use of ICT and Broadband in businesses has been particularly successful where it has been supplemented and supported by training, which requires linkage with the ESF Programme</li> <li>• Changing the business culture is crucial to ensuring the sustainability of ICT and broadband initiatives</li> </ul>

### The Wider Strategic Context – Alignment with other Strategies

3.52 Yorkshire and The Humber's OP vision aligns closely with the Lisbon Agenda, the Community Strategic Guidelines (CSG) and national and regional policy frameworks such as the UK National Reform Programme (UK NRP), the National Strategic Reference Framework (NSRF); National Skills Strategy; Advancing Together; Regional Economic Strategy (RES); Regional Spatial Strategy (RSS); City Region Development Programmes and Sustainable Communities Strategy.<sup>22</sup>

3.53 In line with the Commission's strategy for concentrating cohesion funding, Programme resources have been targeted towards the key Lisbon priorities set out in the Community Strategic Guidelines, 2007-2013 (CSG). Priority 1, Innovation and R&D has been developed in the context of the CSG priority to encourage innovation, entrepreneurship and the growth of the knowledge economy, whilst Priority 2 concentrates on delivering new jobs through improving adaptability of workers and enterprises and encouraging sustained business growth. Priority 3 will target resources at the CSG priority of attracting more people into employment or entrepreneurial activity, and increasing investment in human capital. Priority 4 recognises the CSG priority to develop regions by capitalising on transitional funding to help to improve the attractiveness of the South Yorkshire region. **Table 34** outlines the strategic context in which the Programme has been developed.

<sup>22</sup> Lisbon Strategy for Jobs and Growth – UK National Reform Programme, Oct 2005; UK National Strategic Reference Framework – EU Structural Funds Programme: 2007-2013, Oct 2006; Skills Strategy White Paper – Skills: Getting on in Business, Getting on in Work, March 2005; Advancing Together – The Vision and Strategic framework for Yorkshire and Humber; The Regional Economic Strategy 2006-2015; Regional Spatial Strategy the Yorkshire and Humber Plan – Draft for Public Consultation, Dec 2005; City Regions Development Plans, see [www.thenorthernway.co.uk/page.asp?id=184](http://www.thenorthernway.co.uk/page.asp?id=184); and Improving Opportunity, Strengthening Society, March 2005.

Table 34 Strategic Context					
Lisbon Agenda Priorities	UK NRP priorities	Community Strategic guidelines	National Strategic Reference Framework	OP Priorities	RES and RSS
Networks and knowledge	Innovation	Innovation, entrepreneurship, growth of the knowledge economy	Promoting innovation and knowledge transfer	Priority 1	Competitive businesses
Industrial policy	Macro-economic policy Enterprising and flexible business	Improving the attractiveness of Member States, regions, and cities and preserving their environmental potential	Building Sustainable Communities Stimulating enterprise and supporting successful business	Priority 2 Priority 3	More businesses Stronger cities, towns and rural areas
Environmental technologies	Resource efficiency		Ensuring sustainable development, production and consumption	Priority 1 Priority 2 Priority 4	Transport, infrastructure and environment
Labour market participation	Skills, fairness	More and better jobs	Extending employment opportunities and Developing a skilled and adaptable workforce.	Priority 3	Connecting people to good jobs Skilled people

### The Lisbon Strategy & Lisbon Earmarking

- 3.54 The Lisbon Strategy concentrates on developing a more attractive place to live and work, improving the attractiveness of Member States, regions and cities by improving accessibility, ensuring adequate quality and level of services, and preserving their environmental potential. It focuses on knowledge and innovation for growth: encouraging innovation, entrepreneurship and the growth of the knowledge economy by research and innovation capacities, including new information and communication technologies; and on creating more and better jobs; by attracting more people into employment or entrepreneurial activity, improving adaptability of workers and enterprises and increasing investment in human capital.
- 3.55 This OP will support the delivery of the Lisbon agenda across Yorkshire and the Humber. It focuses on more and better jobs delivered in the context of greater social and economic inclusion/territorial cohesion, whilst at the same time ensuring that growth is not at the expense of the environment. In practical terms this means:

- **at least 75% of the Programme resources are aimed at promoting competitiveness and creating jobs**
- innovation, knowledge and technology transfer are key priorities
- all actions proposed will be required to ensure that the principles of sustainable development are adhered to
- any interventions at local community level will be aimed at economic development, particularly job creation and employment
- environmental protection activity will be undertaken where this is an essential precursor to economic activity.

- 3.56 The Lisbon Categorisation table in Annex C demonstrates how the OP's priorities contribute to achieving the Lisbon targets. The Annual Implementation Report produced each year will identify what has actually been delivered in the previous year and how much ERDF was spent on activities.
- 3.57 The **UK National Reform Programme 2005** sets out the Government's approach to delivering the Lisbon priorities through stronger productivity growth and higher employment. It highlights the need to maintain macroeconomic stability through fiscal policy, to promote productivity growth by strengthening the five drivers of productivity (ie enterprise, competition, investment, innovation and skills) and to increase employment opportunities for all by working towards the aspiration of an 80% employment rate. This OP concentrates on strengthening the drivers of productivity, building sustainable communities and connecting people to economic opportunity, thereby meeting the NRPs objectives of increasing employment opportunities for all.
- 3.58 The **National Strategic Reference Framework** ensures that the UK's Structural Funds spending is consistent with the Community Strategic Guidelines and the National Reform Programme. Published in October 2006 it sets out key priorities for the UK's Regional Competitiveness and Employment Programmes:
- promoting innovation and knowledge transfer;
  - stimulating enterprise and supporting successful business;
  - ensuring sustainable development, production and consumption;
  - building sustainable communities;
  - extending employment opportunities and
  - developing a skilled and adaptable workforce.
- 3.59 This OP delivers these priorities for the Regional Competitiveness and Employment ERDF spend in Yorkshire and The Humber both through the priority axes and the cross cutting theme commitment to sustainable development.

#### Yorkshire and The Humber Strategic Context

- 3.60 Yorkshire and The Humber has a clear regional strategy for economic regeneration. The **Regional Economic Strategy** (RES) shapes and influences a wide range of economic regeneration activities.<sup>23</sup> First drawn up in 1998 and based on evidence from the Leeds Metropolitan University - State of the Regions report, the RES has been reviewed every three years.<sup>24</sup> It is evidence-based and focuses on an analysis of market failure within Y&H, the drivers of productivity and sustained economic growth. It is founded on realistic expectations of funding and on what the region can do and combines the region's ambitions with stretching but achievable targets. The RES reflects national policy and priorities and draws on the development of the Northern Way and City Region Development Plans. It reflects '**Advancing Together**', the region's over arching framework, which sets out to deliver a vision of a better future in which Yorkshire and The Humber will have: *a world class, prosperous and sustainable economy; a physical and communications infrastructure to meet the needs of people, businesses, places and the environment; high quality natural and man made environments; exceptional education and training widespread learning and skills and health; will be socially cohesive and inclusive and will have the highest levels of governance in all sectors.*<sup>25</sup> It sits alongside **The Regional Spatial Strategy** (RSS) which sets out the geographical implications of Advancing Together, ie the location and scale of development in terms of economic development, housing,

<sup>23</sup> The Regional Economic Strategy 2006-2015

<sup>24</sup> The State of Regions: A report for Yorkshire and The Humber RDA, Dec 1998

<sup>25</sup> Advancing Together- The Vision and Strategic Framework for Yorkshire and Humber



transport and communications, the environment, urban and rural regeneration, tourism and leisure. This OP sits within these regional frameworks by addressing the key issues and increasing the investment in areas where there is most opportunity within the scope of ERDF funding.

- 3.61 Over 17,000 people from a broad range of organisations, public, voluntary and community, and private sector contributed to updating the RES for 2006-2015 before it was endorsed by the Government and regional partners, including the Y&H Regional Assembly, in 2006. Consultations took part in three phases. Partners were consulted on a series of questions, key to the region's future economic growth, this led to the development of the draft strategy and partners were consulted on the draft strategy and on the strategic environment assessment. Meetings were also held with a wide range of stakeholders. A Health Impact Assessment and combined Sustainability Appraisal and Environmental Assessment were conducted and drew valuable conclusions which informed the strategy's development.
- 3.62 The RES is currently delivered through sub-regional investment plans that reflect the region's diversity and maximise the impact of public sector funds by pooling resources and prioritising how they should be spent. Five year investment plans have been produced by the sub-regional partnerships in the Humber, and North, South and West Yorkshire. They set clear economic priorities and commission specific projects to address those agreed priorities.

#### **What this means for the Operational Programme**

- 3.63 This OP focuses on delivering the Lisbon agenda within the broader context of the regional strategy. It updates the evidence base used for the 2005 RES review and the sub-regional Strategic Economic Assessments conducted as part of the Investment Planning process<sup>26</sup>. The Programme does not seek to replicate the RES objectives, but to add value by delivering complementary activity concentrated on the Lisbon priorities, and maximising the co-ordination of the investments made with ERDF and national funds for regeneration.

<b>Table 35 OP Complementarities with the RES and its contribution to sustained economic growth</b>	
<b>OP Objectives</b>	<b>RES Objectives</b>
Priority 1 & 2	More Businesses that last – because higher levels of enterprise are so important
Priority 1 & 2	Competitive Businesses – making indigenous businesses more productive because they innovate and invest
Priority 3	Connecting People to good jobs – because levels of employment make a big difference to people and the economy, and we need more people in jobs in deprived areas
Priority 3	Transport, Infrastructure and Environment – a strong economy needs good sustainable transport connections and to make the best of the environment and infrastructure
Priority 4	Stronger Cities, Towns and Rural Communities – to ensure they are attractive places to live, work and invest

<sup>26</sup> In 2006 each sub-region undertook a Strategic Economic Assessment which highlighted strengths, weaknesses, opportunities and threats and was used as the evidence base for developing sub-regional investment plans.



- 3.64 The RES identifies a number of priority clusters where innovation and technology have a major role. These are Advanced Engineering and Metals, Digital, Chemicals, Bioscience, Healthcare Technologies, Environmental Technologies and Food and Drink. The digital cluster, including associated creative industries, is pivotal in contributing to the future growth of the region. Targeting within Priorities 1 and 2 will support the RES priorities. Other key sectors identified by the RES include tourism, financial and business services, logistics and construction. Here, the approach will be different to clusters, in that it will involve only targeted interventions in certain areas, rather than a specific policy of support for all aspects of the sector.

#### **Business Support Simplification**

- 3.65 UK Government expects ERDF to be aligned with and support the emerging strategy for the simplification of business support - the Business Support Simplification Programme (BSSP). The BSSP has agreed a broad definition of business support:

*Any publicly funded activity that benefits a business or potential business through grant, subsidy, advice or other service.*

The definition includes support to businesses designed to achieve wider economic, environmental, regulatory, social or cultural objectives.

- 3.66 All levels of government are working together to develop a flexible, comprehensive and shared portfolio of business support products deployable across the public sector, to meet business needs and deliver policy aims. Standard descriptions will provide assurance of the quality of a product's design and rationale. ERDF funding can be used to extend the scope of these products and improve access to priority groups. Genuinely innovative products will eventually become part of the shared portfolio. A standard approach to branding these products will allow for shared branding across funding streams.
- 3.67 Where ERDF proposals impact on business, they must be clear how they plan to use the Business Link information, diagnosis and brokerage model to best effect, simply duplicating this activity may not represent an effective use of funds. ERDF activity will add value to domestic funding and procurement will comply with EU and national guidelines on open and competitive tendering arrangements.
- 3.68 Business support activity funded through this Programme will be developed **and delivered** in line with the outcomes of the review of business support undertaken by Yorkshire Forward in 2006 and the principles of the Business Support Simplification Programme being developed by Central Government. Both seek to simplify the range of support available to businesses tailoring the support to meet individual company's needs, improving the quality of what is delivered and maximising value for money through better procurement of business support services.
- 3.69 Regional business support will be developed, managed, coordinated and delivered through six themed programmes. These are:
- **Business Start-Up** - encouraging people to start a business and helping them to do this successfully;
  - **Business Improvement** - helping businesses grow and improve their performance;
  - **Innovation** - encouraging businesses to develop new ideas, products and services and helping them to do this successfully;

- **International Business** - encouraging businesses to look beyond national boundaries when developing their business strategies and helping to identify and access new international markets for their products and services;
- **Workforce and Skills** - helping businesses recruit, manage and develop a talented and highly skilled workforce that will help them to grow; and
- **Access to Finance** - helping businesses to access the funding that will enable them to grow.

3.70 All business support funded by ERDF whether designed and delivered at the regional, sub-regional or local level will:

- be consistent with regionally agreed priorities and actions
- support the principles of the Business Support Simplification Programme
- demonstrate how it will connect with and add value to other activity already being funded through the business support programmes
- operate within the Better Deal for Business framework

3.71 Business support activity will:

- be developed and delivered in a customer focussed manner;
- be driven by the needs of the customer;
- be easy to access in terms of both visibility and bureaucracy;
- make the best use of resources;
- help to achieve maximum economic success for the region;
- use the Business Link brand as the main entry point but be made available to the customer regardless of where they choose to enter the network;
- be impartial and separate diagnosis of need from delivery of solutions; and
- be provided by the most appropriate supplier to meet the client's needs and who has the relevant competencies and accreditations.

The main route for business's to access support will be through the Business Link Service. Business Link provides a range of services to:

- meet and identify business support requirements;
- pinpoint appropriate solutions and identify suitable providers.

Needs analysis will focus on customer requirements but also expressly address the economic development aims and priorities identified in the Regional Economic Strategy and the Operational Programme, thus enabling a more strategic and broad-based approach which will not limit solution solely to the provision of a single product fixed product. The aim is to increase both the uptake and impact of business support provided through the operational programme.

The Business Link service will be delivered through a multi-channel approach including a telephone and web-based "regional gateway" and generalist and specialist "face to face advisors". The gateway and generalist advisors will be employed by a core "Business Link Operator". Specialist advisors will operate under the brand but may be employed by specialist organisations.

All organisations operating under the brand will use a central customer relationship management system which will be used to coordinate activity and improve the customer journey. This system will enable a clear and evidence based approach to

identify areas requiring investment from the Operational Programme and to identify the most appropriate way of filling gaps in the market, through a demand or supply side intervention. All interventions will be designed to promote market correction rather than encouraging a dependency on public funding.

### **Sustainable Urban Development /Territorial Cohesion**

- 3.72 The OP has an inbuilt structured approach towards sustainable urban development, because of South Yorkshire's phasing-in status and ring fenced allocation and through the concept of City Region Development Plans.(CRDPs) Polycentric development of the South Yorkshire economy will be achieved by supporting gateways and the urban centres in South Yorkshire through strategic alignment with the Sheffield CRDP which provides an integrated development plan for the sub region. Also support for key clusters, sectors and high growth companies, innovation and knowledge and technology transfer across urban and rural areas will tackle common urban and rural issues and improve urban networks and support territorial cohesion. Similarly the concentration on developing sustainable communities, which are largely concentrated in urban areas but also includes some rural pockets will encourage enterprise development and help narrow the gap between the most prosperous areas and other parts the region. Although Programme priorities are generic in nature with targeting being done on a thematic basis, in Priorities 1 and 2, their implementation will address spatial disparities through a combination of actions to address spatial phenomenon such as low levels of business start-ups in disadvantaged areas and actions related to access to employment opportunities in Priority 3.
- 3.73 The OP's overarching approach is to direct investment where it will have the greatest transformational impact. As well as being thematically focused, activities will be strategically aligned to City Region Development Plans (CRDPs) allowing drill down to identified local needs and priorities which support the Lisbon Agenda and promoting sustainable urban development. The CRDPs highlight key priorities for closing the region's productivity gap with the rest of the UK. over the next 20 years. The city regions will accommodate and drive a high proportion of regional growth and provide a valuable device for interconnected areas to assess and discuss shared issues. However, sizeable areas of Yorkshire are not in a city region, but still have important needs, challenges and opportunities. These include distinct rural and coastal areas such as North Yorkshire where enterprise and economic diversification will be important. This strategy will not exclude areas where the economic rationale for intervention exists.
- 3.74 Leeds City Region is the largest of the three with a GVA of £40bn<sup>27</sup>, making it a major economic driver. It comprises urban concentrations in West Yorkshire and large areas of rural landscape in North Yorkshire (but excludes some rural wards in the north of that sub-region). Urban centres include Leeds, Bradford, Wakefield, Huddersfield, Halifax, York, Harrogate and Barnsley (shared with the Sheffield City Region). The CRDP has identified four sectors that are acting as economic drivers in the city region: financial and business services; electrical and optical equipment; bioscience, health and medical research; and digital and creative industries. Additional growth prospects include communications; public services including education and health; environmental technologies; logistics and distribution; and niche manufacturing including defence. Alongside this though there are a number of economic inhibitors that, if not addressed, will serve to inhibit growth and competitiveness: transport connectivity; skills and labour market; innovation, science and enterprise, business infrastructure and support; rural economy; housing and

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<sup>27</sup> Regional Econometric Model, GVA 2003 Experian

sustainable communities; and quality of life. It will also work to develop the Leeds-Manchester-Sheffield economic core.

- 3.75 Hull and the Humber Ports is the smallest city region with a GVA of £12bn<sup>28</sup>. Centred on Hull and the wider Humber Estuary, the city region has challenges to overcome as well as major assets to build on. In the Humber area, smaller economies are still too reliant on declining industries. Industrial restructuring has led to concentrations of socio-economic deprivation. The CRDP includes focusing on the growth of the economy by concentrating on the drivers of productivity: skills, enterprise, investment, innovation and competition; aiming for high-output/high reward employment and transforming the skills of the community.
- 3.76 Sheffield City Region is the second largest, with a GVA of £21bn<sup>29</sup>. It includes the city of Sheffield, major towns such as Barnsley, Doncaster and Rotherham and a largely rural area in north Derbyshire and north Nottinghamshire. The CRDP includes: developing the Leeds-Manchester-Sheffield economic core as the engine of the northern economy; addressing the underlying weaknesses of enterprise, skills, participation, connectivity and housing; re-establishing the main cities and towns as retail, commercial and business centres; accelerating economic growth through a number of key economic drivers.
- 3.77 To maximise the Region's vision and contribution to the Lisbon Agenda especially in terms of more and better quality jobs and greater territorial cohesion, the OP will reflect the specific needs of rural areas, along with the inter-connections between rural and urban parts of the Region. In particular, there is a need to understand the link between measures under the Rural Development Programme for England, (designed to encourage sustainable community development in rural areas), and the Structural Funds, (which focus on more competitive economic growth). Rural areas often perform well on economic and quality of life indicators, but the challenges they face are often be hidden by average statistics, which are affected by higher paid, higher skilled commuters who reside in rural areas but work in urban areas. The wage rates, incomes and employment opportunities of those relying on rural employment are often low. There are pockets of serious deprivation within affluent communities, and some pronounced areas of economic disadvantage, including remoter rural and the coast. There is also a danger that a single focus on urban and metropolitan parts of our region will add to these problems by encouraging a two-track pattern of development which fails to recognise and exploit the economic links with rural areas. There are some key economic issues which are specific to rural areas and which need to be addressed by specific funding. These include: co-ordinated inter- agency approaches to overcoming barriers to learning, (improving Human Capital), promoting the use of Information Technology for individuals and SME's ( including broadband, e-health, e-learning, and e-commerce), helping rural businesses to be more competitive, increasing opportunities for home working, (Information Society), encouraging the growth of social enterprise, (especially in remote rural areas), improving access to employment with specific action to support the participation of Migrant Workers and sustainability measures.
- 3.78 The rationale for supporting rural businesses goes beyond the need to boost competitiveness. It encompasses issues such as retaining services and ensuring the economic sustainability of our rural communities. Rural areas will be recognised in the mainstream delivery of all aspects of this Strategy – for instance on business

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<sup>28</sup>Regional Econometric Model, GVA 2003 Experian

<sup>29</sup> Regional Econometric Model, GVA 2003 Experian

support and start-ups, key clusters and sectors where rural areas are strongly placed to benefit from the enterprise agenda.

#### **Links with other UK and EU regions**

- 3.79 Under the Northern Way Initiative, the three Northern RDAs - One North East, Yorkshire Forward and the Northwest Development Agency - have united for the first time in a combined effort to help the North reach its full economic potential, to create more jobs, investment and opportunities for the 14 million people living in their three regions. The city regions too will work across sub-regional and regional boundaries, with other Northern city regions and links into the East Midlands for instance. This collaborative effort will serve to stimulate opportunities to make linkages, undertake joint activities and learn from best practice in order to maximise the benefits of the regional ERDF Programmes.

#### **Inter regional and Trans National Cooperation**

- 3.80 The region will also benefit from building on existing links across the EU – especially where partnerships have already been well developed, such as those that have come together through the EU's Framework Initiatives and INTERREG. Partnerships with other regions can produce synergies beneficial to research, innovation and entrepreneurs. Particularly in areas where Yorkshire and The Humber is lagging behind, for example in stimulating business R&D spend, the combined experience of these partnerships will be invaluable in ensuring that activities funded through this Programme are based on knowledge of what works, and just as importantly on what does not. As the most effective way of mainstreaming interregional and trans national cooperation, it will be included within the body of the priority axes in terms of best practice as well as in Technical Assistance.
- 3.81 In addition to inter regional cooperation the region has the opportunity to share learning with other region's in the areas of knowledge transfer, R&D and innovation, environmental good practice and sustainable communities, through the European Commission's Regions for Economic Change (RFCE) (or Fast Track) initiative which aims to promote mutually beneficial learning between regions, supported and facilitated by DG Region. Yorkshire and The Humber is interested in participating in this Programme.

Under the framework of RFEC the necessary arrangements will be made to integrate, where appropriate, into mainstream programming innovative operations identified as a result of the networks the region is involved in. Representatives of these networks will report on progress to the PMC and the networks' activities and their relevance to the OP will be discussed by PMC on an annual basis. Activities undertaken as part of RFEC will be reported in the Annual Report.

#### **Environment**

- 3.82 Yorkshire and The Humber has a strong commitment to reducing the greenhouse gas emissions from economic activity. The region has significant environmental issues with an ecological footprint well above the world average, and the highest energy consumption and CO<sub>2</sub> emissions in England<sup>30</sup>. These present huge challenges and opportunities for the OP as addressing them will reduce the environmental impact of the region and stimulate economic activity in the environmental technology sector, to meet an increasingly important, emerging market.

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<sup>30</sup> See Environment Section in Chapter 2

3.83 The Stern review of climate change, has reinforced the region's aspirations to decouple environmental degradation and resource consumption from economic growth in order to secure a competitive and dynamic knowledge based economy.<sup>31</sup> The Review points to the positive benefits of strong and early action on climate change both in terms of cost and future environmental outcomes. Evidence shows that ignoring climate change will eventually damage economic growth, Inaction over the coming decades could create risks of major disruption to economic and social activity which will be difficult or impossible to reverse. Tackling climate change is an integral part of any growth strategy and it can be done in a way that does not cap the aspirations for growth.

3.84 Environmental strategies in Yorkshire and The Humber, the Regional Climate Change Action Plan and Environment Enhancement Strategy and also the RES all identify the need to respond to climate change and includes actions to do so. The underlying principle for this programme is:

***To focus efforts on delivering a low carbon programme which helps decouple economic development from carbon use and climate change in order to improve and maintain regional competitiveness.***

3.85 The transition to a low carbon economy will be achieved through:

- Using environment as a strong driver for innovation and competitiveness
- Behavioural and cultural change delivered through specialist business support
- increasing awareness amongst businesses of the need to reduce carbon emissions
- promoting resource and energy efficiency in businesses
- providing tools and methods of assessing carbon footprints and advice on how to reduce emissions
- assisting businesses to deal with legislative changes
- support for reducing carbon emissions
- promoting and investing in renewable energy
- the application of high energy, environmental and design standards to buildings and neighbourhoods.

3.86 Specific interventions and project-based activity, will encourage behavioural and attitudinal change towards reducing the environmental impacts of economic growth. Proposed actions include; environmental innovation and knowledge and technology transfer across the Programme, Resource Efficiency Clubs and environmental review and or management as a quality standards for projects, supporting the market for eco-products and processes; championing resource management and an increased emphasis on life-cycle thinking; and encouraging the exploitation of increasing demand for consumer goods and services that are consistent with high environmental quality will encourage behavioural and attitudinal change towards reducing the environmental impacts of economic growth. Activities in support of renewable energies and low carbon technologies will address both the scale and integral nature of action needed on eco-innovation and recognise the need to meet demands on climate change.

3.87 The actions supported to reduce climate change and capitalise on existing and future opportunities for eco-innovation will reap extra benefits. Reduced emissions and

<sup>31</sup>Stern Review on the Economics of Climate Change, Cambridge University Press. ISBN0-521-70080-9.



increased security of supply can lead to increased employment. Increased business competitiveness will develop as costs and environmental impacts are reduced through adoption of sustainable processes, technology and management practices/systems. By taking a lead in finding innovative solutions to a better management of resources, the region will promote a more resource efficient economy and position itself as a leader in environmental technologies.

- 3.88 The Programme's positive action on environmental issues will lead to social and economic opportunities and provide added value by improving competitiveness and taking advantage of the economic and employment potential of a low carbon economy.
- 3.89 Through the OP, the region can capitalise on the high quality environment that plays a major role in attracting investment into the region and counter unsustainable land use trends. The Programme will add value by helping to ensure that investment in even the most deprived areas of the region is consistent with the highest environmental standards.

#### **Economic Impact of Flood Risk**

- 3.90 Yorkshire Forward and the Environment Agency recently commissioned a study "Assessing the Economic Impact of Flood Risk in Yorkshire and Humber Region".<sup>32</sup> This aims to create a shared vision of how regional partners can plan sustainably and manage flood risk, and reduce the overall impact and cost of flooding on the economy and people of the region. In response to this the Programme will assess the environmental risk of the actions proposed particularly infrastructure developments and, mitigate it where necessary. The Programme's aim is to achieve a standard of activity which demonstrates environmental good practice.

#### **Strategic Environmental Assessment**

- 3.91 In accordance with the requirements of European Directive 2001/42/EC and assessment of the effects of the OP on the environment was undertaken. The OP strategy has therefore been subjected to a robust and objective Strategic Environmental Assessment (SEA) with a Sustainability Appraisal (SA) – was integrated with this to provide a rounded assessment against the environmental, social and economic aspects of sustainable development. The process has led to significant changes being made to the strategy, including a stronger emphasis on a low carbon economy; extra actions on energy and climate change; recognition of the need to protect and conserve resources as climate change pressure increases; and commitment to allow future monitoring of sustained economic development and resource consumption and production alongside GDP. The appraisals stressed the merits and importance of certain OP actions in delivering environmental and social, as well as economic benefit. See Annex D for the full SEA.
- 3.92 As part of the Consultation process for the OP, the Y&H Regional Assembly commissioned a Carbon Assessment of the draft OP<sup>33</sup>. The report complements the SEA and SA and allows partners to analyse in more depth the issues raised. It highlighted four key areas where carbon impact could be reduced, transport, buildings, energy and resources. The report commented that with a thorough application of the CCT, the Programme could be labelled low carbon.

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<sup>32</sup> On-going study being conducted by ARUP.

<sup>33</sup> Yorkshire Futures Carbon Assessment of the Draft ERDF Operational Programme March 2007. Ove Arup & Partners

- 3.93 The SEA, SA and Carbon Assessment of the OP have influenced partners aim to focus efforts on delivering a low carbon Programme which decouples economic growth from carbon use and climate change with an overall strategic aim to be environmentally sensitive.
- 3.94 The SEA has recommended a monitoring framework for the Programme. Where appropriate this will be considered in the development of the full monitoring and evaluation programme and will be aligned with the RES monitoring framework.

#### Ex-Ante Evaluation

- 3.95 The OP strategy has been subjected to a robust and objective Ex-Ante Evaluation. EKOS Consulting undertook the evaluation between June 2006 and March 2007. A full version of the Report is in Annex E. The Ex-Ante independently assessed each stage of Programme development; provided advice on the content and requirements for each of the component stages and provided advice on the appropriate responses to the consultation feedback.

#### Key Findings

- 3.96 The key findings of the Ex-Ante Evaluation confirmed that the OP presents a sound evidence base. Its socio-economic analysis is relevant to and underpins the Programme strategy. It has helped to refine the strategy, in particular, splitting business support and innovation interventions into two discrete priorities, has helped to focus innovation interventions on early stage innovations and R&D, commercialisation and exploitation and building the innovation capacity in the region and helped to focus activities under business support, The identification of a South Yorkshire-specific Priority has recognised the need to improve the competitiveness of the principal urban centres and the ongoing need to update the ICT infrastructure. In the Sustainable Communities Priority, tighter targeting has enabled more focus on the economic inclusion of those living in the most deprived areas.
- 3.97 The consultants concluded that the Programme had been developed in a very inclusive, consultative and constructive way. The comments and views of the ex-ante evaluators had been taken seriously and been addressed in a timely manner and that this had significantly enhanced the strategy. The **Table 36** below sets out the Ex- Ante evaluator's key recommendations and how the OP has taken them on board.

<b>Table 36 Ex Ante Comments</b>	
<b>Ex-Ante Comment/ Recommendation</b>	<b>How this is addressed in YH Competitiveness and Employment Programme 2007-2013</b>
<b>Chapter 2 Socio-Economic Analysis</b>	
Greater Programme level analysis and focus on key message	Key programme-level messages are far more evident (e.g. such the need to significantly raise levels of innovation and R&D).
A more developed Strengths, Weaknesses, Opportunities, Threats (SWOT)	The analysis has been developed to focus on those strengths and opportunities that are regionally significant. The SWOT is also usefully disaggregated by theme.
An enhanced analysis of sectors and clusters	This has helped the prioritisation of the interventions.
A greater focus on innovation more widely.	Additional analysis included.
A clearer articulation of deprivation in the Programme area.	To help inform where this remains a barrier to regional and sub-regional competitiveness.
Language to remain objective and neutral	Addressed throughout.
The need for the lessons learned to be incorporated in to the Operational Programme	Lessons learned have been usefully incorporated throughout the socio-economic analysis under principal headings such as enterprise.
<b>Chapters 3 Strategy and 4 Priorities</b>	
Splitting the business support and innovation interventions in to two discrete priorities	In the earlier stages, there was a single Priority Axis covering all business competitiveness and innovation strategy and interventions.
Clearly differentiate innovation support actions from more general business support.	A number of sub-objectives appeared to duplicate one another and this has been addressed.
Focus the business support under a single Priority Axis and to focus this support on a number of key areas	It was recommended that three of four very specific sub-objectives (e.g. international support) were combined under this objective, partly in response to lessons learned from the current programme where multi-strand, flexible packages of business support have proven to be more effective.
Promotion of an entrepreneurial culture and support to businesses at start up and early stage	It was recommended that a specific focus on this was retained.
The identification of a South Yorkshire-specific Priority	This has been adopted as part of the Programme strategy especially in relation to the scale and phasing of works required to improve the competitiveness of the principal urban areas and the ongoing need to update the ICT infrastructure
Greater targeting under the Sustainable Communities Priority	The OP no longer makes reference to targeting 'communities of interest' under this Priority Axis, groups that would benefit significantly under the ESF Programme
That Priority 4 is more tightly spatially targeted set of interventions	The OP makes a commitment to targeting areas the most deprived 10% and within the most deprived 10%, to areas of greatest need and opportunity. This enables the economic inclusion of those living in the most deprived areas, for example in relation to identifying enterprise as an alternative route in to the labour market than traditional employment.
To make more explicit the links between the OP and the RES	This has been reinforced through successive drafts of the OP.
<b>Financial Allocations and Indicators</b>	
That early consideration should be given to the quantification of the Programme	This was addressed during the drafting of the Programme
That consideration should be given the levels of R&D/technology absorption possible by SMEs targeted under Priority 1	This was one of the factors contributing to the adopted balance of resources between Priorities 1 and 2

### Equalities Impact Assessment

- 3.96 As well as an SEA and Ex Ante an Equality Impact Assessment was undertaken for the Programme and consulted upon. In terms of the equalities agenda, the new OP will aim to be inclusive with no discrimination, and positive action for disadvantaged groups in all its activities. See Annex F for the full Equality Impact Assessment.

### Key Findings

- 3.97 The key findings of the EIA confirmed that the OP should not have a negative impact on any of the equality groups<sup>34</sup> included in the EIA Screening report, it suggested that the intention is to have as positive an impact as possible. The report found no reason to suggest that the OPs equality objective would not offer opportunities to people of all groups to increase their economic and employment activity, concluding that the new OP will be as valuable approach to equality as the 2000-2006 programme. The OP will, of course, need to comply with relevant legislation to avoid discrimination and positively promote equality of opportunity, and will need to ensure that all groups have equal access to the opportunities on offer. The recommendations listed below should ensure that the impacts from the OP are positive and that good practices from previous rounds of structural funds influence the performance and processes of the 2007-13 Programme:

**Table 37 Equalities Impact Assessment Comments**

<b>EIA Comment/ Recommendation</b>	<b>How this is addressed in YH Competitiveness and Employment Programme 2007-2013</b>
All projects and activities will need to demonstrate they have included specific actions to deliver on cross cutting themes	Project selection criteria across the priorities will ensure that where appropriate specific actions that work towards the cross cutting themes will be encouraged and delivered.
Specific provision should be in place to manage the equality and diversity cross cutting theme.	The delivery structure for the Operational Programme includes a cross cutting theme manager to manage the equality and diversity cross cutting theme. Cross cutting themes will also be mainstreamed across the work of the RDA and partners
There should be a robust monitoring system in place from the outset to record relevant equality outputs.	The recording of equality outputs will be built into the monitoring framework from the outset with information being collected and recorded on the programme's management information system and reported to PMC on a regular basis.
There should be a process of continuous evaluation of the groups who take up opportunities offered by the new OP.	A review of targeted groups will take place as part of the annual review process. Where separate initiatives have been undertaken these will be evaluated in their own right as part of the Programme's ongoing evaluation strategy.
In line with the NSRF the OP should take account of the needs of ethnic minorities when determining individual projects and priorities	Priorities 1,2 and 3 have opportunities for targeting disadvantaged groups
The programme needs to provide projects with advice on how to address equal opportunities issues, including those relating to ethnicity, disability and age.	This will be achieved through the development of guidance documents which will build on the experiences and best practice of the Objective 1 and 2 programmes and be available to applicants.

<sup>34</sup> Race (Black, Asian and other minority ethnic and/or cultural groups), Disability, Gender, Age, Sexual Orientation, Religion/Belief, Communities

### Introduction

- 4.1 The Programme's priorities are derived from the key messages set out in the preceding strategic socio-economic analysis and strategy Chapters. It has been influenced by the lessons learnt from programme approaches and project level interventions in the 2000-2006 Objective 1 and 2 Programmes in the UK (as summarised in section 3.35 above and Annex B) and the European Commission's paper on Innovation Strategies and Actions.<sup>35</sup> The priority axis and delivery approach has been developed to deliver high impact and to allow sufficient flexibility for the Programme to respond to changes during its lifetime.
- 4.2 In order to ensure maximum engagement with the target groups and to provide value for money for EU interventions, business support activity funded through this programme in Priorities 1, 2 & 3 will be required to demonstrate how it links and adds value to the activity of the nationally funded business support programmes outlined in Chapter 3.

## PRIORITY 1: Promoting Innovation and R&D

### Aim

4.3

***To stimulate an innovation culture and strengthen the innovation system in the region by increasing technology transfer from universities, institutes and businesses to the business base to improve products and processes, promoting networking and setting the framework for businesses to respond to the challenges and opportunities of the knowledge economy.***

### Rationale

- 4.4 Evidence from the socio-economic analysis in Chapter 2 indicates that Yorkshire and the Humber spends less on R&D than any other UK region. In particular, the region is well below the UK average on business expenditure on R&D. In 2003, investment in R&D and the UK was just over 2% of UK GDP whilst in Yorkshire and the Humber it was 1% of GDP<sup>36</sup>. None of the top 100 R&D intensive firms has its main activity based in Yorkshire and the Humber and SMEs appear slow, in comparison with other countries, to adopt technological improvements. This is of particular concern where SMEs operate in a very low value market. It implies low levels of product and process innovation, and organisational and marketing innovation, which in turn leads to low levels of demand for the application of existing and new knowledge. This weakness to innovate is embedded in the regions culture and is a major factor inhibiting sustainable growth.
- 4.5 Business innovation is driven by customer demand, new technologies and regulatory responses. The region needs to increase 'industry pull' from the science base and other companies. Businesses need to be 'trained' in the innovation process, particularly in creativity and design. The perception of innovation as a risk needs reducing. Unless businesses recognise that innovation is more important than it is risky, and can identify sources of knowledge (predominantly HEIs) and technology (predominantly other businesses), the barriers to innovation and for business-HEI collaboration will remain. When companies make innovation habitual, they will know that they can obtain knowledge and technology from established sources.

<sup>35</sup> DG Region; Innovations Strategies and Actions – Results from 15 years of Regional Experimentation.

<sup>36</sup> See Section 2.40 in Chapter 2

- 4.6 Priority 1 will aim to address the weaknesses identified above, through a programme of interventions with both the science and innovation base and recipient businesses. By working on the key barriers, this programme seeks to accelerate the flow of ideas from the science base to the market place and to increase industry pull. The critical success factors for cluster development are widely recognised and provide the foundations for interventions in this Programme.<sup>37</sup> A strong innovation base with supporting R&D activities, the presence of functioning networks, the existence of a strong skills base, appropriate physical infrastructure, the presence of large firms and SMEs, a strong entrepreneurial culture and access to finance are all prerequisites for growth. To sustain and improve the region's prospects, targeted investment in key clusters and sectors is needed to accelerate growth and encourage higher value-added businesses and help close the gap in GVA between the region and the UK average.
- 4.7 Yorkshire and The Humber has a good land resource for renewable energy (e.g. wind and biomass) and its potential offshore can help to establish the UK as the world's largest single market for offshore wind. There are innovative developments and future possibilities in other technologies too, including using waste food as a power source and in tidal/wave energy. Yorkshire and the Humber's concentration of power stations will also put an onus on "de-carbonising" fossil fuel power generation, led by the private sector. This includes co-firing with biomass, such as at Drax, building on the large share of biofuel companies locating in the region. Potential ERDF investments under Priority 1 will concentrate on demonstrating the potential of innovative actions in the field of energy generation and encouraging the uptake of these technologies.
- 4.8 The development of renewable energy resources will also make a contribution to reducing greenhouse gas (GHG) emissions as well as meeting specific government targets of generating 10% of electricity from renewable resources by 2010 and 20% by 2021. Currently, regional electricity generation capacity is about 13,000 MW but renewable energy capacity, at 130 MW, represents only 1% of this. New national and European targets are likely to push for significantly more renewable energy generation. The region currently lies fourth from bottom on the creation of renewable energy.
- 4.9 The Yorkshire and Humber Climate Change Adaptation Study (<http://www.adaptyh.co.uk>) points out the opportunities for increasing links with regional and sub regional universities to enable greater research and development on climate adaptation. Combining these links with local and regional business organisations will, the study suggests, make the most of the opportunities presented, but also, enable greater preparedness for the potential disruption caused by climate change impacts.

#### Description

- 4.10 Priority 1 will focus on growing the region's innovation culture and developing a region-wide environment and infrastructure for innovation. It will foster innovation in businesses through the transfer and exploitation of new knowledge and technology. It will lead to and inspire businesses to undertake more research and development, and assist them to continually innovate through new products and processes, new organisational changes and novel marketing methods. Priority 1 will support both capital and revenue based activity. **Table 38** provides a list of indicative actions to be supported under Priority 1. Given the nature of activity the level of job creation will be limited in the short term, the impact will be on the competitiveness of the region in the world economy and on future business growth.
- 4.11 Priority 1 will support demonstration of novel clean energy technologies as a necessary pre-requisite to their adoption at scale. Long term benefits will accrue to the regional economy if it becomes a leader in demonstration of clean energy innovation. This is particularly true of demonstration of novel technologies that are being developed by innovators in the region's universities. Also supported, as a particular priority for the regional economy, will be carbon

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<sup>37</sup> A Practical Guide to Cluster Development. DTI



capture and storage which would remove the necessity to retire our energy assets early, boosting the regional economy as well as offering significant opportunity for the region to become an exporter of product and process technology, with associated economic benefits.

**Table 38 Priority 1: Promoting innovation and R&D**  
**Intervention Rate: ROR 64%/SY 50%**

<b>Objective</b>	<b>Indicative Activities</b>
<b>1. To stimulate and facilitate increased investment in innovation and R&amp;D, engender a culture change and promote sustainable business practices</b>	<ul style="list-style-type: none"> <li>• Networking</li> <li>• Mentor Network</li> <li>• Supporting organisations that encourage and promote technology led sectors/clusters</li> <li>• Collaborative R&amp;D programmes between businesses / universities /institutions developing new products &amp; processes to improve business performance</li> <li>• Regions for Economic Change/Territorial/Interregional Cooperation activities</li> </ul>
<b>2. To provide and support the infrastructure needed to stimulate innovation and R&amp;D whilst ensuring the social, environmental and economic conditions are improved</b>	<ul style="list-style-type: none"> <li>• Provision of facilities to support innovation and improve regional competitiveness of targeted growth sectors and clusters including research facilities, specialist incubators and grow on space</li> </ul>
<b>3. To increase and support the exploitation and commercialisation of knowledge, technologies and processes that underpin the future sustainability and growth of new and existing businesses and target clusters</b>	<ul style="list-style-type: none"> <li>• Support for commercialization of technology in new product/process design</li> <li>• Initiatives to address constraints on or opportunities affecting target businesses</li> <li>• Support for businesses to sponsor/purchase R&amp;D activity which will create new products and processes</li> <li>• Knowledge/technology transfer between companies/ businesses/institutions/universities/FE</li> <li>• Support for investments in demonstration, promotion and supply of renewable energies<sup>38</sup> including: <ul style="list-style-type: none"> <li>○ Delivery of demonstration and pilot de-centralised co-generation (electricity and heat generating) and, where required, distribution systems to deliver new innovative approaches to supplying low carbon heat and electricity to businesses.</li> <li>○ Promotion of innovative renewable and low carbon technologies. These new low carbon technologies could include: Combined Heat and Power (CHP); Combined Cooling Heat and Power (CCHP); waste to energy systems such as gasification or pyrolosis.</li> <li>○ Delivery of demonstration projects that install innovative renewable and low carbon energy conservation technologies on-site to deliver new approaches to supplying zero carbon energy to businesses., (for example solar, wind, biomass geothermal , anaerobic digestion, fuel cells or any other appropriate renewable energy or carbon capture generating technologies).</li> <li>○ Activities to promote the development of Carbon Capture</li> </ul> </li> </ul>

<sup>38</sup> Definitions: Renewable energies – anaerobic, hydro-electric, geothermal, microgeneration, solar, tidal, wave, wind and biofuels. Energy conservation technologies – cogeneration, energy efficiency, geothermal HP, passive solar.

	<p>and Storage technologies.</p> <ul style="list-style-type: none"> <li>○ Support for projects which aim to conceive and develop environmentally friendly innovative solutions, models, materials etc - including demonstration projects for energy efficiency in the housing sector - i.e. projects designed to prove the viability of new technologies offering potential economic advantage but which cannot be yet commercialised directly.</li> </ul>
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- 4.12** Priority 1 can be linked to disadvantaged communities through work placements, mentoring business start-ups or supply chain initiatives. This Priority will be delivered in partnership with key organisations on a regional, sub-regional or local basis as appropriate. As shown in **Table 38** the objectives driving Priority 1 are clearly geared towards delivering the Lisbon Agenda and within that context supporting the City Region Development Plans outlined in Chapter 3. Priority 1 adds value to the Regional Economic Strategy through its concentration on the Lisbon priorities.

#### **Lisbon Earmarking**

- 4.13** Priority 1 contributes to the following Lisbon categories of expenditure 1, 2, 3, 4, 7, 9, 39, 40, 41, 42, and 43

#### **Targeting**

- 4.14** Investment will be primarily focused on key clusters and significant growth sectors.

##### **Targeting**

**Yorkshire and Humber (excluding South Yorkshire)** - Creative & Digital Industries, Advanced Engineering & Metals, Food and Drink, Bioscience, Chemicals, Environmental Technologies, and Healthcare Technologies, Financial and Business Services

**South Yorkshire** - Advanced Manufacturing & Materials cluster, Creative and Digital Industries, Food & Drink, Bioscience, Environmental Technologies and Business, Financial and Business Services and the Sports cluster

**Social enterprises** that fall into the above targets sectors in particular Creative and Digital Industries and Environmental Technologies

**Sustainable Development targeting** – In support of a sustainable development approach P1 is targeting activities that promote energy efficiency and renewable energy and low-carbon technologies, both in terms of the technologies themselves through the cluster specific interventions, and businesses within the region's use of them.

- 4.15** In spatial terms the OPs overriding approach is to direct ERDF investment where it will have the greatest transformational impact. As well as being thematically focused activities will be aligned with the needs and priorities of the region's CRDPs where they support the Lisbon agenda. The OP seeks to promote territorial cohesion and lessen the disparities between the prosperous and less prosperous parts of the region to this end the strategy will not exclude areas outside the CRDP where the economic rationale for investment exists. ERDF will only used to support large companies where there is a clear demonstration that the benefit will be felt in the region. ERDF assistance to SMEs will be used where it adds value to existing national schemes and respects State Aid rules. In the case of assistance granted from the Structural funds to a large enterprise, the Managing Authority undertakes to request an assurance from the enterprise concerned that the assistance will not be used

in support of investment that concerns the relocation of its production or service facilities from another Member State of the European Union.

#### **Delivery**

- 4.16** Priority 1 will be delivered in partnership with the region's institutions of higher education, research institutes and business support providers. Activities will be undertaken at a regional or sub regional level where appropriate. Planned activities are detailed in the Regional Innovation Strategy which has been developed by the Yorkshire and Humber Science and Innovation Council. This body includes the regions' higher education institutes, private sector businesses and major public sector bodies and represents the needs of the region in relation to stimulating innovation activity.
- 4.17** Those activities which can only be delivered by the region's Higher Education Institutions will be delivered through a strategic alliance between Yorkshire Forward and Yorkshire Universities, (a body representing all of the region's 9 universities). This partner organisation will be commissioned by Yorkshire Forward, on behalf of the PMC, to deliver appropriate elements of Priority 1. Where there are a number of potential options for delivery, open tender procurement processes will be carried out in line with UK and EU procedures to find the most appropriate supplier.
- 4.18** The region's universities will participate in a new knowledge system (information database) which will be shared by a number of regional organisations including Business Link, the Learning and Skills Council and UK Trade and Investment. This will enable ease of access to information regarding innovation support services for the region's businesses and pro active targeting of companies with the potential for high growth as a result of intervention.

#### **International Cooperation**

- 4.19** The opportunity to engage actions for interregional cooperation with, at least, one regional or local authority of another Member State is one which will be valuable in achieving the objectives of this priority and will therefore be encouraged with the use of ERDF as appropriate.

#### **Selection criteria**

- 4.20** Formal approval of the selection criteria for activities financed under Priority 1 will be subject to PMC approval. Activities that meet specific outputs and results may be commissioned against a commissioning framework/prospectus for Priority 1 or through direct bidding where appropriate in the early stages of the programme. Principles that underpin the criteria will be:

### Selection Criteria

- Proven additionality
- Regional economic justification
- The addressing of identified and evidenced market failure
- All projects funding business support must evidence clear and explicit links to the Business Support Programmes as outlined in the Business Support Simplification section of Chapter 3
- Degree of Contribution towards strengthening the technological base of the region
- Relevance to target clusters and sectors
- Emphasis on building the capacity of businesses to innovate and sustain themselves post intervention
- Application of leading edge technologies
- Degree of reduction of environmental impact energy/water/waste consumption and production
- Evidence of Private sector involvement
- Evidence of Match funding
- Evidence of end user demand, viability and additionality
- Capital projects to adhere to environmental criteria set out by BREEAM very good or excellent standards
- Contribution to the number and quality of spinout businesses
- Meets appropriate environmental standards
- Meets the other CCT selection criteria set out in Chapter 5
- To ensure the consistency and quality of business support delivery, all interventions involving contact with businesses must meet the “Customer First” quality standard.
- Ensuring disadvantaged communities are included in the growth of the Knowledge economy

### Financial Allocations

**4.21** 20% of the ERDF resources will be allocated to Priority 1 in Yorkshire and the Humber (excluding South Yorkshire) €62,507,927m and 18.4% in South Yorkshire €49,871,604. The allocation of 20% and 18.4% of programme resources is based on a realistic assessment of what can be achieved within the programme period. Starting from a low base there is a need to stimulate demand for this kind of activity. The majority of spend will therefore be on revenue activity to work with businesses on raising the profile of innovation and its impact on competitiveness. 20% and 18.4% represents a higher proportion of spend on R&D and innovation than in the 2000-2006 Objective 1 and 2 programmes and reflects the importance of this type of activity in national and regional strategies and addresses the challenges of the Lisbon agenda.

**4.22** **Table 39** gives an indicative split of the funding allocation across indicative activities within Priority 1.

Table 39 Priority 1 Indicative Allocations		
Objective	Y&H	SY
1. To stimulate and facilitate knowledge and technology transfer, increased investment in innovation and R&D, engender a culture change and promote sustainable business practices	Up to 33.3%	Up to 33.3%
2. To build, and commercially exploit the research, technological development and innovation capacity of the Y&H region whilst ensuring that social, environmental and economic conditions are improved	Up to 33.3%	Up to 33.3%
3. To increase and support the exploitation and commercialization of new technologies that underpin the future sustainability and growth of new and existing businesses and target clusters	Up to 33.3%	Up to 33.3%

## Priority Indicators

Table 40 Yorkshire & The Humber Priority 1: Promoting Innovation & R&D						
Indicators	Dec 2015 Targets	Women		BAME		Baselines
		No	%	No	%	
<b>Outputs</b>						
Number of businesses assisted that are SMEs	1076					16,900 SME's in Yorkshire Forward clusters - 38,500 in all eligible sectors (estimated from Annual Business Inquiry (ABI) 2005, units with less than 200 employees)
Number of projects (direct aid to SMEs – ERDF 7)	794					as above
Number of RTD projects (ERDF 4)	282					See below
- of which Number+ of co-operation projects enterprises – research institutions (ERDF 5)	141					2,534 cluster and 3,850 all eligible businesses with R&D links to universities (calculated from 2006 Economic Trends).
New or upgraded floorspace (m <sup>2</sup> )	35,161					
Number of renewable energy technology systems installed	13					Averaged costs assumed
<b>Results</b>						
Number of new businesses created (ERDF 8)	235	47	20	16	7	4,495 new VAT registrations in 2005 in manufacturing & business services: Prowess/SBS national report states only 12-14% of businesses majority female-owned: 8.4% small employers are from BAME communities (Census 2001), but % in production only 40% of average (Prowess/SBS).
Gross new jobs created (ERDF 1, 2 & 3) <sup>(1)</sup>	3,108	1,088	35	249	8	Estimates from ABI 2005: 128,000 ftes in YF cluster SME's - 213,100 total employment: 283,700 ftes in all eligible SME's - 439,700 total ftes. Total female ftes in clusters 57,600 (27% of all ftes) - 146,100 in all eligible (33%). 6% of <u>all</u> employees from BAME communities (Census 2001).
Research jobs created (ERDF 6)	tbc					
Gross jobs safeguarded	762	267	35	61	8	See above
Gross increase in GVA	124,320,000					£12.1 billions Gross Value Added from clusters, £24.4 billion from all ERDF eligible businesses (estimated from Regional Econometrics Model outputs 2006).
MW of renewable energy capacity installed	10					Average £700,000 per MW – the cost of supplying renewable energy report – BERR (Enviros Consulting)

Table 40 Yorkshire & The Humber Priority 1: Promoting Innovation & R&D (continued)					
Indicators	Dec 2015 Targets	Women		BAME	
		No	%	No	%
<b>Impacts</b>					
Net start-up businesses created	121				
Net jobs created	2,124				
Net additional GVA (£s)	90,542,277				
Net jobs safeguarded	519				
Net safeguarded GVA (£s)	22,107,505				
Note: <sup>(1)</sup> the gender target of 35% of new jobs filled by women is significantly above the existing proportion in the targeted clusters in Yorkshire & Humber 27%. It is also well above the Great Britain average of 27.5%. No figures are available for BAME employment in clusters, but their share of total existing direct employment in Yorkshire & Humber is 6%.					



Table 41 South Yorkshire Priority 1: Promoting Innovation & R&D						
Indicators	Dec 2015 Targets	Women		BAME		Baselines
		No	%	No	%	
<b>Outputs</b>						
Number of businesses assisted that are SMEs	588					5,300 SMEs in Yorkshire Forward clusters – 11,000 in all eligible sectors (estimated from Annual Business Inquiry (ABI) 2005, units with less than 200 employees)
Number of projects (direct aid to SMEs – ERDF 7)	384					as above
Number of RTD projects (ERDF 4)	204					See below
- of which Number of co-operation projects enterprises – research institutions (ERDF 5)	102					632 cluster and 1,104 all eligible businesses with R&D links to universities (calculated from 2006 Economic Trends).
New or upgraded floorspace (m <sup>2</sup> )	25,503					
Number of renewable energy technology systems installed	22					Averaged costs assumed
<b>Results</b>						
Number of new businesses created (ERDF 8)	141	28	20	8	6	895 new VAT registrations in 2005 in manufacturing & business services: Prowess/SBS national report states only 12-14% of businesses majority female-owned: 7.6% small employers are from BAME communities (Census 2001), but % in production only 40% of average (Prowess/SBS).
Gross new jobs created (ERDF 1, 2 & 3) <sup>(1)</sup>	1,788	590	33	89	5	Estimates from ABI 2005: 46,000 ftes in YF cluster SME's – 71,900 total employment: 88,900 ftes in all eligible SMEs – 136,100 total ftes. Total female ftes in clusters 17,100 (24% of all ftes) – 40,700 in all eligible (30%). 4% of <u>all</u> employees from BAME communities (Census 2001).
Research jobs created (ERDF 6)	tbc					
Gross jobs safeguarded	431	142	33	21	5	See above
Gross increase in GVA	71,520,000					£3.5 billions Gross Value Added from clusters, £6.9 billion from all ERDF eligible businesses (estimated from Regional Econometrics Model outputs 2006).
MW of renewable energy capacity installed	16					Average £700,000 per MW – the cost of supplying renewable energy report – BERR (Enviros Consulting)

**Table 41 South Yorkshire Priority 1: Promoting Innovation & R&D continued**

	<b>Dec 2015 Targets</b>	<b>Women No          %</b>	<b>BAME No          %</b>	<b>Baselines</b>
<b>Impacts</b>				
Net start-up businesses created	73			
Net jobs created	1,215			
Net additional GVA (£)	48,876,382			
Net jobs safeguarded	292			
Net safeguarded GVA (£)	11,715,593			
Note: <sup>(1)</sup> the gender target of 33% of new jobs filled by women is significantly above the existing proportion in the targeted clusters in South Yorkshire of 24%. It is also well above the Great Britain average of 27.5%. No figures are available for BAME employment in clusters, but their share of total existing direct employment in South Yorkshire is 4%.				

## PRIORITY 2 Supporting and Stimulating Successful Enterprise

### Aim

4.23

***To promote a greater shift towards the knowledge intensive growth clusters and sectors in Yorkshire and the Humber by increasing the number of businesses and occupations in high growth and knowledge industries, by investing in key business sectors to accelerate economic growth and encourage high value added businesses and by developing a more entrepreneurial culture***

### Rationale

- 4.24 Compared with the rest of the UK, Yorkshire and The Humber's economy still needs more businesses in order to compete effectively in the global market. Key factors that will assist include changing attitudes towards starting a business. There is still an enterprise gap across the region and in some parts it remains substantial. Developing a more entrepreneurial culture and boosting the rates of business start-ups, particularly in the high growth sectors, is an essential part of developing a knowledge economy within Yorkshire and The Humber. Removing the barriers to business formation, survival and growth by helping and encouraging more entrepreneurs to set up new businesses and contribute to business development in targeted sectors is key to the region's future.
- 4.25 Taken together these clusters account for between 20-25% of the region's output and are forecast to grow between 5-52% by the year 2015<sup>39</sup>. The region still has some way to go in developing a knowledge economy. The growth clusters and high technology sectors targeted under Priority 2 offer major new opportunities to SMEs to capture and exploit new markets. It is particularly important that the region increases the growth of firms in these key knowledge sectors as well as all businesses with significant potential for growth.
- 4.26 Analysis has suggested that Yorkshire and the Humber now has more people thinking about starting a business which is a potential that needs realising<sup>40</sup>. Whilst business start-up rates are lower than the UK average, survival rates are higher than the national average, again this needs to be capitalised on<sup>41</sup>. Removing the key barriers to business start-up and promoting a more entrepreneurial culture will improve this position. Nurturing new and growing existing businesses through incubators, support services, the provision of grow-on opportunities will provide the platform for growth. The aim is two-fold, to 'home grow' new and existing businesses in new technology areas and to attract investment. This will lead to more high-skill employment opportunities across the region.
- 4.27 Climate change is acknowledged to be the most significant challenge facing our planet, with ramifications both for people and wildlife. The region has almost 550,000 people who live in areas at risk of flooding, including 95% of Hull. Changing patterns of temperature, rainfall and rising sea levels will require the region to adapt to new ways of living and working. Climate change affects sea levels, coastal erosion and flood defences, which are potentially catastrophic to the region's coastal and low-lying areas such as the Hull and Humber Ports City Region, York and its surrounding areas and east of Doncaster. However, through focused investment, Yorkshire and The Humber will enable sustainable development opportunities, generating economic and job creation benefits for the region.

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<sup>39</sup> Regional Econometric Model, 2005

<sup>40</sup> See Section 2.36 in Chapter 2

<sup>41</sup> See Section 2.35 in Chapter 2

- 4.28 According to a report prepared for the Environment Agency<sup>42</sup> 15% of Yorkshire and The Humber is at risk from worst-case scenario flooding. Under this scenario, 40,000 businesses, 9% of the region's total business stock is at risk. Estimates of the total effect on GVA from damage to houses, businesses, transport, infrastructure, communities and families, environment and heritage is that £30,000m could be lost, representing 38% of the region's total GVA.
- 4.29 In July 2009, the Government published the *Low Carbon Transition Plan* (LCTP),<sup>43</sup> which sets out how the UK's first carbon budget to 2024 will be delivered. It includes actions needed in the key sectors of power and heavy industry, homes and communities, workplace and jobs, transport, farming land and waste. The most recent local and regional greenhouse gas emissions figures (released by DECC in September 2009) report that between 2005–6 emissions from the region actually increased by 0.5% followed by a 2.1% decrease from 2006-07 when the regional economy was on a growing trend. This represents a 1.7% decrease over the two years from 2005 to 2007, i.e. less than half the rate of progress required to meet the Committee on Climate Change "intended" target.
- 4.30 To assist with a strategic response to the issues, Yorkshire and The Humber has a Climate Change Partnership between the public, private and third sector. This has overseen communications and action on climate change since the first regional action plan was produced in 2005. In 2009, the Partnership agreed a new plan - "*Your Climate, Our Future*"<sup>44</sup>, which identifies joint actions or where gaps in action needed to be filled that closely match the sectors identified in the LCTP. It was signed by the Climate Change Partnership and local authorities, who pledged to help deliver the plan and reduce their emissions.
- 4.31 Local areas have also produced climate change plans and strategies, such as North Yorkshire and Wakefield, are also adopting the same approach as that outlined in "*Your Climate, Our Future*", providing a continuity of collaborative and individual action from national to local level. Local authorities are actively reducing carbon emissions; thirteen out of the fifteen Local Area Agreements in the region have challenging three-year targets to reduce carbon emissions. Three cover their own emissions and ten cover reducing emissions across their area. They are supported by the Climate Change strand of the Regional Improvement and Efficiency Partnership, which is helping local authorities work with schools and businesses to reduce emissions. Making links into green infrastructure networks from new development may be one way in which regeneration or business development maximises the opportunities for creating an attractive environment for investment and employment sites that are accessible by walking and cycling.
- 4.32 Yorkshire and The Humber has potential to become a world leader on the low carbon economy. It has competitive strengths and assets that will accelerate low carbon business investment, employment and economic growth. These include:
- a concentration of power generation capacity close to areas of high demand;
  - major engineering and manufacturing businesses with supply chain opportunities;
  - the Humber coast adjacent to the North Sea's substantial offshore wind potential;
  - England's largest ports complex and its supply chain and export potential.
- 4.33 The region's cluster of large single point industrial sources of CO<sub>2</sub> emissions, such as power stations and heavy industry and a coastline adjacent to the depleting gas

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<sup>42</sup> Economic Impacts of flood Risk in Yorkshire and the Humber, Risk and Policy Analysis Ltd and Royal Haskoning 2008

<sup>43</sup> [http://www.decc.gov.uk/en/content/cms/publications/lc\\_trans\\_plan/lc\\_trans\\_plan.aspx](http://www.decc.gov.uk/en/content/cms/publications/lc_trans_plan/lc_trans_plan.aspx)

<sup>44</sup> <http://www.yourclimate.org/pages/action-plan>

reservoirs of the southern North Sea, put it in an ideal position to exploit CCS at a commercial scale with a potential that could be realised by few other parts of the world. Yorkshire and The Humber has secured Low Carbon Economic Area (LCEA) designation for carbon capture and storage.

- 4.34 A low carbon economy is not simply about having the lowest carbon emissions. Areas like Yorkshire and The Humber, with an economy steeped in power generation and manufacturing, cannot realistically have the lowest emissions of any area. Indeed, manufacturing products that reduce emissions globally (eg components for wind turbines) will increase carbon emissions in the areas that make them. A low carbon economy is about a transformation away from a carbon intensive economy towards a strong, forward-looking economy where many jobs and businesses are in fields that respond to climate change. This Priority includes actions to reduce energy demand and increase resource productivity in regional businesses as part of an integrated package of business support. Actions to adapt to and mitigate against climate change included in this Priority are aimed at supporting interventions that will result in reductions in carbon emissions and/or ensure that the region's infrastructure is protected against present and future climate change. This recognises and supports the concept of sustainable adaptation (see <http://www.naturalengland.org.uk/ourwork/climateandenergy/climatechange/adaptation/sustainable.aspx>). This is defined as '*any responses by society should not actually add to climate change, cause detrimental impacts or limit the ability of other parts of the natural environment society or business to carry out adaptation elsewhere*'.

#### Description

- 4.35 Priority 2 will promote a more entrepreneurial culture and create a supportive environment for SMEs, including social enterprises and new businesses. It will foster new firm creation and offer targeted assistance to businesses and entrepreneurs with the potential to add value to the region's economy. It will support business leadership, activities aimed at creating an entrepreneurial culture, activities promoting best practice in management, innovation, motivation and culture change and will seek to improve links between enterprise and education.
- 4.36 Priority 2 will provide an integrated package of financial and business support for new and existing SMEs in targeted clusters and sectors and those with significant growth potential. The Integrated support will include support for the identification of new and improved products (linking with Priority 1), accessing new markets, process improvements, introduction and integration of e-business, support for developing supply chains, strengthening business competitiveness, management and leadership capacity. It will intervene in cases where a clear market failure has been identified but will also explore the potential for businesses that are performing well but need support to accelerate their performance.
- 4.37 A lack of appropriate investment finance is one constraint on enterprise growth. Evidence from the Review of Access to Finance in South Yorkshire in May 2005 suggested that regional SMEs face barriers in accessing appropriate finance to invest in growth.<sup>45</sup> The higher the risk, the more difficult it is for businesses to obtain capital. Whilst GDP and GVA are improving, the report points to a continuing wealth gap and an over-reliance on industrial, as opposed to, service sectors. The shift away from foreign direct investment to indigenous growth will also influence the type of support required by SMEs. The analysis of sectoral performance suggests there is a need to boost growth industries. The analysis points to the good performance and potential of the Creative and Digital Industries (CDI) and suggests that this may warrant some special attention in terms of finance measures. Businesses supported under Priority 1 may be particularly suitable for

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<sup>45</sup> SME access to finance in South Yorkshire, EKOS Consulting. May 2005

support especially where seedcorn and proof of concept finance will enable businesses to make the transition between idea and commercialisation.

- 4.38 The Review identified five themed areas for action to improve investment readiness and fill gaps in the provision of investment capital including the development of new products aimed at pre-starts and equity support for seedcorn and proof of concept; the expansion of the start-up support portfolio; the provision of more support to pre-start and start up businesses in producing refined business plans; and, measures to increase Venture Capital support for technology business and consideration of specific equity support for Cultural and Digital Industries.<sup>46</sup>
- 4.39 This OP will invest in financial engineering measures where there is a recognised market failure. It will aim not to distort or crowd out private sector activity and involvement, in particular in proof of concept and seed corn funding (ie pre-market investment) that will support the drive towards more innovative businesses. It will provide investment instruments such as venture capital, loans/debt finance and grant aid where appropriate to support high risk and start-up business development in targeted clusters and sectors. Provision will be made for improving access to financial instruments, packaging and improving the supply of investment ready propositions. Under Priority 2 the region may use the European Investment Bank's (EIB's) mechanism JEREMIE (Joint European Resources for Micro to Medium Enterprises) - a micro-financing facility within the EIB drawing on resources from Structural Funds and the EIB. A decision on the use of the JEREMIE vehicle for the UK's Structural Fund Programmes will be taken in 2007 by UK Government.
- 4.40 Strong linkages exist between Priorities 1 and 2. Innovation and enterprise are both strong drivers of sustainable growth and transformational change. Both are part of the same change management agenda, each an essential tool within a holistic business support programme. Interventions in businesses will draw on elements of both innovation and enterprise to provide an integrated package of support at the point of delivery. The distinction between Priorities 1 and 2 will be that Priority 1 will support the concept development and roll out of new ideas, whilst Priority 2 will aid businesses to profit from ideas.
- 4.41 Priority 2 will support capital development (both rehabilitation of existing sites and the creation of new ones) that enables businesses to adapt to climate change and also reduce the impact of business activity on the environment. This will include the delivery of environmental systems, services, and facilities and land remediation to support sustainable regeneration activity that reduces environmental impact and improves competitiveness', and addressing the economic risks of environmental degradation and climate change to employment sites, areas and individual businesses (including flood risk). This could include "networks of green infrastructure" not just in cities and towns, for example by planning for Green Infrastructure 'upstream' outside the town to assist in delivering climate change benefits to businesses and communities within the towns and cities.
- 4.42 Under Priority 2, the region may use the JESSICA mechanism, an initiative developed by the European Commission and the European Investment Bank, in collaboration with the Council of Europe Development Bank (CEB). This gives the region the option of using some ERDF to make repayable investments in projects forming part of an integrated plan for sustainable urban development. These investments, which may take the form of

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<sup>46</sup> The 5 themed areas for action are 1. Influencing Emerging Policy Issues, 2 New Products to address Gaps in the Supply Side, 3 Product Amendments to Stimulate Greater Demand, 4 Changes to Process/Procedures to Improve Supply, 5 Investment Readiness to Stimulate Demand & Improve Take up



equity, loans and/or guarantees, are delivered to projects via Urban Development Funds and, if required, Holding Funds.

- 4.43 **Table 42** provides a list of indicative actions that will be supported under Priority 2. Both capital and revenue-based activity will be supported. Delivery will be achieved through working in partnership with key organisations on a regional, sub-regional or local basis as appropriate. As can be seen from this table the objectives driving this Priority 2 are clearly geared towards driving forward the Lisbon Agenda.

<b>Table 42 Priority 2: Supporting and Stimulating Successful Enterprise Intervention Rate: ROR 46.4%/SY 65%</b>	
<b>Objective</b>	<b>Indicative Activities</b>
<b>1. To establish integrated business support for innovative and high growth businesses which enables them to grow more quickly</b>	<ul style="list-style-type: none"> <li>• Support for high level individually tailored business support programme focused on improving competitiveness in innovative and high growth companies in clusters and key sectors.</li> <li>• Support within this Objective will be focused on provision of information and guidance provided by on-line support and seminars alongside adviser, consultancy or specialist advice, including advice for: <ul style="list-style-type: none"> <li>○ improving business processes</li> <li>○ new/existing market development including internationalisation</li> <li>○ supply chain initiatives</li> <li>○ development/implementation of action plans for targeted knowledge intensive clusters &amp; sectors</li> <li>○ financial support for business growth via loan/equity funding, (where market failure exists) seedcorn and proof of concept funding. Grant aided funding to be targeted and specialised.</li> <li>○ support for businesses to be investment ready and increase the uptake of venture capital and investment funds (where market gap exists)</li> <li>○ to increase the exploitation of e-business opportunities in support of the knowledge economy</li> </ul> </li> <li>• Regions for Economic Change/Territorial/Interregional Cooperation activities</li> </ul>
<b>2. To promote a more enterprising and entrepreneurial culture and support the growth of businesses at start-up and early stage and those with growth potential</b>	<ul style="list-style-type: none"> <li>• Targeted assistance for individual entrepreneurs with the potential to create high value added businesses</li> <li>• Financial support for new starts/early stage via start-up grant, loan/equity funding (where a market exists), seedcorn and proof of concept funding (where market gap exists)</li> <li>• Support for leadership &amp; entrepreneurial programmes which promote best practice in management, innovation, in company development and business culture.</li> <li>• Support for improving links between enterprise and education to create and embed an enterprise culture</li> <li>• Support for promoting the commercial market place opportunities of a diverse workforce</li> <li>• Support for growing culturally diverse business sectors and nurturing entrepreneurs</li> <li>• Support for crime reduction initiatives linked to business investment</li> </ul>
<b>3. To promote the development of new and high technology clusters and sectors through investment in</b>	<ul style="list-style-type: none"> <li>• Support for embedding high level investors in the region to act as catalysts for sustainable growth</li> <li>• Support for specialist business premises where there is a case for market failure (this might include incubation facilities/managed</li> </ul>

infrastructure	workspace not directly linked to innovation/R&D)
<b>4. To ensure that business growth supported by the Programme takes account of CO2 emissions and adopt environmental best practice</b>	<ul style="list-style-type: none"> <li>• Support for incorporating the aims of environmental resource efficiency clubs, effective waste management goals and other sustainable development aims into key clusters</li> <li>• Support for installation of micro CHP and other environmental technologies in SMEs</li> <li>• Support for advice and guidance on meeting environmental standards</li> <li>• The creation of innovative <i>carbon neutral</i> developments and upgrading the energy and environmental performance of existing business sites to reduce carbon footprint and increase long term competitiveness. Developments must include integrated landscaping for people and biodiversity; and improved accessibility using sustainable modes.</li> <li>• Activities addressing the economic risks of environmental degradation and climate change to employment sites, business areas and individual businesses including: <ul style="list-style-type: none"> <li>○ physical environmental enhancement of employment premises, sites and surrounding areas through the design of sites and buildings to incorporate low-carbon and adaptive design features and creation of high quality accessible green and open space incorporating appropriate biodiversity gain and enhancing networks where practicable.</li> <li>○ incorporation of flood risk management and river restoration into employment sites and surrounding area design and layout so that flood risk and surface water management is actively addressed in a sustainable way;</li> <li>○ addressing offsite upstream water management to protect employment areas;</li> <li>○ carbon sequestration activities where these also reduce flood risk;</li> <li>○ actions addressing social risks - such as issues of crime and fear of crime, lack of areas for recreation and relaxation; inaccessibility to and from residential areas;</li> <li>○ activities that remediate contaminated land and bring it back into use for employment premises would be included where this reduces environmental impact and improves competitiveness;</li> <li>○ activities that provide integrated energy, water and waste systems, services and facilities as part of physical sustainable regeneration activity. This may include the provision of electric charging points and other renewable energy infrastructure as part of carbon neutral development.</li> </ul> </li> </ul>

4.44 Priority 2 will contribute to the Cross Cutting Themes through offering an environmental audit as part of the diagnostic tool kit developed and support for all businesses assisted and support for environmentally-friendly initiatives (eg reduction in emissions, improved energy efficiency). It will contribute to the Equality and Diversity Theme not only through the creation of new jobs, but in providing greater opportunities for individuals from all groups currently under represented, including women, BAME communities and people with disabilities to acquire the necessary skills to start and grow their own businesses.

## Lisbon Earmarking

- 4.45 Priority 2 contributes to the following Lisbon categories of expenditure 5, 6, 8, 9, 14, 15, 49, and 50.

## Targeting

- 4.46 Priority 2's focus is to support the economic drivers with the potential to deliver a consistently higher rate of economic growth. Investment will primarily be focussed on current and emerging knowledge intensive and high growth industries including the existing knowledge intensive regional clusters which need long term support in order to maximise their impact. Targeting will be reviewed throughout the programme period in order to ensure that where opportunities arise the region is able to capitalise on them.

### Targets

**Yorkshire and Humber (excluding South Yorkshire)** - Creative & Digital industries, Advanced Engineering & Metals, Food and Drink, Chemicals, Environmental Technologies and Healthcare Technologies and the Financial and Business Services.

**South Yorkshire** - Advanced Manufacturing & Materials cluster, Creative and Digital Industries; Food & Drink, the Bioscience, Environmental Technologies clusters, Financial and Business Services and the Sports cluster.

**Social enterprises** that fall into the above targets in particular Creative and Digital Industries and Environmental Technologies

**Sustainable development Interventions that promote** -energy efficiency and renewable energy, low-carbon technologies both in terms of the technologies themselves through the cluster specific interventions and businesses within the region's use of them.

In spatial terms the OP's overriding approach is to direct ERDF investment where it will have the greatest transformational impact. As well as being thematically focused activities will be aligned with the needs and priorities of the region's CRDPs where they support the Lisbon agenda. The OP seeks to promote territorial cohesion and lessen the disparities between the prosperous and less prosperous parts of the region to this end the strategy will not exclude areas outside the CRDP where the economic rationale for investment exists.

- 4.47 The Lisbon Strategy concentrates on improving the accessibility and adaptability of workers and enterprises and increasing investment in human capital. This OP seeks to deliver this by focussing on more and better jobs in the context of greater social and economic inclusion. Interventions in Priority 2 will target under-represented groups including BAME communities, women, people with disabilities, younger and older people and people from disadvantaged communities. Actions will ensure better connectivity between people, places and economic opportunities, and will include getting businesses ready to employ disadvantaged groups thereby making the link between strategies for economic growth and social inclusion and improving territorial cohesion.

## Delivery

- 4.48 Priority 2 will be delivered in partnership with delivery agents across the region and in line with the Business Support Simplification Programme. There are two key elements to the delivery of support for successful enterprise. The first is the provision of independent

advice and brokerage to potential providers and the second is the funding of effective support activities through suppliers who have the capacity and expertise to add value to the business customer.

- 4.49 As detailed in chapter 3 Yorkshire Forward has revised its business support programme into 6 key themes. This is intended to ensure that support available is easy to understand and access and is therefore more likely to stimulate demand for the interventions on offer. Following an open procurement process in line with EU tendering regulations, the provider of the independent advice and brokerage service, which will operate under the national Business Link brand, has recently been appointed. The providers of business support delivery will be subject to further commissioning and procurement exercises, depending on whether an open market exists for the interventions on offer.
- 4.50 In addition to the reactive service available to businesses in the region, business support will also be proactively targeted by Business Link using the new Regional Knowledge System. ERDF will provide added value to this allowing additional market penetration, and more intensive funding to be applied to those businesses with the highest growth potential thereby maximising the impact of the programme on the regional economy. The removal of geographic restrictions in the new Operational Programme will also allow greater penetration of the region's business stock when compared to the previous programme.. This will again enable clear identification of the additionality of ERDF funding in relation to business support.

#### **International Cooperation**

- 4.51 The opportunity to engage actions for interregional cooperation with, at least, one regional or local authority of another Member State is one which will be valuable in achieving the objectives of this priority and will therefore be encouraged with the use of ERDF as appropriate

#### **Selection Criteria**

- 4.52 Formal approval of the selection criteria for activities financed under Priority 2 will be subject to PMC approval. Activities that meet specific outputs and results may be commissioned against a commissioning framework/prospectus for Priority 2 or through direct bidding where appropriate in the early stages of the programme. Principles that underpin the criteria will be:

### Selection Criteria

- Proven additionality
- Economic justification
- All projects funding business support must evidence clear and explicit links to the Business Support Programmes as outlined in the Business Support Simplification section of Chapter 3
- The addressing of identified and evidenced market failure
- Contribution towards altering attitudes toward entrepreneurship and culture change
- Contribution to value added/knowledge intensive activities in the region
- Evidence of Match funding
- Contribution to increasing the numbers of businesses in target clusters and their supply chains
- Contribution to increasing the business birth rate, survival rate and growth rates in targeted clusters
- Commitment to cluster development participation and supply chain benefits
- Demonstrated integration of added value support activities into packages
- Meets the Cross Cutting Themes selection criteria set out in Chapter 5
- To ensure the consistency and quality of business support delivery, all interventions involving contact with businesses must meet the “Customer First” quality standard.
- Ensuring disadvantaged communities are included in the growth of the knowledge economy

### Financial Allocations

- 4.53 56% of the ERDF resources in the Yorkshire and the Humber region (excluding South Yorkshire region, will be allocated to Priority 2 €175,022,194. In South Yorkshire 33% of the ERDF resources will be allocated to this Priority €89,443,638.
- 4.54 **Table 43** gives an indicative split of the funding allocation across indicative activities within Priority 2.

Table 43 Priority 2 Indicative Allocations		
Objective	Y&H	SY
1. To establish integrated business support for innovative and high growth businesses which encourages entrepreneurship and enables them to grow more quickly	Up to 40%	Up to 40%
2. To promote a more entrepreneurial culture and support the growth of businesses at start-up and early stage and those with growth potential	Up to 25%	Up to 25%
3. To promote the development of new and high technology clusters and sectors through embedding investment in the regional economy	Up to 25%	Up to 25%
4. To ensure that business growth supported by the Programme takes account of CO2 emissions and adopt environmental best practice	Up to 10%	UP to 10%

- 4.55 There is an enduring structural problem in the Yorkshire and The Humber economy of fewer businesses than the national average which needs to be addressed by activities to stimulate new business formation and improve the competitiveness of existing businesses. Previous programmes have included significant investments in new business creation, business support and in the creation and growth of clusters. This level of investment provides the opportunity to build on best practice whilst also introducing a new range of activities to further embed the culture of enterprise in the region. Significant investments will be made in areas such as loan and equity funding, catalytic cluster actions and value added business support which will have the effect of improving business competitiveness and reducing grant dependency.

## Priority Indicators

Table 44 Yorkshire & The Humber Priority 2: Stimulating and Supporting Successful Enterprises						
	Dec 2015					
Indicators	Targets Number	Women No %		BAME No %		Baselines
<b>Outputs</b>						
Number of projects (direct aid to SMEs – ERDF 7)	8,863					16,900 SMEs in Yorkshire Forward clusters - 38,500 in all eligible sectors (estimated from Annual Business Inquiry (ABI) 2005, units with less than 200 employees)
New or upgraded floorspace (sq m)	45,306					
Brownfield land reclaimed and/or redeveloped (Ha)	6.98					£365,000 O2 cost in 2001, inflated at UK rates to 2010
Low or zero carbon employment sites developed (Ha)	9.15					£275,000 Capital cost Y&H Programme P2 +10% according to BRE.org inflated 2006 to 2009
New or upgraded floorspace to BREEAM rating of Excellent or equivalent (m <sup>2</sup> )	594					£2,400 Capital cost Y&H Programme P2 +10% according to BRE.org inflated 2006 to 2009
Volume of additional flood storage capacity (m <sup>3</sup> )	20,200					Environment Agency floodplan
Watercourse restored (km)	15.2					Environment Agency floodplan
Number of businesses and properties with reduced flood risk	25,250					Environment Agency floodplan
<b>Results</b>						
Number of new businesses created (ERDF 8)	2,095	419	20	147	7	4,495 new VAT registrations in 2005 in manufacturing & business services: Prowess/SBS national report states only 12-14% of businesses majority female-owned: 8.4% small employers are from BAME communities (Census 2001), but % in production only 40% of average (Prowess/SBS).
Gross new jobs created (ERDF 1, 2 & 3) <sup>(1)</sup>	11,157	3905	35	836	7.5	Estimates from ABI 2005: 128,000 ftes in YF cluster SME's - 213,100 total employment: 283,700 ftes in all eligible SMEs - 439,700 total ftes. Total female ftes in clusters 57,600 (27% of all ftes) - 146,100 in all eligible (33%). 6% of <u>all</u> employees from BAME communities (Census 2001).
Gross jobs safeguarded	6,735	2,357	35	505	7.5	See above.
Gross increase in GVA (£)	401,652,000					£12.1 billions Gross Value Added from clusters, £24.4 billion from all ERDF eligible businesses (estimated from Regional Econometrics Model outputs 2006).
Total number of businesses improving capability/performance <sup>(2)</sup>	2,031					See under SMEs assisted
No of businesses contributing to reduction in ecological footprint/waste	2,326					See under SMEs assisted



(ERDF 27 & 28) <sup>(3)</sup>				
Number of new or existing businesses locating to eco-efficient, high quality workspace	3			
Number of businesses safeguarded against environmental risk	5,050			
<b>Impacts</b>				
Net start-up businesses created	1,079			
Net jobs created	7,677			
Net additional GVA (£)	324,786,818			
Net jobs safeguarded	4,625			
Net safeguarded GVA (£)	195,739,321			
Notes: <sup>(1)</sup> the gender target of 35% of new jobs filled by women is significantly above the existing proportion in the targeted clusters in Yorkshire & Humber 27%. It is also well above the Great Britain average of 27.5%. No figures are available for BAME employment in clusters, but their share of total existing direct employment in Yorkshire & Humber is 6%. <sup>(2)</sup> includes new markets, products, exports, e-commerce etc <sup>(3)</sup> these will be divided into waste (27) and air quality (28) projects during monitoring				

**Table 45 South Yorkshire Priority 2: Stimulating and Supporting Successful Enterprises**

	Dec 2015					
Indicators	Targets Number	Women No %		BAME No %		Baselines
<b>Outputs</b>						
No of projects (direct aid to SMEs – ERDF 7)	4,058					5,300 SMEs in Yorkshire Forward clusters – 11,000 in all eligible sectors (estimated from Annual Business Inquiry (ABI) 2005, units with less than 200 employees)
New or upgraded floorspace (m <sup>2</sup> )	15,677					
Brownfield land reclaimed and/or redeveloped (Ha)	5.23					£365,000 O2 cost in 2001, inflated at UK rates to 2010
Low or zero carbon employment sites developed (Ha)	6.86					£275,000 Capital cost Y&H Programme P2 +10% according to BRE.org inflated 2006 to 2009
New or upgraded floorspace to BREEAM rating of Excellent or equivalent (m <sup>2</sup> )	1,187					£2,400 Capital cost Y&H Programme P2 +10% according to BRE.org inflated 2006 to 2009
Volume of additional flood storage capacity (m <sup>3</sup> )	4,971					Environment Agency floodplan
Watercourse restored (km)	3.7					Environment Agency floodplan
Number of businesses and properties with reduced flood risk	25,250					Environment Agency floodplan
<b>Results</b>						
No of new businesses created (ERDF 8)	803	160	20	49	6	895 new VAT registrations in 2005 in manufacturing & business services: Prowess/SBS national report states only 12-14% of businesses majority female-owned: 7.6% small employers are from BAME communities (Census 2001), but % in production only 40% of average (Prowess/SBS). Estimates from ABI 2005: 46,000 ftes in YF cluster SMEs – 71,900 total employment: 88,900 ftes in all eligible SMEs – 136,100 total ftes. Total female ftes in clusters 17,100 (24% of all ftes) – 40,700 in all eligible (30%). 4% of <u>all</u> employees from BAME communities (Census 2001). See above. £3.5 billions Gross Value Added from clusters, £6.9 billion from all ERDF eligible businesses (estimated from Regional Econometrics Model outputs 2006). See under SMEs assisted
Gross new jobs created (ERDF 1, 2 & 3) <sup>(1)</sup>	4,804	1,582	33	24	5	
Gross jobs safeguarded	3,404	1,123	33	170	5	
Gross increase in GVA (£)	172,944,000					
Total number of businesses improving capability/performance <sup>(2)</sup>	1,150					

No of businesses contributing to reduction in ecological footprint/waste (ERDF 27 & 28) <sup>(3)</sup>	1,365			See under SMEs assisted
<b>Impacts</b>				
Net start-up businesses created	413			
Net jobs created	3,307			
Net additional GVA (£)	139,813,736			
Net jobs safeguarded	2,325			
Net safeguarded GVA (£)	98,384,264			
<p>Note: <sup>(1)</sup> the gender target of 33% of new jobs filled by women is significantly above the existing proportion in the targeted clusters in South Yorkshire of 24%. It is also well above the Great Britain average of 27.5%. No figures are available for BAME employment in clusters, but their share of total existing direct employment in South Yorkshire is 4%.</p> <p><sup>(2)</sup> includes new markets, products, exports, e-commerce etc</p> <p><sup>(3)</sup> these will be divided into waste (27) and air quality (28) projects during monitoring</p>				

## PRIORITY 3 Sustainable Communities

### Aim

4.56

***To target resources at these most deprived communities where continued under performance is a threat to the regions economic growth - focussing on tackling social and economic exclusion and improving territorial cohesion, creating enterprise opportunities within disadvantaged neighbourhoods and extending the social economy.***

### Rationale

- 4.57 The 2007-13 Programme builds on the extensive work undertaken by the 2000-06 Objective 1 and 2 Programmes which established the building blocks for sustainable development of communities. In recent years the region has seen improvements in the local economy, increased local community capacity and strengthened partnership arrangements in recent years. However, economic growth has not been evenly distributed and there are still communities and interest groups who have not benefited from, or contributed to the increased economic activity. This has had a detrimental effect on the success of economic development, slowing down progress and leaving human resources untapped. In order to achieve its full potential the region needs a more integrated approach to connecting people to economic opportunities. This Programme will deliver tangible connections between economic and social interventions thereby improving regional territorial cohesion. It contributes to sustainable urban development by improving urban networks and tackling and urban rural issues related to access to opportunities in the knowledge economy.
- 4.58 Evidence shows that the poorest neighbourhoods with the highest unemployment levels have poor track records in business development.<sup>47</sup> They tend to have fewer businesses per head of population and a lower success rate in business growth. These neighbourhoods also have a poor business environment caused by crime and fear of crime and environmental degradation. What is needed in these areas is a dynamic enterprise culture, at a local level, that fosters the spirit of entrepreneurship, creates new business entrepreneurs and promotes local existing business leaders. More enterprise activity at neighbourhood level will have many spin-offs for the local economy not least employment creation. It will also generate income locally and result in more choice of goods and services.
- 4.59 Many communities that are disconnected from the economic mainstream face a range of social and environmental difficulties. These range from crime and community safety issues, digital exclusion, derelict or contaminated land and disused green spaces to lack of basic services and products such as childcare or access to banking facilities. Many rural communities are not able to access mainstream service provision and are physically isolated from employment and training opportunities. Many disadvantaged communities are left behind and excluded from the opportunities presented by the growth of the knowledge intensive economy and suffer from a lack of connectivity to digital infrastructure (digital exclusion). The Information society presents a major opportunity for excluded individuals. If this opportunity is not harnessed there is a risk that existing patterns of deprivation and exclusion across the region are reinforced. Yorkshire and The Humber has an excellent track record in developing innovative solutions and has an emerging social economy geared towards addressing social and environmental objectives. This will be developed further to maximise the scope and effectiveness of existing social and other organisations in the delivery of services to the poorest communities across the region including those in rural areas.

<sup>47</sup> See Businesses in Deprived Communities in Chapter 2 and the Good Practice Guide for English ERDF and ESF Programmes 2007-2013 by Regeneris Consulting for the Department for Communities and Local Government (June 2006)

## Description

- 4.60 Priority 3 will have an integrated approach towards promoting sustainable urban development through tackling barriers to employment and growth. In line with UK regional policy and the National Strategic Reference Framework,<sup>48</sup> interventions will focus on communities where there is clear market failure. Priority 3 will facilitate better connectivity between people, places and economic opportunities making the link between economic growth and social inclusion and promoting sustainable urban development. Interventions will aim to improve the employment and life chances of those most excluded groups and will therefore be targeted where they are needed most. Resources will support activities that have a clear economic focus, either in terms of building indigenous solutions to lack of opportunity, for example by stimulating local enterprise growth, or that ensure that hard to reach groups in disadvantaged areas are able to access the employment opportunities presented by growth in the mainstream economy and that encourage sustainable urban development. Activity in this Priority will complement the European Social Fund Programme (which aims to tackle the employability and skills of unemployed and inactive people and to address barriers to employment), by providing limited capital funding to support the development of facilities for childcare, ICT or access to work advice and training. ERDF will only invest capital in facilities that are essential to the engagement of disadvantaged groups in economic activity, that is demonstrably sustainable in terms of future revenue funding streams and is part of an integrated approach towards sustainable development.
- 4.61 A key issue for the poorest neighbourhoods is accessibility to economic opportunities. Interventions will aim to improve specific community based solutions developed and delivered in partnership with local community and public transport operators which improve urban networks and urban/rural linkages. These transport related revenue activities will overcome exclusion from social and economic activity for those who cannot afford the cost of regular public transport or for whom the existing service is not appropriate or adequate. Innovation will be encouraged so that new approaches can be taken to tackle transport and accessibility barriers.
- 4.62 Interventions will be focused on creating new business entrepreneurs, promoting existing local business leaders and promoting social enterprise and connections with businesses in Priorities 1 & 2, this will include working with schools and voluntary and community organisations to foster enterprise and entrepreneurship. It will add value to the work being undertaken by the Local Enterprise Growth Initiative (LEGI), especially in those areas not in receipt of LEGI funds. Emphasis will be on maximising the scope and effectiveness of existing social enterprises and other organisations in the delivery of services to the poorest communities and on identifying models for delivery and strengthening the pathway of support for social enterprise from start-up to high level commercial activity. This Priority may also invest in micro-credit measures to support enterprise growth in communities where there is a clear case for market failure.
- 4.63 Research by the New Economics Foundation has highlighted the gap in loan funding available for community-based organisations and a history of low levels of take up of loan finance.<sup>49</sup> This OP sees a significant reduction in the levels of funding available for community economic development, compared with previous EU Programmes. The communities which are at most risk are those with the highest levels of deprivation and greatest signs of market failure in the delivery of local services. In order to address the resource base for community enterprise, the region is developing methodologies for ensuring that there are financial instruments in place, through a mix of loan/debt finance, to aid the movement away from the traditional dependency of grant funding. This OP will explore the possibilities for finding innovative solutions to resourcing the community

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<sup>48</sup> National Strategic Reference Framework, EU Programmes 2007-2013, DTI, 2006

<sup>49</sup> Developing a Social Equity Capital Market, Jessica Brown, 2006

economic sector, for example through models such as JEREMIE, JESSICA and the Charity Bank.

- 4.64 Priority 3 will support revenue activities aimed at increasing the understanding of climate change and eco-know how within the community and amongst businesses to effect behaviour change. It will also provide support for the implementation of community based strategies to improve the resource and energy efficiency of local areas. These actions will not be geographically targeted but will be supported only in the context of local strategies to respond to climate change that prioritise those experiencing or threatened by socio-economic difficulties.
- 4.65 Under Objective 3 support will also be provided for low carbon social enterprise and in particular community investment in renewable energy and green infrastructure capital projects. In the last three years there has been a huge growth in community investment as a means of financing enterprises that bring social and environmental benefits. This is accompanied by a similar growth of interest in community based action to combat climate change, and improve local sustainability, one facet of which is the Transition Towns movement. Community investment represents both an opportunity for community engagement in climate change issues, and a practical means of funding enterprises and projects that aid the transition to a low carbon society. In particular it brings opportunities to finance projects that would not normally attract finance from the private sector, due to relatively modest financial returns.
- 4.66 This Priority will make a major contribution to the Equality and Diversity CCT particularly in overcoming barriers faced by individuals from all groups (including women, BME communities, people with disabilities) in accessing employment opportunities. It will also support the Environmental CCT through the provision of advice to businesses assisted and an emphasis on high environmental standards for capital development.
- 4.67 Priority 3 will promote participation in the development of a knowledge driven economy by assisting the development of an interface between communities and services, implementing community based ICT strategies and accelerating the development of commercial and public service delivery, tailored to the needs of excluded communities.

#### **Delivery**

- 4.68 Delivery of Priority 3 will be linked into existing local level community strategies which underpin sustainable urban development across the region and integrate solutions to tackling barriers on the ground and promoting growth. It will be delivered in partnership at a local level through local organisations and will be closely aligned with the strategies and delivery mechanisms of Local Area Agreements (or Multi Area Agreements should Local Authorities chose to deliver appropriately targeted activity via this model). Agencies will need to work in a co-ordinated and focused way at a neighbourhood level to enable the formulation of customised inclusion plans that will overcome barriers and improve access to new opportunities. Specific approaches targeted at women and BME communities and people with disabilities will provide specialist provision. Close liaison with the 2007-13 ESF Programme will be required in order to maximise this area of activity.

#### **International Cooperation**

- 4.69 The opportunity to engage actions for interregional cooperation with, at least, one regional or local authority of another Member State is one which will be valuable in achieving the objectives of this priority and will therefore be encouraged with the use of ERDF as appropriate
- 4.70 Third sector organisations (defined as those which are not-for-profit and not part of the public sector) continue to have a role in delivering programme objectives and strategic



priorities. Operations led by the third sector will need to demonstrate how they contribute to the economic objectives of the programme.

4.71 **Table 46** provides a list of the eligible activities that will be supported under Priority 3.

<b>Table 46 Priority 3: Sustainable Communities</b> <b>Intervention Rate: ROR 49.5%/SY 53%</b>	
<b>Objective</b>	<b>Indicative Activities</b>
<b>1. To improve connectivity to economic opportunities through tackling social, economic and digital exclusion faced by disadvantaged communities</b>	<ul style="list-style-type: none"> <li>• Capital support to help develop sustainable communities through provision of facilities that promote social enterprise, develop local connections and access to employment , ICT and public services</li> <li>• Promoting clean and sustainable public transport between targeted communities and economic opportunities</li> <li>• Strengthening public transport and access related links between targeted communities and economic opportunities (South Yorkshire only)</li> <li>• Capital support for facilities linked to tackling social and economic exclusion (eg childcare facilities) and overcoming barriers to work for those furthest away from the labour market, particularly those in the poorest communities and specific communities of interest (South Yorkshire only)</li> </ul>
<b>2. To increase economic activity and entrepreneurship within communities</b>	<ul style="list-style-type: none"> <li>• Support to foster a dynamic enterprise culture including access to finance</li> <li>• Support for activities that increase economic activity eg fostering business networks, 'tender ready tool kit' initiative</li> <li>• Encourage and facilitate community enterprise and other small scale business development including the provision of incubator or similar business space</li> </ul>
<b>3. To create sustainable jobs in the social economy supported by existing and new social enterprises</b>	<ul style="list-style-type: none"> <li>• Support to strengthen social enterprises including access to finance</li> <li>• Support for innovative solutions/new approaches to energy efficiency in low income housing, where this is linked to job creation in the region.</li> <li>• Capacity building for staff, for instance in housing associations and local authorities and information campaigns on rational use and energy savings, on renewable energies and climate change where these activities are within the framework of a plan with clear objectives and strategy.</li> <li>• Grants for small-scale community renewable energy projects.</li> <li>• Support for the implementation of community-based green strategies that will lead to enhancements in the natural environment, particularly where these will benefit those in deprived communities.</li> </ul>
<b>4. To promote active participation in the development of a knowledge driven economy</b>	<ul style="list-style-type: none"> <li>• Support for development of positive approaches to a changing work environment, effective communication skills and ICT usage</li> <li>• Implementation of community ICT strategies</li> <li>• Development of commercial and public service delivery through ICT</li> </ul>

4.72 As can be seen in **Table 46**, Priority 3 is clearly geared towards delivering the Lisbon Agenda and within that context supporting the Commission's desire for territorial

cohesion. Actions under Priority 3 will not duplicate ESF assistance foreseen under REG 1081/2006 as they relate essentially to small scale investment and business support.

### Lisbon Earmarking

- 4.73 Priority 3 contributes to the following Lisbon categories of expenditure 13, 42, 51, 52, and 61.

### Targeting

- 4.74 It is important that interventions are targeted effectively in order to maximise the impact of Priority 3. Targeting in Yorkshire and the Humber (excluding the South Yorkshire) will be based on Super Output Areas (SOAs) as these represent the poorest communities in terms of deprivation indices. The Programme will target the bottom 10% of SOAs with spend focused on these communities. Where it makes sense projects covering larger areas, areas in close proximity to the bottom 10%, or joining two SOAs together will be included. Targeting of enterprise support, accessibility/transport initiatives, communities of interest, including those on incapacity benefit, people from minority ethnic communities and people with disabilities, will not be restricted to the 10% SOA. Targeting will link with the City Region Development Plan agenda of connecting individuals to the emerging economic opportunities by influencing the factors that impact on the most deprived communities. **Table 47** outlines those non-phasing-in communities included in the bottom 10% SOA.
- 4.75 The programme recognises that one key way to tackle deprivation is through economic prosperity, though improvements in income and Employment. Baseline IMD data will be tracked in areas targeted by the programme these indicators will have a knock on impact on health, housing, crime and the environments. The ESF Programme in the region will tackle skills. Individual Local Authority partnerships will track local area disparities through community tracking.

Table 47 Yorkshire & Humber 10% most deprived Super Output Areas (minus South Yorkshire )					
District	No of SOAs	Population Covered	% of District	Main impact	Other areas
Bradford	57	91,350	19.4	Across Bradford town	Keighley
Calderdale	9	12,790	6.6	Central Halifax	Mixenden
East Riding	3	4,530	1.4	Bridlington	Goole
Hull	53	78,230	32.2	Inner city	Outer estates
Kirklees	13	19,310	5.0	East Huddersfield	Dewsbury
Leeds	61	90,030	12.6	South and SE Leeds	Middleton, Beeston, Holbeck
NE Lincolnshire	11	15,990	10.1	Grimsby	East Grimsby, Nunsthorpe
N Lincolnshire	5	7,130	4.7	Scunthorpe town	
Scarborough	5	7,300	6.9	Scarborough town	Barrowcliff, Eastfield
Wakefield	13	20,530	6.5	Wakefield town	Hemsworth, Castleford,

- 4.76 In South Yorkshire deprivation is spread across whole Boroughs making it difficult to use a straightforward 10% most deprived SOA formula, as this would exclude many of the people least able to benefit from economic growth. Targeting will therefore be based on evidence based strategic frameworks which have identified areas of greatest need using sophisticated neighbourhood statistical analysis. These strategic frameworks are then used as a basis for a range of holistic interventions that are aimed at achieving sustainable communities. Within this overarching strategy, ERDF allow a specific focus on interventions that will enable people furthest away from economic activity to become engaged or re-engaged in employment and self employment. The increased levels of available employees and numbers engaged in entrepreneurial activity will support the overall growth of the South Yorkshire economy, whilst meeting the needs of those communities.

### Selection Criteria

- 4.77 Formal approval of the selection criteria for activities financed under Priority 3 will be: subject to PMC approval. Activities that meet specific outputs and results may be commissioned against a commissioning framework or prospectus for Priority 3 or through direct bidding where appropriate in the early stages of the programme. Principles that underpin the criteria will be;

#### Selection Criteria

- Clear illustration of activities contribute to the Lisbon agenda.
- Contribution towards altering attitudes towards entrepreneurship and culture change
- All projects funding business support must evidence clear and explicit links to the business support Programmes as outlined in the Business Support Simplification section of Chapter 3
- Evidence of linkages to other priorities and target clusters
- Contribute to the development of the social economy
- Activities that have clear social inclusion objectives
- Activities that facilitate engagement in economic activity
- Evidence of Match funding
- Meet other Cross-cutting Themes selection criteria set out in Chapter 5

### Financial resources allocated to Priority 3

- 4.78 20% of the ERDF resources in the Yorkshire and the Humber region (excluding South Yorkshire) will be allocated to Priority 3 €62,507,927. 20% of resources in the South Yorkshire Phasing-in region will be allocated to Priority 3 €54,208,265.
- 4.79 **Table 48** gives an indicative split of the funding allocation across indicative activities within Priority 2.

Table 48 Priority 3 Indicative Allocations		
Objective	Y&H	SY
1. To improve connectivity to economic opportunities through tackling social and economic exclusion faced by disadvantaged communities	Up to 25%	Up to 30%
2. To increase economic activity and entrepreneurship within in communities	Up to 25%	Up to 45%
3. To create sustainable jobs in the social economy supported by existing and new social enterprises	Up to 25%	Up to 15%
4. To promote active participation in the development of a knowledge driven economy	Up to 25%	Up to 10%

- 4.80 This programme takes a holistic approach to enterprise stimulation through including opportunities for people from disadvantaged communities to contribute to and access the benefits afforded by sustainable economic growth. Its focus on the Lisbon agenda distinguishes it from previous programmes in which the connections between economic growth and community development were not directly linked and the emphasis was on community capacity building.

## Priority Indicators

Table 49 Yorkshire & The Humber Priority 3: Sustainable Communities						
	Dec 2015					
Indicators	Targets	Women		BAME		Baselines
	Number	No	%	No	%	
<b>Outputs</b>						
Number of projects (direct aid to SMEs – ERDF 7)	1,450					To be determined once final areas agreed
Number of businesses assisted that are social enterprises (included in above)	744					No reliable baseline available
Number of projects overcoming barriers to employment (ERDF 41)	339					Census 2001 – 123,191 unemployed and economically inactive in most deprived 10% Super Output Areas (tbc when areas agreed); 104,775 excl permanently sick from BAME communities across YH
New or upgraded floorspace (m <sup>2</sup> )	5,656					2007-13 Programme average
Number of renewable energy technology systems installed	27					Average grant assumed
Green Space improved, accessible to local organisations (Ha)	2					Average project cost assumed
Green capacity building initiatives supported	4					Average project cost assumed
<b>Results</b>						
Number of new businesses created (ERDF 8)	449	90	20	31	7	To be determined once final areas agreed
Gross new jobs created (ERDF 1, 2 & 3)	2,119	1,149	50	173	8	To be determined once final areas agreed

Gross jobs safeguarded		754	50	113	8	To be determined once final areas agreed
Gross increase in GVA (£)	49,275,000					To be determined once final areas agreed
MW of renewable energy capacity installed	1.91					Average £700,000 per MW – the cost of supplying renewable energy report – BERR (Enviros consulting)
<b>Impacts</b>						
Net start-up businesses created	209					
Net jobs created	1,416					
Net additional GVA (£)	50,010,758					
Net jobs safeguarded	821					
Net safeguarded GVA (£)	28,953,512					

NB Total impact on communities will be measured using relevant indicators from the Urban Renaissance Measurement Framework

Table 50 South Yorkshire Priority 3: Sustainable Communities						
	Dec 2015					
Indicators	Targets Number	Women No   %		BAME No   %		Baselines
<b>Outputs</b>						
Number of projects (direct aid to SMEs – ERDF 7)	892					To be determined once final areas agreed
Number of businesses assisted that are social enterprises (included in above)	173					No reliable baseline available
Number of projects overcoming barriers to employment (ERDF 41)	278					Census 2001 - 53,358 unemployed and economically inactive in most deprived 10% Super Output Areas (tbc when areas agreed); 26,505 excl permanently sick from BAME communities across SY
New or upgraded floorspace (m <sup>2</sup> )	5,887					2007-13 Programme average
Number of renewable energy technology systems installed	45					Average project cost assumed
Green Space improved, accessible to local organisations (Ha)	4					Average project cost assumed
Green capacity building initiatives supported	9					Average project cost assumed
<b>Results</b>						
No of new businesses created (ERDF 8)	349	69	20	21	6	To be determined once final areas agreed
Gross new jobs created (ERDF 1, 2 & 3)	1,427	714	50	71	5	To be determined once final areas agreed
Gross jobs safeguarded	474	237	50	24	5	To be determined once final areas agreed
Gross increase in GVA (£)	30,845,000					To be determined once final areas agreed
MW of renewable energy capacity installed	3.19					Average £700,000 per MW – the cost of supplying renewable energy report – BERR (Enviros consulting)



<b>Impacts</b>				
Net start-up businesses created	159			
Net jobs created	930			
Net additional GVA (£)	33,129,892			
Net jobs safeguarded	302			
Net safeguarded GVA (£)	10,729,662			

NB Total impact on communities will be measured using relevant indicators from the Urban Renaissance Measurement Framework

## PRIORITY 4 ECONOMIC INFRASTRUCTURE FOR A COMPETITIVE ECONOMY - South Yorkshire Phasing in Region Only

### Aim

4.81

***To continue investing in South Yorkshire's economic infrastructure to maximise the impact of structural fund investments in the sub region to date and the development of a knowledge economy. Priority 4 will facilitate the key centres in their role of acting as attractive locations for new and re-investment in promoting sustainable urban development.***

### Rationale

- 4.82 The Sheffield City Region has a vision to transform the economy and to initiate cultural change. This addresses its legacy of traditional industries and embedded dependency on external forces. In addressing and changing this culture South Yorkshire's vision is to become an innovative and creative economy, with strong connections at every level, an unrivalled quality of life and a vibrant and cosmopolitan community. By 2025 the city region will be:

***“a pivotal international business location, one part of an economically dynamic Leeds, Manchester, Sheffield triangle, recognised as one of the most successful city regions in Europe, sustained through the strengths of its urban and rural economies.”***

- 4.83 The four centres that make up the Sheffield City Region, Sheffield, Rotherham, Barnsley and Doncaster are essential in pursuing South Yorkshire's growth and jobs agenda.<sup>50</sup> They are home to most of the jobs, businesses, higher education institutions and are key actors in achieving social cohesion goals. Considerable work has been undertaken as part of the 2000-06 Objective 1 Programme in driving the urban renaissance agenda. In order to accelerate growth and generate additional businesses, this work needs building on to ensure that South Yorkshire's urban areas realise their full potential as drivers of economic growth. The rationale for Priority 4 stems from the need to harness the growth potential of the urban centres in the phasing-in region by creating attractive environments for businesses and people to live and work in and promoting sustainable urban development.
- 4.84 The promotion of business and social cohesion requires improvements to the economic infrastructure in South Yorkshire that the market alone will not provide. Accessibility needs to be integrated with regeneration and the renewal of buildings, business parks, incubators and commercial centres. Linking the supply of economic infrastructure with cluster opportunities is a key objective of the Sheffield City Region development plan. In order to compete, the sub-region's digital infrastructure needs taking forward to the next generation, this is crucial in order to redress the lag that currently exists in terms of infrastructure for the knowledge economy. Poor environments remain a disincentive to private sector investment in parts of South Yorkshire. Poor quality centres are limiting the attraction and subsequent retention of growth sectors that are in part dependent on networking and image. It is crucial to attract and retain knowledge workers as they are key to developing a knowledge economy. South Yorkshire's urban centres need to be more attractive to mobile knowledge workers. Under-investment in South Yorkshire's centres could undermine other investments in Priorities 1 and 2 aimed at improving the City Region's economic performance, attractiveness and competitiveness. Failure to continue investing in these areas will minimise the impact of significant investment to

<sup>50</sup> The Sheffield City region encompasses a wider geographical area than South Yorkshire. For the purpose of this Operational Programme, the Sheffield City Region will only cover the geographical area of South Yorkshire.

date. Failure to invest in the area's digital infrastructure will leave the economy lagging behind and always playing catch up.

### Description

- 4.85 Sustainable urban development is a key driver in the regeneration of South Yorkshire and underpins actions within Priority 4. Through the CRDP which provides an integrated plan for development and the South Yorkshire Spatial Strategy, which highlights the urban centres as growth poles. By aligning with the CRDP, Priority 4 will address poor performance and will aim to realise opportunities within the knowledge economy through strengthening polycentric development, improving urban networks and tackling common urban issues. Examples of schemes funded under the 2000-06 Objective 1 Programme include; the Advanced Manufacturing Park at Waverley, NAMTEC, E Campus, the Digital Knowledge Exchange element of Doncaster Education City and the Corus Research Centre. Interventions under Priority 4 will be focused on rehabilitating the physical environment and building on natural and cultural assets that are directly linked to the development of innovative and job creating businesses. Whilst Priorities 1 and 2 will support the construction and improvement of business premises including incubator units, technology facilities, centres of excellence and managed workspace. Priority 4 will consolidate this by the creation of the high quality environments needed to attract and maintain private sector investment. This will include the development of high quality office/workspace aimed at attracting high growth and emerging sectors; investment in best practice green design and build, and investment in high quality safe physical environments, including the improvement of gateways in order to attract and retain major economic investments.
- 4.86 Knowledge cities require easy access to future-proof, affordable, broadband infrastructure, in order to re-orientate economic activity towards higher added-value products and services and contribute to the restructuring of businesses and public administrations. Priority 4 will support the development of the next generation network infrastructure across South Yorkshire, through a proposed major project described in Annex H. The project, 'Digital Region' will provide a range of services delivered over a high speed broadband network, focussed on the public sector and SMEs.
- 4.87 This urban priority will offer South Yorkshire the opportunity to combine ERDF with loan finance in order to promote integrated urban renewal programmes and actions. The region will consider using JESSICA as a mechanism for leveraging in additional loan resources for urban development, creating stronger incentives for successful implementation by beneficiaries through the combination of grants and loans and other financial tools; ensuring long term sustainability through the revolving character of funds specialising in urban development. The combination of private sector investment, existing public funds and the potential use of EIB loans together with some ERDF will free up resources for other actions. This Priority will be delivered working in partnership with key organisations at a local level or sub-regionally in the case of the ICT element.
- 4.88 It will support the Environmental Cross Cutting Theme particularly through the development of buildings to environmentally high standards and the benefits accrued from a high quality physical environment for economic gain.

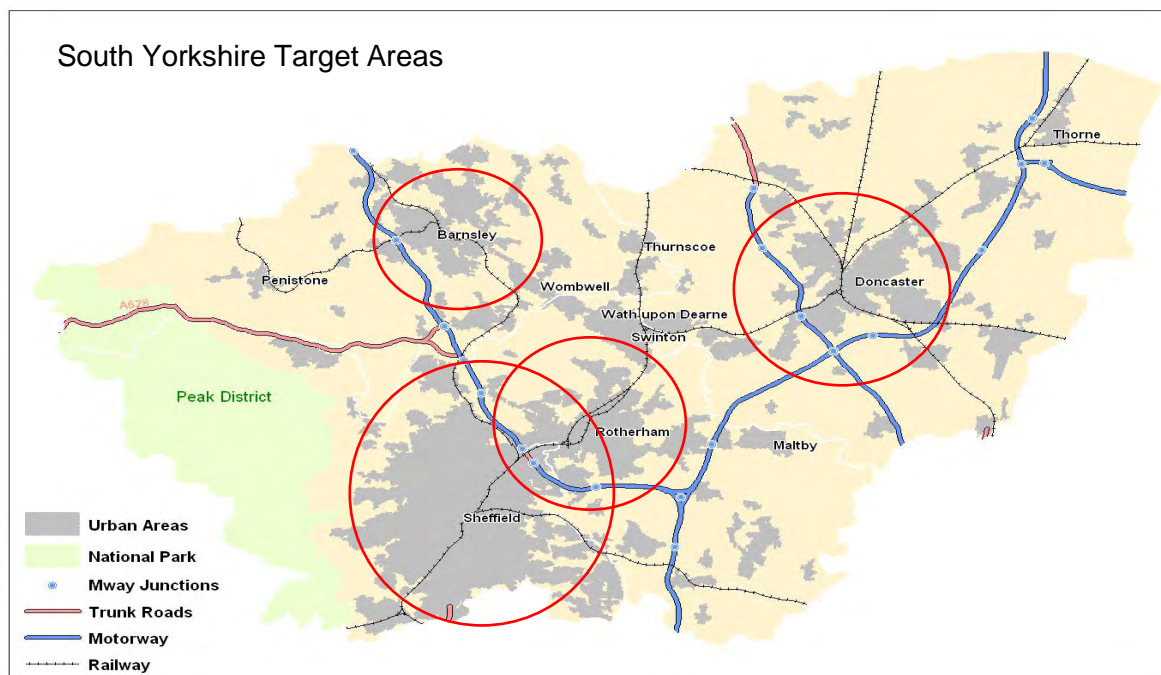
### Lisbon Earmarking

- 4.89 Priority 4 contributes to the Lisbon category of expenditure 10, plus category 61.

### Targeting

- 4.90 As a result of the 2000-06 Objective 1 Programme there are now well-established plans driving the renaissance of South Yorkshire's key centres of Sheffield, Doncaster, Rotherham and Barnsley. These integrated development plans are based on strong Local Strategic Partnerships, with local authorities and the Regional Development Agency leading the way in developing long-term vision, economic frameworks and

masterplans. These plans and partnerships will take forward many of the actions which are addressing the underlying weaknesses in the City Region's economy, as well as contributing to the new economic drivers which will increase the pace and scale of economic growth.



- 4.91 Given the comparatively low level of funding in Priority 4, efforts will be directed towards fewer, larger and more transformational projects which promote sustainable urban development.

Table 51 Priority 4 Economic Infrastructure	
Objective	Indicative Activities
1. To support the Sheffield City Region Development Plan by developing the critical business/environmental and cultural infrastructure in the four key urban centres and contribute to the development of an accessible and sustainable knowledge economy	<ul style="list-style-type: none"> <li>Support to improve the physical attractiveness of access routes into South Yorkshire to make it a more attractive environment for the knowledge economy.</li> <li>Support for sustainable urban development projects which directly contribute to the attraction of knowledge intensive businesses</li> <li>Support for capital public transport initiatives, excluding mobile infrastructure, which enhance the economic competitiveness of key urban centres.</li> </ul>
2 To ensure that south Yorkshire has the digital infrastructure to support business competitiveness and the growth of the knowledge economy	<ul style="list-style-type: none"> <li>Support for creating the right market conditions for the induction of high speed next generation broadband for new and growing businesses (major project Annex H)</li> </ul>

- 4.92 As can be seen from **Table 51** Priority 4 is geared towards delivering Lisbon agenda in terms of improving the attractiveness of South Yorkshire to knowledge economy investors.

#### Delivery

- 4.93 Priority 4 will be delivered in partnership at a local level in alignment with the Sheffield CRDP. This will provide the strategic investment framework for delivery of this programme. The Sheffield CRDP sets out planned sustainable economic growth over the next 20 years. The current South Yorkshire Investment Plan sets out priority action through to 2011 which the sub-region is committed to delivering, but longer term

economic masterplans are being produced across South Yorkshire over the next six months, which will extend the scope and timescale of the current plans, and will inform the City Region Investment Plan to be produced in 2008.

### Selection Criteria

- 4.94 Formal approval of the selection criteria for activities financed under Priority 4 will be subject to PMC approval. Activities that meet specific outputs and results may be commissioned against a commissioning framework/prospectus for Priority 4 or through direct bidding where appropriate in the early stages of the programme. Principles that underpin the criteria will be:

#### Selection Criteria

- Proven additionality
- Economic justification
- The addressing of market failure
- Fit with the Sheffield City Region Development Plan
- Evidence of Match funding
- Fit with integrated development plans for urban centres
- Linked to socially deprived communities within or adjacent to urban centres
- Demonstrable integration with training/employment opportunities
- Positive impact on addressing social inclusion
- Meets appropriate environmental standards, BREEAM very good or excellent
- Lever in public and private sector funding
- Deliverability within the programme period
- Accessibility by a range of transport modes
- Meets other Cross Cutting Theme selection criteria set out in Chapter 5.

### Financial Resources

- 4.95 In the South Yorkshire phasing-in region 24.6% of the ERDF resources in will be allocated to Priority 4 €66,676,166. Building on the substantial investments made under the 2000-2006 Objective 1 Programme to provide an attractive environment within urban centres for new and existing businesses as drivers of the knowledge economy, this resource allocation reflects the continued importance of attractiveness of place as South Yorkshire moves towards a sustainable knowledge economy. Investment in the provision of an advanced broadband infrastructure in urban centres will be a precondition for the attraction of new knowledge based businesses which will in turn be the drivers of economic growth.

**Table 52 Priority 4 Indicative Allocations**

Objective	SY
1. To support the Sheffield City Region Development Plan by developing the critical business/environmental/cultural infrastructure in the 4 key urban centres and contribute to the development of an accessible and sustainable knowledge economy	Up to 50%
2 To ensure that south Yorkshire has the digital infrastructure to support business competitiveness and the growth of the knowledge economy	Up to 50%

## Priority Indicators

Table 53 South Yorkshire Priority 4: Economic Infrastructure for a Competitive Economy					
	Dec 2015				
Indicators	Targets Number	Women		BAME	
		No	%	No	%
<b>Outputs</b>					
Number of projects ensuring sustainability and improving the attractiveness of towns and cities (ERDF 39)	23				
Number of projects seeking to promote businesses, entrepreneurship, new technology (ERDF 40)	22				
New or upgraded floorspace (sq m)	45,052				
Information society projects (ERDF 11)	4 (tbc)				
<b>Results</b>					
Gross new jobs created (ERDF 1, 2 & 3)	1,105	553	50	56	5
Gross jobs safeguarded	1,105	552	50	54	5
Number of additional businesses covered by or improving broadband access (ERDF 12)	2,253 (tbc)				
<b>Impacts</b>					
Net jobs created	738				
Net additional GVA (£m's)	£28,983,045				
Net jobs safeguarded	738				
Net safeguarded GVA (£m's)	£28,983,045				

Note: (1) For the Knowledge economy, Eurostat definitions have been used for high-technology and medium-high-technology knowledge-intensive services.



## PRIORITY 5 TECHNICAL ASSISTANCE

- 4.96 The aim of Priority 5 is to improve the delivery of the programme by financing preparatory, management, monitoring, evaluation and information and control activities and activities by reinforcing the administrative capacity for implementing the Funds.

### Lessons learnt from previous Programmes

- 4.97 Over the 2000-2006 programme period the Yorkshire and The Humber has developed considerable expertise in using technical assistance to enhance the impact of Structural Funds. Best practice has included:

- Dedicated project development capacity to drive the implementation of the programme has significantly improved programme delivery
- An approach based on commissioning what is needed as opposed to delivering what is eligible has worked well
- Web based publicity
- The development of sound monitoring & evaluation systems has provided feedback to partners and the Commission on the outputs, results and impacts of the interventions both sectorally and geographically

### Objectives

- 4.98 Priority 5 will finance:

- The core strategy that will support the delivery of the programme
- Programme Management including the development and maintenance of appropriate technology solutions
- Programme Evaluation and feasibility studies
- Support exchanges of best practice and links to inter-regional co-operation
- Publicity and Promotion
- Support the involvement of communities of interest in Programme delivery and governance, in particular the expenses incurred by the voluntary and community sector in supporting the Programme.

- 4.99 Bids for Technical Assistance in five key areas including actions to assist the management, implementation, monitoring and control of the ERDF as specified in Article 46 of Regulation (EC) No 1083/2006 will come forward as part of a Core Technical Assistance Strategy.

### Lisbon Earmarking

- 4.100 Priority 5 contributes to categories of expenditure 85 and 86.

### Programme Resources

- 4.101 A core European Programme Team will be responsible for implementing and delivering the programme. The team will:

- Work at the regional level identifying economies of scale, best practice etc ensuring integration of the sub/city regions where appropriate
- Mentoring named geographical partnerships and assisting with the development of high quality projects
- Working with partners to identify priorities and develop/commission projects to take forward
- Develop commission and appraise, projects, oversee the project selection process
- Develop funding packages with partners
- Provide advice and guidance on specific themes and issues in the Programme
- Manage administrative systems and record keeping
- Develop and promote best practice including peer review
- Monitor and evaluate the impact of projects/programmes
- Build on existing sub regional expertise on programme management
- Publicise and celebrate the use of ERDF

### **Embedding the Cross-Cutting Themes**

- 4.102 Project applicants may require support in responding to the Cross Cutting Themes. Advice and guidance on project design, implementation, awareness raising and knowledge sharing will be supported. Key areas of work may include: running a conference and seminar programmes, developing case-study material, contributing to bi-annual reviews, resourcing reference groups in support of the Programme Monitoring Committee

### **Publicity and Best Practice**

- 4.103 It will be important to ensure that citizens across the Yorkshire and The Humber are aware of the opportunities available through the Structural Funds and of the benefits and successes of the programme and projects funded. There will be a need for an ongoing publicity strategy and programme of events publicising the use of ERDF. Leading edge technologies will be utilised to ensure that the region maintains a high profile. In terms of *Access to Information* websites and other electronic media will be increasingly used as a means of ensuring the wider partnership sees PMC papers and minutes, selection criteria, details of Programme performance (including outputs) and partner exchanges.
- 4.104 Activity will cover the following key areas:

- Media and publicity training
- Access to information and the promotion of opportunities
- Evaluation of effectiveness and compliance
- Publicising good news stories

- 4.105 The region will seek to exchange best practice and make links in inter-regional and trans-national cooperation. It will build upon the work undertaken during the current programme to identify transferable best practice, particularly in relation to aspects of the management and delivery of the Structural Funds programmes. It will help the region to increase its knowledge of, and expertise in, utilising European Funds to drive regeneration where the region believes mutual learning platforms can be established with international partners. This theme will also provide resource for the region to identify funding solutions for projects part financed by the ERDF, in order that they may graduate to accessing other funding streams from the EU in support of the jobs and growth.

### Evaluation ongoing Review

- 4.106 The EC's Regulations framework commits partners to an Ex-ante and Final Evaluation of the Programme. However, a programme of evaluation work will exist from the outset. All evaluation work will be carried out by independent organisations and will be put out to tender.
- 4.107 Regular data collection from delivery agents on agreed indicators will be a key part of monitoring programme performance against identified objectives and agreed targets. Up to twice a year, information will be analysed and distilled into progress reports. Reports will be available for public scrutiny on the website. This information will help to identify what interventions work well and may be used to make adjustments to the Programme strategy.

### Monitoring Systems

- 4.108 Contractual agreement between the programme and the delivery organisations will include criteria for monitoring performance. Where appropriate the Programme will align its monitoring framework with the RDA Tasking Framework in order to avoid duplication. Programme monitoring systems will be used to:

- collect data systematically
- provide management information on a regular basis;
- monitor progress towards targets and aggregate these at higher levels;
- clean data identify problems, inconsistencies, duplication and gaps in delivery; and
- be capable of providing accurate data for reports to management/committees
- provide reports for onward transmission to the Managing Authority and the EU

- 4.109 Guidance will be developed for project sponsors, this will provide information on what information is required and how project sponsors should collect it, this will ensure evidence of what is delivered through the Programme. The guidance notes will also provide information on how to enter data into the software. An aftercare service will ensure data is entered correctly.

### Evaluation Systems

- 4.110 An evaluation strategy will be produced to help plan the evaluation requirements for the Programme. This will include identifying resources, a timetable of statutory and non-statutory evaluations (both internal and external), and the use of monitoring systems described above. There will be guidance notes setting out the criteria that will be used to assess whether an evaluation of a project is required. The criteria are likely to include major and innovative projects; projects that need a decision or judgement; and assessments on whether investments have been successful or cost-effective.

### Developing the Indicator Guidance

- 4.111 Technical Assistance will be used to develop an Indicator Framework to guide both project sponsors and the PMC. Sponsors will need support in a number of areas, notably:

- Definitions and terminology
- Specialist support in setting and collecting gender and environmental indicators
- Taking remedial action where performance lags behind targets
- Self-appraisal and self-monitoring.

- 4.112 The PMC itself will require a range of monitoring data (baseline data, monitoring indicators), and evaluation data (including, where necessary, revisions of the indicators). The PMC will determine, dependent on type of assistance, which data sets are

necessary, and the milestones at which they should be available. The PMC will review regularly progress towards meeting environmental good practice and equal opportunities targets.

**Financial resources allocated to Priority 5**

- 4.113 4% of the ERDF resources will be allocated to this Priority, in the South Yorkshire phasing-in region this amounts to €10,841,653m and in the rest of the Yorkshire and the Humber region it amounts to €12.501,585m.

**Table 54 Core Programme Indicators for Yorkshire & The Humber**

Indicators	Targets	Women		BAME	
		No	%	No	%
<b>Outputs</b>					
Number of businesses assisted that are SMEs	11,389				
Number of projects of direct investment aid to SMEs (ERDF 7)	11,107				
Number of businesses assisted that are social enterprises (included in above)	744				
Number of RTD projects (ERDF 4)	282				
- of which number of co-operation projects enterprises - research institutions (ERDF 5)	141				
Number of projects overcoming barriers to employment (ERDF 41)	339				
New or upgraded floorspace (m <sup>2</sup> )	86,123				
<b>Results</b>					
Number of new businesses created (ERDF 8)	2,779	556	20	194	7
Gross new jobs created (ERDF 1, 2, 3)	16,384	6,053	37	1,255	7
Number of research jobs created (ERDF 6)	tbc				
Gross jobs safeguarded	8,735	3,238	37	665	7
Gross increase in GVA (£)	575,247,000				
Total number of businesses improving capability/performance (1)	2,119				
Number of businesses contributing to reduction in ecological footprint/waste (ERDF 27 & 28) (2)	2,311				

<b>Impacts</b>			
Net start-up businesses created	1,409		
Net jobs created	11,217		
Net additional GVA (£)	465,339,853		
Net jobs safeguarded	5,965		
Net safeguarded GVA (£)	246,800,338		

Note: (1) includes new markets, products, exports, e-commerce etc

(2) these will be divided into waste (27) and air quality (28) projects during monitoring



Table 55 Core Programme Indicators for South Yorkshire					
Indicators	Targets	Women		BAME	
		No	%	No	%
<b>Outputs</b>					
Number of businesses assisted that are SMEs	5,538				
Number of projects (of direct investment aid to SMEs - ERDF 7)	4,615				
Number of businesses assisted that are social enterprises (included in above)	173				
Number of RTD projects (ERDF 4)	204				
- of which number of co-operation projects enterprises - research institutions (ERDF 5)	102				
Number of projects overcoming barriers to employment (ERDF 41)	278				
Number of projects ensuring sustainability and improving the attractiveness of towns and cities (ERDF 39)	23				
Number of projects seeking to promote businesses, entrepreneurship, new technology (ERDF 40)	22				
New or upgraded floorspace (m <sup>2</sup> )	92,119				
<b>Results</b>					
Number of new businesses created (ERDF 8)	1,293	257	20	78	6
Gross new jobs created (ERDF 1, 2, 3)	9,124	3,441	38	506	5
Number of research jobs created (ERDF 6)	tbc				
Gross jobs safeguarded	5,391	2,307	38	304	5
Gross increase in GVA (£)	275,309,000				
Total number of businesses improving capability/performance (1)	1,150				

Table 55 Core Programme Indicators for South Yorkshire					
Indicators	Targets	Women		BAME	
		No	%	No	%
Number of businesses contributing to reduction in ecological footprint/waste (ERDF 27 & 28) (2)	1,350				
<b>Impacts</b>					
Net start-up businesses created	645				
Net jobs created	6,190				
Net additional GVA (£)	250,803,055				
Net jobs safeguarded	3,657				
Net safeguarded GVA (£)	149,812,564				

Note: (1) includes new markets, products, exports, e-commerce etc

(2) these will be divided into waste (27) and air quality (28) projects during monitoring

### Introduction

- 5.1 The purpose of Cross Cutting Themes (CCT) within the Yorkshire and the Humber Operational Plan (OP) is to ensure that sustainable development and equality underpin and inform all activity financed through the programme. This will be achieved by supporting actions that help the region to move towards a resource-efficient and low-carbon economy that respects its environmental limits and champions actions that ensure that the people and communities can benefit from the economic growth. The aim is to integrate or mainstream the themes across all activities. Mainstreaming will ensure that the CCTs are considered at every stage of the project lifecycle, from its development, application and delivery to how it is monitored and evaluated. Chapter 5 provides definitions of the themes, their objectives and outputs and indicates how they will be mainstreamed into Programme delivery.
- 5.2 The region's current Objective 1 and 2 Programmes have actively implemented CCT and a wealth of good practice exists across the region. The lessons learned have influenced the development of this Programme as have the region's agreed environmental, equality and diversity strategies, the RES and EU and national legislative and policy frameworks on sustainable development.

### Environmental Good Practice

#### Aim

5.3

***To respect the environmental limits of the region breaking the link between economic growth and environmental degradation and securing opportunities within a low carbon agenda.***

#### Objectives

5.4

- To focus efforts on delivering a low carbon programme which helps decouple economic development from carbon use and climate change in order to improve and maintain regional competitiveness.
- To promote behavioural and cultural change and increase the awareness of businesses and communities of the need to reduce carbon emissions.
- To encourage activities which manage the environmental impacts of travel – eg work travel plans, car sharing and other transport related actions to promote travel alternatives to the car and more flexible working practices (eg. teleworking),
- To strengthen the competitive advantage of the region by avoiding damage to cherished environments and instead use them as assets (e.g. countryside, green spaces, heritage and great buildings, wildlife and special habitats)
- To support development that is not vulnerable to future pressures such as flood risk, sea level rise or drought and has considered natural resources wisely.
- To encourage a culture of waste reduction and re-use, and to enhance the efficient use of natural resources, energy efficiency and the development and deployment of renewables.
- To support the promotion of sustainable procurement ie local sourcing and the development of environmentally friendly alternative actions, eg along supply chains.

## Equalities and Diversity

### Aim.

5.5

***To promote a democratic, socially inclusive, healthy, safe and just society with respect for cultural diversity that creates equal opportunities and combats discrimination in all its forms***

### Objectives

5.6

- To encourage innovation in providing positive routes into employment.
- To encourage engagement with communities that ensures effective and inclusive participation, representation and leadership by individuals and organisations.
- To reduce labour market segregation by tackling organisational and social barriers to employment facing disadvantaged groups.

5.7

Gender equality and equal opportunities will be a cross cutting theme within the programme. In line with Council Regulation 1083/2006 and the National Strategic Reference Framework, the programme and all its activities will comply with the relevant EU and UK legislation on non discrimination and equal opportunities including the Employment Age regulations (2006) and the Gender Equality duty (2007). All partners associated with the programme will be expected to maintain their public duty to promote equal opportunities according to the prevailing legislation. In particular the principle of accessibility for people with disabilities will be taken into account during the various stages of implementation, and all projects will need to take account of people with disabilities where appropriate.

5.8

The 2007-13 programme will maintain the dual approach to promoting gender equality and equal opportunities by funding specific activities which target women and disadvantaged groups as well as integrating equal opportunities into the planning, implementation, monitoring and evaluation of the programme as a whole. The Managing Authority and regional PMC will review gender equality and equal opportunities on a regular basis.

5.9

Technical Assistance will be used where appropriate to support gender equality and equal opportunities training thereby developing the capacity of key partners involved in delivering actions which support gender and equal opportunities mainstreaming.

5.10

Programme indicators will monitor participation and achievements by women, ethnic minorities and people with disabilities. Reports will inform the Annual Implementation Report and provide updates for the PMC.

5.11

The programme's information and publicity activities will be used to help promote gender equalities and equal opportunities as appropriate, including through case studies of men and women in non traditional occupations.

5.12

The programme will aim to promote as far as possible a balanced participation of women and men in the management and delivery of the programme. The designated programme authorities will recruit, develop and promote staff on the basis of the principles of equal opportunities.

5.13

The CCTs will be delivered in two ways:

- 1. Integration of the CCT and Priorities ie through project activity within the Priorities and**
- 2. Integration of CCT at project level ie through the adoption of actions based on the CCT objectives within projects.**

#### 5.14 **Integration of CCT and Priority Axes**

The Yorkshire and Humber OP provides good opportunities to support projects with a specific environmental focus. Funding will be available to enable businesses to transform the way they manage their resources by supporting the development and use of new processes and technologies to improve resource efficiency (through Priorities 1 & 2). By taking a lead in finding innovative solutions, the region will promote a more resource efficient economy and position itself as a leader in environmental technologies. Regional expertise around low carbon technologies and sustainable waste management will be maximised.

5.15 Opportunities in Priority 1 that promote the transition towards a low carbon economy could include activity that encourages the development of new of low carbon technologies. Other activities could include mentoring, network activity between universities and business, innovation centres could demonstrate the latest sustainable development/environmental management principles and deliver eco-innovation opportunities.

5.16 Under Priority 2 activities to improve competitiveness through energy and resource efficiency will be supported as will the promotion of behavioural change as a way of reducing the region's environmental footprint. In order to build environmental sustainability and good practice into enterprise support, environmental audits will be part of the diagnostic toolkit available to businesses. Activities supporting eco-products and processes, resource management improvements and the use of renewable energy and low carbon technologies will be supported. Resource Efficiency Clubs, specialist technical consultancy for life cycle assessments and the identification of wasteful practices etc. are all types of activity that will contribute to behavioural changes towards environmental good practices within businesses.

5.17 In addition, specific targeting of under-represented groups (BME communities, women etc) with regard to the new jobs created under Priorities 1 and 2, and promotion of better equality and diversity policies and practices to employers, will contribute to the Equality and Diversity Theme.

5.18 The majority of the Priority 3 activities will contribute to the Equality and Diversity CCT. Through the facilitation of better connectivity between people, places and economic opportunities, explicit links will be made between strategies for economic growth and social inclusion. Interventions will aim to improve the employment and life chances of those most excluded from the economy. Through fostering enterprise, entrepreneurship, and the social economy, sustainable community development will be enhanced.

5.19 Priority 4 has a significant role to play improving Sheffield City Region's economic performance, attractiveness and competitiveness. Specific actions which could contribute to the CCTs include the development of buildings to environmentally high standards, the benefits accrued from a high quality physical environment for economic gain and support for development that that is not vulnerable to future pressures such as flood risk.

#### **Integration of CCT at project level**

5.20 Further actions to embed sustainable development principles will be achieved by projects undertaking specific actions on the CCTs this will be aided through the employment of cross cutting theme resources and through the project selection process and criteria.

#### **Selection Criteria**

5.21 All projects supported by the Programme will need to demonstrate their commitment to delivering the CCT objectives. In terms of Environmental Good Practice all businesses supported in Priorities 1, 2 and 3 will be offered an environmental audit as part of the

diagnostic tool kit developed under business support. Where businesses have already completed an audit, project deliverers will be required to review the actions that have been implemented and review progress with any audit targets. Where changes are recommended these will be specified and businesses will be 'signposted' to relevant advisors as appropriate. Businesses will be encouraged to develop environmental policies.

5.22 In terms of Equalities and Diversity, businesses will be expected to carry out an equalities audit/appraisal. This will be used for monitoring purposes and also for providing support to business in terms of equalities practices and producing appropriate policies. Project based support will be available from the Programme to facilitate this. Businesses will be encouraged to develop an equalities and diversity policy.

5.23 A sustainable development assessment tool will be applied to all projects. This will help identify areas where further intervention or action is needed to ensure that projects take account of the Programme's sustainability drivers. This will be completed by project sponsors and the results reviewed by the Programme Management team. All projects will be assessed for their contributions to CCT as part of the appraisals process. All projects will need to contribute to CCT monitoring indicators.

5.24 Projects will need to achieve minimum gateway criteria. These minimum standards will include:

- Wherever practicable, all activities funded will need to use paper with recycled content. This includes copier, office, and printing papers as well as publications.
- All physical development projects, covering new build, major refurbishment and site regeneration must achieve Yorkshire Forward's minimum recycled content target - at least 10% of the total value of materials used should derive from recycled and reused content in the products and materials selected. Projects that make a demonstrable, significant beneficial impact, (rather than merely a neutral one), will be actively encouraged through variable grant rates
- Provide evidence that they are low carbon or are working towards improving their carbon impact
- Source a minimum of 10% of their energy from renewable energy sources
- Provide evidence of existence of an equal opportunities policy

5.25 Project selection criteria and project targets will be used to encourage:

- reducing the need to travel
- sustainable transport infrastructure for new facilities
- promoting local resources to reduce material transport
- development of sustainable transport plans
- promote the use of renewables
- encourage zero waste developments in construction via site waste management plans



**Table No. 56 Cross-cutting Theme Indicators<sup>(1)</sup>**

	Priority 1	Priority 2	Priority 3	Priority 4
<b>Indicators</b>				
<b>Outputs</b>				
<b>a) Environmental</b>				
No of environmental sector businesses supported	X	X	X	
No of buildings upgraded to minimum BREEAM standard of very good	X	X		X
No of businesses assisted to undertake environmental audits	X	X	X	
<b>b) Equality</b>				
No of projects overcoming barriers to employment			X	
<b>Results</b>				
<b>a) Environmental</b>				
No of new businesses created in environmental sectors	X	X	X	
Gross jobs created in environmental sectors	X	X	X	
Increase in sales from new environmental products and services developed (£m)	X			
No of businesses implementing recommendations from environmental audits	X	X	X	
No of businesses reducing energy consumption by more than 10%		X		
No of businesses reducing waste production		X		
No of businesses reducing emissions		X		
No of businesses achieving independent environmental accreditation		X		
<b>b) Equality</b>				
No of new businesses created – majority female owned <sup>(2)</sup>	X	X	X	
No of new businesses created – employers from BAME communities <sup>(2)</sup>	X	X	X	
Gross new jobs created for women <sup>(2)</sup>	X	X	X	X
Gross new jobs created for BAME <sup>(2)</sup>	X	X	X	X
Gross jobs safeguarded – women	X	X	X	X
Gross jobs safeguarded - BAME	X	X	X	X
<b>Impacts</b>				
<b>a) Environmental</b>				
Net start up environmental businesses created	X	X	X	
Reduction in Greenhouse Gas Emissions		X		
<sup>(1)</sup> The PMC will agree definitions for indicators and quantify targets by June 2008				
<sup>(2)</sup> In addition to the overall gender and BAME targets, 'stretch' targets (i.e. ones which are set above the existing % of businesses/jobs) will be set at project level for specific clusters/sectors				

## Operational Programme Reference (CCI number):

- 6.1 **Table 57** shows total ERDF programme allocations by year as set out in Annex XVI of the Implementing Regulations 1080/2006.

Table 57: Financial Plan of the Operational Programme giving the Annual Commitment of each fund in the Operational Programme			
<i>Year by source for the programme in EUR</i>			
<b>Year</b>	<b>ERDF</b>	<b>Public</b>	<b>Total</b>
<b>2007</b>			
In Regions without transitional support	42,040,317	42,040,317	84,080,634
In Regions with transitional support	85,019,774	85,019,774	170,039,548
<b>Total 2007</b>	<b>127,060,091</b>	<b>127,060,091</b>	<b>254,120,182</b>
<b>2008</b>			
In Regions without transitional support	42,881,124	42,881,124	85,762,248
In Regions with transitional support	67,870,014	67,870,014	135,740,028
<b>Total 2008</b>	<b>110,751,138</b>	<b>110,751,138</b>	<b>221,502,276</b>
<b>2009</b>			
In Regions without transitional support	43,738,746	43,738,746	87,477,492
In Regions with transitional support	50,000,255	50,000,255	100,000,510
<b>Total 2009</b>	<b>93,739,001</b>	<b>93,739,001</b>	<b>187,478,002</b>
<b>2010</b>			
In Regions without transitional support	44,613,521	44,613,521	89,227,042
In Regions with transitional support	31,388,558	31,388,558	62,777,116
<b>Total 2010</b>	<b>76,002,079</b>	<b>76,002,079</b>	<b>152,004,158</b>
<b>2011</b>			
In Regions without transitional support	45,505,792	45,505,792	91,011,584
In Regions with transitional support	12,012,392	12,012,392	24,024,784
<b>Total 2011</b>	<b>57,518,184</b>	<b>57,518,184</b>	<b>115,036,368</b>
<b>2012</b>			
In Regions without transitional support	46,415,907	46,415,907	92,831,814
In Regions with transitional support	12,252,640	12,252,640	24,505,280
<b>Total 2012</b>	<b>58,668,547</b>	<b>58,668,547</b>	<b>117,337,094</b>
<b>2013</b>			
In Regions without transitional support	47,344,226	47,344,226	94,688,452
In Regions with transitional support	12,497,693	12,497,693	24,995,386
<b>Total 2013</b>	<b>59,841,919</b>	<b>59,841,919</b>	<b>119,683,838</b>

2007-2013			
Total in Regions without transitional Support (2007-2013)	312,539,633	312,539,633	625,079,266
Total in Regions with transitional support (2007-2013)	271,041,326	271,041,326	542,082,652
Grand Total 2007-2013	583,580,959	583,580,959	1,167,161,918

6.2 **Table 58** shows total financial allocations at programme level and priority level ie ERDF plus national public contributions as set out in Annex XVI of the Implementing Regulations 1080/2006 for Yorkshire and the Humber minus South Yorkshire.

Table 58 Programme and Priority Level Allocations Non Phasing-in								
	Community Funding	National counterpart	Indicative breakdown of the		Total funding	Co-financing rate	For information	
	(a)	(b) (= (c) + (d))	national counterpart		(e) = (a)+(b)	(f)1 = (a)/(e)**		
			National Public funding (c)	National private funding (d)*			EIB contributions	Other funding3
Priority Axis 1	62,507,927	34,871,613	34,871,613	0	97,379,540	64%	0	0
Priority Axis 2	175,022,194	201,369,622	201,369,622	0	376,391,816	46%	0	0
Priority Axis 3	62,507,927	63,796,813	63,796,813	0	126,304,740	49%	0	0
Priority Axis 5	12,501,585	12,501,585	12,501,585	0	25,003,170	50%	0	0
Total	312,539,633	312,539,633	312,539,633	0	625,079,266	50%	0	0

\*Priority axes are expressed in public costs only, private funding will be treated as leverage \*\*This rate is rounded to the nearest whole number in the table. The precise rate used to reimburse payments to the Programme is the ratio (f)

6.3 **Table 59** shows total financial allocations at programme level and priority level ie ERDF plus national public contributions as set out in Annex XVI of the Implementing Regulations 1080/2006 for South Yorkshire

<b>Table 59 Programme and Priority Level Allocations Phasing-in</b>								
	Community	National	Indicative		Total	Co-	For information	
	Funding	counterpart	breakdown of the		funding	financing		
	(a)	(b) (= ( c) +	national		(e) =	rate		
		(d))	counterpart		(a)+(b)	(f)1 =		
						(a)/(e)**		
			National	National			EIB	Other
			Public	private			contributi	funding3
			funding	funding			ons	
			( c)	(d)*				
<b>Priority Axis 1</b>	<b>49,871,604</b>	<b>49,871,604</b>	<b>49,871,604</b>	<b>0</b>	<b>99,743,208</b>	<b>50%</b>	<b>0</b>	<b>0</b>
<b>Priority Axis 2</b>	<b>89,443,638</b>	<b>48,161,959</b>	<b>48,161,959</b>	<b>0</b>	<b>137,605,597</b>	<b>65%</b>	<b>0</b>	<b>0</b>
<b>Priority Axis 3</b>	<b>54,208,265</b>	<b>48,071,480</b>	<b>48,071,480</b>	<b>0</b>	<b>102,279,745</b>	<b>53%</b>	<b>0</b>	<b>0</b>
<b>Priority Axis 4</b>	<b>66,676,166</b>	<b>114,094,630</b>	<b>114,094,630</b>	<b>0</b>	<b>180,770,796</b>	<b>37%</b>	<b>0</b>	<b>0</b>
<b>Priority Axis 5</b>	<b>10,841,653</b>	<b>10,841,653</b>	<b>10,841,653</b>	<b>0</b>	<b>21,683,306</b>	<b>50%</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>271,041,326</b>	<b>271,041,326</b>	<b>271,041,326</b>	<b>0</b>	<b>542,082,652</b>	<b>50%</b>	<b>0</b>	<b>0</b>

*\*Priority axes are expressed in public costs only, private funding will be treated as leverage \*\* This rate is rounded to the nearest whole number in the table. The precise rate used to reimburse payments to the Programme is the ratio (f)*

6.4 Allocations for the South Yorkshire Phasing-in region will be ring fenced and will not be transferred from supporting actions in the phasing in area to actions elsewhere else in the region.

6.5 **Table 60** shows total financial allocations at programme level and priority level ie ERDF plus national public contributions as set out in Annex XVI of the Implementing Regulations 1080/2006 for Yorkshire and the Humber and South Yorkshire phasing in area.

<b>Table 60 Programme and Priority Level Allocations Phasing-in and non phasing-in</b>								
	Community Funding (a)	National counterpart (b) (= ( c ) + (d))	Indicative breakdown of the national counterpart		Total funding (e) = (a)+(b)	Co-financing rate (f)1 = (a)/(e)**	For information	
			National Public funding ( c )	National private funding (d)*			EIB Contributions	Other Funding3
<b>Priority Axis 1</b>	112,379,531	84,743,217	84,743,217	0	197,122,748	57%	0	0
<b>Priority Axis 2</b>	264,465,832	249,531,581	249,531,581	0	513,997,413	51%	0	0
<b>Priority Axis 3</b>	116,716,192	111,868,293	111,868,293	0	228,584,485	51%	0	0
<b>Priority Axis 4</b>	66,676,166	114,094,630	114,094,630	0	180,770,796	37%	0	0
<b>Priority Axis 5</b>	23,343,238	23,343,238	23,343,238	0	46,686,476	50%	0	0
<b>Total</b>	583,580,959	583,580,959	583,580,959	0	1,167,161,918	50%	0	0

*\*Priority axes are expressed in public costs only, private funding will be treated as leverage \*\*This rate is rounded to the nearest whole number in the table. The precise rate used to reimburse payments to the Programme is the ratio (f)*

6.6 We do not anticipate private sector match funding for Programme activities. However, one aspiration of the Programme is to increase levels of private sector expenditure on innovation, and R&D more generally across the Region. Where appropriate opportunities for encouraging private sector match funding arise, these will be taken. In all other circumstances the programme will seek to leverage contributions from the private sector as appropriate.

## Introduction

- 7.1. The Regional and Competitiveness ERDF funding for the Yorkshire and the Humber region will run alongside other European funding initiatives. In order to avoid overlap between the types of activities that will be funded, this Programme has taken account of the local priorities and level of funds available through these other programmes. The following Programmes will complement each other and avoid duplication:

- European Regional Development Fund (ERDF)
- European Social Fund (ESF)
- European Agricultural Fund for Rural Development (EAFRD) and
- European Fisheries Fund (EFF)

## Complementarity with other Funds

- 7.2. The use of resources from the European Regional Development Funds in England will need to be carefully managed, to prevent any overlap or duplication of funding, and to ensure complementarity and optimal value for money. It is essential that we avoid any double funding. Equally, we must avoid a situation in which a high quality project is unable to attract funding. This applies both to other domestic funding streams, and to the closely linked European funding streams.

**Table 61** summarises the priorities for the different European funding streams available in rural areas in England over the 2007-2013 Programming period:

Table 61: Priorities for European funding Streams 2007-2013			
ERDF	EAFRD	ESF	EFF
To promote innovation and knowledge transfer	To build profitable, innovative and competitive farming, food and forestry sectors, that meet the needs of consumers and make a net positive contribution to the environment	Extending employment opportunities by tackling barriers to work faced by people who are unemployed or disadvantaged in the labour market	To provide a long-term sustainable future for the fishing industry through promoting investment in innovation and technology
To stimulate enterprise and support successful business	To improve the environment and countryside	Developing a skilled and adaptable workforce by training people who lack basic skills and good qualifications	To promote environmental best practice in the fisheries sector
To ensure sustainable development, production and consumption	To enhance opportunity in rural areas, in a way that harnesses and builds upon environmental quality		To tackle social exclusion and promote long-term prosperity in communities traditionally dependent on the fishing industry where this support cannot be provided
To build sustainable communities			

	To mobilise the development potential of rural areas in a way that stimulates innovation to the benefit of the local area		elsewhere
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### The European Social Fund (ESF)

- 7.2 The Regional Competitiveness and Employment ESF programme will be delivered as a single national programme with regional flexibility. The Yorkshire Regional Skills Partnership will play a leading role in developing a regional ESF framework that sets the priorities for the region for utilising ESF resources. This Plan will take into account the opportunities for complementarity with the regional ERDF programme. The national ESF programme focuses on 2 priorities:
- Priority 1: To increase employment and reduce unemployment and inactivity.
  - Priority 2: To develop a skilled and adaptable workforce by improving the skills of those entering the workforce and by improving the skills of those in the workforce.
- 7.3 The Regional Skills Partnership will determine whether geographical targeting of Priority 1 ESF is appropriate for the regional needs. It is clearly targeted at disadvantaged groups however, and will in any event support the activities in Priority 3 (Sustainable Communities) of this Programme, by providing training, job search and work placement opportunities for the residents of the ERDF targeted communities, which will be selected in accordance with indices of disadvantage. ERDF funded activities to support people into work will focus on the provision of opportunities for people to undertake progression into work, such as intermediate labour market and volunteering activities, where these cannot be funded through ESF.
- 7.4 ESF Priority 2 will target employed and disadvantaged individuals who are economically inactive. The ESF programme will particularly target part-time workers, women, ethnic minorities, workers under threat of redundancy, managers, childcare and care workers, ex-offenders and people with disabilities. Small and medium sized enterprises will also be targeted to address workers in sectors with weak training records to increase the number of SMEs who invest in the training of their workforce and to address existing skills gaps and unfilled vacancies, including equipping employees who have technical skills with managerial competences and through workplace-based support. Enterprise skills for entrepreneurial business formation and management will be encouraged and valued as much for their contribution to forming enterprising employees as to the region's business stock. In line with national priorities, up to 5% of the Priority 2 ESF funds will be used to support higher level (NVQ4 and above) skills. These activities will embrace preparatory support to people from disadvantaged groups aiming to access Higher Education; training of trainers; lifelong learning and training for managers and employees in small enterprises catering for leadership, management, enterprise and technical skills that support business development, growth, innovation and productivity. Where ERDF Priority 2 activity provides packages of support for SMEs, this will include the identification of the skills needs of the business and seek to identify suitable opportunities for employees to access ESF provision to meet these needs. Where ERDF funded activity identifies particular gaps in provision for SMEs and their employees, co-ordination between the ERDF Programme Monitoring Committee and the ESF Regional Committee will ensure that these gaps are flagged up to the ESF co-financing organisations so that they can be taken into account as part of their commissioning activity.



- 7.5 A system of co-operation will be devised by the relevant Managing Authorities to ensure that projects are checked to seek complementarity in the objectives pursued.

#### **European Agricultural Fund for Rural Development (EAFRD)**

- 7.6 The Rural Development Plan for England (RDPE) sets out the national Programme for the EAFRD. The Regional Implementation Plan for Yorkshire and the Humber (RIP) sets out the priorities for the region in delivering the Programme. The RIP sets out four themes for the EAFRD:

1. New Rural Enterprise to broaden the economic base of the region's rural areas & build on key sectors:
  - establishing new businesses
  - establishing new ventures within existing businesses
2. Rural Business Improvement to support existing businesses to grow and increase productivity, through;
  - provision of training and advice
  - development of new products, services and markets
  - adding value to existing products and services
  - improved collaboration
3. Community Cohesion and Development to support rural communities through;
  - investing in the provision of services in the community
  - building the capacity of community partnerships
4. Enhancing the Value of the Countryside by encouraging farmers and land managers to embrace business opportunities of multifunctional land use to provide goods and services to the general public (beyond commodity food production) through;
  - wildlife conservation
  - maintenance and enhancement of landscape quality and character
  - natural resource protection
  - protection of the historic environment
  - promotion of public access and understanding of the countryside
  - flood alleviation through land management
  - conservation of genetic resources
  - provision of renewable energy
  - Supporting woodland creation and management in line with Regional Forestry Strategy Priorities.

- 7.7 Themes 1 and 2 will complement Priorities 1 and 2 (Promoting Innovation and R&D and Supporting and Stimulating Successful Enterprise) of the ERDF Programme by focusing on the farming and forestry sector, rural sectors and on the development of enterprises in rural areas not in the target sectors for ERDF.

- 7.8 The ERDF will focus on high growth SMEs in existing and emerging clusters. Theme 3 will provide support to selective, targeted rural communities in Yorkshire and the Humber not identified as targeted communities in Priority 3 (Sustainable Communities) of the ERDF Programme. Theme 4 will support activities that are not eligible for support through the ERDF.

#### **European Fisheries Fund**

- 7.9 The national European Fisheries Fund Programme will support the overall aim for fisheries management in the UK, which is to achieve a fishing sector that is sustainable, profitable and supports strong local communities, managed effectively as an integral part of coherent policies for the marine environment. It will focus on providing a long-term future for the fishing industry, through promoting investment in innovation and

technology, ensuring environmental best practice, developing efficient supply chains with strong links between fishermen, growers, processors and customers and improving port infrastructure and operations. It will also help to tackle social exclusion and promote long term prosperity in communities traditionally dependent on the fishing industry where this support cannot be provided elsewhere.

- 7.10 Demarcation between EFF and ERDF will be achieved by the concentration of the former on the fisheries sector, which will not be supported through the ERDF. In the event that overlap exists between communities targeted by Priority 3 (Sustainable Communities) of the ERDF Programme and the EFF, the Programme Monitoring Committee will put in place arrangements to ensure that the EFF funds only those activities which cannot be funded through ERDF.

**Achieving complementarity and demarcation between ERDF and EAFRD and EFF**

- 7.11 England's Regional Development Agencies will deliver the ERDF, and the socio-economic elements of the RDPE (with the exception of the Regional Development Agency for London, which does not receive any EAFRD support).
- 7.12 The Regional Development Agencies will ensure coherence in the day to day management of the socio-economic support under the RDPE and the ERDF. They will ensure that work carried out at the regional level under the two funds is complementary, and robust project development and selection processes will ensure that any duplication is avoided. Administrative arrangements are in place to ensure complementarity and co-ordination, for example, common secretariats; exchange of personnel on regional management committees; exchange of information from databases. The RDAs will also be required to work closely with the Leader groups to ensure demarcation on the ground. These processes begin with the clear establishment of demarcation criteria at the regional level.
- 7.13 **Table 62** below sets out the way in which this will be delivered in Yorkshire and The Humber

**Table 62: Co-ordination between ERDF and EAFRD and EFF**

Operational Programme Priority	Field of activity – (list of measures eligible under another Community support instrument)	Types of operations EAFRD will support	Types of operations EFF will support	Demarcation criteria for rural/coastal areas
1. Promoting innovation and R&D	<p>Stimulation and facilitation of increased investment in innovation and R&amp;D, engendering a culture change and promoting sustainable business practices including:</p> <ul style="list-style-type: none"> <li>• Networking</li> <li>• Mentor Network</li> <li>• Supporting organisations that encourage and promote technology led sectors/clusters</li> <li>• Collaborative R&amp;D programmes between businesses /universities /institutions developing new products &amp; processes to improve business performance</li> <li>• Regions for Economic Change/Territorial/Interregional Cooperation activities</li> </ul>	N/A	<ul style="list-style-type: none"> <li>• Promotion of investment in innovation and technology for the fishing industry</li> </ul>	ERDF will support investment in innovation and R&D, including research relating to land-based industries except investment in innovation and technology for the fishing industry which will be supported through EFF. EAFRD will not support research.
	<p>Provide and support the infrastructure needed to stimulate innovation and R&amp;D whilst ensuring the social, environmental and economic conditions are improved including:</p> <ul style="list-style-type: none"> <li>• Provision of facilities to support innovation and improve regional competitiveness of targeted growth sectors and clusters including research facilities, specialist incubators and grow on space</li> </ul>	N/A	N/A	ERDF will support infrastructure for facilities to support innovation wherever most appropriate, including rural and coastal areas. Support for this activity will not be available through either EAFRD or EFF.

Operational Programme Priority	Types of operations ERDF will support	Types of operations EAFRD will support	Types of operations EFF will support	Demarcation criteria for rural/coastal areas
1. Promoting innovation and R&D cont.	<p>Increase and support the exploitation and commercialisation of knowledge, technologies and processes that underpin the future sustainability and growth of new and existing businesses and target clusters including:</p> <ul style="list-style-type: none"> <li>• Support for commercialisation of technology in new product/process design</li> <li>• Initiatives to address constraints on or opportunities affecting target businesses</li> <li>• Support for businesses to sponsor/purchase R&amp;D activity which will create new products and processes</li> <li>• Knowledge/technology transfer between companies/ businesses/institutions/universities/FE</li> <li>• Support for investments in renewable energy</li> </ul>	<ul style="list-style-type: none"> <li>• Provision of training and knowledge transfer activity aimed at the farming and forestry sector</li> </ul>	N/A	<p>ERDF will support the exploitation and commercialisation of knowledge technologies with no geographical limitations excluding knowledge transfer activity and commercialisation related to land-use technologies (farming and forestry sectors), and food supply. Commercialisation of technologies related to renewable energies will be demarcated - small-scale commercialisation of renewable technologies for the benefit of rural SMEs will be funded through EAFRD. This will not include any training activity. EAFRD will however will be available to support training related to the exploitation of those technologies relating to land-use industries.</p>

Operational Programme Priority	Types of operations ERDF will support	Types of operations EAFRD will support	Types of operations EFF will support	Demarcation criteria for rural/coastal areas
2. Supporting and stimulating successful enterprise	<p>Establish integrated business support for innovative and high growth businesses which enables them to grow more quickly including:</p> <ul style="list-style-type: none"> <li>• Support for high level individually tailored business support programme focused on improving competitiveness in innovative and high growth companies in clusters and key sectors.</li> <li>• Support within this Objective will be focused on provision of information and guidance provided by on-line support and seminars alongside adviser, consultancy or specialist advice, including advice for:.. <ul style="list-style-type: none"> <li>◦ improving business processes</li> <li>◦ new/existing market development including internationalisation</li> <li>◦ supply chain initiatives</li> <li>◦ development/implementation of action plans for targeted</li> <li>◦ knowledge intensive clusters &amp; sectors</li> <li>◦ financial support for business growth via loan/equity funding,</li> <li>◦ (where market failure exists) seedcorn and proof of concept</li> <li>◦ funding. Grant aided funding to be targeted and specialised.</li> <li>◦ businesses to be investment ready and increase the uptake of</li> <li>◦ Venture capital and investment funds (where market gap exists)</li> <li>◦ to increase the exploitation of e-business opportunities in support of the knowledge economy</li> </ul> </li> <li>• Regions for Economic Change/Territorial/Interregional Cooperation activities</li> </ul>	<ul style="list-style-type: none"> <li>• Specialist advisory services for the farming and forestry sectors</li> <li>• Bespoke rural skills not provided by national/ESF funded mainstream programmes</li> <li>• Provision of training, non-accredited, bespoke technical, business efficiency, agricultural/forestry coaching, facilitation for persons engaged in the agricultural, food and forestry sectors</li> <li>• Setting up/expansion of labour/machinery rings (agriculture)</li> <li>• Supporting farm and forestry producers in supply chains</li> <li>• Provision of business support services to rural SMEs not engaged in high growth or knowledge intensive industries.</li> </ul>	<ul style="list-style-type: none"> <li>• Development of efficient supply chains in the fishing industry, with strong links between fishermen, growers, processors and customers</li> </ul>	<p>ERDF will support integrated business support activities aimed at knowledge intensive and high growth non-retail SMEs in all parts of the region, except SMEs engaged in agricultural, primary food processing, fishing and forestry industries. ERDF will not support SMEs not in high growth or knowledge intensive industries (except in targeted urban areas). This will not include training activity, which will be supported by ESF.</p> <p>SMEs in the agricultural, primary food processing and forestry industries, and rural SMEs in industries not identified as target sectors in the Operational Programme (i.e. creative and digital, advanced engineering and metals, food and drink, chemicals, environmental technologies, financial and business services, bioscience and sports), will be supported by EAFRD, which can also support bespoke and technical skills in the agricultural/forestry industries where this is not available through mainstream programmes (ie ESF, national funding).</p> <p>Fishing industry SMEs will be supported through EFF.</p>

Operational Programme Priority	Types of operations ERDF will support	Types of operations EAFRD will support	Types of operations EFF will support	Demarcation criteria for rural/coastal areas
2. Supporting and stimulating successful enterprise cont.	<p>Promote a more enterprising and entrepreneurial culture and support the growth of businesses at start-up and early stage and those with growth potential including:</p> <ul style="list-style-type: none"> <li>Targeted assistance for individual entrepreneurs with the potential to create high value added businesses</li> <li>Financial support for new starts/early stage via start-up grant, loan/equity funding (where a market exists), seedcorn and proof of concept funding (where market gap exists)</li> <li>Support for leadership &amp; entrepreneurial programmes which promote best practice in management, innovation, in company development and business culture.</li> <li>Support for improving links between enterprise and education to create and embed an enterprise culture</li> <li>Support for promoting the commercial market place opportunities of a diverse workforce</li> <li>Support for growing culturally diverse business sectors and nurturing entrepreneurs</li> <li>Support for crime reduction initiatives linked to business investment</li> </ul>	<ul style="list-style-type: none"> <li>Provision of start-up support to rural sector enterprises, where these are involved in the food chain, adding value and processing, and purchasing inputs from local food producers, new retailing, manufacturing or service industries, contribute to the development of the rural tourism product and development of creative industries, deliver essential services (such as essential retail or care) to the local community, contribute to the development of new environmental technologies, are involved in renewable energy supply chains in producing, processing or end uses, new forestry enterprises, new products and markets, leading to more sustainable use of woodlands and the use of woodlands to deliver recreational and social benefits, provide the traditional trades required to maintain and enhance the landscape or cooperative ventures between rural businesses and/or with rural communities.</li> <li>Farm diversification investments</li> </ul>	<ul style="list-style-type: none"> <li>Fish processing</li> </ul>	<p>ERDF will support enterprise and business start-up support in all parts of the region for non-retail SMEs with the potential for high growth, except those engaged in agriculture/forestry/fishing/fish processing. ERDF will not support micro-enterprises unless these have the potential for high growth and are in priority sectors. Other rural SMEs (ie micro-enterprises, those not in sectors targeted by ERDF) will be supported through EAFRD. EFF will support fish processing SME start-ups.</p>

Operational Programme Priority	Types of operations ERDF will support	Types of operations EAFRD will support	Types of operations EFF will support	Demarcation criteria for rural/coastal areas
2. Supporting and stimulating successful enterprise cont.	<p>Promoting the development of new and high technology clusters and sectors through investment in infrastructure including:</p> <ul style="list-style-type: none"> <li>• Support for embedding high level investors in the region to act as catalysts for sustainable growth</li> <li>• Support for specialist business premises where there is a case for market failure (this might include incubation facilities/managed workspace not directly linked to innovation/R&amp;D)</li> </ul>	<ul style="list-style-type: none"> <li>• Farm diversification investments</li> <li>• Small scale investments in rural micro enterprises</li> <li>• Adding value to agricultural and forestry products through micro and SME investment in facilities (capital) and marketing</li> </ul>	<ul style="list-style-type: none"> <li>• Fish processing</li> </ul>	<p>ERDF will support infrastructure developments aimed at new and high technology clusters, excluding those in the agriculture/forestry/fishing sectors, which will be supported through EAFRD and EFF (fish processing).</p>
	<p>Ensuring that business growth supported by the Programme takes account of CO2 emissions and adopt environmental best practice including:</p> <ul style="list-style-type: none"> <li>• Support for incorporating the aims of environmental resource efficiency clubs, effective waste management goals and other sustainable development aims into key clusters</li> <li>• Support for installation of micro CHP and other environmental technologies in SMEs</li> <li>• Support for advice and guidance on meeting environmental standards</li> <li>• Support for investment in renewable energy</li> </ul>	<ul style="list-style-type: none"> <li>• Agri-Food products and Agri/forestry non food products for renewable energy (revenue) with a local market</li> <li>• Small scale farm renewable energy investments</li> </ul>	<ul style="list-style-type: none"> <li>• Protecting the marine, lake and coastal environment to maintain its attractiveness, and protecting and capitalising on the natural and architectural heritage</li> </ul>	<p>ERDF will support CO2 reduction programmes and activities except agri-food and agri-forestry products for renewable energy, which will be supported through EAFRD. ERDF will also support environmental technology installation in SMEs, except for farms, which will be supported through EAFRD.</p> <p>ERDF will not support general environmental protection measures, which will be supported through EAFRD and EFF as appropriate.</p>



Operational Programme Priority	Types of operations ERDF will support	Types of operations EAFRD will support	Types of operations EFF will support	Demarcation criteria for rural/coastal areas
3. Sustainable communities	<p>Improving connectivity to economic opportunities through tackling social, economic and digital exclusion faced by disadvantaged communities including:</p> <ul style="list-style-type: none"> <li>• Capital support to help develop sustainable communities through provision of facilities that promote social enterprise, develop local connections and access to employment , ICT and public services</li> <li>• Promoting clean and sustainable public transport between targeted communities and economic opportunities</li> <li>• Strengthening public transport and access related links between targeted communities and economic opportunities (South Yorkshire only)</li> <li>• Capital support for facilities linked to tackling social and economic exclusion (eg childcare facilities) and overcoming barriers to work for those furthest away from the labour market, particularly those in the poorest communities and specific communities of interest (South Yorkshire only)</li> </ul>	<ul style="list-style-type: none"> <li>• Support for rural community partnerships</li> <li>• Support for provision of bespoke technical skills (non accredited) to maximise economic opportunities</li> <li>• Support for the provision of key services within rural communities</li> </ul>	<ul style="list-style-type: none"> <li>• Regenerating and developing coastal hamlets and villages</li> <li>• Tackling social exclusion and promoting long term prosperity in communities traditionally dependant on the fishing industry, where this cannot be provided elsewhere</li> </ul>	ERDF will support sustainable urban development, targeted at deprived communities (10% most deprived SOAs in the region). This will not include any rural communities. EAFRD will provide support for rural communities. EFF will support coastal hamlets and villages.
	<p>Increasing economic activity and entrepreneurship within communities including:</p> <ul style="list-style-type: none"> <li>• Support to foster a dynamic enterprise culture including access to finance</li> <li>• Support for activities that increase economic activity eg fostering business networks, 'tender ready tool kit' initiative</li> <li>• Encourage and facilitate community enterprise and other small scale business development including the provision of incubator or similar business space</li> </ul>	<ul style="list-style-type: none"> <li>• Specialised advisory services for the farming and forestry sector</li> <li>• Small scale investments in rural micro enterprises</li> <li>• Farm diversification investments</li> </ul>	N/A	ERDF will support small scale business development targeted at deprived communities (10% most deprived SOAs in the region). This will not include any rural communities or farm diversification investments. EAFRD will provide support for rural micro-enterprises not included in the 10% most deprived Super Output Areas in the region, and farm diversification investments. EFF will not support small-scale business development.

Operational Programme Priority	Types of operations ERDF will support	Types of operations EAFRD will support	Types of operations EFF will support	Demarcation criteria for rural/coastal areas
3. Sustainable communities cont.	<p>Creation of sustainable jobs in the social economy supported by existing and new social enterprises including:</p> <ul style="list-style-type: none"> <li>• Support to strengthen social enterprises including access to finance</li> </ul>	<ul style="list-style-type: none"> <li>• Support for rural community partnerships</li> <li>• Provision of rural services through social enterprise to improve quality of life for rural residents</li> </ul>	N/A	ERDF will support social enterprise development targeted at deprived communities (10% most deprived SOAs in the region). EAFRD will support social enterprise development in rural areas. EFF will not support social enterprise development.
	<p>Promoting active participation in the development of a knowledge driven economy including:</p> <ul style="list-style-type: none"> <li>• Support for development of positive approaches to a changing work environment, effective communication skills and ICT usage</li> <li>• Implementation of community ICT strategies</li> <li>• Development of commercial and public service delivery through ICT</li> </ul>	Support for ICT initiatives in rural areas	N/A	<p>ERDF will support ICT initiatives targeted at deprived communities (10% most deprived SOAs in the region).</p> <p>EAFRD may support ICT initiatives in rural communities. EFF will not support ICT initiatives.</p>
<p>4. Economic infrastructure for a competitive economy</p> <p>4. Economic</p>	<p>Support for the Sheffield City Region Development Plan by developing the critical business/environmental and cultural infrastructure in the four key urban centres and contribute to the development of an accessible and sustainable knowledge economy including:</p> <ul style="list-style-type: none"> <li>• Support to improve the physical attractiveness of access routes into South Yorkshire to make it a more attractive environment for the knowledge economy.</li> <li>• Support for sustainable urban development projects which directly contribute to the attraction of knowledge intensive businesses</li> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>• Farm diversification into tourism and service industries adding value to the tourist product</li> </ul>	N/A	ERDF will support capital urban development in South Yorkshire only. EAFRD will support capital investments in South Yorkshire rural areas for farm diversification into tourism and service industries.

<b>Operational Programme Priority</b>	<b>Types of operations ERDF will support</b>	<b>Types of operations EAFRD will support</b>	<b>Types of operations EFF will support</b>	<b>Demarcation criteria for rural/coastal areas</b>
infrastructure for a competitive economy cont.	<p>Ensuring that South Yorkshire has the digital infrastructure to support business competitiveness and the growth of the knowledge economy by:</p> <ul style="list-style-type: none"> <li>• Support for creating the right market conditions for the induction of high speed next generation broadband for new and growing businesses (major project Annex H)</li> </ul>	N/A	N/A	ERDF will support a major broadband project in South Yorkshire only. EAFRD and EFF will not support broadband infrastructure.

### **European Investment Bank**

- 7.13 The region is considering the possibilities for using the instruments proposed by the Commission and the EIB to support the implementation of the next programming period.
- 7.14 In particular, the Programme may utilise JEREMIE (Joint European Resources for Micro to Medium Enterprises) to create a new source of capital for businesses falling within targeted sectors that have difficulty accessing alternative forms of finance.
- 7.15 The Programme also contains the option of taking up the JESSICA (Joint European Support for Sustainable Investment in Cities Areas) facility for urban and/or community development.

### **Sustainable development**

- 7.16 Programme delivery will take account of the Sustainable Development Strategy, adopted by the European Council on 15-16.06.06, and especially point 25 on co-ordination of EC co-financing in the section on Complementarity between ERDF and ESF Programmes and other EU policies and funding instruments. The text of point 25 is: "In order to ensure that EU funding is channelled and used in an optimum way to promote sustainable development, Member States and the Commission should co-ordinate to enhance complementarities and synergies between various strands of Community and other co-financing mechanisms, such as cohesion policy, rural development, LIFE+, research and development (RTD), the Competitiveness and Innovation Program (CIP), and the European Fisheries Fund (EFF).

### **7<sup>th</sup> Research Framework Programme**

- 7.17 In the Operational Programme, the region seeks to develop the research and innovation capacity of the Yorkshire and Humber region. Therefore, there is potential for synergy between ERDF activity in the region, and for example the 'Regions of Knowledge' action in the 'Capacities' programme of FP7. While Structural Funds and the Framework Programme cannot both be applied to the same activities in the same project, the two funds can be applied to different phases of the same project, as long as the expenditure co-financed by one of the Funds does not receive assistance from the other. There are also potential synergies for innovation projects in the Competitiveness and Innovation Programme, the Territorial Cooperation Programmes in addition to FP7. In all cases where these synergies exist, the region will seek to exploit the impact of these funding streams on the ground.

### **INTERREG**

- 7.18 Programme delivery will seek to maximise the opportunities presented by complementarities and synergies with the territorial cooperation programme involving the Yorkshire and the Humber region (North West Europe). This could bring additional possibilities of cooperation with EU support. The successful participation in the INTERREG IIIC project S3 referred to in Annex B "Lessons Learnt" constitutes an outstanding exchange of experiences in wider partnerships, and the aim will be to replicate this success where appropriate.

### CONTENTS

#### **1. REGULATORY CONTEXT**

#### **2. MANAGING AUTHORITY CERTIFYING AUTHORITY, AUDIT AUTHORITY AND INTERMEDIATE BODIES**

Managing Authority: Roles and Functions

A 59(2) Intermediate Body: Roles and Functions

A 59(2) Intermediate Body: Organisation

Certifying Authority: Roles and Functions

Audit Authority: Roles and Functions

Management and Control: description of systems

#### **3. PARTNERSHIP AND COMMITTEE STRUCTURE**

General

Programme Monitoring Committee

Duties of the Programme Monitoring Committee

Sub-committees and working-groups of the PMC

#### **4. MANAGEMENT AND CONTROL SYSTEM**

Proportionality

Global Grants and A 42 Bodies

Selection of Operations

#### **5. COMPUTERISED EXCHANGE OF DATA**

#### **6. MONITORING ARRANGEMENTS AND SYSTEMS**

General

Annual reports and final reports

#### **7. EVALUATION ARRANGMENTS AND SYSTEMS**

Ex ante and Strategic Environmental Assessment; interim and ex post

#### **8. FINANCIAL IMPLEMENTATION**

Financial contributions by the Funds

Differentiation of rates of contribution

Technical Assistance

Community budget commitments

De-commitments

#### **9. FINANCIAL FLOWS AND PAYMENTS**

General

Financial Flows

Payments

Use of Euro and conversion rates

## **10. FINANCIAL MANAGEMENT AND CONTROL ARRANGEMENTS**

General

Organisation

Accounting Systems

Documentation

Audit

Irregularities and Financial Corrections

## **11. INFORMATION AND PUBLICITY**

## **12. SUPPLEMENTARY OBJECTIVES**

Sustainable Development

Gender equality and equal opportunities

Major projects

Complementarity with other Funds

European Social Fund

European Agricultural Fund for Rural Development

## **13. USE OF RESERVES**

National Performance Reserve

National Contingency Reserve

## **14. FINANCIAL ENGINEERING**

## **15. STATE AID**

## **IMPLEMENTING PROVISIONS**

### **1. REGULATORY CONTEXT**

In accordance with the requirements of Article 37(1)(g) of Council Regulation (EC) No 1083/06 of 11 July 2006, this chapter sets out the implementation provisions for the Yorkshire and the Humber European Regional Development Fund Regional Competitiveness and Employment Operational Programme ("the OP").

These have been developed taking into account the requirements of Council Regulation (EC) No 1083/06, which lays down general provisions about the Structural Funds; Council Regulation (EC) No 1080/06, which lays down specific provisions about the types of activity that may be financed by the European Regional Development Fund; and Commission Regulation (EC) No 1828/2006, which sets out rules for the implementation of the Council Regulations.

The implementing provisions will be subject to revision where necessary to reflect any subsequent regulations adopted by the Council or the Commission concerning the ERDF. All articles quoted in the text are those of Council Regulation (EC) No. 1083/06, except where otherwise stated. In the event that the implementing provisions are found on any point to be inconsistent with any provision of the Structural Funds Regulations, the meaning or effect of the Regulations shall prevail.

### **2. MANAGING AUTHORITY, CERTIFYING AUTHORITY, AUDIT AUTHORITY, AND INTERMEDIATE BODIES**

#### **Managing Authority: Role and Functions**

A system of management and control of the implementation of the OP will be set up in accordance with Article 58.

The Managing Authority (MA), whose functions are set out in Article 60, is responsible for managing and implementing the OP in accordance with the principle of sound financial management and the requirements of the Structural Funds Regulations.

The MA for the OP is the Secretary of State for Communities and Local Government (SSCLG). The address is Eland House, Bressenden Place, London SW1E 5DU, England, United Kingdom. The functions of the MA not entrusted to an intermediate body will be carried out by officials of the Department of State headed by SSCLG (the Department for Communities and Local Government) who administer European policy and programmes, presently entitled European Policy and Programmes Division, under the responsibility of SSCLG.

#### **A 59(2) Intermediate Body: Roles and Functions**

Article 59(2) authorises the Member State to designate one or more intermediate bodies to carry out some or all of the tasks of the managing or certifying authority under the responsibility of that authority. The Secretary of State, for the UK Government, proposes to designate a single intermediate body (hereafter referred to as the A 59(2) body) for the OP. The A 59(2) body is Yorkshire Forward, which is a regional development agency established and regulated by the Regional Development Agencies Act 1998.



The tasks of the MA to be entrusted to the A 59(2) body are, subject to the reservation of specified functions for performance by the MA (as set out on page 149), all of the functions specified in Article 60, namely:

- (a) ensuring that operations are selected for funding in accordance with the criteria applicable to the OP and that they comply with applicable Community and national rules for the whole of their implementation period;
- (b) verifying that the co-financed products and services are delivered and that the expenditure declared by the beneficiaries for operations has actually been incurred and complies with Community and national rules; verifications on-the-spot of individual operations may be carried out on a sample basis in accordance with the detailed rules to be adopted by the Commission in accordance with the procedure referred to in Article 103(3);
- (c) ensuring that there is a system for recording and storing in computerised form accounting records for each operation under the OP and that the data on implementation necessary for financial management, monitoring, verifications, audits and evaluation are collected;
- (d) ensuring that beneficiaries and other bodies involved in the implementation of operations maintain either a separate accounting system or an adequate accounting code for all transactions relating to the operation without prejudice to national accounting rules;
- (e) ensuring that the evaluations of OPs referred to in Article 48(3) are carried out in accordance with Article 47;
- (f) setting up procedures to ensure that all documents regarding expenditure and audits required to ensure an adequate audit trail are held in accordance with the requirements of Article 90;
- (g) ensuring that the certifying authority receives all necessary information on the procedures and verifications carried out in relation to expenditure for the purpose of certification;
- (h) guiding the work of the monitoring committee and providing it with the documents required to permit the quality of the implementation of the OP to be monitored in the light of its specific goals
- (i) drawing up and, after approval by the monitoring committee, submitting to the Commission the annual and final reports on implementation;
- (j) ensuring compliance with the information and publicity requirements laid down in Article 69;
- (k) providing the Commission with information to allow it to appraise major projects.

The A 59(2) body will be responsible for providing a secretariat function to make administrative arrangements for the performance of the MA tasks and to assist the PMC. The A 59(2) body will carry out MA tasks in accordance with the management and control system established under Article 58 and guidance and directions issued by the MA. The MA will provide suitable training to the A 59(2) body. The A 59(2) body will also be responsible for ensuring that revenue generating projects are supported in accordance with Art 55.

Concerns about the performance of functions by the A 59(2) body, whether relating to the standard of performance or other matters, may be addressed in various ways. The MA will be empowered to issue directions relating to the exercise of the MA functions. Directions may require functions to be exercised in a specified manner or place restrictions on the way in which they are carried out.

The Secretary of State, for the UK Government, may withdraw the A 59(2) body's designation as an intermediate body, taking back full responsibility for the performance of MA tasks, or may vary the allocation of tasks (taking back or changing the scope of specified tasks). The Secretary of State may entrust tasks to a different body designated under Article 59(2). The Secretary of State will consult the A 59(2) body before deciding to take such steps and will inform the Commission of the action that has been taken.

The UK Government will ensure that the system of management and control and all other management and control documents, which govern the relationship between the MA and the A 59(2) body, are amended as appropriate to reflect any changes to the role of the A 59(2) body and that the Commission is notified of the amendments.

The MA will consult the A 59(2) body before issuing directions and guidance on matters relating to the performance of intermediate body functions.

The MA tasks not entrusted to the A 59(2) body (reserved by the Member State for performance by the MA) are tasks that can only be carried out by a national authority or on an inter-regional (England only) basis, particularly because they involve the coordination of matters requiring uniform practice for OPs or communication at national level with the Commission.

The reserved tasks include:

- i. providing guidance and instruction, as appropriate, on the interpretation of the rules and criteria contained in the Structural Funds Regulations and in documents issued by the Commission over the programming period in relation to the ERDF;
- ii. providing the contractual terms on which ERDF support is to be given, including, where relevant, state aid advice;
- iii. determining and issuing national eligibility rules;
- iv. providing guidance and instruction, as appropriate, on the management and control framework, accountancy rules to be followed by grant beneficiaries and others involved in with the implementation of operations, systems to be used for the maintenance of accounts and the other records, information and publicity requirements, including monitoring, and any other matters relating to the management and of the OP as necessary;
- v. establishing written standards and procedures for verifications undertaken by the A 59(2) body in compliance with Article 13.2 of Commission Regulation 1828/2006, and ensuring that the A 59(2) body keeps records for each

- verification, stating the work performed, the date and the results of the verification, and the measures taken in respect of the irregularities detected thereby, and obtaining assurance that the monitoring and verification activities are adequately carried out in accordance with that Regulation;
- vi. prescribing the information to be provided to the Certifying Authority in relation to expenditure verification and verification procedures, the form in which this information is to be provided and how frequently it is to be provided;
  - vii. appointing the Chair of the Programme Monitoring Committee (PMC) and being a member of the PMC;
  - viii. receiving evaluations, annual and final implementation reports and submitting them to the Commission;
  - ix. assisting as necessary with policy and technical support for the appraisal of major projects and the notification required for appraisal by the Commission;
  - x. laying down and operating a mechanism for the payment of ERDF resources;
  - xi. ensuring that where, in the exercise of functions entrusted to it as an intermediate body, the A59(2) body has awarded grant for one of its own projects, resulting in the RDA becoming the final beneficiary, ensuring that the A59(2) body takes such steps to cease, suspend, reduce or recover ERDF funding as it would be expected to take if the grant beneficiary were a separate third party.

A description of the systems covering in particular the organisation and procedures of the MA, Certifying Authority and the A 59(2) body as well as the Audit Authority will be submitted in accordance with Article 71 using Annex XII to Commission Regulation 1828/2006.

#### **A 59(2) Intermediate Body: Organisation**

The A 59(2) body will make its own administrative arrangements for the performance of the MA tasks, taking account of guidance issued by the MA. The principle of separation of functions will be adhered to in accordance with Article 58(b). In managing the OP, the A 59(2) body will be required to have due regard to potential conflicts of interest and a procedure for ensuring that they are avoided. The procedure will be detailed in the management and control system which will be submitted to the Commission in accordance with Article 71 of Council Regulation 1083/2006 and Article 21 of Commission Regulation 1828/2006 using the model template set out in Annex XII to Commission Regulation 1828/2006.

The A 59(2) Body may exercise the functions entrusted to it by awarding funding to itself, as final beneficiary. The principle of separation of functions, in accordance with Article 58, will be adhered to at each stage of the procedure as in the case of any other applicant for funding.

#### **Certifying Authority: Role and Functions**

The Certifying Authority (CA) for the OP is the Secretary of State for Communities and Local Government. The address is Eland House, Bressenden Place, London SW1E 5DU, England, United Kingdom. The functions of the CA will be carried out by officials of the Department of State headed by SSCLG (the Department for Communities and Local Government), who work in the Department's Finance Directorate. These administrative arrangements for the performance of the CA tasks will ensure that the principle of separation of functions is adhered to in accordance with Article 58(b).

The CA is responsible for certifying the accuracy of statements of expenditure and applications for payment presented to the Commission in accordance with the procedures set out in Article 78. The specific tasks of the CA are as follows:

- a) drawing up and submitting to the Commission certified statements of expenditure and applications for payment;
- b) certifying that:
  - i) the statement of expenditure is accurate, results from reliable accounting systems and is based on verifiable supporting documents;
  - ii) the expenditure declared complies with applicable Community and national rules and has been incurred in respect of operations selected for funding in accordance with the criteria applicable to the OP and complying with Community and National rules;
- c) ensuring for the purposes of certification that it has received adequate information from the MA on the procedures and verifications carried in relation to expenditure included in statements of expenditure;
- d) taking account for certification purposes of the results of all audits carried out by or under the responsibility of the Audit Authority;
- e) maintaining accounting records in computerised form of expenditure declared to the Commission;
- f) keeping an account of amounts recoverable and of amounts withdrawn following cancellation of all or part of the contribution for an operation. Amounts recovered will be repaid to the general budget of the EU, prior to closure of the OP by deducting them from the next statement of expenditure.

#### **Audit Authority: Roles and Functions**

The Audit Authority (AA) for the OP is the Secretary of State for Communities and Local Government. The address is Eland House, Bressenden Place, London SW1E 5DU, England, United Kingdom. The functions of the AA will be carried out by officials of the Department of State headed by SSCLG (the Department for Communities and Local Government) who audit the public expenditure of the Department under the responsibility of SSCLG and who work in a separate unit within the Department's finance directorate from those performing CA tasks. The functional independence of the audit services will ensure that the principle of separation of functions is adhered to in accordance with Article 58(b).

The AA is responsible for verifying the effective functioning of the management and control system. The specific tasks of the AA are as follows:

- a) ensuring that audits are carried out to verify the effective functioning of the management and control system of the OP;
- b) ensuring audits are carried out on operations on the basis of an appropriate sample to verify expenditure declared;
- c) presenting to the Commission within 9 months of the approval of the OP an audit strategy covering the bodies who will perform the audits referred to under points a) and b), the method to be used, the sampling method for audits on operations and the indicative planning of audits to ensure that the main bodies are audited and that audits are spread evenly throughout the

programming period; [note: where a common system applies to several OPs, a single audit strategy may be submitted ];

- d) by 31 December each year from 2008 to 2015:
  - i) submitting to the Commission an annual control report setting out the findings of audits carried out during the previous 12 month period ending on 30 June of the year concerned in accordance with the audit strategy of the OP and reporting any shortcomings found in the systems for management and control of the programme. The first report to be submitted by 31 December 2008 will cover the period from 1 January 2007 to 30 June 2008. The information concerning the audits carried out after 1 July 2015 will be included in the final control report supporting the closure declaration referred to in point (e);
  - ii) issuing an opinion, on the basis of the controls and audits that have been carried out under its responsibility, as to whether the management and control system functions effectively, so as to provide a reasonable assurance that statements of expenditure presented to the Commission are correct and as a consequence reasonable assurances that the underlying transactions are legal and regular.
  - iii) submitting, where applicable under Article 88, a declaration for partial closure assessing the legality and regularity of the expenditure concerned;

[Note: when a common system applies to several OPs, the information referred to in point (i) may be grouped in a single report, and the opinion and declaration issued under points (ii) and (iii) may cover all the OPs concerned ];

- e) submitting to the Commission at the latest by 31 March 2017 a closure declaration assessing the validity of the application for payment of the final balance and the legality and regularity of the underlying transactions covered by the final statement of expenditure, which will be supported by a final control report.

Where audits and controls are carried out by a body other than the AA, the AA will ensure that such bodies have the necessary functional independence from the Article 59(2) body. The AA may choose to employ private sector auditors to carry out system and operation audits under its responsibility.

### **Management and Control: description of systems**

The AA will be responsible for drawing up the report and the opinion referred to in Article 71(2), describing and assessing the management and control systems and giving an opinion on their compliance with Article 58 to 62.

## **3. PARTNERSHIP AND COMMITTEE STRUCTURE**

### **General**

The OP has been developed and will be implemented in accordance with the principles of partnership set out in Article 11 and national rules and practice. The partnership principle will be operated throughout the lifetime of the OP.

The Secretary of State, for the UK Government, has organised a partnership to cover the preparation of the OP with a wide variety of national, regional and local authorities

and bodies, which are competent to contribute towards the aims, objectives and contents of the OP. Competent authorities and bodies include:

- (a) regional, local, urban and other public authorities;
- (b) economic and social partners;
- (c) any other suitable bodies representing civil society, environmental partners, non-governmental organisations;
- (d) bodies responsible for promoting equality between men and women.

### **Programme Monitoring Committee (PMC)**

In accordance with Article 63, the Member State will set up a PMC within three months from the date of the notification to the Member State of the Commission decision approving the OP. The membership and role of the PMC will reflect the strategic nature of the prescribed tasks of the PMC set out in Article 65.

Reflecting the principle of partnership, the membership of the PMC will be drawn from representatives of the bodies of the regional partnership organised under Article 11. It will, therefore, reflect national, regional, local and sectoral interests in the OP, and will aim to be balanced in terms of gender. On its own initiative, or at the request of the PMC, the Commission may participate in an advisory capacity. Where the European Investment Bank or the European Investment Fund are contributing to the OP, they may be represented in an advisory capacity.

The MA will have a representative as a member of the PMC. A particular role of the MA representative will be to advise and guide the PMC on compliance with the regulatory requirements in delivering the OP and on any other aspects of implementing the programme.

The MA representative will also have a role in informing the PMC about relevant Government Policy and in reporting to Ministers as appropriate on how the strategy, priorities and activities of the OP are contributing to wider Government policies.

The chairperson of the PMC will be the Regional Director of the Government Office for Yorkshire and the Humber.

The Chair will approve all PMC minutes and papers before they are distributed to the PMC members for agreement.

### **Duties of the Programme Monitoring Committee**

The PMC will draw up and agree its own Rules of Procedure. These procedures will be publicised and made available on the programme website. The MA will issue guidance to Article 59(2) bodies on governance issues, including drawing up rules of procedure. The MA representative, as a member of the PMC, will have a role in ensuring that the rules of procedure are robust, are designed to ensure delivery and contain all appropriate checks and balances.

At its first meeting the PMC will approve detailed provision for the proper and efficient discharge of the duties assigned to it, including, the frequency of its meetings and procedures to deal with conflicts of interest. This will be contained within the PMC's Rules of Procedure. The PMC will satisfy itself as to the effectiveness and the quality of the implementation of the OP. To this end the PMC will carry out the tasks set out in Article 65.

The MA will approve the rules of procedure in accordance with Article 63(2).

## Sub-committees and working groups of the PMC

Reflecting its agreed terms of reference and rules of procedure, the PMC may at any time set up such sub-committees or working groups or other groups as it thinks appropriate to enable it to fulfil its responsibilities (e.g. geographically, sectorally or thematically based). The PMC may delegate any of its tasks to a sub-committee or working group. The membership of sub-committees and groups will be agreed by the PMC, reflecting the partnership principle set out in Article 11. The terms of reference and rules of regional sub-committees and groups will be approved by the PMC in accordance with Article 63(2). The use of sub-committees does not absolve the PMC from its responsibility for the proper performance of its tasks as set out in Article 65.

## 4. MANAGEMENT AND CONTROL SYSTEM

The Secretary of State, for the UK Government, will establish management and control arrangements for the OP in accordance with Article 58.

This will ensure that Community funds are used efficiently and correctly and that assistance is managed in accordance with all applicable Community rules and in accordance with the principles of sound financial management. The detailed requirements set out in the Structural Funds Regulations will be observed throughout the period of the OP. The Secretary of State will consult the A 59(2) body about the details of the management and control system, which will meet the requirements of Article 58. The AA will assess the system and give an opinion on compliance with Articles 58, 59 and 60 prior to its submission to the Commission in accordance with Article 71.

The organisation structures for ensuring sound management and control are set out below.

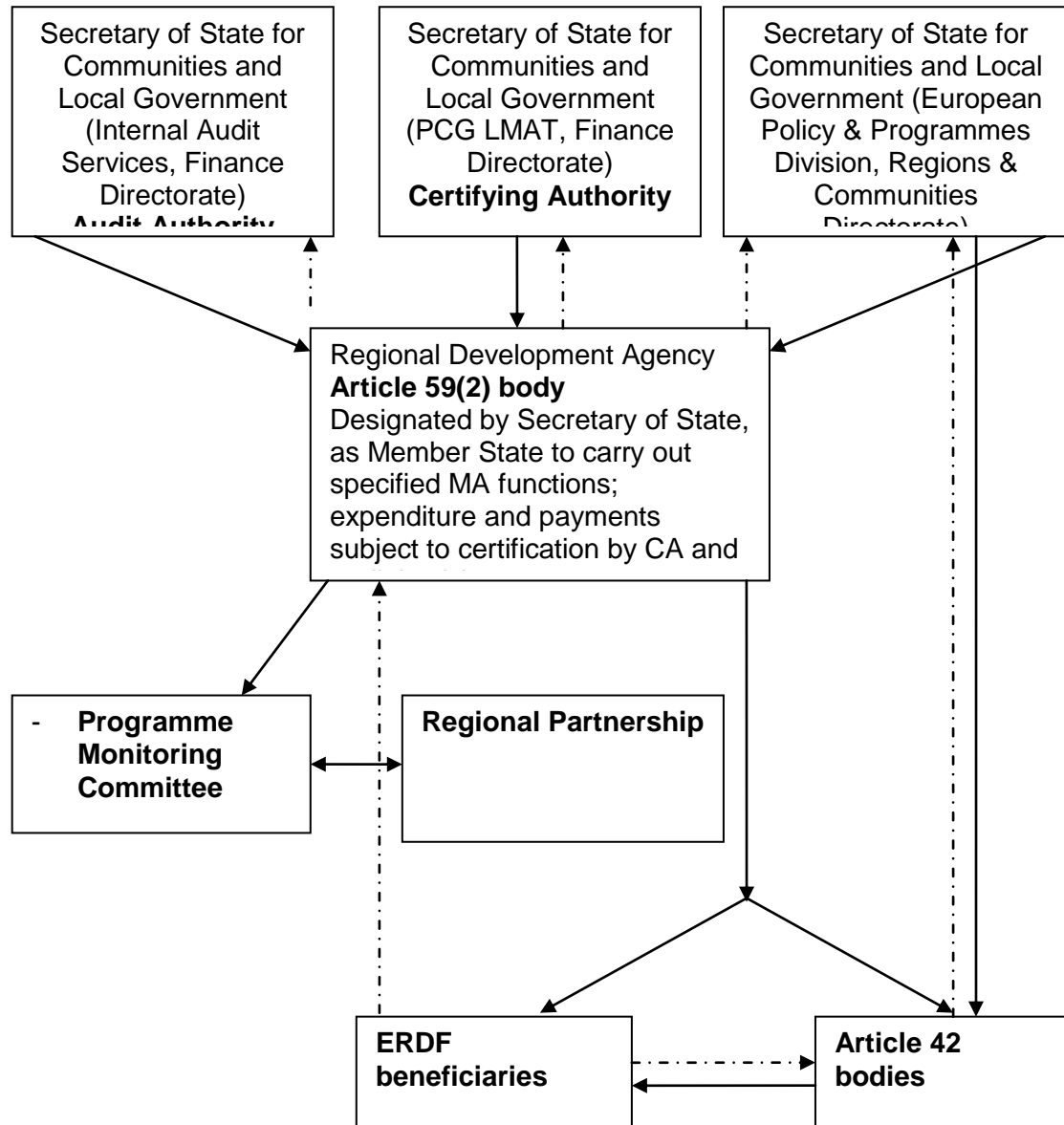
Diagram 1 illustrates the structure at a global level.

Diagram 2 illustrates the separation of functions with the Department for Communities and Local Government.

Diagram 3 illustrates the separation of functions with the Regional Development Agency.



**Diagram 1 - Global Management and Control System for ERDF Convergence and Regional Competitiveness Programmes in England.**



The direction of the solid arrow denotes the direction of management and control. The dotted arrows denote the direction of accountability.

**Diagram 2 - Separation of functions with the Department for Communities and Local Government**

**(The direction of the arrows denotes reporting lines)**

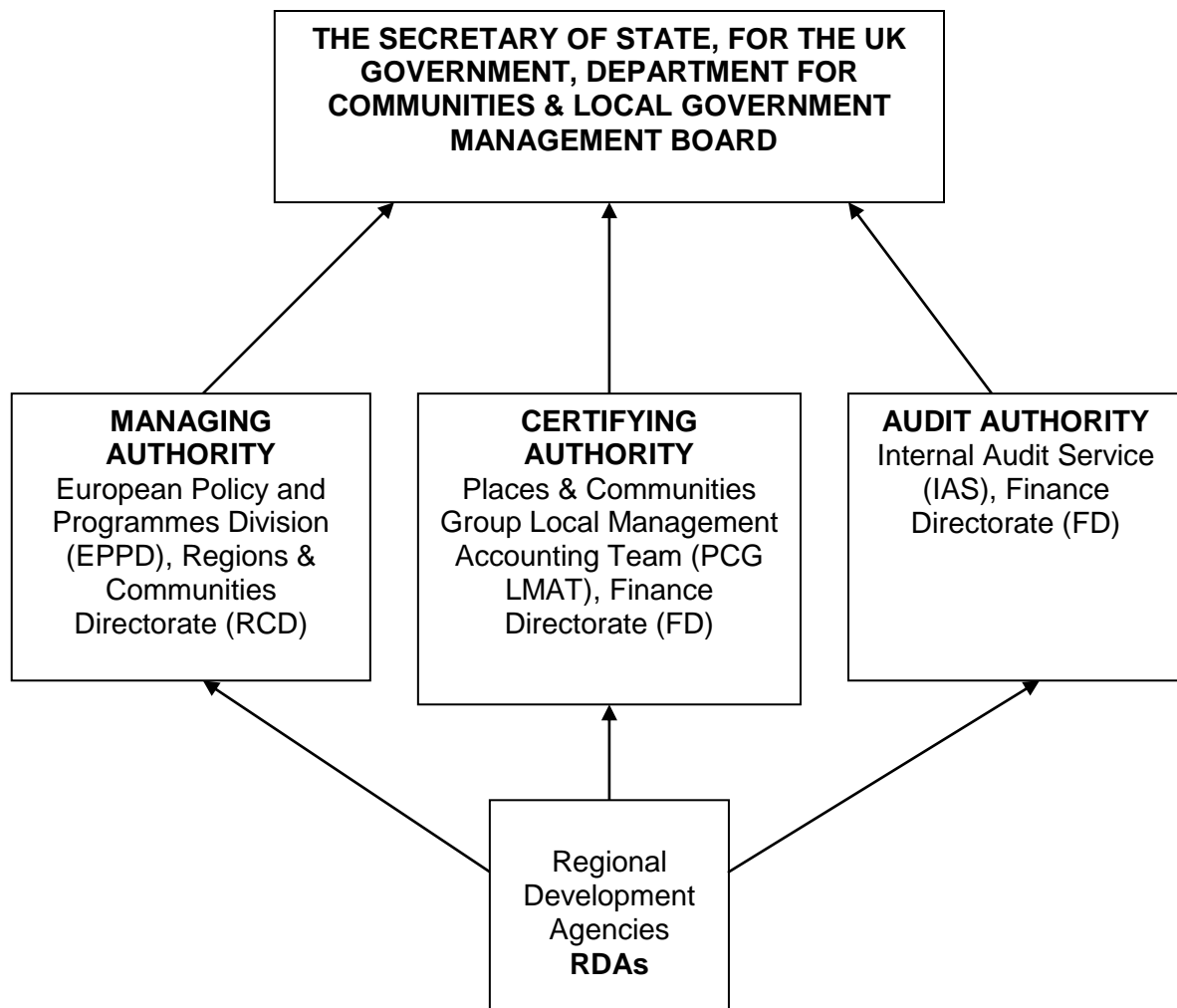
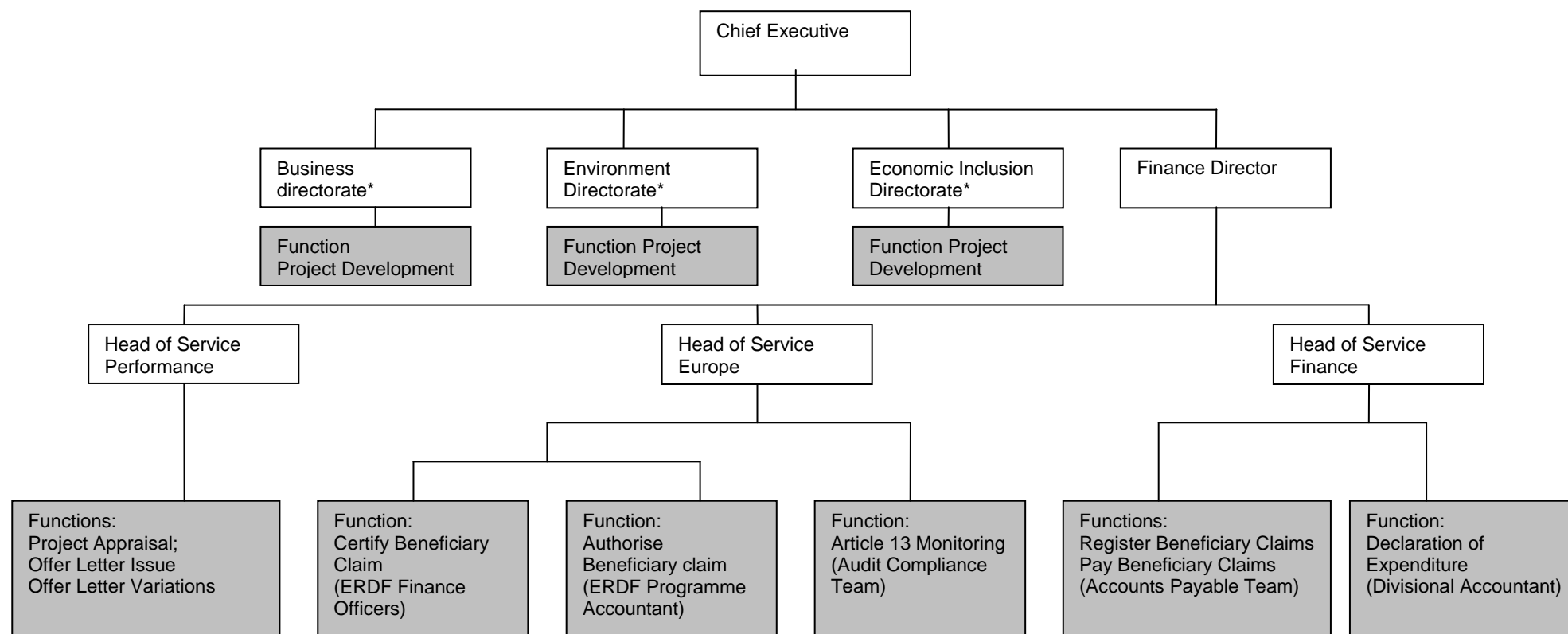


Diagram 3 - Separation of functions within the Yorkshire Forward Regional Development Agency.



\* Indicates Yorkshire Forward directorates that are potentially a final beneficiary of ERDF grant

## Proportionality

The proportional control arrangements set down in Article 74 will not apply to the OP.

## Global Grants

The Member State or the MA may entrust the management and implementation of a part of an OP to one or more intermediate bodies (A 42 bodies), designated by the Member State or the MA, including local authorities, regional development bodies or non-governmental organisations, in accordance with the provisions of an agreement concluded between the Member State or the MA and that body.

The Secretary of State, for the UK Government, does not have any intention, at present, to designate any A 42 body for the OP. Such a designation will be without prejudice to the financial responsibility of the MA and of the Member State.

The MA may consider designating an A 42 body on its own initiative, but would not make a designation without first consulting the A 59(2) body. Otherwise, a body will be considered by the MA for designation under Article 42 on the recommendation of the A 59(2) body and the PMC. If the A 59(2) body wishes to recommend any such designation, it will first:

(a) assess the following matters for each body or organisation proposed for the management of a global grant:

its solvency;

its competence in selecting and monitoring operations of the types to be covered by the global grant;

the robustness of its management and control arrangements and its competence in financial and administrative management;

(b) propose text for the agreement to be concluded by the MA with each A 42 body, making the designation and detailing the matters specified in Article 43 (which include the types of operation covered by the global grant; the outcomes and outputs to be achieved by the global grant; and management and financial controls set within the overall management and control system for the OP).

In considering whether to designate a body under Article 42, the MA will take account of all such matters and the guarantees about solvency and competence provided by the body or organisation itself to demonstrate compliance with Article 42(2).

The MA will provide reasons for a decision not to designate a body or organisation proposed for the management of a global grant.

If the MA decides to designate a body under Article 42, it will conclude an agreement with that body. The provisions of the agreement will detail the matters

specified in Article 43. They will be finalised after full consideration of the text prepared by the A 59(2) body and after consultation with the A 59(2) body about any points that arise from that text or any other matters arising. The MA may revoke the designation of an A 42 body according to the terms of the agreement.

As the designation of an A 42 body is the responsibility of the MA, it will not involve any sub-delegation of responsibility by the A 59(2) body. The functions entrusted to the A 59(2) body for the delivery of the OP will exclude functions relating to operations so far as they are entrusted to a body under Article 42.

Instead, the A 59(2) body will exercise some or all of the tasks of the MA in relation to global grants, which will be detailed in the Article 42 agreement and will relate, in particular, to monitoring, evaluating and ensuring financial control of the global grant. For these purposes, it may be appropriate for the A 59(2) body to record and regulate administrative matters relating to its conduct of MA tasks by provisions in the Article 42 agreement or in a separate agreement, and in particular to make clear that the A 42 bodies will report to the MA via the A 59 body (see diagram 1 above). The A 59(2) body cannot become an A 42 body, as conflict of interest.

The selection of projects under the global grant will be made through an advisory group, comprising the appropriate regional and local partners.

If any designations are made under Article 42, the bodies most likely to be designated include universities and local authorities, which already have and appropriate range of public responsibilities or functions, and are likely to be competent for designation.

### **Selection of operations for ERDF support**

The PMC is responsible for considering and approving the criteria for selecting the operations financed under the OP. The A 59(2) body will be responsible for putting forward proposals to the PMC for selection criteria. The role of the PMC is outlined in section 3 of these Implementing Provisions.

On behalf of the PMC, the A 59(2) body may set out an Investment Framework which sets the activities and operations that the PMC have agreed they wish to see delivered under the OP. The Investment Framework must be approved by the PMC. It may identify bodies or organisations that it believes are competent to deliver operations in line with the framework. Any framework will comply with Public Procurement Regulations (which implement EC public procurement directives), so far as they are applicable.

The procedure for selecting operations may take a variety of forms. For example:

Open bidding: where an open invitation is published for applications for the support of operations that meet a specified priority or objective of the OP;

Limited bidding: where a limited number of project sponsors is identified and invited to bid for the support of operations or sets of targets or outputs that meet a specified priority or objective of the OP;

Non-competitive selection: where a single project sponsor (or perhaps two or more) is either selected as appearing to be the only suitable and capable vehicle for delivering a specific operation or set of programme targets or outputs and invited to submit an application for financial assistance; or applies for financial assistance on its own initiative for the support of an operation or a set of targets or outputs that appears to meet a priority or objective of the OP.

The MA, in deciding in broad terms the nature and scope of the criteria and processes for the selection and appraisal of projects, and the A 59(2) body in putting forward proposals to the PMC for such criteria, will ensure that all processes and criteria take full account of the need to secure compliance with the requirements of the Public Procurement Regulations (which implement EC Public Procurement Directives) or the need for suitable competitive tendering where the Regulations do not apply.

Once the criteria and investment strategy have been adopted by the PMC, the A 59(2) body will be responsible for managing the processes of developing operations, appraising proposals for operations, and making recommendations to the PMC or its appropriate sub-committees or groups.

## **5. COMPUTERISED EXCHANGE OF DATA**

The MA, in collaboration with the A 59(2) body, will develop and maintain appropriate data exchange systems to support the provision of information to the Commission and the efficient and effective management of the OP. The MA will ensure that the system allows data to be exchanged electronically with the system used by the Commission. The system will be accessible for use by the MA, the Article 59(2) body, the CA and the AA. The system will record and monitor operation outputs and the results of monitoring, verifications and audits undertaken in relation to programme operations. Such systems will be in place for the OP before the MA makes the first interim application for payment.

## **6. MONITORING ARRANGEMENTS AND SYSTEMS**

### **General**

The Secretary of State, for the UK Government, will ensure that the management and control system for the OP sets up an efficient system for monitoring the programme and individual operations supported by the programme, and requires the MA and the PMC to ensure the quality of the implementation of the programme.

Monitoring tasks of the MA both in relation to the OP as a whole and to individual operations will be carried out by the A 59(2) body, which will work with the PMC. In order to assist the PMC to discharge the tasks set out in Article 65, the A 59(2) body will provide updates on the progress of the OP in meeting its targets. Within this update, the A 59(2) body will specifically identify the progress of projects where the A 59(2) body is a beneficiary. Monitoring of operations where the A 59(2) body is a beneficiary will be sample checked and verified by an external body. If, as planned by the UK Government, the A 59(2) body is a regional development agency, the external body will be the National Audit Office, which will undertake this work as part of its annual external financial audit.

Monitoring by the MA and the A 59(2) body under Article 60(b) will be carried out in accordance with Article 13 of Commission Regulation 1828/2006. In the case of A 42 bodies, they will be required to monitor projects which they support. The A 59(2) body will be responsible for quality assuring and verifying the monitoring activity of any A 42 body.

Monitoring will be conducted by reference to the financial indicators and the indicators referred to in Article 37(1)(c) which are specified for the OP and set out in the Indicators section of the programme.

Monitoring will also cover the effectiveness of financial controls and compliance with the Structural Funds Regulations and national rules that regulate matters of finance or propriety. Monitoring will be conducted in line with any guidance or instructions issued by the Commission. The A 59(2) body will also have regard to guidance issued by the MA concerning monitoring and the performance of verification function set out in Article 60(b).

### **Annual reports and final reports**

In accordance with Article 67(1), by 30 June 2008 and by 30 June in each subsequent year the MA will send the Commission an annual report. The MA will send the Commission a final report on the implementation of the OP by 31 March 2017.

Each report will be examined and approved in plenary by the PMC before it is sent to the Commission. The Managing Authority will review the report before it is sent to the Commission.

The reports will contain the information set out in Article 67(2).

In accordance with Article 68, every year, when the annual report on implementation referred to in Article 67 is submitted, the Commission and the MA will examine the progress in implementing the OP, the principal results achieved over the previous year, the financial implementation and other factors with a view to improving implementation.

The operation of the management and control system raised in the last annual control report, referred to in Article 62(1)(d)(i), may also be examined.

## **7. EVALUATION ARRANGEMENTS AND SYSTEMS**

The Secretary of State, for the UK Government, will carry out evaluations in relation to the OP in accordance with Articles 47 and 48, and the MA will have a role under Article 60(e) in ensuring that evaluations are carried out.

An *ex ante* evaluation for the OP has been carried out in accordance with Article 48(2) by an independent consultant. Alongside the *ex ante* evaluation, a Strategic Environmental Assessment was carried out in accordance with the requirements of Directive 2001/42/EC, also by an independent consultant. Both documents are annexed to the OP.

In accordance with Article 48(3), during the programme period, the Secretary of State, for the UK Government, will carry out evaluations linked to the monitoring of the OP, in particular where that monitoring reveals a significant departure from



the goals initially set or where proposals are made for the revision of OPs, as referred to in Article 33. The results will be sent to the PMC and to the Commission.

The Commission may carry out strategic evaluations. Under Article 49(2) the Commission may carry out, on its own initiative and in partnership with the UK Government evaluations linked to the monitoring of the OP where monitoring has revealed a significant departure from the goals initially set. The results will be sent to the PMC.

In accordance with Article 49(3), the Commission will carry out an *ex post* evaluation for each objective in close co-operation with the Secretary of State, for the UK Government, and the MA. The *ex post* evaluation will cover the elements required by Article 49(3). It will be carried out by independent assessors and will be completed not later than three years after the end of the programming period.

## **8. FINANCIAL IMPLEMENTATION**

### **Financial contributions by the Funds**

Article 34 provides that operational programmes shall receive financing from only one Fund, save as otherwise provided in paragraph 3 (which is not relevant for the UK). Accordingly, the OP will receive funding only from the European Regional Development Fund.

This programme will not be seeking to use the derogation set out in Article 34(2), whereby the ERDF and the ESF may finance, in a complementary manner and subject to a limit of 10% of community funding for each priority axis of an operational programme, actions falling within the scope of assistance from the other fund, provided that they are necessary for the satisfactory implementation of the operation and are directly linked to it.

The MA will carry out an ongoing assessment of risk that the OP will fail to meet its financial and other targets, in particular the N+2 spend targets, as will the A 59(2) body, in line with guidance issued by the MA.

The MA will require regular updates from the A 59(2) body, increasing in frequency towards the end of the year, on the progress of the OP in meeting its N+2 targets. In consultation with the A 59(2) body, it will take the necessary course of action where the achievement of these targets is under threat.

At project level, risk will be assessed on the track record of the applicant, the nature of the project, the amount of the ERDF intervention and the total cost of the operation. It will take into account the opinion of the A 59(2) body's appraisal, payment and inspection unit who have knowledge of both the projects and beneficiaries.

### **Differentiation of rates of contribution**

In accordance with Article 53(1), the contribution from the Fund at the level of the OP will be calculated with reference to:

- (a) total eligible expenditure including public and private expenditure; or

(b) public eligible expenditure

and will be subject to the ceilings set out in Annex III to Council Regulation 1083/2006.

The ERDF contribution for the OP will be subject to a maximum of 50% of the total eligible cost of the OP. This will be co-financed by public expenditure only from a variety of sources. Any private sector contributions will be used as leverage and not included within the OP Financial Table.

It will be a requirement of the OP that the provision of co-financing for operations is secured prior to the issue of the formal approval of the operation.

### **Technical Assistance**

Under Article 46 the Fund may, at the initiative of the Secretary of State, for the UK Government, finance the preparatory, management, monitoring, evaluation, information and control activities of the OP, together with activities to reinforce the administrative capacity for implementing the Fund within the limit of 4% of the total amount allocated for the OP (the limit for the Convergence and Regional competitiveness and employment objectives). As a matter of best practice, co-financing of Technical Assistance operations will be secured prior to formal approval of the individual operation.

The PMC will be invited to approve a plan for the use of Technical Assistance during the lifetime of the OP. This will be sent to the Commission for information. The Technical Assistance plan will be kept under review and may be changed, subject to the agreement of the PMC. However, the amount allocated will not exceed the 4% limit set down in Article 46.

### **Community budget commitments**

Article 75 provides that the Community budget commitments in respect of operational programmes shall be effected annually for each Fund and objective during the period between 1 January 2007 and 31 December 2013. The first budget commitment shall be made before the adoption by the Commission of the decision approving the OP. Each subsequent commitment shall be made, as a general rule, by 30 April each year.

### **De-commitments**

Provisions and procedures relating to de-commitment are laid down in Articles 93, 94, 95 and 96.

## **9. FINANCIAL FLOWS AND PAYMENTS**

### **General**

In setting up the system for managing and controlling the payment and expenditure of the ERDF contribution, the Secretary of State, as Member State, will: (a) observe all relevant requirements of the Structural Funds Regulations and these Implementing Provisions; (b) apply the standards of management and control generally applicable to the handling and expenditure of UK public funds; and (c) follow such general guidance and instructions as the UK Government

and the Commission may provide from time to time on the management of European Community funds. The MA and the CA will operate the system according to the same requirements and standards, and the A 59(2) body and all A 42 bodies will be required to do so, so far as relevant.

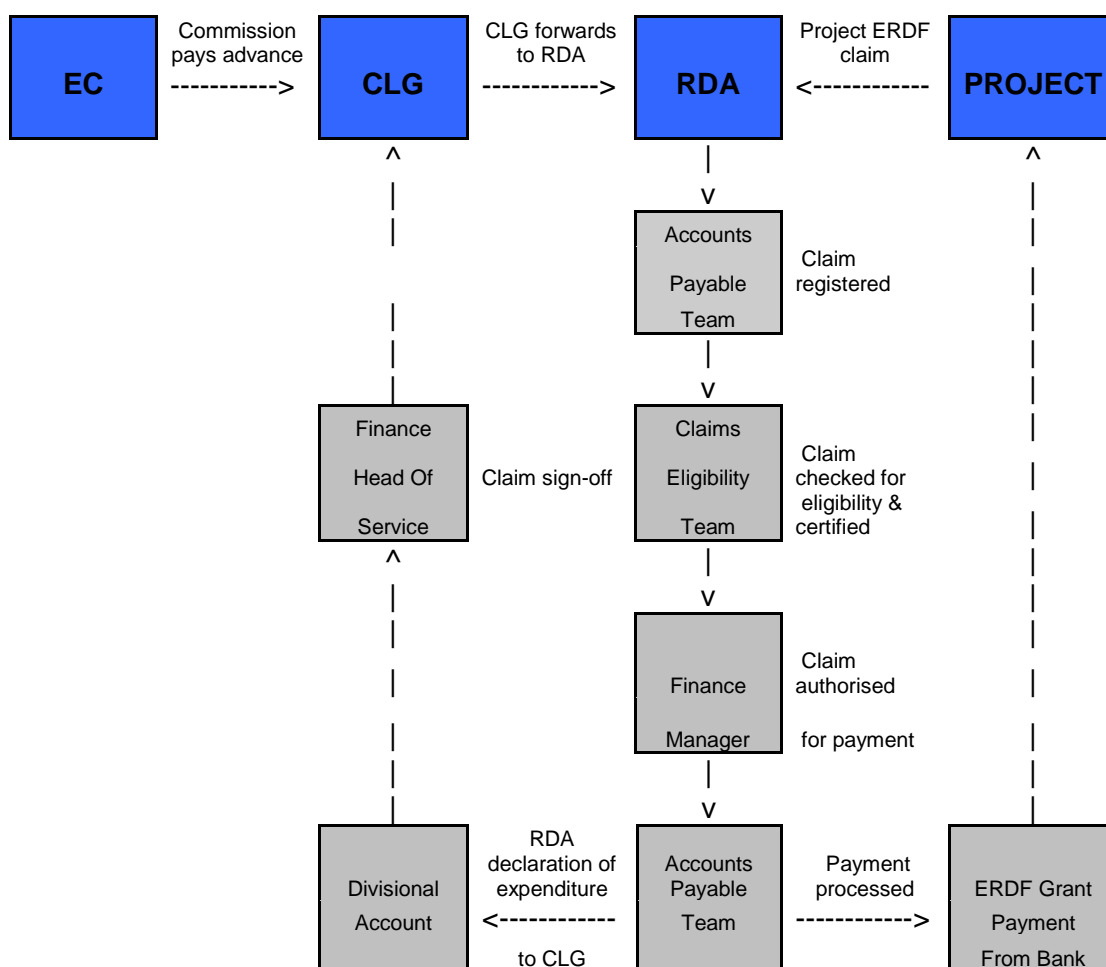
### **Financial Flows**

Financial flows will operate in accordance with the Structural Funds Regulations and the following procedures:

The A 59(2) body will be responsible for making offers of ERDF grant to persons responsible for selected operations, except operations supported by global grants. A 42 bodies will be responsible for making offers of ERDF grants to persons responsible for global grant operations. Offers of ERDF support will require grant recipients to comply with EC and national rules on eligibility of expenditure and with the requirements of the Public Procurement Regulations (which implement EC Directives on public procurement) or the need for suitable competitive tendering where the Directives do not apply. Operations and A 42 bodies will make declarations of interim claims expenditure to the A 59(2) body. The A 59(2) body will be responsible for verifying the validity of declared expenditure against the offer of grant and the eligibility conditions and other conditions set out in the grant offer. Global grant operations will make declarations of interim claims expenditure to the A 42 body, which will verify them before incorporating them within a global declaration to the A 59(2) body.

The A 59(2) body will make payments for operations and to A 42 bodies subject to verifying declarations of eligible expenditure. No amount will be deducted or withheld; no charges will be levied; and no steps will be taken that have the effect of reducing indirectly the amounts that beneficiaries receive.

## Financial flows overview for 2007-13 ERDF OPs



In any instances where the A 59(2) body is a direct applicant for ERDF support (i.e. wishes to use ERDF resources to support an operation for which it is directly responsible), it will use a separate unit within its organisation to act as the grant recipient or project sponsor, except where Technical Assistance is being used to support the programme management tasks. This unit will not have any responsibilities in relation to the management and control of the OP. It will be functionally independent from the unit undertaking MA functions and will be required to maintain such functional independence. It will be accountable for the expenditure of the grant to the unit undertaking MA functions as though it were a separate organisation.

The A 59(2) body will submit to the CA declarations of interim expenditure. These declarations will cover the aggregate of eligible payments claimed by operations, including global grant applications. Submissions will usually be made quarterly and will be accompanied by all the necessary supporting information required to demonstrate the eligibility of expenditure under the Structural Funds Regulations, national eligibility rules, UK financial management requirements and any additional requirements of the CA. The submissions will be copied to the MA.

The submission from the A 59(2) body will be signed by a senior manager of the A 59(2) body, who will be distinct and independent from any unit of the A 59(2) body acting as a beneficiary of ERDF support.

The CA will draw up and submit to the Commission certificates of expenditure and applications for payment, in accordance with Article 78 and in the form prescribed in Annex X to Commission Regulation 1828/2006. The CA will review all information received from the MA and the A 59(2) body under Article 61(c) (concerning procedures and verifications carried out in relation to expenditure) and from the AA under Article 61(d) (results of audits, including the annual control report). It will carry out such checks as it thinks are necessary and appropriate to satisfy itself as to the eligibility of expenditure claimed.

## **Payments**

Payments from the Commission will take the form of: pre-financing; interim payments; and payments of the final balance. Payments will be made to the UK Government and received in a Treasury Account at the Bank of England. The MA will be authorised to draw down amounts from the account for the financing of the OP.

The UK Government will make appropriate arrangements to ensure that sufficient funds are available to enable the MA to meet the A 59(2) body's declarations of eligible expenditure in advance of receiving interim payments from the Commission. Such arrangements will comply with UK Government Accounting and Budgeting requirements.

### **Use of Euro and conversion rates**

In accordance with Article 81, all Statements of Expenditure and applications to the Commission for payment will be made in euros. Annual and final implementation reports will use the euro to report on expenditure. Amounts of expenditure incurred in sterling, in delivering operations, will be converted into euros using the monthly accounting exchange rate of the EC in the month during which the expenditure was registered in the accounts of the CA. This rate will be published electronically by the Commission each month.

## **10. FINANCIAL MANAGEMENT AND CONTROL ARRANGEMENTS**

### **General provisions**

Responsibility for providing an effective system of management and control of the OP lies with the Member State. The management and control system will comply with the requirements of Article 58 and will be subject to the reporting requirements laid down in Article 71.

### **Organisation**

The A 59(2) body will ensure that there is an appropriate separation of functions within its organisation between the units which are responsible for the functions of the MA falling within the following broad categories:

- appraising operations and issuing and varying offers of ERDF grant;

- verification of payment claims and monitoring operations; and
- financial matters, including making payments for operations and submitting declarations of expenditure to the CA.

The MA and CA will ensure that this separation of functions within the A 59(2) body is maintained throughout the lifetime of the OP.

### **Accounting Systems**

In order to facilitate the verification of expenditure by Community and national authorities, the MA, in exercising the function in Article 60(c), will ensure that all bodies involved in the management and implementation of the OP maintain either a separate accounting system or an adequate accounting codification capable of providing detailed and complete summaries of all transactions involving Community assistance.

### **Documentation**

The MA and the A 59(2) body will ensure that the requirements of Article 90 regarding the keeping of available documents are complied with.

### **Audit**

Besides being subject to the activities of the AA, audit by the Commission and audit by the European Court of Auditors, the financial control and management system will be subject to audit by the UK domestic audit authorities (the National Audit Office)

### **Irregularities and financial corrections**

The management and control system of the OP and steps taken by the MA to ensure that it is properly adhered to by all bodies concerned in the management and control of the programme will guard against irregularities while securing that any that do occur are detected, investigated and corrected. The A 59(2) body will have a primary role in the detection, investigation and correction of irregularities (particularly by virtue of its responsibility for monitoring and verification), and will be responsible for recovering grant in appropriate cases.

The Secretary of State, as Member State, will be responsible under Article 98 for investigating irregularities and making financial corrections. The A 59(2) body will notify the MA about irregularities and steps taken or proposed to resolve them. The MA will notify irregularities to the Department for Business Enterprise and Regulatory Reform (BERR), which is the central co-ordinating Department for the Member State with respect to the Structural Funds programmes.

BERR, acting for the Member State, will communicate with the Commission about irregularities and corrections.

The MA will report to the AA any cases involving fraud. BERR will report them to the Commission's OLAF service.

The MA will ensure that the A 59(2) body fulfils its responsibilities for the prevention, detection and investigation of irregularities and that it acts on reports prepared by the AA on any suspicion of irregularity.

## **11. INFORMATION AND PUBLICITY**

The MA and the A 59(2) body will ensure that information and publicity measures conform to the provisions of Article 69 of Council Regulation 1083/2006 and Articles 2 to 10 of Commission Regulation 1828/2006, to ensure the full visibility of the funds throughout the programming area.

Publicity forms an integral part of the programme strategy and the MA will work with the A 59(2) body to ensure that the benefits of the ERDF is communicated to the wider public.

Innovative publicity activities and campaigns using print, broadcast and creative media will help the Managing Authority to clearly promote and position the ERDF brand. These activities will be developed proactively and implemented in collaboration with the European Commission in Brussels, the Representation Office in London and Information relays and networks in the UK, which will ensure the visibility and transparency of the funds at a local, regional and national level.

Potential project sponsors and final beneficiaries/fund recipients will be informed of funding opportunities and also the publicity requirements linked to receiving ERDF funding during the programming period.

To this end, the A 59(2) body will draw up a budgeted communication plan, which must be agreed by the PMC and submitted through the MA to the Commission within four months of the adoption of the OP.

The Communication plan will set out:

- the objectives of the plan and the target groups;
- activities in support of publicity and information including events, seminars and project launches, for potential applicants, partners and the wider public
- bodies or persons responsible for the implementation of the plan;
- the budget for implementing the plan; and
- evaluation frameworks for the plan.

The A 59(2) body will report on progress in implementing the plan (including examples of publicity activities) to the PMC and also in the annual implementation report. The communication plan will be easily accessible and will be published on the A 59(2) body's website.

Information will be provided by the A 59(2) body to potential beneficiaries in accordance with Article 5 of Commission Regulation 1828/2006, including the publicity and information measures that they are required to undertake to comply with Articles 8 and 9 of that Regulation.



Project sponsors will be required to observe the publicity elements of Commission Regulation 1828/2006, especially with regard to signage, including billboards, plaques and promotional material.

Funding for publicity and communications will be provided through the Technical Assistance budget for the OP. The financial table for the OP will specify the amounts dedicated to the Technical Assistance Priority Axis.

## **12. SUPPLEMENTARY OBJECTIVES**

### **Sustainable Development**

The OP will promote the objectives of sustainable development as required by Article 17.

These objectives have been reflected in the programme strategy and objectives. The programme has been subject of a Strategic Environmental Assessment as required under Directive 2001/42/EC.

The Managing Authority will, in accordance with Article 10 of (EC) Directive 2001/42/EC, monitor the significant environmental effects of the OP in order, inter alia, to identify unforeseen adverse effects and be in a position to undertake appropriate remedial action. This monitoring will be undertaken at three levels:-

First, the Environmental Report has suggested a selection of tracking indicators that can be used to monitor the environmental performance of the area. The Managing Authority will monitor against these indicators, where appropriate, to determine changes that occur and potential relationships with programme activities. As stated in the SEA, data for the majority of these indicators can be obtained from readily available sources. Performance against these indicators will be reported in the Annual Implementation Reports.

Secondly, the effectiveness of mainstreaming Environmental Sustainability as a Cross Cutting Theme will be assessed through the relevant Priority level indicators. Progress against the Priority level indicators will be reported in the Annual Implementation Reports and discussed at meetings of the PMC.

Thirdly, the Environmental Report proposes checking criteria to appraise the appropriateness of individual supported activities where they would result in a physical development. These criteria will be used, where appropriate, at project development stage so that potential adverse effects of supported activities are appropriately managed. Projects that have significant negative effects that can not be mitigated and outweigh positive benefits will not be supported by the OP.

Procedures will be in place to detect any project with a potentially negative effect on Natura 2000 sites and other sites designated for nature conservation. These will be scrutinized by the A 59(2) body in consultation with the Competent Environmental Authorities to ensure that no activities will be supported that will cause damage to designated sites. The appraisal process will also cover opportunities to strengthen the environmental aspects of projects and the guidance that is being developed will advise on how this is to be done and how it will be monitored.

The MA, PMC, A 59(2) body and all A 42 bodies will be required to implement the OP having regard to the objectives of sustainable development. In particular, the selection criteria for operations, outputs and indicators will take account of the need to protect and promote environmental sustainability. This will also involve assessing the impact of operations on these objectives, on appraisal and during the course of project monitoring and evaluation.

### **Gender equality and equal opportunities**

The OP will promote the objectives of equal opportunities and non-discrimination on the basis of race, ethnic origin, religion or belief, disability age or sexual orientation, as required by Article 16.

These objectives have been reflected in the programme strategy and priorities. The programme has been subject to an Equality Impact Screening as required by UK legislation, which are in Annex F to the OP.

The MA, the PMC, the A 59(2) body and all A 42 bodies will be required to implement the OP having regard to the objectives of equal opportunities and non-discrimination. This will involve assessing the impact of operations on these objectives, on appraisal and during the course of project monitoring and evaluation.

### **Major projects**

Financial assistance may be given under the OP for the support of major projects. A major project is defined in Article 39 as an operation:

- which comprises an series of works, activities or services intended in itself to accomplish an indivisible task of a precise economic or technical nature;
- which has clearly identified goals; and
- whose total cost exceeds €25 million in the case of the environment and €50 million in other fields.

When the A 59(2) body appraises a major project, it will inform the Commission before deciding to approve support under the OP and provide the information necessary for appraisal of the project by the Commission as set out in Article 40 using Annex XXI to Commission Regulation 1828/2006).

### **Complementarity with the European Social Fund**

The MA and A 59(2) body will work with the MA for the national ESF programme (the Department for Work and Pensions) to ensure effective co-ordination of decisions taken in the implementation of the OP and the national ESF programme.

The A 59(2) body will be responsible for advising the PMC on what co-ordination with the ESF programme is necessary for meeting the objectives of the OP. The A 59(2) body will put in place appropriate communication and liaison arrangements with the MA for the ESF programme. The A 59(2) body and regional partners will

consider whether a joint ERDF and ESF monitoring committee to aid co-ordination would benefit the OP.

The PMC may at any time meet jointly with any committee or group set up by the MA of the national ESF programme to discuss matters of mutual interest and to ensure effective co-ordination.

### **Complementarity with the European Agricultural Fund for Rural Development and the European Fisheries Fund**

The MA and A 59(2) body will work with the MA for the EAFRD and EFF programmes (the Department for Environment, Food and Rural Affairs) to ensure effective co-ordination of decisions taken in the implementation of the OP and the national EAFRD and EFF programmes.

The A 59(2) body will be responsible for advising the PMC what co-ordination with the EAFRD and EFF programmes is necessary for meeting the objectives of the OP. The A 59(2) body will put in place appropriate communication and liaison arrangements with the MA for the EAFRD and EFF programmes.

The PMC may at any time meet jointly with any committee or group set up by the MA of the EAFRD and EFF programmes to discuss matters of mutual interest and to ensure effective co-ordination.

## **13. USE OF RESERVES**

### **National Performance Reserve**

A Member State may establish a National Performance Reserve for each of the Convergence or Regional Competitiveness objectives, consisting 3% of its total allocation for each objective. The UK Government has decided not to operate a national performance reserve for the OP.

### **National Contingency Reserve**

A Member State may reserve an amount of 1% of the annual Convergence allocation and 3% of the annual Regional Competitiveness allocation to cover unforeseen local or sectoral crises linked to economic and social restructuring. The UK Government has decided not to operate a National Contingency Reserve for the OP.

## **14. FINANCIAL ENGINEERING**

In accordance with Article 44 of 1083/06, the ERDF may be used to co-finance financial engineering schemes for enterprises, primarily small and medium enterprises. The A 59(2) body will ensure that financial engineering operations supported by the ERDF are set up and implemented in compliance with Articles 43, 44 and 45 of Commission Regulation 1828/06.

Any proposal to set up financial engineering instruments will have to be agreed by the MA.

## **15. STATE AID**

Any public support under this programme must comply with the procedural and material rules applicable at the point in time when the public support is granted. The Member State, and in particular the MA of each OP, is fully responsible for compliance of the Structural Funds operations within the programme with the EC state aid rules.

The Member State, the MA and the A 59(2) body are responsible for ensuring that operations and activities supported under the OP are compatible with the common market.

Added Value	Added value occurs when European support purchases additional outputs and outcomes to those that would be achieved without it.
Additionality	European funding is intended to be “in addition” to that normally provided by national governments, they must not be used to replace national funds. Also, projects need to be able to demonstrate that, without EU support, their project could not go ahead.
AEM	Advanced Engineering and Metals
Appraisal	The process to assess project applications for their eligibility, strategic fit, value for money and quality.
Audit Trail	A transparent and traceable record of a process. Often, but not exclusively, used with financial records.
Axis, Axes	A major sub-division of programme activity. An EU synonym for “Priority”
BAME	Black Asian and Minority Ethnic
Baseline	A measurement of conditions at the outset of activity and used in comparisons when measuring improvements brought about by funded activity.
Benchmarks	Benchmarks are points of reference against which progress can be measured
Beneficiaries	Those who derive benefit from funded activity (see Final Beneficiary)
BME	Black Minority Ethnic
BREEAM	Building Research Establishment’s Environmental Assessment Method
Business Plan	A written document that sets out a plan of activity over a set period (usually a number of years). The plan outlines what activity will be undertaken, what costs will be incurred, and what other resources will be required. It will detail what outcomes, impacts and results the activity will generate. A business plan forms part of the full application process for European funds. Guidance on what is required for project applications is available.
Capital	One-off purchases, normally refers to buildings and/or equipment.
CCT	Cross Cutting Themes
Claim Form	EU funding is normally drawn down in arrears, in response to a quarterly claim submitted by projects to the Managing Authority, Intermediary Body or Accountable Body as appropriate. Projects submit information on project activity, spend and outputs.
CO2	Carbon Dioxide
Co-financing	Arrangement by which public sector match funding is provided at a Measure or Priority level by national funds obviating the requirement of individual project applicants to identify and secure match funding for their project
Cohesion Policy	One of the European Union’s main policy agendas. The policy seeks to narrow the gaps in economic performance both and within Member States. Structural Funds are major instruments addressing cohesion issues.
Commissioning	A method of seeking project activity where activity is designed to meet an identified need and sought from the organisation best placed to meet that need. Commissioning relies on a clear need being articulated, and a clear understanding of the best way to meet that need and those organisations best suited to deliver the

	activity.
Competitiveness and Employment Objective	In the 2007-13 programming period the original Objectives 1, 2 & 3 were replaced by new objectives. The Competitiveness and Employment Objective replaces the earlier Objectives 2 and 3 and targets underperforming regions that do not qualify for the new Convergence Objective.
CRDP	City Regional Development Plans
CSG	Community Strategic Guidelines
DCLG	Department for Communities and Local Government
DG Regio	Directorate General for Regional Policy, European Commission
EAFRD	European Agricultural Fund for Rural Development
EBRD	European Bank of Reconstruction and Development
EC	European Commission
EFF	European Fisheries Fund
EIB	European Investment Bank
EIF	European Investment Fund
E-Business	Using digital means to undertake business
Eligibility	European funds can only be used to support certain types of activity. In each Priority and Measure there will be criteria which delineate activities that could be eligible.
ERDF	European Regional Development Fund – the main EU fund to support capital projects such as building schemes, land development and large scale equipment
ESF	European Social Fund – the EU fund that supports the human resources aspects of schemes, such as staff salaries, training costs and running costs
EU	European Union
EU 25	25 Member states of the European Union after May 2004
EU15	15 Member states of the European Union before May 2004
Evaluation	An assessment of an organisation or project, often undertaken by third parties. Evaluation can be based on the results of monitoring, might look at the impact of activity, progress against targets or how satisfied users or others have been.
FDI	Foreign Direct Investment
FE	Further Education
Feasibility Study	These studies identify whether activities should be carried out or not and help to identify the best way to proceed. They help assess the risks and can provide good evidence that the planned activity is feasible before committing large resources to it.
Final Beneficiary	A final beneficiary is any organisation that contracts to deliver activity in return for ERDF support. A final beneficiary may contract direct with a Managing Authority or through an Intermediary or Accountable body.
GCSE	General Certificate of Secondary Education
GDP	Gross Domestic Product – the amount of wealth created in an area calculated through individual earnings and company profits
GHA/CAP	Global Hectares Per Person
GNVQ	General National Vocational Qualification
GOYH	Government Office for Yorkshire and the Humber
GVA	Gross Value Added
GWh	GigaWatt hours
HE	Higher Education
HEI	Higher Education Institution
ICT	Information Communication Technology
IDP	Integrated Development Plan

IMD	Index of Multiple Deprivation
Impacts	The indirect effects that the programme's investments make. Investments will have various outcomes: outputs, results and impacts. For example for a project supporting SME growth could have an outcome of assisting 200 SMEs, resulting in £20m of increased turnover, having the impact of raising local GDP.
Indicators	Targets that the programme has chosen to assess its performance against.
Intervention Rate	The percentage of total eligible costs that European funds will provide. Intervention rates will vary across the programme.
IP	Intellectual Property
IPRs	Intellectual Property Rights
JEREMIE	Joint European Resources for Micro to Medium Enterprises
JESSICA	Joint European Support for Sustainable Investment in City Areas
km	kilometre
kWh	kiloWatt hours
LAA	Local Area Agreements
LEA	Local Education Authority
LEGi	Local Enterprise Growth initiative
LSC	Learning and Skills Council
LSP	Local Strategic Partnership
Match, Matched Funding	European funds do not provide 100% of project costs (see Intervention Rate). Additional or matched resources from the public or private sectors (or both) will be needed to complete the funding package. In order to access EU funds, project applicants will have to demonstrate that they have the necessary match funds through a match funding certificate.
Managing Authority MA	The organisation that contracts with the European Commission to deliver the programme. Managing Authorities are ultimately responsible for ensuring that the programme operates effectively and within the regulations. In most cases these are Government departments.
MIS	Management Information System
MTE	Mid Term Evaluation
MW	MegaWatt
N+2	A spending profile for European programmes that is agreed in advance. Failure to meet the N+2 target in any year can see resources being reclaimed by the Commission and is thus lost to the programme.
NGN	Next Generation Network
NRP	National Reform Programme
NSRF	National Strategic Reference Framework
NVQ	National Vocational Qualification
NY	North Yorkshire
OEM	Original Equipment Manufacture
OP	Operational Programme
Offer Letter	An offer letter is issued by the Managing Authority, Intermediary or Accountable Body once the application is approved. It is an official offer to contract for the outcomes and results in return for the European support. Projects have to agree and sign the offer for it to become a binding contract.
Operational Programme	An individual Structural Fund programme based in a region.



Outputs	The primary direct effects that the programme's investments make. Investments will have various outcomes: outputs, results and impacts. For example for a project supporting SME growth could have an outcome of assisting 200 SMEs, resulting in £20m of increased turnover, having the impact of raising local GDP.
PMC	Programme Monitoring Committee the high level partnership committee monitoring the Objective 1 strategy in South Yorkshire
Priority	A major sub-division of programme activity that has fixed amounts of resources allocated to it. Resources can only be vired between priorities with express authority of the European Commission.
R & D	Research and Development
R&D&I	Research, Development and Innovation
R & TD	Research and Technological Development
RDA	Regional Development Authority – see Yorkshire Forward
RDPE	Rural Development Programme for England
REM	Regional Econometrics Model
RES	Regional Economic Strategy
Results	The secondary direct effects that the programme's investments make. Investments will have various outcomes: outputs, results and impacts. For example for a project supporting SME growth could have an outcome of assisting 200 SMEs, resulting in £20m of increased turnover, having the impact of raising local GDP.
RPG	Regional Planning Guidance
RSS	Regional Spatial Strategy
RTOs	Research and Technology Organisation
SEA	Strategic Environmental Assessment
SME	Small and Medium Enterprise – companies with up to 250 employees
SOA	Super Output Areas
SRIP	Sub-Regional Investment Plans
Structural Funds	Major budgetary instruments used by the European Commission in pursuit of its cohesion policy.
SWOT	Strength Weaknesses Opportunities Threats
SY	South Yorkshire
TA	Technical Assistance
Targets	Pre-determined measures of achievement against which project and programme progress can be assessed.
TESA	Transactional European and State Aids
UK	United Kingdom
VAT	Value added tax
WY	West Yorkshire
Y & H	Yorkshire and the Humber
YF	Yorkshire Forward. The Regional Development Agency for Yorkshire and the Humber

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# Yorkshire and the Humber Regional Competitiveness and Employment Programme

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## ANNEXES

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**April 2007**



## ANNEX A DATA SOURCES

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The following list highlights the main data sources used to produce Operational Programme. Although not a fully comprehensive list, it does identify those organizations and datasets that have been used extensively in the production of this document.

Acxiom, National Lifestyle Survey  
Air Quality Archive  
Air Quality Consultants, Background Concentrations of Particulates  
Arts Council England  
Audit Commission  
Barker Review of Housing Supply  
Business in the Community  
Census of Population  
Chartered Institute of Public Finance and Accountancy  
Confederation of British Industry  
Connexions Service, 16 -18 year old destinations  
DG Regio Innovation Strategies and Actions – Results from 15 years of Regional Experimentation  
Department of Culture, Media and Sport  
Department for Education and Skills  
Department for Education and Skills, School Performance Tables  
Department of Health, Health Survey for England  
Department of Trade and Industry  
Department for Transport  
Department for Environment, Food and Rural Affairs  
Department of Work & Pensions Annual Population Survey NOMIS  
Department of Communities and Local Government  
Ecological Budget UK  
Egan Review, Skills for Sustainable Communities  
Energy White Paper  
English Heritage, Heritage Counts, The State of Yorkshire's Historic Environment Report  
English Nature  
Environment Agency  
Ernst and Young, European Investment Monitor Database  
Eurostat  
Experian Business Strategies Ltd, Regional Planning Service  
Government Office for Yorkshire and Humber  
GVA Grimley, Annual Review of the Commercial Property Market  
Health Development Agency, The Smoking Epidemic in England  
Highways Agency, Regional Expenditure on Roads  
Higher Education Statistics Agency, Students in Higher Education Institutions  
HM Treasury  
Home Office  
House of Commons  
Index of Multiple Deprivation  
Jessica Brown Developing a Social Equity Capital Market 2006  
Joseph Rowntree Foundation  
Land Registry, Latest and Historical Property Prices  
Learndirect  
Learning and Skills Council  
Local Labour Force Survey  
Local Futures Group  
Local Government Improvement and Innovation Partnership,  
Regional Capacity Building Strategy, 2005 - 2008: Working

Together to Improve  
 National Centre for Health Outcomes Development, Compendium of Health and Clinical Indicators  
 Office for National Statistics  
 Office of the Deputy Prime Minister  
 Ordnance Survey, administrative areas and boundary lines  
 Patent Office  
 Regeneris Good Practice Guide for English ERDF and ESF Programmes  
 Regional Climate Change Action Plan  
 Royal Society for the Protection of Birds, wild bird statistics  
 Sector Skills Councils, Sector Skills Council priorities  
 Small Business Service/Inter-Departmental Business Register  
 Sport England  
 Strategic Rail Authority, rail patronage by region  
 Taylor Associates, Unemployment Tables for Yorkshire and Humber  
 The Countryside Agency  
 UK Sustainable Development Strategy, Securing the Future  
 Valuation Office Agency, Property Market Report  
 W S Atkins, Warming up the Region: the Impact of Climate Change in the Yorkshire and Humber Region, 2002  
 Woodland Trust, Space for People, Targeting Action for Woodland Areas, 2004  
 Yorkshire and Humber Assembly - Advancing Together  
 Yorkshire and Humber Biodiversity Forum, A Biodiversity Audit of Yorkshire and Humber  
 Yorkshire and Humber Public Health Observatory  
 Yorkshire and Humber, University Careers Services, Student Destinations  
 Yorkshire Culture, Regional Cultural Strategy  
 Yorkshire Forward  
 Yorkshire Futures, Progress in the Region, Carbon Assessment of the Draft ERDF Operational Programme March 2007  
 Yorkshire Historic Environment Forum, Investment Strategy  
 Yorkshire Local Councils Associations/The East Riding and  
 Northern Lincolnshire Local Councils Association, Parish Councils with Quality Parish Council status  
 Yorkshire Tourist Board

## ANNEX B LESSONS LEARNT

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This section sets out the lessons learnt regionally and nationally from the previous Structural Funds Programmes (2000-6), which are relevant to the shaping of the 2007-13 Programme. These lessons are drawn from a number of different sources, including:

- *Good Practice Guide for English ERDF and ESF Programmes 2007-2013* by Regeneris Consulting for the Department for Communities and Local Government (June 2006)
- The Mid-term Evaluation (MTE) reports for the South Yorkshire Objective 1 and Yorkshire & Humber Objective 2 Programmes
- Relevant project evaluation reports.

The lessons are structured around the themes of enterprise, innovation, investment and skills, and also sustainable communities. A number of common issues have emerged which affect activity in more than one of the themes.

### A.1 Overall Issues

There are a number of lessons contained in the Regeneris report which are applicable to all or most proposed activities:

- **Market failure:** the rationale for public intervention must be clearly stated so that activity can be focused where the economic impact will be greatest
- **Strategy alignment:** activity should be aligned with and add value to other regional economic development activity but retain flexibility to respond to future shifts
- **Portfolio approach:** a range of intervention types should be pursued, with a concentration on less risky, more certain interventions (which should ensure N+2 targets will be met), supplemented by modest investment in high-risk, high-return activities. The achievement of Programme targets should be balanced across the portfolio of projects so that each individual project is not expected to deliver on the same 'value for money' calculation.
- **Flexibility:** should be built into management systems through continual review in response to changing policy and economic conditions; and by adopting a 'what works' culture through continuing evaluation
- **Outputs:** robust frameworks are needed, but outputs should not be allowed to direct programme and project resources
- **Targets:** need to be challenging but realistic and deliverable.
- **Linkages with ESF:** will be required through management arrangements and reported to Programme Monitoring body
- **Evaluation:** is integral to the design of the Programme

The "What Works" report also listed a number of additional critical success factors:

- **Commissioning activity,** rather than open bidding, to achieve business objectives is needed
- **Risk-taking and innovation,** including the possibility of failure, has to be accepted
- **Involve** the private sector and communities in partnership, whilst ensuring that vested interests on partnership bodies does not skew programme design

- **Realistic profiling** at project level to avoid the annual rush to meet N+2.

## A.2 **ENTERPRISE**

- A.2.1 The Objective 1 Programme, with a coherent geographic area and high ERDF intervention rates, was able to take a strategic approach to the development of targeted clusters, with clear success. For example jobs created in target clusters/sectors in Objective 1 have averaged £7,000 GVA more per job than those created in other eligible businesses, confirming the evidence base underpinning their selection. The strategic approach resulted in better partnership working and avoided the duplication and displacement which may result from support to a range of smaller scale projects. This points to a key role for Renaissance South Yorkshire. The nature of the inward investment package and how it drives cluster development needs to be clearly articulated and businesses and R&D organisations need to be fully engaged in the process. Supporting networking may be a more cost effective and appropriate solution than investing in property but where there are specialist premises, cluster development organisations should be more involved with the tenants.
- A.2.2 The Objective 2 Programme MTE found that low demand for business support funding, insufficient public match-funding, low intervention rates, a “bidding-in” approach and a fragmented eligible area contributed to a plethora of projects often working in isolation without consideration of strategic impact. Measures based on business age were also unwieldy and led to single projects working to many Offer Letters. This was alleviated to a great extent by the development of an umbrella Business Support Scheme, contracted with the RDA, which enabled all eligible RDA-funded activity, including clusters, to be flexibly matched with ERDF through a single route. The introduction of sub-regional investment planning and the Better Deal for Business frameworks meant that activity is complementary and strategic rather than funder-led and is an example of good practice that should continue in 2007-13.
- A.2.3 Nationally, the Regeneris report recommends that single cluster action plans, with a sub-regional focus and managed by the RDA, are the most effective approach to cluster development. It eases match funding issues and connections to wider business support activity, improves the quality of project applications and spreads good practice. Plans should build on existing, strongly performing, sub-regional clusters and include other organisations which may be able to contribute. Not all regional target clusters may be able to be supported, given reduced resources in 2007-13. Investment in new, high-risk industries should, therefore, be balanced alongside activity in traditional sectors. Cluster selection/prioritisation should be based on robust analysis. Targets should reflect the long gestation period and also take account of the investment already made in 2000-6 with consideration given to capturing ‘soft’ outcomes. The results and outputs from supporting of technology based knowledge clusters’ value is often in terms of GDP impact and long-term business sales, not jobs.
- A.2.4 The most successful interventions to date have been:
- Stimulation of cluster/sector networks
  - Connection to research institutions e.g. Universities
  - Provision of specialist premises and facilities, that also attract key players e.g. the Advanced Manufacturing Park.

### **Key Lessons**

- A.2.5 The main lessons for enterprise support are that the 2007-13 Programme should align with RDA funding streams and focus on a sub-set of the regional target clusters and sectors with potential for greatest impact. There should be a strong evidence base for their selection, and some flexibility should be retained to respond to market changes and allow some risk-taking in newer industries, where public funding is important to early stage development. Sub-regional strengths should be built upon within a regional

approach and all potential contributors included. Networking is an essential component of successful clusters but outputs/results issues and evidence of match funding make it difficult to utilise this resource effectively... A thorough and correct diagnosis of business needs is essential to determine the type of support required. Support needs to be focused on moving SMEs away from grant dependency towards loan and equity finance.

### A.3 **INNOVATION**

- A.3.1 Yorkshire & Humber businesses have not traditionally invested heavily in R&D. This is recognised as a UK issue, alongside a lack of understanding about the reasons and the mechanisms needed to respond. The Regeneris report argued that since the knowledge transfer concept is relatively new to UK, the 2000-6 Programmes had 'emerged and evolved through iterative means rather than being consciously designed and commissioned at the outset'.
- A.3.2 This was borne out by the Yorkshire and The Humber experience, where Universities, that are relatively new to economic development during 2000-6 but at the heart of delivering technology transfer in 2007-13, increased their involvement steadily throughout 2000-6. In Objective 2, this was prompted by funding opportunities such as HEIF and a new SME definition that allowed University spin-out companies to be supported, but was still patchy and dependent on individual relationships.
- A.3.3 Another important factor deterring involvement is ERDF administration. ERDF accounting systems do not accord with the University full economic cost recovery model and critical national issues e.g. on the calculation of overheads have resulted. The ERDF output framework also does not recognise that Knowledge Transfer is high-risk, but with the potential of high return. These factors have led to project managers erring on the side of caution, through fear of audit. Clear and consistent interpretation of the regulations should help to avoid these issues.
- A.3.4 Regeneris cited strong arguments for market failure:
- Costs of research
  - Uncertain benefits and lack of control
  - Capacity issues (in that it may not be possible to establish a core of knowledge-based industries without public intervention)
  - Information costs and asymmetries between smaller businesses and those holding knowledge (i.e. universities)
  - Lack of mechanisms to translate Intellectual Property into economic value
  - Complexities of assigning ownership of Intellectual Property (IP) - a particular problem in Creative and Digital Industries where IP is the main asset and source of commercial advantage.
- A.3.5 Both the Mid Term Evaluations and Regeneris concluded that Knowledge Transfer activity should be linked to other business support and workforce development activity, for example, to encourage take-up of ICT use in South Yorkshire businesses. The Yorkshire and The Humber commitment to the Centre for Industrial Collaboration model has been acknowledged to encourage links between Knowledge Transfer and clusters. National research confirmed that direct marketing of Knowledge Transfers to SMEs is ineffective and developmental support is needed through clusters and other networks, though this takes time. Casting a wider net could also form a dual role of 'scouting' for new Intellectual Property as current opportunities are worked through.
- A.3.6 A Strategic approach to Knowledge Transfer should therefore:
- Understand the market failure constraining Knowledge Transfer to avoid a purely reactive and tactical approach



- Clearly state the role and impact of Knowledge Transfer in economic development, taking into account the importance of geographical proximity as found by the Lambert Review.
- Not “stand-alone” as this has negative effects (e.g. loss of single entry point for SMEs) and can slow the route to market
- Provide long-term, intensive support, focusing on impacts rather than outputs, though these are long-term and difficult to quantify.
- Develop existing assets and opportunities within the existing business and Higher Education base, embedding projects to change core ethos, rather than merely co-locate them.

### Key Lessons

- A.3.7 Innovation support in 2007-13 should be based on a strongly-evidenced regional strategy, integrated with other business support interventions. Knowledge transfer should be seen meeting a market need and demand as well as enabling knowledge or technology to be developed and requires an integrated, holistic, partnership approach to its strategic management. It is about shaping the development of a knowledge economy and recognising the commercial value of knowledge as a driver of economy. Commercial management of this activity is an essential component of the exploitation transfer and application of the knowledge generated.
- A.3.8 The Managing Authority should facilitate Universities’ involvement by streamlining bureaucracy, clarifying eligible actions to encourage risk-taking, mainstreaming ERDF programme delivery within Universities, and focusing on longer term economic impacts and outputs which fit the activity.
- A3.9 There needs to be enough flexibility in the Programme to support and encourage innovation amongst large companies as well as SMEs within the same project.

### A.4 INVESTMENT

- A.4.1 The aim of investment in the 2000-6 Programme was to develop key strategic employment locations through a range of differently scaled interventions.
- A.4.2 In the early part of the Objective 1 Programme, long lead-in times for developing strategic sites and other major projects were mitigated by the establishment of new delivery mechanisms. Renaissance South Yorkshire, for example, was able to pool partners’ expertise, concentrate on delivery, and co-ordinate marketing etc. In Objective 2, the Mid Term Evaluation found that whilst the RDA and ERDF had the same target sites, Objective 2 was more output-driven and funder-led, leading to success in delivering small projects that scored well, but slower progress in strategic interventions for example the Humber Trade Zone. The three sub-regions, covered by the Objective 2 programme, also made differing degrees of progress, linked in the main to capacity issues. These barriers were largely addressed by strengthening Objective 2 support to local areas and bringing local development plans within the wider Sub-Regional Investment Planning framework.
- A.4.3 The Regeneris report noted that the choice of sites for development should align with RDA priorities for strategic sites and contribute to a wider business growth strategy. Site selection should be governed by environmental sustainability, including the use of brownfield sites, and connectivity to deprived communities, for which South Yorkshire is already cited as good practice. Given the economic improvements of the last 5 years and reduced funds available, strong justifications must be made for ERDF support.
- A.4.4 The Regeneris report also found that the market-failure justification for investment in premises for business incubation was not always proven. A lesson from Objective 2 is

that the State Aid basis of support, particularly to private developers, must be clear. Provision of SME premises, as an end in itself, is less effective than its use as a facilitator for cluster development. This is especially true where provision of premises is an important driver, for example refurbishment of historic buildings for creative industries, specialist accommodation for biotechnology, developments sited in low-rent rural areas; or to ease knowledge transfer. In Objective 2, the introduction of frameworks such as the West Yorkshire Incubation Strategy has led to a more coherent approach to business space.

- A.4.5 Regeneris recommends that cluster development organisations should be closely involved with tenants at specialist premises and public-sector funds should be maximised by leveraging in private investment. A portfolio approach, mixing incubation units with grow-on space, was recommended but market research is needed to identify the type and size of grow-on space required. Failure to move on and out has proved to be a major issue.
- A.4.6 Successful projects providing SME accommodation include the following aspects:
- Maximum flexibility designed-in to enable future reconfiguration
  - Minimise shared space, i.e. non-lettable space
  - Good design to create market interest
  - Public sector anchor tenants where appropriate, (although the space occupied is not eligible for ERDF support)
  - Strong awareness of need to engage with private sector

### Key Lessons

- A.5.1 Both strategic site development and premises for SMEs should be funded, in line with a wider enterprise strategy, to facilitate business growth, rather than simply provide space or deliver outputs. Long lead-in times for developing strategic sites and other major projects need to be accommodated. Support for capacity building among local partnerships, responsible for project development, should be provided where necessary. ERDF should expect a return on investment to counter the view that public contributions are less valuable than private investment.

### A.6 SKILLS

- A.6.1 The Regeneris report emphasised the absolute necessity for close integration between ERDF business support and ESF workforce development. Interventions should take a non-qualification approach with targets based upon what the Programme is trying to achieve and not just NVQ attainment. Activity should be informed by the strategic use of labour market information and encourage flexibility of provision in terms of where, how, when and by whom delivered. As workforce development should link to the national skills agenda, similarly, ESF should align with regional workforce development and business competitiveness priorities. However, as ESF in 2007-13 will be focused on basic skills, this may be difficult and some capacity building may be needed to develop strong private sector support for the delivery of high-level targeted training packages for clusters.
- A.6.2 In South Yorkshire, the Mid Term Evaluation highlighted improved integration of business support and skills through joint work by Yorkshire Forward, the Learning and Skills Council, Business Link and the private sector. It also suggested that the continuing low level of ICT use by businesses in South Yorkshire could be addressed by linkage to workforce development activity. In Objective 2, specific ESF measures were embedded within Business Support and Community Economic Development (CED) to enhance ERDF activity. Demand for CED learning was far greater than that for Business Support, which may bode well for the focus of the 2007-13 Programme. Following the Mid Term Evaluation, Business Support ESF was decoupled from specific ERDF interventions and

the training of unemployed people was allowed, which gave more flexibility to meet general skills gaps and took account of the oversupply of ERDF in this Priority.

### **Key Lessons**

- A.6.3 Workforce development interventions should be evidence-based, aligned with and aimed at delivering wider business growth strategies, and not be too focused on qualification-based outputs. Close integration between ERDF business support and ESF workforce development interventions will be critical to delivery.

### **A.7 Sustainable Communities**

- A.7.1 In Objective 2, Community Economic Development was focused on small disadvantaged neighbourhoods within the wider eligible area, and project endorsement and selection undertaken by panels of partners, in effect, sub-groups of the PMC. The Objective 2 Mid Term Evaluation found this to be a very successful Priority in terms of demand and impact, but raised questions about how to build on investments to move communities on and the long term sustainability of the projects, as grant regimes including SRB and ERDF ended. As a result, a dedicated social enterprise business support measure was introduced in 2005 to bridge the gap between community economic development and mainstream business support. However, demand has been low, due, in the main, to a lack of public match-funding. Community Economic Development project approval procedures were reviewed in response to the Mid Term Evaluation and, due to the local element, were found to be better-suited to considering bids than a sub-regional process.
- A.7.2 In South Yorkshire, the Objective 1 Mid Term Evaluation found evidence that a combination of enterprise support, grants and loans can be highly effective in reducing grant dependency in social enterprises. Support to social enterprises for childcare provision, brought within wider projects, also enabled economically inactive people to enter the labour market. Community Action Plans provided a focus to sustain commitment from key individuals within communities and supportive public agencies
- A.7.3 Nationally, Regeneris found a need for a clear relationship between activities and impacts to ensure that the economic focus is not weakened. Outreach was found to be an essential component of success, including engagement with other economic and employment initiatives. Projects need to stimulate demand by specific, targeted campaigns to increase the number of entrepreneurs and expand their horizons in terms of markets. Delivery should focus on streamlined structures and co-ordination of all routes of support. Targets should be set so as not to restrict project activity. Regeneris found a strong case for the development of premises for SMEs in specific communities on social/equity grounds rather than market failure. Employment lessons from Merseyside and East Manchester show that a proactive partnership between the public sector and occupiers is needed for local people to get jobs, but most projects have failed to link with the economically inactive and that remains an issue.

### **Key lessons**

- A.7.4 There should be flexibility around eligible actions and targets, not to restrict projects ie not just 'typical' business support outputs. Projects need to stimulate demand by specific, targeted campaigns to increase entrepreneurs and expand their horizons in terms of markets. Role models can be a powerful tool in helping to raise the aspirations of potential community entrepreneurs. The clear focus should be about moving communities on, economically, and not sustaining the status quo. Local partners should be involved, and interventions co-ordinated with, other business support or ESF programmes.
- A.7.5 Evidence from SYSEN and Key Fund initiatives suggests combining enterprise support, grants and loans can be highly effective in reducing grant dependency in social enterprises. The development of childcare provision through social enterprise can bring wider benefits. Client group needs include a combination of outreach work and delivery via streamlined structures and co-ordination of all routes of support that +should be

through organisations or bodies experienced in working in a community setting such as the voluntary and community sector.

## A.8 **Cross-Cutting Themes**

A.8.1 The Objective 1 and Objective 2 Mid Term Evaluations and a report for DEFRA have identified a variety of best practice issues from the current funding Programmes. Overall, the presence of Cross Cutting Themes has encouraged the mainstreaming of sustainable development objectives across major partners' and other organisations' activities. This mainstreaming has been facilitated by integrating the Cross Cutting Themes fully throughout the Programme, not only in the Cross Cutting Themes section but through aligning the themes to other regional and national sustainable development policies and strategies to produce maximum impact and synergy. Clear statements of the potential for integrating Cross Cutting Themes in the Priority and Measure level actions have assisted understanding and delivery.

A.8.2 Cross Cutting Themes activities and targets linked clearly to the Programme's aims and objectives have underpinned core activity and maximising the positive impacts that result from sustainable economic growth. Clear statements and rationale of the potential for integrating Cross Cutting Themes into Priority and Measure or Action Plan level has assisted rationale for doing so.

A.8.3 The use of robust Cross Cutting Themes indicators is essential and these should be included within the overall programme indicator set to enable effective measurement and recognition of integration.

A.8.4 A range of management actions has helped to further the aims of the Cross Cutting Themes including; appraisal of proposed projects against agreed core sustainable development indicators or gateway criteria; the use of advisory groups providing expert support and advice; and resources to support capacity building amongst stakeholders including programme decision makers and project applicants through guidance material, training and awareness raising and sharing project good practice.

## **Key Lessons**

A.8.5 Programme management structures need to reflect the need to have appropriate representation of economic, social and environmental interests in decision-making structures so that the cross cutting themes are promoted across all aspects of the Programme's activity.

## A.90 **S<sup>3</sup> Sharing Solutions on Structural Funds – an Interreg IIIc project**

The 2000-06 Objective 1 Programme was a partner in the Interreg IIIc project S<sup>3</sup> Sharing Solutions on Structural Funds between 2004 and 2006. Participation in the project highlighted many lessons on managing Structural Fund programmes gained from the other 13 partner regions. (see [www.s3-interreg.net](http://www.s3-interreg.net) for comprehensive reports on lessons learnt).

***As important as the lessons that were learnt from partners was the focus gained on our own experience and practices refracted through their views. The areas where our partners thought our experience was an important lesson for their future plans included:***

- commissioning as a route to populate the programme with projects – it gave the Programme an important mechanism to direct activity to “buy” what the region needed not just fund what was eligible

- a commissioning approach permitted development of large-scale projects, active across the whole sub-region that drew several prospective delivery agencies together to deliver in partnership, with obvious economies of scale benefits
- partnership working is enhanced through clear roles and responsibilities, comprehensive and inclusive communication, established codes of conduct/practice, training and facilitation and active management of partnerships by the Programme's management
- a clear focus on what the programme is trying to achieve and recognition that, though the process is important, it is essential to remain output driven.
- the simplified application process adopted through Registrations of Interest Forms (RIFs) was greatly admired as it delivered benefits not only for the Programme management but for potential beneficiaries as well.
- brokerage models for projects (such as the High Growth Start-Up project in South Yorkshire) are an excellent method for attracting private sector expertise into the Programme and help to develop intrinsic regional capacity that is sustainable

## ANNEX C Categorisation of Structural Funds for Assistance 2007-2013

	Codes for the priority theme dimension.	ERDF in area without transitional support €	ERDF in area with transitional support €	Total ERDF support
Code	Priority theme			
<b>Research and technological development (RTD), innovation and entrepreneurship</b>				
0 1	RTD activities in research centres	4,163,028	3,321,449	7,484,477
0 2	RTD infrastructures ( <i>including equipment, instrumentation and high speed computer networks between research institutes</i> ) and specific technology competence centres	20,815,140	16,607,244	37,422,384
3	Technology transfer and improvement of cooperation networks between SMEs and research institutes	9,152,112	8,285,795	17,437,907
4	Aid for the RTD in particular in the SMEs ( <i>including access to RTD services in the research centres</i> )	4,163,028	3,321,449	7,484,477
5	Advanced supporting services in companies and groups of companies	74,889,696	32,098,421	106,988,117
6	Assistance to SMEs for the promotion of environmentally products and processes	20,271,321	11,197,042	31,468,363
7	Investments in companies directly related to research and innovation ( <i>innovative technologies, creation of new companies by the universities, RTD institutes and existing companies, ...</i> )	6,244,542	4,982,173	11,226,715
8	Other investments in firms	28,426,699	18,648,932	47,075,631
0 9	Other actions aiming at stimulation of research and innovation and entrepreneurship in SMEs	44,755,110	29,057,015	73,812,126
<b>Information society</b>				
10	CI infrastructures ( <i>including broad-band networks</i> )	-	33,338,083	33,338,083
11	Information and communication technology ( <i>access, safety, interoperability, prevention of risks, research, innovation, e-content...</i> )	-	-	0
12	Information and communication technology (TEN-TIC)	-		0
13	Services and applications for the citizen ( <i>e-health, e-government, e-learning, e-inclusion, ...</i> )	4,688,095	4,065,620	8,753,714
14	Services and applications for the SMEs ( <i>electronic trade, education/training, networking, ...</i> )	9,063,649	6,301,711	15,365,360
15	Other actions aiming at access to the TIC by the SMEs and their effective use	4,375,555	2,236,091	6,611,646
<b>Transport</b>				
16	Rail			0
17	Rail (TEN-T)			0
18	Mobile rail assets			0
19	Mobile rail assets (TEN-T)			0
20	Motorways			0
21	Motorways (TEN-T)			0
22	Trunk roads			0
23	Regional/local roads			0
24	Cycle tracks			0
25	Public transport	-		0
26	Multimode transport	-		0
27	Multimode transport (TEN-T)	-		0
28	Intelligent transport systems			0
29	Airports	-		0
30	Ports	-		0
31	Internal inland waterways ( <i>regional and local</i> )			0
32	Internal inland waterways (TEN-T)			0



	<b>Energy</b>			
33	Electricity			0
34	Electricity (TEN-E)			0
35	Natural gas			0
36	Natural gas (TEN-E)			0
37	Petroleum products			0
38	Petroleum products (TEN-E)			0
39	Renewable energy: wind	1,700,000	2,900,000	4,600,000
40	Renewable energy: solar	1,700,000	2,900,000	4,600,000
41	Renewable energy: biomass	1,700,000	2,900,000	4,600,000
42	Renewable energy: hydroelectric, geothermic, and others	2,200,000	3,400,000	5,600,000
43	Energy efficiency, combined heat and power, control of energy	6,402,502	6,747,498	13,150,000
	<b>Environment and risks prevention</b>			
44	Domestic and industrial waste management			0
45	Drinking water management and distribution			0
46	Waste water ( <i>treatment</i> )			0
47	Air quality			0
48	Prevention and integrated pollution control			0
49	Mitigation and adaptation to climate change	35,000,000	12,000,000	47,000,000
50	Rehabilitation of factory sites and contaminated land	4,000,000	8,000,000	12,000,000
51	Promotion of biodiversity and nature conservancy ( <i>including Natura 2000</i> )	500,000	1,000,000	1,500,000
52	Promotion of clean urban public transport	625,079	2,710,413	3,335,493
53	Risks prevention (including the development and implementation of plans and actions to prevent and manage the natural and technological hazards)			0
54	Other actions aiming at the safeguarding of the environment and the prevention of risks			0
	<b>Tourism</b>			
55	Promotion of natural assets			0
56	Protection and development of natural inheritance			0
57	Aid for the improvement of tourist services			0
	<b>Culture</b>			
58	Protection and safeguarding of cultural heritage			0
59	Development of cultural infrastructure			0
60	Other assistance for the improvement of cultural services			0
	<b>Urban/rural rehabilitation</b>			
61	Integrated projects for urban/rural rehabilitation	15,202,493	44,180,736	59,383,229
	<b>Increasing adaptability of workers and enterprises</b>			
62	Development of lifelong learning systems and strategies in companies; training and services for workers and managers to increase their adaptability to change			0
63	Design and dissemination of innovative and more productive forms of work organisation			0
64	Development of specific employment, training and support services for company and sector restructuring, and the development of systems to anticipate economic change and future occupational and skills requirements			0
	<b>Enhancing access to and sustainability of employment</b>			
65	Modernisation and strengthening of labour market institutions			0
66	Implementation of active and preventive labour market measures, including encouraging active ageing and prolonging working lives			0
67	Encouraging active ageing and prolonging working lives			0
68	Supporting self-employment and entrepreneurship			0
69	Actions to increase the sustainable participation and progress of women in employment; to reduce gender-based segregation in the labour market and to reconcile work and private life including by facilitating access to childcare and care for dependent persons			0



70	Actions to increase migrant's participation in employment and thereby strengthen their social integration			0
<b>Reinforcing social inclusion of people at a disadvantage</b>				
71	Pathways to integration in employment for disadvantaged people including in the social economy; combating discrimination in accessing the labour market and promoting diversity in the workplace			0
<b>Enhancing human capital</b>				
72	Design and introduction of reforms in education and training systems, in order to improve the labour market relevance of education and training; to raise their responsiveness to the needs of a knowledge-based society and continually update the skills of teaching and other personnel			0
73	Increase participation in education and training; including initial vocational and tertiary education; and actions to achieve a significant decline in early school leaving			0
74	Raising potential human capital in research and innovation, notably through post-graduate studies and training of researchers and related networking activities between universities, research centres and enterprises			0
<b>Investments in social infrastructures</b>				
75	Infrastructures for education			0
76	Infrastructures for health			0
77	Infrastructures for childcare			0
78	Infrastructure for housing			0
79	Other social infrastructures			0
<b>Mobilising for reforms in the fields of employment and inclusion</b>				
80	Promoting partnerships, pacts and initiatives through networking of relevant stakeholders at national, regional and local level			0
<b>Strengthening institutional capacity at national, regional and local level</b>				
81	Mechanisms to improve the design and delivery of good policy and programmes at national, regional or local level, capacity building in the delivery of policies and programmes.			0
82-84	Reduction of additional costs hindering the outermost regions' development			0
<b>Technical assistance</b>				
85	Preparation, implementation, follow-up and control	10,626,347	9,215,405	19,841,752
86	Evaluation, studies, conferences, publicity	1,875,238	1,626,248	3,501,486

<b>Table 2:</b>	<b>Coding of the form of financing dimension.</b>	<b>ERDF in area without transitional support €</b>	<b>ERDF in area with transitional support €</b>	<b>Total ERDF Support</b>
<b>Code</b>	<b>Form of financing</b>			
1	Non-refundable aid	299,100,429	242,500,674	541,601,103
2	Refundable aid (loan, interest subsidies, guarantee)			
3	Venture capital (public capital holding, venture capital fund)	13,439,204	28,540,652	41,979,856
4	Other form of financing			

<b>Table 3:</b>	<b>Coding of the territory dimension.</b>	<b><i>ERDF in area without transitional support €</i></b>	<b><i>ERDF in area with transitional support €</i></b>	<b><i>Total ERDF Support</i></b>
<b>Code</b>	<b>Territory</b>			
1	Urban centre			
2	Mountains			
3	Islands			
4	Sparsely populated areas			
5	Rural areas (not covered by 01-04)			
6	Former EU external borders			
7	Outermost region			
8	Cross-border cooperation area			
9	Transnational cooperation area			
10	Interregional cooperation area			
0	No application	312,539,633	271,041,326	583,580,959



# Ex-ante evaluation and SEA for Yorkshire and Humber Regional Competitiveness and Employment Programme 2007-2013

## ENVIRONMENTAL STATEMENT

- Final
- March 2007

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# Contents



<b>1.</b>	<b>Introduction</b>	<b>195</b>
1.1	Background	195
1.2	Definitions	195
1.2.1	Strategic Environmental Assessment (SEA)	195
1.2.2	Sustainability Appraisal (SA)	195
1.3	Legislative context of Strategic Environmental Assessment and Sustainability Appraisal	195
1.4	Aims and objectives of the SEA/SA	196
1.5	SEA/SA reporting outputs	196
1.6	Links with the Ex-ante Evaluation and the OP Planning Process	197
1.7	The Yorkshire and Humber Competitiveness and Employment Programme	199
1.7.1	Operational Programme Objectives	199
1.8	Requirements of the Environmental Statement	200
<b>2.</b>	<b>Consultation</b>	<b>201</b>
2.1	Consultation for the SEA/SA	201
2.2	Consultation on the SEA Scoping Report	202
2.3	Consultation on the Environmental Report	202
<b>3.</b>	<b>Integration of sustainability into the development of the OP</b>	<b>203</b>
3.1	Stages of the SEA/SA	203
3.2	Stage A: Setting the context and objectives, establishing the baseline and deciding the scope	203
3.3	Stage B: Developing and refining alternatives and assessing affects	206
3.4	Stage C: Preparing the Environmental Report	208
3.5	Stage D: Consultation and decision making	208
3.6	Stage E: Monitoring	209
<b>4.</b>	<b>Integration of SEA/SA recommendations and mitigation measures into the OP</b>	<b>210</b>
4.1	Introduction	210
4.2	Response to the SEA/SA mitigation	210
4.3	Response to consultee comments	216
4.4	Response to the proposed Sustainability Assessment	216
<b>5.</b>	<b>Monitoring</b>	<b>217</b>
5.1	Purpose of monitoring	217
5.2	SEA/SA monitoring plan	217
<b>Appendix A</b>	<b>– Consultation responses to scoping</b>	<b>219</b>
<b>Appendix B</b>	<b>Consultation responses to Environmental Report</b>	<b>223</b>
<b>Appendix C</b>	<b>Sustainability Assessment</b>	<b>228</b>
<b>Appendix D</b>	<b>SEA/SA Monitoring plan</b>	<b>231</b>

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## Introduction

### **Background**

A Strategic Environmental Assessment (SEA) has been carried out, in line with Regulation, on the Regional Competitiveness and Employment Programme (OP) for Yorkshire and the Humber 2007 – 2013. Parallel to the SEA, a Sustainability Assessment (SA) was also prepared to cover wider sustainability topics. This Environmental Statement (ES) has been prepared to conclude the SEA/SA process and serves to meet the regulatory requirement set out in the SEA Directive (Article 9) to summarise how environmental considerations have been integrated into the OP and how the Environmental Report (prepared for the SEA/SA) and consultee responses have been taken into account during the preparation of the OP.

### **Definitions**

#### **Strategic Environmental Assessment (SEA)**

SEA is a process for assessing potential environmental impacts of a plan or programme and provides a means for plan-making authorities to incorporate environmental considerations into decision making at an early stage and in an integrated way. The SEA was prepared based on current guidance, the most authoritative of which is *A Practical Guide to the Strategic Environmental Assessment Directive*, ODPM<sup>51</sup>, 2005. In addition specific guidance relating to the preparation of SEAs for Operational Programmes was used; *Handbook on SEA for Cohesion Policy 2007-2013*, prepared by the Greening Regional Development Programmes Network.

#### **Sustainability Appraisal (SA)**

A Sustainability Appraisal looks at economic and social issues as well as environmental ones and assesses the extent to which the plan in question contributes to the achievement of a range of economic, social and environmental objectives that have been set for the area in question. Specific guidance for SA is set out in '*Sustainability Appraisal of Regional Spatial Strategies and Local Development Documents*', ODPM, and was used for preparing the SA of the OP.

### **Legislative context of Strategic Environmental Assessment and Sustainability Appraisal**

The requirement for an SEA is based on European Legislation; *European Directive 2001/42/EC on the Assessment of Certain Plans and Programmes on the Environment* (commonly known as the SEA Directive) which was transposed into English law in July 2004 through the SEA Regulations (*Environmental Assessment of Plans and Programmes Regulations Statutory Instrument 2004 No. 1633*).

---

<sup>51</sup> Now Department for Communities and Local Government (DCLG)



There is no legal requirement to carry out an SA on the OP although it is considered best practice to include it and for this reason an SA has been carried out in parallel with the SEA and reported alongside the SEA.

### ***Aims and objectives of the SEA/SA***

The principal aim of the SEA/SA is

*‘to provide for a high level of protection for the environment and to contribute to the integration of environmental considerations into the preparation and adoption of plans and programmes with a view to promoting sustainable development’.*

The main aim of the SEA/SA is therefore to integrate environmental and sustainability considerations into the development of the OP and to ensure that the assessment is also taken into consideration in the Ex-Ante<sup>52</sup> evaluation of the programme (Section 1.6). It is important that the SEA/SA and the Ex-Ante are harmonised and that the two processes are being undertaken in parallel.

Key objectives of the SEA/SA are to:

- 1) Adequately define the baseline environment and how it might be subject to change without the OP;
- 2) Consider the environmental effects of the OP through understanding the delivery of individual projects through the planning process;
- 3) Develop SEA/SA environmental objectives in line with existing requirements so that the most significant environmental implications are given full consideration in the OP;
- 4) Consult widely at all stages of the process to ensure that all issues are addressed in the development of the OP; and
- 5) Develop a monitoring framework so that the SEA/SA outcomes can be assessed and measured.

### ***SEA/SA reporting outputs***

There are several key outputs of the SEA/SA that have been prepared and which have fed into the development of the OP. These include:

- Strategic Environmental Assessment Scoping Study (7th August 2006); this report described the SEA process and methodology and provided a review of relevant plans and programmes along with environmental information for the region. It also set out the SEA objectives and indicators;

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<sup>52</sup> Ex-ante evaluation refers to a forward-looking assessment of the likely future effects of new policies or proposals





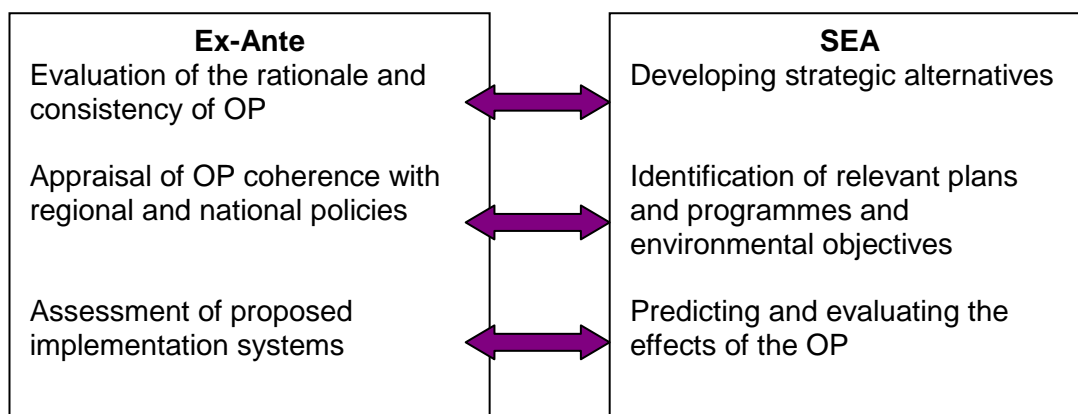
- Environmental Report for the SEA/SA of the Regional Competitiveness and Employment Programme for Yorkshire and the Humber 2007 – 2013 (December 2006). This report responded to the consultation comments from the Scoping Study Report and set out the results from the assessment carried out on the OP along with details of potential monitoring.
- The Environmental Statement (March 2007); a legal requirement of the SEA Directive and sets out how the SEA/SA has been integrated into the development of the OP.

### ***Links with the Ex-ante Evaluation and the OP Planning Process***

The EU legislative driver behind the Ex-Ante process is Article 46 of the Draft Structural Funds Regulations for the period 2007- 2013, while for SEA it is the SEA Directive<sup>53</sup> (as discussed in Section 1.3). The Ex-Ante evaluation process is intended to:

*‘optimise the allocation of resources and to improve programming quality<sup>54</sup>. The principal aim of the SEA process is to provide for a high level of protection for the environment and to contribute to the integration of environmental considerations into the preparation and adoption of plans and programmes with a view to promoting sustainable development’.*

Both the Ex-Ante and SEA aims apply to the OP and are intended to be a broadly parallel evaluation processes. The key parallel aspects of these processes are the following:



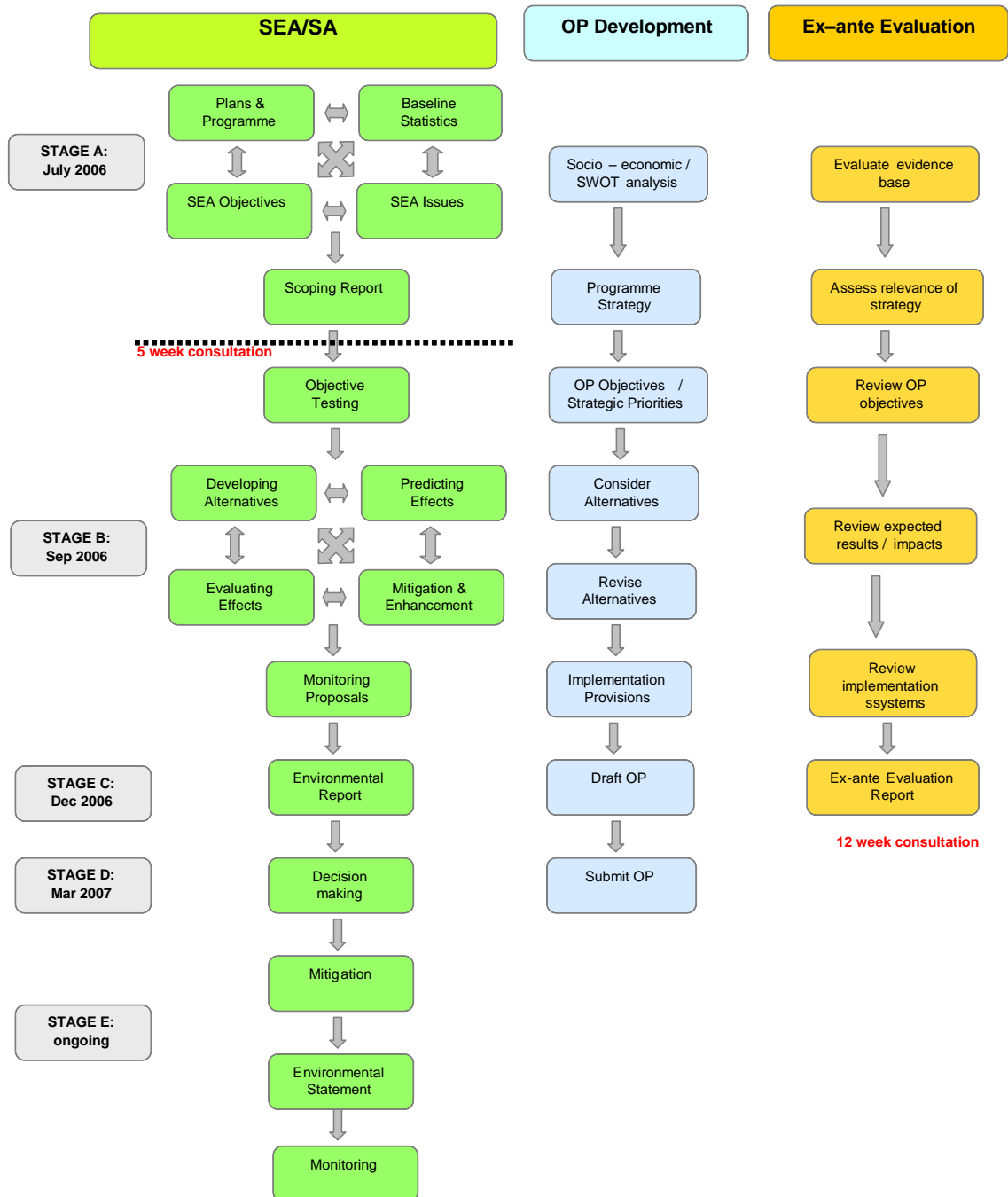
Further comparison for linkages and the need for aligning the SEA/SA with the Ex-Ante is illustrated in Figure 0.1.

<sup>53</sup> Directive 2001/42/EC of the European Parliament and of the Council of 27 June 2001 on the assessment of the effects of certain plans and programmes on the environment.

<sup>54</sup> The New Programming Period, 2007-2013: Methodological Working Papers; Draft Working Paper on Ex Ante Evaluation. Draft: October 2005. European Commission.



Figure 0.1 Stages in Programme Development Process





## ***The Yorkshire and Humber Competitiveness and Employment Programme***

The Regional Competitiveness & Employment Objective will be a source of European Union Structural Funds in Yorkshire and the Humber from 2007 to 2013. It will be made up of two complementary programmes: The European Regional Development Fund (ERDF) programme, worth approximately €583 million (to be split between Yorkshire and the Humber (minus South Yorkshire) and South Yorkshire), and the European Social Fund (ESF) programme, worth €140 million to the Region (excluding South Yorkshire). The focus of the SEA/SA has only been on the ERDF programme; the ESF programme has been reviewed under a separate process.

### **Operational Programme Objectives**

The Yorkshire and Humber OP has been split into five Priorities that are in line with the Lisbon Agenda and NSRF priority areas and which have been derived from the key messages that came out of the strategic socioeconomic analysis and general strategy analysis that were undertaken in the early stages of Programme development. Priorities include:

- **Priority 1:** Promoting innovation and Research & Development – ‘To stimulate an innovation culture and strengthen the innovation system in the region by increasing technology transfer from universities, institutes and businesses to the business base to improve products and processes, promoting networking and setting the framework for businesses to respond to the challenges and opportunities of the knowledge economy’.
- **Priority 2:** Supporting and Stimulating Successful Enterprise - ‘to promote a greater shift towards knowledge intensive growth clusters and sectors in Yorkshire and the Humber by increasing the number of businesses and occupations in high growth and knowledge industries, investing in key business sectors to accelerate economic growth and encourage high value added businesses and by developing a more entrepreneurial culture’.
- **Priority 3:** Sustainable Communities - ‘To target resources at the most deprived communities where continued under performance is a threat to the regions economic growth – focussing on tackling social and economic exclusion and improving territorial cohesion, creating enterprise opportunities within disadvantaged neighbourhoods and extending the social economy’.
- **Priority 4:** Economic Infrastructure (South Yorkshire only) – ‘To continue investing in South Yorkshire’s economic infrastructure to maximise the impact of structural fund investments in the sub region to date and the development of a knowledge economy’.



- **Priority 5:** Technical assistance – ‘To improve the delivery of the programme by financing preparatory, management, monitoring, evaluation, information and control activities by reinforcing the administrative capacity for implementing funds’.

Priorities 1- 4 were assessed through the SEA/SA process. Priority 5 was not assessed as technical assistance, in the words of the commission, has been identified as ‘thinking money’, and is therefore not considered to have any effects.

### ***Requirements of the Environmental Statement***

Consultation with stakeholders and the public is a key aspect in the development of the OP and the SEA/SA process. Article 9 (1) of the SEA Directive relates to providing information to all those involved in consultation and states that:

*‘Member States shall ensure that, when a plan or programme is adopted, the authorities referred to in Article 9 (1). The public and any Member State consulted under Article 7 are informed and the following items are made available to those so informed:*

- (a) the plan or programme as adopted;*
- (b) a statement summarising how environmental considerations have been integrated into the plan or programme and how the environmental report prepared pursuant to Article 5, the opinions expressed pursuant to Article 6 and the results of consultations entered into pursuant to Article 7 have been taken into account in accordance with Article 8 and the reasons for choosing the plan or programme as adopted, in the light of the other reasonable alternatives dealt with; and*
- (c) the measures decided concerning monitoring in accordance with Article 10.*

This Environmental Statement has been prepared to fulfil the requirements of point (b) and (c) above by providing the following information:

- How the different stages of SEA/SA consultation contributed to the preparation of the OP – Chapter 0 and Appendix A of this Statement;
- How environmental and sustainability considerations were integrated into the OP as a result of the SEA/SA process and why the adopted OP is better than alternatives that were considered – Chapter 0;
- How the mitigation measures set out in the SA/SEA Environmental Report have been taken into account during decision making – Chapter 0.



## Consultation

### ***Consultation for the SEA/SA***

Consultation is an integral part of the SEA/SA process and any comments received during this process should be used to refine the programme. A key requirement is that consultation is undertaken with the four environmental bodies (Countryside Agency, English Nature<sup>55</sup>, the Environment Agency and English Heritage). In addition to the statutory Consultees, the SEA/SA reports were posted on the Government Office website for broader consultation.

Within the Government Office a Steering group was established; known as the SEA steering group (and which was made up of people responsible for preparing the OP<sup>56</sup>). The SEA Steering Group acted as the consultee within the GO for the SEA/SA. They played a key role during the development of the SEA/SA framework and assessment of the OP.

This section identifies the consultation activities of the SEA/SA, provides a summary of the comments received and details how these were fed into the SEA/SA process in order to improve the contribution of the OP to sustainable development. Table 0.1 sets out the timetable of the consultation process.

**Table 0.1 Consultation timetable**

<b>Publication</b>	<b>Legal requirement?</b>	<b>Consultees</b>	<b>Date</b>
Scoping Study	Regulation 12(5) of the SEA Regulations	Statutory Consultees, SEA reference group (listed above). Also made available for public consultation on Government Office website.	7 <sup>th</sup> August 2006
Environmental Report	Regulation 13 of SEA Regulations Article 6 of SEA Directive	Consultation with the public, Statutory Consultees and others in parallel with the publication of the Draft OP.	15 <sup>th</sup> December 2006 – 9th March 2007 (Statutory 12 week consultation)
Environmental Statement	No formal consultation required	The Statement must demonstrate to Consultees and the public how SEA/SA outcomes have been fed into the adopted OP.	March 2007

<sup>55</sup> English Nature and the Countryside Agency have since been combined to form Natural England

<sup>56</sup> SEA Steering Group members included representatives from GOYH, Yorkshire Forward, Objective 1 Programme Directorate, Environment Agency and the Ex ante evaluators



### ***Consultation on the SEA Scoping Report***

Consultation on the SEA Scoping Report lasted for the statutory five week period and resulted in responses being received from 3 organisations (RSPB, English Heritage and the Countryside Agency) and their comments are listed in Appendix A along with actions that were taken to address them. A brief synopsis of the comments received is provided below; these have been divided into topic areas for ease of reference. Where appropriate consultee comments were fed into the assessment phase and Environmental Report that followed Scoping.

Comments on relevant plans, policies and programmes - English Heritage recommended that the European Landscape Convention and the UNESCO World Heritage Convention should be added to the review. The Environmental Report included a review of these programmes.

Comments on Baseline data - Only very minor comments were made on a couple of points within the baseline data and these were modified as appropriate.

SEA Objectives, sub-objectives and indicators - Most comments received related to SEA objectives and how the consultees thought they should be modified to make them better reflective of the environmental issues prevalent within the region, or which better reflected regional targets. Where appropriate these were modified in discussion with the wider SEA Steering Group.

General consultee comments - Some general comments were made about the report mostly relating to the need of the OP to integrate sustainability issues, particularly related to the environment, across all priorities.

### ***Consultation on the Environmental Report***

The Environmental Report followed the Scoping Report and was put out for consultation at the same time as the Draft OP on 15<sup>th</sup> December 2006. The consultation period was held for the statutory 12 weeks until 9<sup>th</sup> March 2007. Comments were only received from Yorkshire Forward and related to all aspects of the Environmental Report. However, most were minor and did not affect the overall assessment outcome. Valuable feedback was provided on monitoring and the proposed sustainability appraisal. All comments and the responses made to them are included in Appendix B.



## **Integration of sustainability into the development of the OP**

### ***Stages of the SEA/SA***

When carrying out an SEA/SA there are several stages that need to be completed and which are recognised as best practice by current guidance, e.g. ODPM Guidance. These five stages are identified in Figure 0.1, which also shows how they should align with the development of the OP in order to ensure that recommendations resulting from the SEA/SA are fed back into OP preparation. This iterative process is designed to facilitate the integration of sustainability into the OP rather than having it as an ‘add-on’ at the end of the process.

This section describes how each stage of the SEA/SA was used to ensure that sustainability issues were integrated into all stages of OP development. Reference is made throughout to the relevant sections of the Environmental Report to which it refers.

### ***Stage A: Setting the context and objectives, establishing the baseline and deciding the scope***

#### *Stage A1: Identifying the relevant plans and programmes and environmental protection objectives*

Relevant Local, Regional, National and EU plans and programmes were reviewed (Section 3.2) in order to identify existing policy objectives that would set the context for the OP. The purpose of this was to identify current environmental, social and economic objectives for the region and to check that they did not directly conflict with the main aims of the OP. Where targets had been set within these plans and programmes these were flagged up in order to identify any that could potentially be directly or indirectly affected by the OP.

#### *Stage A2: Collecting baseline information*

The collection of environmental, social and economic baseline data helps to identify the current state of the region whilst also identifying potential future trends or sustainability issues within the region that may be affected, either directly or indirectly, through the implementation of the OP.

Baseline data was collected to cover all topics identified in the SEA Directive, paying particular attention to the environmental and sustainability topics identified as important in the plans and programmes that were reviewed in Stage A1. Topics included:





- Climate change;
- Resources management;
- Air quality;
- Landscape;
- Biodiversity, flora and fauna;
- Soil (in relation to brownfield land);
- Water;
- Human health;
- Transport;
- Social considerations (e.g. public consultation, access to services and open space, crime, etc);
- Economic considerations (e.g. sustainable economic development, employment levels, etc); and
- Cultural heritage

These data were summarised in Section 3.3.1 of the Environmental Report with the complete data set being found in Appendix D of the Environmental Report.

### *Stage A3: Identifying environmental and sustainability issues*

The collection and analysis of the baseline data led to the identification of key environmental and sustainability issues within the region which in turn set the scope for the SEA/SA (Section 4.1). This ensured that the assessment stage focused on key issues which may be affected either positively or negatively by the OP rather than identifying a general set of environmental and sustainability issues. The review identified the following issues, set out in Table 0.1 below as being of most relevance:


**Table 0.1 Sustainability issues for Yorkshire and the Humber**

Issue	Description
Climate change	CO2 emissions need to be reduced further. The increased emissions from transport are set to increase across the region, further exacerbating the problem
Poor air quality	The region has 11 Air Quality Management Areas with Leeds and Bradford having experienced a decline in air quality between 2004/5
Increased pressure on biodiversity resources	The condition of SSSI sites declined slightly between 2005/6 which could be indicative of other biodiversity sites although no data confirms this
Contaminated land	The region has 5,000 sites that are potentially contaminated covering 12,000 hectares. The region also contains a third of all 'special contaminated' land sites
Flood risk	Although 90% of the region's flood defences are in a good or fair condition, a sixth of the region's land area lies within the tidal or fluvial floodplain and more than 244,000 people live within an area of flood risk.
Cultural heritage at risk	Listed buildings and scheduled monuments have a higher proportion 'at risk' than the England average
Social deprivation	Barnsley, Kingston-upon-Hull, Wakefield, Doncaster, Rotherham, Bradford and Sheffield all have 30% of their constituents in the most deprived national quintile
Migration into and out of the region/retention of high skilled workers	There has been a net inflow of people into the region although the region a high proportion of its graduates and skilled people leave
Retention of high skilled workers	The region experiences difficulties in retaining working age people with higher level skills
Light pollution	The region has lost up to half of its truly dark skies in the last 10 years
Poor health	The region suffers from high levels of ill health, long term illness and premature death

The Environmental Report (Table 4.1) described the implications that these issues would have for the OP.

#### *Stage A4: Developing SEA objectives and indicators*

The development of the SEA/SA objectives is a central part of the SEA/SA framework as it is objectives that are used to test the potential environmental, social and economic effects of the OP. SEA/SA objectives and subsequent indicators were developed in consultation with the SEA Steering Group which helped to shape a robust set of objectives that could be used to effectively identify any conflicts or opportunities of the OP in terms of achieving sustainability.

The SEA/SA objectives are set out in Table 5.1 of the Environmental Report along with potential indicators.

The process of developing the SEA/SA objectives and indicators in consultation with the SEA Steering Group opened up extensive discussions concerning expectations of sustainability and how



these could realistically be fed into the OP, particularly in reference to the cross-cutting themes of the programme, which themselves seek to integrate sustainability across all priorities of the OP. Discussions at this stage led to a greater appreciation within the SEA Steering Group of sustainability issues and helped shape the development of the OP in terms of environmental, social and economic considerations.

### *Stage A5: Consulting on the scope of SEA*

A Scoping Report was put out for consultation on 7<sup>th</sup> August 2006 for a period of five weeks. Comments received from this consultation helped set the scope for the SEA/SA and for the content of the Environmental Report. During this stage the SEA/SA objectives were more firmly agreed and were taken forward for use to test the sustainability performance of the OP objectives.

## **Stage B: Developing and refining alternatives and assessing affects**

### *Stage B1: Testing the OP Priorities against the SEA/SA objectives*

The SEA/SA objectives were firstly assessed against each other in order to identify any potential conflicts within the framework. The results of this assessment are set out in Figure 5.1 of the Environmental Report and show that while a few possible conflicts may arise, these are not significant.

The OP was then assessed against the SEA/SA objectives at the level of Priorities<sup>57</sup>. This led to the identification of general opportunities and conflicts that existed for integrating sustainability into the OP and which could then be fed into the more detailed OP interventions and indicative actions. The opportunities and conflicts for each priority are identified in Table 6.1 of the Environmental Report.

### *Stage B2: Developing alternatives*

It is a requirement of the SEA Directive that reasonable strategic alternatives to the programme objectives are identified. The purpose of this is to identify other ways of achieving a similar outcome, but with reduced environmental, social and/or economic effects.

Due to the nature of the OP, which defines particular development actions only very briefly, details for specific project implementation are left for later on in the decision making process. As a result of this it is very difficult to identify tangible alternatives that can be realistically compared. It was therefore determined that the most valuable approach to developing alternatives would be to review

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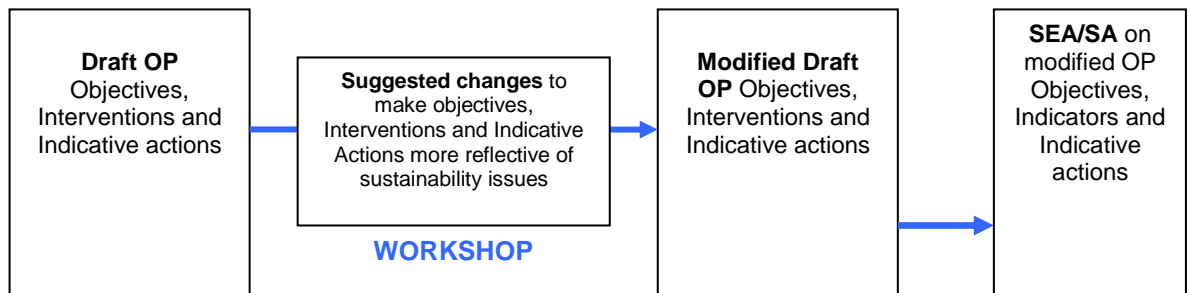
<sup>57</sup> OP Priorities were broken down into more detail in stages and included Objectives, Interventions and Indicative Actions. Priorities therefore are the highest level in this hierarchy.



Priorities, Interventions and Indicative Actions with the intention of identifying opportunities for integrating sustainability aims at each level. This is the approach recommended in the *Handbook on SEA for Cohesion Policy 2007 – 2013 Greening Regional Development Programmes Network*, 2006.

A workshop was held with the SEA Steering Group to discuss potential changes that could be made to the OP Priorities, Interventions and Indicative Actions to make them more reflective of sustainability aims. This led to a number of changes which are identified in Appendix F of the Environmental Report. The flow diagram below identifies the sequence of events that took place to identify more sustainable OP alternatives.

**Figure 0.1 Sequence of events for identifying OP alternatives**



*Stage B3: Predicting and evaluating the effects of the ERDF programme, including alternatives*

Based on the modified OP Priorities, Interventions and Indicative Actions a full assessment against the SEA/SA objectives was undertaken, using sustainability thresholds as the assessment measure, i.e. effects were rated as being either beneficial, neutral, uncertain, requiring modification to have a neutral effect, or unable to be mitigated. Based on the assessment of all Priorities, Interventions and Indicative Actions an overall assessment was made of the impact implementation of the OP would have on each of the SEA/SA topics, i.e. climate change, natural resources, etc. The detailed assessment outcomes were presented to the SEA steering group and discussed with them. This helped to raise further awareness of sustainability issues intrinsic to the OP which would potentially need mitigating. The outcome of the assessment is set out in Chapter 7 of the Environmental Report.

Consideration was also made of secondary, cumulative, cross-boundary effects as well as inter-relationships between them.

*B4: Considering ways of mitigating adverse effects*



As a result of the assessment stage, mitigation measures were developed to identify ways in which negative effects of OP implementation could be avoided or minimised, whilst positive effects could be enhanced. Should all of the mitigation measures be taken on board, the effects of implementing the OP would no longer conflict with the SEA/SA objectives, but rather would contribute towards meeting these sustainability objectives (or at least be neutral towards them). Table 8.1 of the Environmental Report identifies the proposed mitigation and enhancement measures. These are not related specifically to one Priority, but rather are applicable across all Priorities.

### *Stage B6 – Proposing measures to monitor the environmental effects of the OP implementation*

A monitoring plan is a requirement of the SEA Directive, the purpose of which is to:

- Monitor the effects of the OP once implemented;
- Ensure that mitigation and enhancement measures proposed for the OP are being actioned; and
- Ensure that actions are taken to reduce/offset any identified effects.

An outlined monitoring plan was included within the Environmental Report (Chapter 9). However, this has since been developed (in coordination with Yorkshire Forward – the implementing authority for the OP) and is set out in Section 0 of this report.

### **Stage C: Preparing the Environmental Report**

The Environmental Report is a requirement of the SEA Directive and is required to be put out for a 12 week consultation period alongside the draft OP. The Directive sets out clear detail about what should be included within the Environmental Report and this was followed closely for the OP SEA/SA. The final Environmental Report was put out for consultation on 15<sup>th</sup> December 2006.

### **Stage D: Consultation and decision making**

#### *Stage D1 – Consulting on the draft plan or programme and environmental report*

As discussed, the Environmental Report was published alongside the draft OP document for a statutory 12 week consultation period. Comments received mostly related to the draft OP document and were fed back, where appropriate into the OP. This is discussed further in Section 0. Very few comments were received on the SEA/SA Report, as discussed in Section 2.3 of this report.

#### *Stage D2 – Assessment of significant changes*



As a result of the consultation, changes were made to the OP document. However, it is considered that these changes will not have a significant impact on the delivery of the OP Priorities and therefore do not require reassessment (against the SEA/SA objectives).

### ***Stage E: Monitoring***

As discussed, the Environmental Report included outline measures for monitoring the OP to determine the environmental and sustainability effects of the OP once implemented. The monitoring approach has been developed further in consultation with Yorkshire Forward and is outlined in Chapter 5 of this report.



## **Integration of SEA/SA recommendations and mitigation measures into the OP**

### ***Introduction***

The main purpose of the SEA/SA process is to facilitate the integration of environmental, social and economic considerations into the development of plans and programmes; in this case the OP. In order for this to happen, those responsible for the development of the OP need to take account of the SEA/SA process as it happens as well as the recommendations set out in the Environmental Report (Chapter 8: Mitigation of the Environmental Report).

The SEA Directive requires the Environmental Statement to identify how these comments and recommendations have been taken into consideration. The way in which the overall SEA/SA process influenced OP development has been discussed in Section 0. This Section discusses how the OP has been influenced by the SEA/SA mitigation and enhancement measures, comments made on the cross cutting themes (CCT) and the recommendations for a sustainability assessment.

### ***Response to the SEA/SA mitigation***

An output from the SEA/SA was a series of mitigation and enhancement measures which set out ways in which the OP could be modified to ensure that its implementation makes a positive contribution towards sustainable development. These measures are all set out in Chapter 8 of the Environmental Report.

Table 0.1 sets out each of the mitigation/enhancement measures from the SEA/SA and identifies how they have been responded to in the OP. Where they have not been taken on board, justification for it has been provided.



**Table 0.1: Reaction to mitigation & enhancement measures set out in the Environmental Report**

SEA topic	Proposed mitigation or enhancement measure	Response to recommendation (how has the OP incorporated these measures)
Climate change	Carbon offsetting could be integrated into the programme to reduce the effects of CO2 emissions. This could either be done by requiring businesses to join existing carbon offsetting schemes (e.g. through the Carbon Trust), or by linking their carbon offsetting activities to other projects within the Programme, e.g. by providing funding for energy efficient programmes/schemes, funding energy efficient measures to be incorporated into build or refurbishment projects.	Carbon offsetting is seen as a last resort to other resource efficiency measures and measures to reduce environmental impact but businesses will be signposted to it as an option. The following has been added to page 63, 3.61 after the text resource efficiency clubs, 'carbon offsetting schemes (where necessary)'. Objective 4 of the Priority Axis 2 is to ensure that business growth has an environmentally beneficial impact and allows for sustainable development aims into the key clusters. Whilst not explicitly stated, this could support energy efficient programmes/schemes. Cross-cutting theme objective to encourage energy efficiency which should apply to any capital development.
	New facilities should meet BREEAM standards (Excellent or very good) to reduce CO2 emissions.	Capital developments under Priorities 1,2, 3 and 4 include CCT targets for number of buildings with BREEAM minimum very good.
	Businesses should be encouraged to adopt energy saving/efficiency practices.	This is an explicit objective of the OP – P1 seeks to promote the transition to a low carbon economy, efficient business use of energy /resources and use of low carbon technologies. P2 support will encourage behavioural change in businesses to reduce the region's environmental footprint (section 5.7).
	Mentoring and leadership programmes should be encouraged to take place electronically (to reduce travel) or in existing businesses/institutions in order to minimise the generation of trips.	There is an aspiration that the OP will encourage activities which manage the environmental impacts of travel. Although not explicitly stated, the consideration of the location of mentoring/ leadership activity can support this. By its nature, mentoring may not always be suited to e-contact, although it will be possible to have pre-disposition that this occurs where existing businesses/institutions are located.
	Provide general support for ICT in order to minimise travel.	The majority of P1 and P2 activity is designed to increase the competitiveness of business and promote technology transfer, and the use of ICT by business is vital to achieving these objectives. P3 supports

## Environmental Statement

SEA topic	Proposed mitigation or enhancement measure	Response to recommendation (how has the OP incorporated these measures)
		community-based ICT projects. Objective 2 of P4 in South Yorkshire supports the ICT infrastructure development.
	Increase the use of renewable energy (consider setting a requirement to source 10% of energy from on site renewable generation).	The use of renewable energy will be encouraged wherever possible in the delivery of the OP. P2 environmental audits will explore the extent to which the use of renewables is appropriate to the business. Developing the environmental technologies is likely to include research into greater use of renewables. The CCT appraisal criteria for projects includes a commitment to 10% of energy to be sourced from renewable energy sources. This follows the regional climate change action plan
	Introduction of travel plans that emphasise a shift from private car use to more sustainable transport, e.g. public transport, cycling, walking	There is an aspiration that the OP will encourage activities which manage the environmental impacts of travel. Where there is capital development, this should incorporate the introduction of travel plans, although large site development and remediation characteristic in previous programmes is unlikely to be a focus of the current OP.
	Under Priority 1 the programme should actively encourage research and development specifically in environmental and energy technology which would provide a platform to reduce CO2 emissions.	It is expected that the P1 research in the environmental technologies will specifically address the reduction of CO2 emissions
Natural Resources	New build facilities and modernised facilities should meet BREEAM (Excellent/very good) standards to minimise resource use within premises.	Capital developments under Priorities 1,2, 3 and 4 include CCT targets for number of buildings with BREEAM minimum very good.
	Environmental management policies should be adopted by businesses supported through the Programme. These should include: <ul style="list-style-type: none"> <li>■ aspects of waste minimisation and recycling policies/targets;</li> <li>■ energy use efficiency strategies. This could be linked to participation in Carbon offsetting schemes such as those described above under 'Climate change'.</li> <li>■ Auditing of suppliers environmental performance</li> </ul>	P2 businesses will receive an environmental audit as part of the diagnostic undertaken of their business. This is especially important for P2 businesses which may be established businesses that require greater information and incentives to change behaviours. It is expected that the introduction of environmental management policies in the businesses will result from the environmental audit.
	Increase the use of renewable energy (consider setting a requirement to source 10% of energy from on-site renewable generation).	The use of renewable energy will be encouraged wherever possible in the delivery of the OP. P2 environmental audits will explore the extent to which the use of renewables is appropriate to the business. Developing the environmental technologies is likely to include research into greater use of renewables. The CCT appraisal criteria for projects includes a

## Environmental Statement

SEA topic	Proposed mitigation or enhancement measure	Response to recommendation (how has the OP incorporated these measures)
		commitment to 10% of energy to be sourced from renewable energy sources. This follows the regional climate change action plan.
	Environmental technologies that promote resource use efficiency should be targeted by the Programme in order to maximise benefits.	The OP seeks to support key sectors and clusters where the region has existing strengths or where opportunities in higher value added sectors emerge. The development of the environmental technologies sector is likely to be supported here; P2 has an explicit objective to ensure that business growth has an environmentally beneficial impact.
	Use of brownfield land should be a primary target where new facilities are to be built.	There is no commitment to use brownfield land in the OP, but it is implicit through the planning system and RSS that brownfield land is utilised first.
Air quality	Emphasise the business benefits of using more ICT.	The majority of P1 and P2 activity is designed to increase the competitiveness of business and promote technology transfer, and the use of ICT by business is vital to achieving these objectives. P3 supports community-based ICT projects. Objective 2 of P4 in South Yorkshire supports the ICT infrastructure development.
	Introduction of travel plans that emphasise a shift from private car use to more sustainable transport, e.g. public transport, cycling, walking.	There is an aspiration that the OP will encourage activities which manage the environmental impacts of travel. Where there is capital development, this should incorporate the introduction of travel plans, although large site development and remediation characteristic in previous programmes is unlikely to be a focus of the current OP.
	Where appropriate energy efficient practices should be adopted by businesses and research institutes.	P2 seeks to ensure business growth has an environmentally beneficial impact. P1 seeks to increase commercialisation of new technologies that underpin the future sustainability of new and existing businesses and clusters. All new projects in research institutes will also be expected to demonstrate their environmentally beneficial impact.
	Source energy from renewable sources.	The use of renewable energy will be encouraged wherever possible in the delivery of the OP. P2 environmental audits will explore the extent to which the use of renewables is appropriate to the business. Developing the environmental technologies is likely to include research into greater use of renewables. The CCT appraisal criteria for projects includes a commitment to 10% of energy to be from renewable energy sources. This follows the regional climate change action plan
Landscape	Early liaison with the planning authority is advised where new build is	This will be encouraged as part of project development and appraisal

## Environmental Statement

SEA topic	Proposed mitigation or enhancement measure	Response to recommendation (how has the OP incorporated these measures)
	involved.	
	An appraisal should be carried out on the proposed location of businesses/projects to determine whether it is suitable in terms of fitting in with the existing townscape and with the local character.	This will be encouraged as part of project development and appraisal
	Encourage public participation in planning activities to ensure that an understanding of what is important to local distinctiveness is understood.	This will be encouraged as part of project development and appraisal
Biodiversity, flora and fauna	Sensitive planning/timing of any construction and maintenance activities will help to reduce adverse effects on biodiversity. This should be done in consultation with the local planning authority.	This will be encouraged as part of project development and appraisal
	PPS 9 (Biodiversity and Geological Conservation) promotes the enhancement as well as the conservation of biodiversity. New developments and regeneration activities have the potential to provide new habitats, particularly small scale urban green spaces. This can be achieved through providing advice on regional and local biodiversity action plans should be incorporated into planting schemes that are used in any landscaping that forms part of new and upgraded developments.	This will be encouraged as part of project development and appraisal
Soil	Development should only take place on brownfield land.	There is no commitment to use brownfield land in the OP, but it is implicit through the planning system and RSS that brownfield land is utilised first.
Water	During the construction of incubation facilities (and other new build), BREEAM standards (Excellent/very good) should be met. These include aspects of water use and disposal.	Capital developments under Priorities 1,2, 3 and 4 include CCT targets for number of buildings with BREEAM minimum very good.
	All businesses should have water efficiency measures included in their environmental management plan.	P2 businesses will receive an environmental audit as part of the diagnostic undertaken of their business. It is expected that the possibility of water efficiency measures in the businesses will be assessed as part of the environmental audit.
Cultural heritage	Businesses need to be made aware of their potential impact on the cultural and historic environment and where relevant at project level EIA should identify impacts on cultural heritage and put forward measures to reduce impacts.	This will be addressed as part of project development and appraisal
Investment and	Where feasible business development should be encouraged within the	Spatially, development will be concentrated on City Regions and other

## Environmental Statement

SEA topic	Proposed mitigation or enhancement measure	Response to recommendation (how has the OP incorporated these measures)
skills	more deprived areas of the Region or where there are links with these areas.	areas where an economic rationale for intervention exists (e.g. in distinct rural and coastal areas), which are therefore closest to local labour markets.
Safety & security	Emphasis on social enterprise activities that engage the local communities (particularly in more socially excluded areas).	Objective 3 of P3 specifically support social enterprise. Objective 1 also seeks the greater integration/'reintegration of excluded communities.
	Include installation of security measures in new businesses.	This will be encouraged as part of project development and appraisal
Health	EIA at project level should identify the noise impact of developing any new facilities and mitigation measures will be put forward as needed at that stage.	This will be addressed as part of project development and appraisal
	Renaissance programmes should include an element for improving access to public open space where this is possible in the selected locations.	This will be encouraged wherever possible in renaissance programmes as part of projects to deliver P4 in South Yorkshire



### ***Response to consultee comments***

As part of the consultation process, consultees were asked to comment on particular aspects of the OP including whether they perceived there to have been adequate focus on the programme's cross cutting themes (CCT) of environmental good practice and equalities and diversity. The CCT provided an ideal opportunity to integrate outcomes/recommendations from the SEA/SA into the OP. As a result of the comments that were received, the OP was modified where appropriate. Reference to how these comments on the CCT were responded to in the redrafting of the OP can be found on the GOYH website and the consultation weblog.

### ***Response to the proposed Sustainability Assessment***

Due to the nature of the OP it is not yet known exactly what projects will result through the Programme. This presents challenges to the SEA/SA in that it makes the prediction of impacts more difficult. Whilst the OP does provide a good guide on the type of projects that will be sought, there does remain a level of uncertainty as to details of projects and to their likely environmental and sustainability performance. The implementation of the OP and its subsequent sustainability performance will therefore depend largely on the management system for the selection of the actual projects. In order to facilitate the selection of projects that will, to the greatest extent possible, contribute to the relevant sustainability objectives, it was recommended (in the Environmental Report) that each potential project should undergo a sustainability assessment which would assess positive or negative effects of proposed activities of the project. An outcome of the sustainability assessment would be the formulation of detailed recommendations of measures that could be taken to improve the sustainable performance of the project.

It should be stressed that while a sustainability assessment is not a requirement of the SEA Directive, it is a recommendation of the SEA/SA and would serve to mitigate potential issues *before* they happen whilst facilitating improved sustainability performance of projects. Use of a sustainability assessment would also act as a tool for managing the cross cutting themes of the OP, i.e. ensuring that they are implemented.

Yorkshire Forward (YF) will be the implementing Agency for the OP and will utilise selection criteria that have been developed as part of the OP. YF already have a sustainability assessment tool which they use to screen all projects funded through them. The existing tool was used as the basis for the SEA/SA sustainability assessment and it has been agreed with YF that they will integrate any additional elements from the SEA/SA sustainability assessment into the current tool. Please note that the SEA/SA sustainability assessment is solely a suggestion for YF to take forward should they wish during the refinement of their implementation strategy.

Questions that would be suitable for a SEA/SA sustainability assessment are set out in Appendix C.



## Monitoring

### ***Purpose of monitoring***

It is a requirement of the SEA Directive that monitoring measures are identified and implemented for the programme or plan in question and that the relevant authorities and the public are informed of the monitoring outcomes. The monitoring framework serves two purposes:

- 1) measures aspects of the identified baseline that are most likely to be negatively affected or where uncertainties exist; and
- 2) provides a general overview of progress that is being made against each of the SEA/SA objectives.

In the case of the OP there were many uncertainties in the assessment as a result of it being unknown at this point exactly what projects will be implemented. For this reason, the monitoring framework for the OP should be particularly applicable to monitoring general progress being made.

The main purpose of the monitoring is to answer the following questions:

- Were the SEA/SA predictions accurate?
- Is the OP contributing towards the achievement of desired environmental objectives?
- Are mitigation measures performing as expected?
- Have there been any adverse environmental/sustainability effects that were unforeseen?

The aim of the monitoring is therefore to identify any issues that are arising from the implementation of the OP as well as progress that is being made towards meeting the sustainability objectives. Where any issues do arise, actions need to be taken to mitigate them; the monitoring plan therefore needs to identify roles and responsibilities for taking action in these circumstances.

### ***SEA/SA monitoring plan***

The proposed monitoring plan set out in Appendix D identifies the monitoring requirements which are directly linked to SEA/SA objectives, sub-objectives and indicators. For a number of SEA/SA topics it was identified from the assessment that implementation of the OP would have a positive effect; these topics (investment and skills, enterprise and innovation, and safety and security) have therefore been left out of the monitoring plan as it is deemed unnecessary to monitor these elements. There are a total of 14 indicators and the plan is set out to show how these indicators align across several SEA/SA topics. YF, as the implementing agency will be responsible for monitoring.





Project monitoring involves two distinct elements:

- Firstly, projects are required to complete physical monitoring data (i.e. reporting against agreed targets and business plan achievements), the frequency of which is to be determined (this requirement should be set into project agreements); and
- Secondly, monitoring visits are undertaken by YF (and partners where applicable) to a representative selection of projects on the ground.

These SEA/SA monitoring requirements mirror those that will be necessary for the monitoring of the OP itself where monitoring requirements for each project are to be incorporated into the contractual agreement between the OP and the delivery body and which are to be a legal requirement, ensuring that each organisation provides evidence of what is being delivered. The difference between the two monitoring programmes is that the SEA/SA monitoring needs to be done across all OP activities (i.e. across all Priorities) whereas the monitoring for the OP itself is generally specific to each Priority. Where possible, it is likely that the SEA/SA monitoring will be aligned with monitoring that is being carried out for the SEA of the Regional Economic Strategy.

Monitoring reports relating to the SEA/SA are to be published periodically (either annually or biannually) by YF and will be part of the wider monitoring of the OP.

## – Consultation responses to scoping

**Table A.1: SEA/SA Scoping Report Consultation Comments and Responses**

Issue	Consultees	Consultee comment	Proposed Action/Response
<b>Review of relevant plans, policies and programmes</b>			
	RSBP	Table 3.1 - PPS11 (Regional spatial strategies) is missing from this list.	The RSS has been included in the review of plans, policies and programmes and so any pertinent objectives have been captured this way.
	English Heritage	Reference should be made to the following: <ul style="list-style-type: none"> <li>European Landscape Convention;</li> <li>UNESCO World Heritage Convention</li> </ul>	These have been added.
<b>Baseline</b>			
Biodiversity and landscape	Countryside Agency	The summary identifies the Nidderdale and Howardian Hills Areas of Outstanding Natural Beauty (AONB) but should also make specific reference to the Forest of Bowland and Lincolnshire Wolds AONBs.	The Forest of Bowland and Lincolnshire Wolds AONBs have been added.
General	Countryside Agency	In table 4.1 under 'Poor health' the Implications should recognise that the Competitiveness and Employment Programme (CEP) should aim to encourage the protection, provision and enhancement of open spaces as well as schemes that promote walking/cycling. The importance of open spaces is identified in Table 3.1 of the Scoping Study as a common environmental objective of PPPs and should therefore be recognised as an opportunity to address problems of poor health.	'Protection, provision and enhancement of open spaces' has been added to the 'implications' section of Table 4.1
<b>SEA Objectives, sub-objectives and indicators</b>			
Climate change	Countryside Agency	The Sub-objectives in Table 5.1 under 'Climate Change' should include both 'to improve and encourage energy efficiency' and 'to improve and encourage renewable energy resources' as set out in the supporting text under section 5.2. We support these more detailed Sub-objectives than those set out in Table 5.1 in order to meet the Study's own stated objective of offering greater specificity and to provide a clearer indication for the direction in which trends should move.	Noted
	Countryside Agency	The 'Indicators' do not refer to targets such as the regional contribution to national carbon dioxide emission reductions as set out in 'Climate Change: The UK Programme' and noted in Appendix A or the regional target set by Yorkshire Forward.	An attempt has been made to relate the indicators specifically to the RCE. By using Regional indicators the assessment is more likely to become detached from the programme that is actually being monitored.
	RSPB	Inclusion of sub-objectives to improve clarity is welcomed, in the case of	This is the same suggestion as from Countryside Agency

## Environmental Statement

Issue	Consultees	Consultee comment	Proposed Action/Response
		<p>climate change we suggest that the first sub-objective is split to reflect the need to encourage overall energy efficiency and increased production of low CO2 energy sources. The second objective 'Adapt to and manage climate change' should be amended and a new indicator included.</p> <p>Proposed modifications include:</p> <p><b>SEA objective:</b> Reduce greenhouse gas emissions</p> <p><b>SEA sub-objective:</b> Improve energy efficiency / increase the amount of energy sources from renewable sources</p> <p><b>SEA objective:</b> Adapt to and manage impact of climate change</p> <p><b>Additional indicator:</b> Number of CFMPs and flood risk management plans which include sustainable flood management options which provide wildlife habitat in addition to flood defence benefits.</p>	<p>The OP would not be funding programmes that would be needing to write flood risk management plans.</p>
Biodiversity and landscape	Countryside Agency	'Biodiversity, flora and fauna' should include a Sub-objective requiring the enhancement of biodiversity assets as well as the minimisation of development impact and avoidance of damage, to better reflect national policy. This is set out in Planning Policy Statement 9 'Biodiversity and Geological Conservation' and recognised in Appendix A of the study document, 'Relevant Environmental Plans, Policies and Programmes'.	Noted
	RSBP	<p>The Biodiversity, flora and fauna objective is inadequate in that it aspires only to avoid damage to the Regions biodiversity resource. This does not reflect the existing opportunities identified in table 4.1, nor the common environmental objectives identified in table 3.1. Both these sections refer to the need to enhance biodiversity in addition to protection. It is also at odds with most of the other objectives in the table, which aim for improvements or enhancements. We suggest the text is revised.</p> <p>Proposed modifications include:</p> <p><b>SEA objective:</b> maintain and enhance biodiversity</p> <p><b>SEA sub-objective:</b> Contribute to achievement of UK BAP targets</p> <p><b>Indicators:</b></p> <ul style="list-style-type: none"> <li>Projects undertaking greening work contributing to LBAPs;</li> <li>Area of wildlife habitats brought into management Greenspace contributing to biodiversity targets;</li> <li>Reported levels of damage to designated sites/species.</li> </ul>	Noted
Cultural	English Heritage	The SEA might examine whether or not the historic environment is	This will be determined during the assessment phase.

## Environmental Statement

Issue	Consultees	Consultee comment	Proposed Action/Response
heritage		<p>appropriately addressed within the emerging programme.</p> <p>In view of the advice in national policy guidance that regard should be had to the effect of proposals on the setting of historic assets, the Sub-Objective should be amended to read “..culturally important features and their settings”.</p> <p>You propose an indicator “Area of conservation sites in the Region”. Since the area covered by the historic assets is likely to be difficult to monitor with any accuracy (and is not currently monitored as part of Heritage Counts), it might be better, therefore, to use the “Number of each type of heritage asset in the region”. This information can be readily compiled from the annual state of the historic environment report.</p> <p>Given the extent of the area covered by the ERDF Programme, it might be simpler to use an Indicator along the lines “number of projects affecting the historic environment in a beneficial or adverse way” which would, at least, be able to show the impact which the Programme itself was having.</p>	<p>Suggestion taken on board</p> <p>Indicator changed to “number of projects affecting the historic environment in a beneficial or adverse way”</p>
<b>GENERAL COMMENTS RELATED TO REPORT</b>			
	Countryside Agency	<p>The Agency notes the approach taken in Table 3.2 to identifying common environmental objectives. However in relation to ‘Landscape’, the common objective should include reference to the enhancement of landscape and access resources as well as protection. The enhancement as well as protection of the landscape is a theme included in environmental plans, policies and programmes at all levels, in particular Planning Policy Statement 7: Sustainable Development in Rural Areas (2004).</p>	<p>Noted. An amendment has been made to reflect enhancement.</p>

RSPB	<p>We believe the scoping report should do more to stress the opportunities of environmental integration. The programme should build on the Government's commitment to environmental sustainability as a cross-cutting theme, ensuring horizontal and vertical environmental integration. All elements of programme design and project development should reflect minimum horizontal environmental standards and the need for dedicated <i>vertical</i> environmental spend. This is particularly relevant to the environmental and risk prevention topic/theme, which might include investment in green infrastructure e.g. recreating flood meadows to mitigate flood risk, which also benefits biodiversity.</p> <p>The second paragraph of this section states that 'sustainability requires there to be a balance of environmental, social and economic factors'. UK sustainability policy has now largely rejected the idea of 'balancing' these factors as long term environmental considerations invariably lose out in favour of short term economic and social gains. Sustainable development should in fact involve meeting all these objectives in an integrated way over time, and indeed this is reflected in the language used in most of the scoping report document. PPS 1 says, "the Government set out four aims for sustainable development in its 1999 strategy...these aims should be pursued in an integrated way".</p> <p>In light of this, it is suggested that the second paragraph section 3.3.12 should be reworded to refer to the need for integration rather than balance.</p>	<p>The opportunities for environmental integration will be addressed during the following stages of the SEA, i.e. developing alternatives (in which alternatives will be developed to reflect the need to integrate horizontal and vertical environmental themes), and during the assessment stage where further suggestions can be made for improving the programmes environmental performance.</p> <p>Noted. The sentence now reads, '<i>Sustainability requires the integration of environmental, social and economic factors</i>'.</p>
English Heritage	<p>In Table 3.2 a reference should be made to the enhancement of historic assets.</p> <p>In Paragraph 3.3.5 reference should be made to the two World Heritage Sites.</p>	<p>Noted. Enhancement of the historic environment has been added.</p> <p>Noted. Reference to the two World Heritage sites (Fountains Abbey and Saltire) has been included in this section.</p>

## ■ Consultation responses to Environmental Report

**Table B.1 Comments received from Yorkshire Forward and response given**

YF Comment on Environmental Report	Response
<p><u>3.2.2 Relevant Environmental, Economic and Social objectives</u></p> <p>This section should provide context on where the objectives derive from and how they relate to the programme itself. Whilst the environmental protection objectives set out here do address the topics required by the SEA Directive, those identified in other (and particularly regional) documents, and most importantly the RSDF, should also be taken into account. For example, the objectives on “water” should include the key regional issues of water resource availability and flood risk.</p> <p><u>Table 4.1 Economic, Social and Environmental Issues and Opportunities</u></p> <p>Climate change: implications should include the need for resource efficiency and sustainable consumption and production. Innovation in low carbon/environmental technologies should also be referenced here.</p> <p>Flood risk: encouraging activities only in areas that are outside of flood risk zones will considerably limit the geographical scope of the programme, for example ruling out key economic zones such as the Humber Estuary and significant tracts of South Yorkshire. This approach could also conflict with the aim of creating sustainable communities where areas in need of regeneration are at flood risk. In addition, development outside of the floodplain can lead to increased risk further downstream in certain circumstances. It would be more pragmatic to say that the programme should ensure flood risk issues are addressed within all its activities.</p> <p>Poor health: the programme should aim to address, where appropriate, links between environmental quality and economic/social deprivation, and promote the positive benefits that this can have in terms of creating sustainable communities</p>	<p>The purpose of this section is to summarise environmental objectives that are common to the reviewed international, national, regional and local plans and programmes. At this stage of the report the objectives were not intended to be specific to the OP, but rather simply to give a brief overview of the likely important issues that need to be incorporated into the objectives developed for the SEA. More information on the targets (objectives) that have been set for the region are identified within the baseline data and the summary tables (annexed) of the reviewed international, national, regional and local plans and programmes. These were used later in the report in the development of the SEA/SA objectives. However, it is noted that under ‘water’ (Table 3.2 of Environmental Report), more details on issues related to flood risk would have been beneficial.</p> <p>This has been covered later on in the Environmental Report – especially in the mitigation section (Section 8).</p> <p>This has been considered when developing the monitoring plan, i.e. monitoring will include identifying the number of projects incorporating flood risk measures.</p> <p>It is already established that there is a link between environmental quality and deprivation and therefore on this point the emphasis of the OP should be on regeneration within deprived areas, i.e. regeneration that improves environmental quality. This has already been included in Table 4.1 of the Environmental Report.</p>

## Environmental Statement

### Chapter 5 SEA Objectives and Indicators

This section should consider the use of ecological footprinting as an overall measure of progress towards sustainability, given the emphasis on footprinting within the programme itself. There should also be a commitment to use of the REEIO and REAP models to help understand the environmental implications of the programme and to develop delivery options that reduce environmental pressures.

### Table 5.1 SEA Objectives and Indicators

Climate change/energy use: include more detail on regional CO2 production figures, e.g. from those sources/sectors most relevant to the programme.

Climate change/flooding: the number of SUDS will tell us little about the vulnerability of programme activities to flooding. Instead, include figures on the number of properties at risk.

Natural resources/resource use: whilst businesses may introduce an environmental management scheme under the programme, unless this meets certain standards such as ISO 14001 it may well be meaningless. In addition, the presence of an EMS does not necessarily mean that environmental performance improves.

Remove the indicator on BREEAM standards – this is more relevant to the objective on climate change above.

Natural resources/waste generation: include business waste regeneration rates.

Air quality/pollution from transport: more specific indicators should be included, e.g. the number of Air Quality Management Areas.

Water/water consumption: include a measure of water supply/availability.

REAP and REEIO models are useful tools in certain cases; however it is not a requirement for the SEA process and to use them properly, integration with the steps of the SEA should have been made from the very start of the SEA process in order to ensure that all the necessary quantitative data was available to fit with the models. In terms of the OP the level of detail would also not be sufficient to run the models. It was very difficult even to get qualitative data for the SEA/SA so it would have been impossible to get quantitative data at this stage.

Should REEIO and REAP be used at a later stage for monitoring purposes, this would not be part of the SEA/SA but rather a decision to be made by the GO.

If these are available then they can be used as an indicator.

Agree that the number of SUDS can be removed as an indicator. The indicator could be changed to the number of properties at risk of flooding.

This could be the case although the emphasis here is placed on an 'active' environmental management plan, i.e. one that actually demonstrates improved environmental performance. Also the use of an EMS as an indicator will act as a catchall for several resource efficiency measures.

While it maybe relevant to climate change, BREEAM also covers sustainable use and management of resources and waste and is therefore very relevant under 'Natural resources'. It also provides a means of linking the indicators. It is already an indicator so it will be measured.

This could be difficult to measure specifically to the programme. Data for waste generation rates per sector would also include businesses not directly related to the OP.

The number of air quality management areas has been included as an indicator.

Water availability cannot be influenced by the OP. Water consumption of projects supported under the OP could be included although there would need to be a requirement that all projects install a water meter.



### 5.3 Testing Compatibility of SEA Objectives

This section should include a more detailed explanation of the compatibility matrix set out in Figure 5.1, providing more information on where uncertainties occur, and what the implications are for programme delivery. It is difficult to believe that the only incompatibilities relate to brownfield land redevelopment, biodiversity and historic buildings. For example, there is often debate over the need to regenerate brownfield land versus the aim of avoiding development in the floodplain.

### Chapter 6 Alternatives

It is difficult to understand how the alternatives were developed and tested. At present the chapter reads as if one scenario was continually refined, rather than considering how different options for delivering the programme were tested against the sustainability objectives – for example, a do nothing or business as usual approach vs a low carbon scenario. Further explanation of how the approach used complies with the requirements of the SEA Directive is needed.

### Table 6.1 Summary of Conflicts and Opportunities for Each OP Priority

Priorities 1,2: include increased waste generation as a potential conflict.

Priority 3: include exposure to flood risk as a potential conflict, and flood risk minimisation as an opportunity

### Chapter 7 Assessment of Effects

#### 7.4.1 Climate Change

This paragraph uses the term “carbon neutral”, however, we are yet to understand what this means in the context of the programme and whether it is in fact a feasible option for programme delivery. In addition, the likely increase in CO<sub>2</sub> will be the result of increased material resource use as well as emissions from energy and transport.

Regarding the final sentence, the programme will not be able to avoid the risk of flooding, rather, it may be able to minimise flood risk in certain circumstances, and help businesses adapt to the risk.

This compatibility matrix is only intended to give a brief analysis of where any conflicts may exist between the SEA/SA objectives. It is already recognised within the matrix that there is an uncertain relationship between the use of brownfield land and an explanation of this is provided in the text.

The operational programme does not have a spatial element and therefore it is extremely difficult to identify tangible alternatives at this stage. The standard approach that is often taken when preparing SEAs (e.g. business as usual vs low carbon approach) therefore becomes unsuitable as the OP does not specify enough detail to allow such an assessment to take place. This is why an approach was taken, based on the EU publication ‘Handbook on SEA for Cohesion policy, 2007 – 2013, which followed its recommend methodology for identifying alternatives, i.e. identifying means of ensuring that principles of sustainable development are integrated into all levels of the OP. This has been clearly explained in Chapter 6.

This has been noted; however making these changes to the Environmental Report at this stage would not affect the overall assessment.

Where the term carbon neutral is used, it is not in reference to the programme itself but rather to emphasise that all activity leads to an increase in CO<sub>2</sub> emissions.

It has been recognised that the OP can help businesses to adapt to the risk of flooding.

## Environmental Statement

### 7.4.2 Natural Resources

Although the programme will involve limited capital investment, encouraging business growth is central and could well lead to significant increases in resource use if not managed effectively. This issue parallels the potential impacts on air quality mentioned in section 7.4.3 and should be afforded the same degree of recognition.

### 7.4.5 Biodiversity, Flora and Fauna

Whilst specific effects are difficult to predict, the report should recommend that the programme makes a commitment to avoiding damage to nationally- or internationally-designated areas, and that mitigation measures are put in place wherever any damage does occur.

### 7.9 Summary of Effects

The sustainability ratings should be defined in more detail, with an explanation of what the ratings mean and the inherent uncertainties involved in making this assessment.

### Table 8.1 Mitigation and Enhancement Measures

Climate change: carbon offsetting should be seen as a last resort rather than a solution. The nature of mitigating for the potential increase in GHG emissions will be informed by the work currently being carried out by ARUP, however, if carbon offsets are included in the programme they should focus on increasing carbon literacy and committing to developing or contributing to regional offset programmes, thus maximising the benefits of offsetting within the programme area.

Reducing the need to travel should be extended to all activities involved in programme delivery, as well as mentoring and leadership programmes.

Other potential mitigation measures include promoting resource efficiency and sustainable procurement, for example by setting relevant standards for programme activity, and addressing the need to adapt to climate change impacts such as increased flood risk.

The predicted beneficial effects should meanwhile include a contribution to regional greenhouse gas emissions reduction targets.

Natural resources: an increase in the uptake of environmental management programmes does not necessarily translate into improved environmental performance. Standards or performance measures may need to be set.

The auditing of supplier environmental performance should meanwhile be linked to supplier support programmes in order to realise improvements and raise awareness of environmental good practice.

This is a valid point and while it was noted in the assessment tables it has been missed out of the summary text.

This was covered in the mitigation chapter (chapter 8)

More explanation is provided in Section 7.2.1 which sets out the sustainability thresholds that have been used. Uncertainties are discussed in Section 7.10.

It is recognised that carbon offsetting is seen as a last resort and other mitigation measures have been included which aim to actually change people's behaviour to lead to a low carbon economy. Contributing to regional offset programmes is already included within the mitigation.

Agreed. The mitigation measures included in Table 8.1 are applicable across all Priorities.

Resource use efficiency is better covered within Natural Resources so there is little point in repeating it in the climate change section. Addressing the need to adapt to climate change will be reflected in the monitoring plan.

This is a general regional target but not an objective of the OP. Although a contribution will be made towards reaching the regional reduction targets, in all likelihood overall emissions will still increase compared to no new activities taking place.

As mentioned above, the emphasis is on the uptake of 'active' environmental management plans which would therefore translate into improved environmental performance.

This would be very difficult to achieve through the programme itself (as it is an indirect effect) and would therefore be impractical to enforce. However, as identified it can be encouraged.

## Environmental Statement

<p>This section should also include mitigation through sustainable procurement initiatives.</p> <p>Biodiversity, flora and fauna: this section should note the need to avoid damage to designated habitats. It should also promote opportunities for environmentally-led regeneration, for example through the inclusion of green infrastructure within urban planning schemes.</p>	<p>This is noted and has been discussed during the later development of the OP.</p> <p>The avoidance of designated habitats is implicit in the mitigation suggested. It is recognised that regeneration projects have the potential for improving the environment, and this was included within the mitigation.</p>
<p>Soil: the statement that development should only take place on brownfield land is unrealistic. Benefits should include the remediation of contaminated/brownfield sites.</p> <p>Water: adverse effects should include the potential to impact on water resource availability.</p> <p><u>8.3 Sustainability Matrix</u></p> <p>Any sustainability appraisal matrix developed under the programme should include a greenhouse gas emissions assessment of the activity. If there is no provision to reduce CO2 emissions within the activity, the first step should be to consider opportunities to introduce appropriate measures rather than to offset the existing level of carbon emissions.</p> <p><u>Chapter 9 Monitoring</u></p> <p>9.2 Integration with Monitoring Arrangements for the OP</p> <p>Monitoring of the SEA indicators should be integrated as far as possible with existing regional monitoring programmes, such as that for the RES and Progress in the Region. This will reduce both effort and duplication.</p>	<p>The RSS requires that brownfield land is considered as a first priority and this is what is reflected in this statement.</p> <p>Already included.</p> <p>Changes will be made to reflect this approach.</p> <p>Monitoring as far as possible has been aligned with existing regional monitoring programmes and especially with the monitoring arrangements for the OP itself. Discussions have been held with the programme team in order to ensure that the two monitoring requirements are aligned as much as possible.</p>

## Sustainability Assessment

**Table C.1 Suggested Sustainability Matrix that could be used to assess the sustainability credentials of potential programmes and projects funded through the OP**

Category	Sustainability assessment	Yes	No	Comment
<b>Promoting Resource Efficiency:</b> SEA topics : climate change, natural resources and air quality				
Reduction in carbon emissions	Is the business/project intending to participate in programmes that will result in a reduction of your carbon emissions? Please specify.			
	Will renewable energy be used (generated or purchased)? If so how much and what form will this take? Will it be generated on site?			
Energy and resource efficiency	Will the business implement energy saving/efficiency practices? What will these be?			
	Will ICT technologies be utilised in order to minimise the need to travel, e.g. for training programmes, mentoring, meetings, etc.			
	Does the business implement any waste minimisation or recycling schemes? Will/are suppliers audited for resource use efficiency?			
	Has the business implemented or does it plan to implement an environmental management policy? If so, what does this include? Does environmental technology development that focuses on resource use efficiency feature in the project's activities? Please describe.			
Travel	Will the business implement a travel plan or promote a shift from private car use to more sustainable transport, e.g. public transport, cycling, walking.			

## Environmental Statement

Category	Sustainability assessment	Yes	No	Comment
	Is the business located on existing public transport routes? Will the business generate more traffic? If so, approximately how many new trips?			
Environmental performance of buildings	Will BREEAM standards (Excellent/very good) be met?			
<b>Natural and built environment:</b> SEA topics : landscape, soil, biodiversity, cultural heritage and water				
Brownfield Land	Where new build is planned, will it take place on brownfield land?			
Contribution to biodiversity targets, Greenspace	Does the project have potential to incorporate landscaping around the premises that will help to meet biodiversity targets set out in local and regional biodiversity action plans? If so, how?  Can the project promote or use the local environment (built or natural) as an asset to investment and economic growth? If so how?			
Built environment	If it is intended to build new facilities/premises, where will these be located and what is the reason for this choice of location?  Can the project contribute to the enhancement/preservation of historic/cultural assets? Please describe.  Is there potential to use existing structures on the site rather than build new ones?			
Water	Does the business implement water efficiency measures?  Does the business carry out any activities that could potential cause water pollution?			
<b>Economic contribution:</b> SEA topics : Investment & skills, Enterprise and innovation				
	Does the business have any strategies for extending economic benefits/investments into more economically			

## Environmental Statement

Category	Sustainability assessment	Yes	No	Comment
	deprived areas? If so, what are these?			
	What innovative activities does the business intend to foster?			
	Do any links exist/or will any links be established between research institutes (e.g. universities			
<b>The local community:</b> SEA topics: Safety and security, health				
Social enterprises	Does the project/business include social enterprise activities that engage the local communities (particularly in more socially excluded areas)?			
Security	Does/will the project/business include installation of security measures?			
Noise	Is the business activity classed as being noisy? What mitigation steps have been taken?			
Public open space	Does the project include an element for improving access to public open space where this is possible in the selected locations? Please describe.			

## SEA/SA Monitoring plan

Indicators		SEA topic monitored								Information source	When to take remedial action	Remedial action	
		Climate change	Natural resources	Air quality	Landscape	Biodiversity, flora & fauna	Soil	Water	Cultural heritage				Health
A	CO2 reductions per project type	●	●	●							Individual project reporting – Carbon footprint of projects	When targets set through carbon reduction programmes are not likely to be met.	Reconsideration activities, i.e. to managing carbon effectively
B	Energy produced from renewable sources as a proportion of regional energy consumption – Advancing Together Indicator	●	●	●							DTI/Regional Greenhouse Gas Modelling Work (RES EN9)	Where data indicates a lack of progress towards meeting national renewable targets.	Assess level of impact OP has made in energy technology identify if there are areas where funding can improve this.
C	% of premises achieving BREEAM (Excellent/very good) standards	●	●					●			Individual project reporting (OP monitoring for Priorities 1 & 2)	If BREEAM standards are not being achieved	Provide advice on BREEAM requirements
D	Number of businesses reducing energy consumption by more than 10%	●	●								Individual project reporting (OP monitoring for Priority 2)	Where targets are not being met.	Provide assistance actions which would be achieving target.
E	Number of businesses achieving independent environmental accreditation	●	●	●		●		●			Individual project reporting (OP core indicator)	When the target level of plans are not in evidence (target needs to be defined)	Work with businesses on environmental accreditation



Indicators		SEA topic monitored								Information source	When to take remedial action	Remedial action	
		Climate change	Natural resources	Air quality	Landscape	Biodiversity, flora & fauna	Soil	Water	Cultural heritage				Health
F	Number of businesses reducing waste production		●								Individual project reporting	When target level of waste reduction in businesses is not being achieved (target needs to be defined)	Work with businesses to develop and implement waste reduction schemes
G	Number of businesses encouraging use of ICT (and home working)	●		●							Individual project reporting	None	
H	Number of air quality management areas			●							DEFRA	Where there is a significant increase in AQMA (particularly in location of projects)	Provide publicity on AQMA, encourage use of low carbon fuels, maintaining and improving energy efficiency of businesses.
I	Changes in landscape quality within the region				●						Countryside quality counts indicators (RES EN3)	When some changes occur that are inconsistent with character (amber rating within QCC indicator)	
J	Projects undertaking greening work contributing to LBAPs				●	●					UK Biodiversity Partnership		
K	Number of developments on brownfield land				●		●		●		Individual project reporting	When greenfield sites are being used by OP projects.	Liaise with local authorities to promote use of Greenfield sites

Indicators		SEA topic monitored									Information source	When to take remedial action	Remedial action
		Climate change	Natural resources	Air quality	Landscape	Biodiversity, flora & fauna	Soil	Water	Cultural heritage	Health			
L	Businesses using water saving devices							●			Individual project reporting	When water saving devices are not being used.	Work with businesses to upgrade facilities for water savings
M	Number of projects affecting the historic environment in a beneficial way;								●		YF – this is a current gap in the monitoring framework of YF	When English Heritage reports damage to the local historic environment	Liaise with English Heritage for most appropriate action
N	Number of projects contributing to improving Greenspace areas									●	YF – this is a current gap in the monitoring framework of YF	If Greenspace areas become diminished as a result of project activities	Require projects to compensate for any damage to Greenspace areas caused directly to the project.



Ex-Ante  
Evaluators  
Report

Final Report

April 2007

## **1 Introduction**

This is the technical annex report of ex-ante evaluators for the Yorkshire and the Humber Regional Competitiveness and Employment Programme. The ex-ante evaluation commenced in the June of 2006 and has concluded with this report in the March 2007.

The technical annex sets out:

- The process for the ex-ante evaluation and the ways in which the ex-ante has been carried out;
- The critique of the socio-economic analysis and evidence base;
- The assessment of the strategy, priorities and areas of intervention;
- The review of financial allocations and quantification;
- The review of management and delivery arrangements;
- A summary of the Strategic Environmental Assessment process;
- A review of additional support made available through the ex-ante evaluators;
- Overall summary and conclusions.

The ex-ante evaluation has covered the whole of Programme's development. This report covers the substantive feedback given to the study team both in written form and through more than 10 face-to-face meetings.

## **2 An Iterative Process**

The role of the ex-ante evaluator has been as 'critical friend'. The ex-ante evaluation has involved a number of elements:

- An independent assessment of each stage of the programme document as it has been prepared;
- advice on the content and requirements for each of the component stages;
- the availability of a sounding board for ideas and propositions;
- a check on the appropriateness of the material produced; and
- advice on the appropriate responses to the consultation feedback.

The process has been an iterative one, with a two-way dialogue established between those developing the Programme and the ex-ante evaluation team. This has included regular meetings between the ex-ante evaluation team and the ex-ante evaluation Steering Group for the Operational Programme, with representatives from strategy, evaluation and research representatives from Government Office, Yorkshire Forward and the Environment Agency.

The process commenced with a foundation paper prepared by the ex-ante evaluators in July 2006. This set out the aims, objectives and scope of the ex-ante evaluation, setting out the key requirements for the Programme under: the respective blocks of economic analysis, policy review and alignment and lessons learned; strategy, priorities and areas of intervention; financial allocations and quantification; and management and delivery arrangements.

The role of the ex-ante evaluation in helping develop the Programme under each of these headings is addressed below.

### **3 The Socio-Economic Analysis**

#### **3.1 Introduction**

This section reviews the preparation of the socio-economic analysis. This section went through a number of iterations, and this has helped to clarify and strengthen the analysis.

#### **3.2 Overview**

The Y&H Operational Programme presents a sound evidence base. This socio-economic analysis is relevant to and underpins the Programme strategy. The analysis has since been refined and edited down significantly in line with the preference for this style of presentation in the Operational Programme. There have been a number of iterations of the socio-economic analysis.

#### **3.3 Initial Review by the Ex-Ante Evaluator**

The socio-economic analysis was initially an extensive analysis covering the full range of socio-economic issues. The principal issues raised by the ex-ante evaluators in the first stage review were:

- A development of the SWOT, including a greater focus on strengths including sector specialisms and on opportunities, in particular on areas where there are growth trends (e.g. digital industries, BAME entrepreneurship). The ex-ante evaluator also indicated that a more honest assessment of weaknesses and threats would also have helped the development of the strategy;
- A greater analysis of the key sectors and clusters. The initial comments from the ex-ante evaluator were:

*“...analysis of regional strengths, growth potential and geographical differences e.g. in AEM, healthcare technologies could be added. Support mechanisms for clusters in the region and links to levels of research capability should be highlighted”.*

- An enhanced analysis of innovation. The initial review indicated that this section could be improved significantly, including additional analysis related to European Innovation Scorecard (EIS) indicators, such as patents generated, proportion of employment in knowledge-intensive industries (including Science and Technology) and regional data such as business links to Universities and Industrial networks;
- A more developed analysis of skills and deprivation. The ex-ante evaluation identified the need for an analysis of adults with no formal qualifications (which remains a barrier to the competitiveness of the economy) and the need to *“make the links between the future*

*occupational forecasts and the need for greater numbers with NVQ Level 3 and 4".* In relation to deprivation, the ex-ante evaluation highlighted the absence of an analysis of this, despite the continuing issues arising from persistently high levels of deprivation in some communities.

The initial review of the socio-economic review ran to 8-10 pages, with considerable detail provided in the feedback. Additional points raised ranged from: the need for a more sophisticated analysis of enterprise, where the ex-ante evaluation suggested a move away from the analysis that more businesses alone would help the region to compete more effectively but rather that an increase in the number of high growth businesses may be more appropriate in the raising the competitiveness of the region; to a clearer analysis of the urban-rural dimensions, including the need for a definition of rural and how levels of rurality vary across the region.

In relation to style and presentation, the ex-ante evaluation highlighted the need for the Chapter to focus on a presentation of the analysis, rather than to stray into suggested policy interventions.

### **3.4 Subsequent Reviews**

Further iterations of the socio-economic review improved the work significantly and the majority of the ex-ante evaluators comments were addressed. During the development of the socio-economic analysis, the ex-ante evaluators highlighted the need for the lessons learned to be incorporated in to the Operational Programme. This has been a positive feature of Programme development. It has been important for the lessons learned to influence the development of the strategy – for example in relation to packaged interventions of business support – rather than for the lessons learned to be a desk-based review that sits outside the Programme development process. Lessons learned have been useful incorporated throughout the socio-economic analysis under principal headings such as enterprise.

### **3.5 Integration into the Operational Programme**

As stated, the socio-economic review benefited from a number of iterations which refined the analysis. Key issues raised by the ex-ante evaluation that have been addressed include:

- Greater overall programme level analysis – the initial analysis was very sub-regionally focused. Key programme-level messages are far more evident (e.g. such the need to significantly raise levels of innovation and R&D)
- A more developed Strengths, Weaknesses, Opportunities, Threats (SWOT) – the analysis has been developed to focus on those strengths and opportunities that are regionally significant. The SWOT is also usefully disaggregated by theme;
- An enhanced analysis of sectors and clusters, which has helped the prioritisation of the interventions;
- A greater focus on innovation more widely, and its role in achieving a more competitive economy;
- A clearer articulation of deprivation in the Programme area, to help inform where this remains a barrier to regional and sub-regional competitiveness.

Some of the comments addressed by the ex-ante evaluators have been improvements to drafting and to the depth of the analysis that would naturally have occurred as successive drafts have been prepared. In particular, early comments from the ex-ante evaluators for the language to remain objective and neutral have been taken into account.

The ex-ante evaluators have also helped to identify and clarify where the Programme is aligned to the Regional Economic Strategy and where the Operational Programme is itself significantly enhancing elements of the RES.

## **4 An Assessment of the Strategy, Priorities and Areas of Intervention**

### **4.1 Introduction**

The strategy has developed and been refined through a variety of key stages. Again, iterations of the Operational Programme have developed the strategic and foci of interventions significantly during the process.

### **4.2 Key Stages of Development**

There have been a number of key stages in developing the strategy and priorities. These were:

- Splitting the business support and innovation interventions in to two discrete priorities;
- The identification of a South Yorkshire-specific Priority; and
- Greater targeting under the Sustainable Communities Priority.

These major steps in moving towards a more focused strategy were taken in the October of 2006. The ex-ante evaluators had expressed some high level concerns that the overall strategy was too broad and that the two single priorities for the Programme (one relating to innovation and business, the other relating to sustainable communities) did not provide sufficient direction in order to target interventions.

These concerns were addressed and the subsequent version of the strategy and Priority Axes prepared made considerable strides in creating a Programme that allowed for a greater specification of the objectives and interventions under the areas of innovation and business support/enterprise, and which allowed a focus of interventions within the sustainable communities Priority Axis. Part of the purpose of the disaggregation of the Priority Axes into three (and four in South Yorkshire) was to ensure the strategy was focused on Lisbon-related activity and on the competitiveness of the region.

In addition, it was at this juncture that the evidence that had been assembled relating to the need for continued intervention in South Yorkshire to complete work commenced under the South Yorkshire Objective 1 Programme was translated in to a specific South Yorkshire-specific Priority.



## 4.2 Business Support and Innovation

The strategy has been refined during the Programme development process. In the earlier stages, there was a single Priority Axis covering all business competitiveness and innovation strategy and interventions. It was difficult at earlier stages to understand the strategic direction of the Programme, with the single Priority Axis covering all aspects of business and innovation support. Successive iterations of the Programme have helped to:

- Focus the innovation interventions under a single Priority Axis and to concentrate these on three principle areas:
  - early stage innovation and R&D focused around the promotion and stimulation of R&D;
  - the commercialisation and exploitation of innovation and R&D in businesses; and
  - building on the innovation capacity in the region, which allows for some capital investments in facilities.

Earlier drafts of the strategy did not clearly differentiate innovation support actions from more general business support and a number of sub-objectives appeared to duplicate one another. The ex-ante evaluator accepts that there is not always a simple and clear distinction between innovation and business support e.g. commercialising R&D in a new start business (which is Priority Axis 1) may in reality be quite similar to the support offered to a new and high growth business through its early stages (which may be Priority 2). However, splitting Priority 1 and 2 has nonetheless allowed for a much clearer articulation of where different interventions may be appropriate.

- Focus the business support under a single Priority Axis and to focus this support on a number of key areas. The ex-ante evaluators helped the OP to describe:
  - Integrated support for SMEs in growth and new sectors and clusters, which can take the form of a package of support – it was recommended that three of four very specific sub-objectives (e.g. international support) were combined under this objective, partly in response to lessons learned from the current programme where multi-strand, flexible packages of business support have proven to be more effective;
  - Promotion of an entrepreneurial culture and support to businesses at start up and early stage – it was recommended that a specific focus on this was retained;
  - Embedding investors in the regional economy – it was recommended that this was retained, with a sector/cluster focus – in party to enable greater supply chain development and account management.

The initial split of the single innovation and business Priority Axis allowed a focus of attention to be paid to each. In the case of Priority Axis 2 for ‘Supporting and Stimulating Successful Enterprise’, it was clear that there was a long list of objectives and associated indicative interventions, even when this had been separated out from Priority Axis 1 for Innovation.

The ex-ante evaluators provided further support to refine and rationalise the Priority Axis 1 and Priority Axis 2 objectives, to achieve greater focus still. The principal recommendations of the ex-ante evaluator were, for Priority 1:

Structure (as of Jan 2007)	Ex Ante Evaluator: Proposed Structure	Rationale
<b>Priority 1: Promoting Innovation and R&amp;D</b>		
1. To stimulate and facilitate innovation, sustainable business practices, increase investment in R&D and promote knowledge transfer in the region's businesses	Retain in current form	This appears to be primarily about the promotion and stimulation of increased innovation and R&D *(i.e. engendering a culture change, including participation in new collaborations). The terminology of the objective could usefully be simplified along these lines.
2. To build, and commercially exploit the research, technological development and innovation capacity of the Y&H region	Retain in current form	It is useful to retain this objective since this allows for the development of capital facilities
3. To increase the exploitation and commercialisation of technology in new product and process design and sustainable development in the region	Combine in to a single objective	Objectives 3 and 4 are similar in nature in that they both involve the use and exploitation of R&D by businesses, including new product and process design.
4. To support the exploitation of new technologies that underpin the future sustainability and growth of the existing business base and target clusters.		

And for Priority 2:

Structure (as of Jan 2007)	Ex Ante Evaluator: Proposed Structure	Rationale
<b>Priority 2: Supporting and Stimulating Successful Enterprise</b>		
1. To establish integrated business support for new and existing SMEs in new and high technology growth clusters and sectors which enable them to grow more quickly	Combine with Objectives 3 and 5	Objectives 1, 3 and 5 appear to relate to a package of business support interventions to support new growth and high technology clusters, including the development of new markets, products and processes
2. To promote a more entrepreneurial culture and support the growth of businesses at start up and early stage and those with growth potential	Retain in current form	Allows support for pre-start and very early stage/young companies
3. To increase the number of businesses in new growth and high technology clusters and sectors	Combine with objectives 1 and 5	Closely related to the aspiration of first Objective if related to existing businesses (or Objective 2 for early stage business).
4. To promote the development of new and high technology clusters and sectors through embedding investors in the regional economy	Retain in current form - <i>Could combine with Objective 6</i>	Allows work with supply chains and key account management of investors; however, number of large-scale investors not likely to be significant and consideration should be given to incorporating into first objective.
5. To support existing businesses to develop new markets, products and processes	Combine with Objective 3 and 5	Can be part of a package of business support interventions
6. To boost turnover by internationalizing the existing business base.	Retain in current form - <i>Could combine with Objective 4</i>	Can be closely related to supply chain development and could be incorporated into Objective 4
7. To increase the exploitation of e-business opportunities in support of the knowledge economy	Retain in current form	There is likely to be a specific need for this type of support
8. To ensure that business growth supported by the Programme has an environmentally beneficial impact	Retain in current form	A focus on environmental benefits from support should be retained as a specific focus.

A number of these recommendations have been taken into account in the Operational Programme. The OP has been refined to create the final OP structure of three objectives under Priority 1 and for four objectives under Priority 2.

Throughout, the comments from the ex-ante evaluators have been on focusing the strategy, in particular on the key areas that can add the greatest value and which have maximum impact. The ex-ante evaluators felt that it was necessary to develop an innovation-focused Priority in its own right given the long-term benefits for regional competitiveness that increased stimulation and take-up of innovation and R&D can bring. It has been important to prioritise (and de-prioritise) some interventions to create the required level of focus. The strong commitment to sectors/clusters in the Operational Programme has been welcomed.

### **4.3 A South Yorkshire-specific Priority**

The ex-ante evaluators also recommended the designation of a South Yorkshire specific Priority. There was recognition amongst partners that infrastructure-related activity needed to continue in to the Phasing-in SY Programme, and the articulation of a single priority appeared the most appropriate way of achieving this.

As the summary report in the main document indicates, South Yorkshire has held Objective 1 status from 2000-2006 and this has brought significant improvements to the economic performance of the sub-region. At the same time, a number of interventions have come into effect only in this last couple of years and, in a number of areas and under certain activities, the full benefits of the interventions have not been realised. Partly in recognition of this, especially in relation to the scale and phasing of works required to improve the competitiveness of the principal urban areas and the ongoing need to update the ICT infrastructure, the ex-ante evaluators recommended a South Yorkshire-specific Priority Axis. This has been adopted as part of the Programme strategy.

South Yorkshire is a Phasing-In region for the 2007-2013 Programme period. This presents a challenging financial allocation profile that reflects the status of the sub-region as an area in transition from the former Objective 1 status. The identification of a South Yorkshire-specific Priority should enable interventions to be focused on delivering this challenging financial plan.

### **4.4 Greater Targeting under Sustainable Communities**

The ex-ante evaluators had some concerns that there was a tendency to target 'communities of interest' under this Priority Axis, groups that would benefit significantly under the ESF Programme. By including these groups, it was felt that there would be insufficient targeting and focus given the relative limited funding available under this Priority. These concerns have been addressed, and the Priority is now a more tightly spatially targeted set of interventions principally related to enabling the economic inclusion of those living in the most deprived areas, for example in relation to identifying enterprise as an alternative route in to the labour market than traditional employment. This aligns well with some national policy interventions.

## **5 Financial Allocations and Quantification**

The ex-ante evaluators have provided support and help through the quantification of the Programme. This has involved an independent assessment and 'reality check' of unit costs and assumptions. The ex-ante evaluators were keen to see an early draft of Programme quantification, partly since the very process of quantification typically helps to further hone the strategy and interventions. This has been the case and the Programme has benefited from the development of core and region-specific indicators.

The ex-ante evaluators provided a critique of the financial allocations for both the OP including the South Yorkshire Phasing-in. This included an assessment of the allocation of resources between Priority Axis 1 and 2 in both South Yorkshire and the rest of the region components.

Considerations included the degree of absorption capacity in the South Yorkshire for Priority 1 and Priority 2, given the steep financial profile for the Programme in the early years, and the appropriateness of the financial allocations to Priority Axis 3 and Priority Axis 4 for South Yorkshire. The ex-ante evaluators reviewed the implications of these financial allocations in terms of annual funding available across the Axes and by objective. In earlier version of the OP, this reinforced the view that there were too many objectives with insufficient resources attached to each to achieve added value in the Programme.

The financial allocations across the Priorities appear reasonable. There has been widespread partner consultation on the allocations, and there has been a review of match-funding availability to further test the appropriateness of the allocations. Further, the detailed work on the quantification has supported the general suitability of the allocations across the Priority Axes, in terms of achieving outputs and results.

In terms of the quantification of the Programme, this has been developed through a bottom-up process (for outputs) based on unit costs and an indicative allocation of resource per type of intervention. For the results indicators, extensive use of the evidence from the 2000-2006 Programmes has been used, as well as evidence drawn from partners, and this has further improved the robustness of the quantification.

## **6 Management and Delivery Arrangements**

The ex-ante evaluators have been keen that there are early considerations relating to the management and delivery arrangements. This work has developed slowly, in part given the time taken to formally develop national level arrangements and the discussions around the management of the OP by the Regional Development Agencies. At this stage, the management and delivery arrangements are adequate for the purposes of the Operational Programme document. Further detailed considerations relating to management and delivery will be required over the coming months so that the Programme strategy can commence in a timely manner. The ex-ante evaluators have prepared a couple of advice notes setting out potential delivery options. Initial thoughts on governance arrangements have also been prepared.

## **7 Strategic Environmental Assessment**

Consultants SKM have led on the development of the Strategic Environmental Assessment (SEA). The process has involved a number of stages:

- An initial scoping report – this was to canvass views from all the major environmental agencies and stakeholders on their requirements of a Regional Competitiveness and Employment Programme;
- Two workshops to provide an environmental check on the draft strategy and proposed interventions – each intervention was assessed for its environmental effects (positive and negative);
- A draft SEA – which consulted upon alongside the consultation of the Operational Programme; and
- A final Strategic Environmental Assessment.

The SEA has been thoroughly prepared and widely consulted upon. This has led to a number of modifications to the Programme strategy and interventions, including an enhanced focus on resource efficiencies in existing businesses, not just in the new and emerging sectors. The ex-ante evaluators have assisted in identifying the elements of the OP that address the SEA and Sustainability Appraisal mitigation requirements. The mitigation responses to the SEA/SA have indicated that the OP has addressed the majority of concerns raised.

## **8 Technical Support**

The ex-ante evaluators have provided a range of additional technical support activity during the Programme development process. These have included:

- A note to accompany SEA consultation process in advance of the consultation phase;
- A one page paper on OP links with RES. This set out briefly how the OP is enhancing elements of the Regional Economic Strategy ;
- A two page note on added value of OP. Linked to the above, the ex-ante evaluators have helped articulate the ways the OP is adding value to existing strategies and programmes and the extent to which the OP is demonstrating high levels of additionality;
- A three page note on headline requirements for consultation phase;
- A Carbon neutral advice note;
- A further note on rationalising the objectives (P1 and P2); and
- Two management and delivery implications papers.

These have been provided either in response to concerns from those developing programme or arising from the views of ex-ante evaluators.

## **9 Summary**

As the summary in the body text indicates, the Programme has developed in a very inclusive, consultative and constructive way. The comments and views of the ex-ante evaluators have been taken seriously and been addressed in a timely manner. This has significantly enhanced the strategy. Continuing work around the detail of the management and delivery of the Programme is now required to build on the good work carried out to date.

The technical annex has sought to expand on the areas in which the ex-ante evaluators have sought to add clarity and direction to the development of OP. Significant credit should be given to the drafting team in the way they have kept a forward momentum through its development and the timely manner in which they have produced documentation for review by the ex-ante evaluators.

## ANNEX F EQUALITY IMPACT ASSESSMENT SCREENING REPORT

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European Regional Development Fund 2007-2013 Operational Programme for the Yorkshire & Humber Region

### Screening undertaken by

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### 1. Background

Assessing new policies for race equality and disability is currently a legal requirement, gender duties will be statutory from April 2007 respectively. It is considered good practice to assess not only new policies but also processes, programmes and services that are provided by public authorities, and to include age, sexual orientation and religion/belief. Equality duties require that public authorities:

- Eliminate Discrimination and Harassment
- Tackle disadvantage
- Promote equality of opportunity
- Promote good relations between different racial groups
- Promote positive attitudes towards disabled people
- Increase the participation of disabled people and other under-represented groups in civic and community life.

This equality impact assessment has been made against relevant and available chapters of the European Regional Development Fund (ERDF) 2007-2013 Operational Programme for the Yorkshire and Humber region, principally those chapters relating to the strategy of the Programme and cross cutting themes. The Operational Programme itself was developed as a result of clear leadership and strategic direction from Yorkshire and Humber Operational Programme Task and Finish Group (T&F Grp), along with a drafting team from the current South Yorkshire Objective 1 Programme, Government Office Yorkshire and Humber (GOYH) and aided by Yorkshire Forward, in conjunction with a wide consultation with regional partners and stakeholders. Membership of T&F Grp includes representatives from the Yorkshire and Humber Assembly, business sector, higher education, skills (LSC) sub-regional partnerships, rural interests, Local Authority representation, environmental, voluntary/community interest represented by the Regional Forum and Local Government Yorkshire & Humber.

To ensure maximum engagement from regional groups, organisations and stakeholders, initial regional & sub-regional consultation events on the proposed new Programme took place in Autumn 2006 (organised by the Regional Forum). Consultees included Race Equality Councils, Voluntary Groups and Charities, Council for Voluntary Services, Age Concern, Trades Union Congress, MENCAP and Community Centres throughout the Region. A final consultation event for the Operational Programme Yorkshire & Humber took place on January 24th 2007. Strategic objectives, Programme priorities and socio-economic analysis were published on the GOYH weblog. The results of stakeholder events and written submissions were used to take forward an early draft.

## **2. Purpose, aims and description of the ERDF Operational Programme**

One ERDF Operational Programme will operate across the whole region, within which there will be ring-fenced funding specifically for the former Objective 1 region of South Yorkshire, which is designated a 'phasing-in region' for the 2007-2013 period.

The ERDF Operational Programme has been developed to align fully with the Regional Economic Strategy (RES) which was developed through extensive consultation and endorsed by Yorkshire and Humber Regional Assembly before being submitted to Central Government for approval. The new ERDF Programme will also be compliant with current UK legislation and, in line with EC Community Strategic Guidelines, the National Strategic Reference Framework and at a regional level, the Advancing Together Framework. These strategies provide useful background context against which the draft priorities for the new Operational Programme can be considered.

From an equality perspective, the Operational Programme is mindful not only of the above strategies but also of the European Social Agenda 2005-2010 which was launched as an essential pillar of the Lisbon Growth and Jobs strategy. The Agenda has a key role in promoting the social dimension of economic growth and focuses, amongst other things, on poverty, discrimination, inequality, and fostering equal opportunities between men and women. It is also expected to build on the successful experiences of cross cutting themes in the 2000-2006 Programmes in the Yorkshire and Humber region.

The new Operational Programme also has similarities with the new national European Social Fund (ESF) which aims to contribute to sustainable economic growth and social inclusion by extending employment opportunities and by developing a skilled and adaptable workforce. Under ESF each region will develop its own Regional Skills Framework for addressing regional, sub regional and local needs. It is expected that there will be links between the ESF programme and the regional ERDF programme.

The Operational Programme's strategy addresses the key issues which Yorkshire and Humber have to address in order to secure the jobs and the growth challenge set by the Lisbon agenda of creating a dynamic and knowledge based economy capable of sustainable economic growth with more and better jobs and greater social cohesion. It elaborates the strategic actions and interventions that are needed for a knowledge-based economy, building on key strengths to deliver economic transformation with high quality sustainable growth that maximises long-term benefits for businesses, people and the environment for Yorkshire and Humber. It adds value to the Regional Economic



Strategy through specific interventions that promote innovation and competitiveness and help communities especially those at a disadvantage share in this success. .

The Programme vision is:

*“To capitalise on the region’s assets and secure a prosperous future for the region’s people and businesses within a sustainable knowledge economy”*

Key to capitalising on the regions’ assets is improving the links between knowledge and economic growth, raising the importance of innovation in businesses and ensuring sustainable communities are developed. In order to achieve this the priorities for action for Yorkshire and the Humber are:

- to create dynamism and entrepreneurship within enterprises
- to increase basic research and creativity in product development
- to drive more company innovation and embed technological advances into production processes
- to restructure the business base towards a more high value added economy
- and to ensure that disadvantaged communities are included in growth in the knowledge economy.

To ensure we achieve the above vision, the following key priorities are proposed:

- Priority 1: Promoting Innovation and Research & Development. The focus of Priority 1 is to support the enhancement of an innovation culture and environment to deliver a consistently higher rate of economic growth. These drivers capitalise on new assets, link existing assets together, such as research and innovation centres and build on emerging opportunities to improve the region’s competitiveness. Investment under Priority 1 will be focused on the highly competitive but collaborative cluster environments and significant growth sectors which operate on a cluster basis being established in key areas combining scientific excellence and innovative companies.

In South Yorkshire interventions will be focused on the Advanced Manufacturing & Materials cluster, focusing on maximising the potential of world class technology and leading-edge research and development, and supporting the Creative and Digital Industries cluster which has the ability to drive transformational and sustainable growth in the phasing-in area; and the Bioscience, Environmental and Energy Technologies and Business, Professional and Financial Services clusters and the Sports cluster by exploiting the excellence in sports science and engineering.

- Priority 2: Stimulating and Supporting Successful Enterprise. The focus of Priority 2 is to support the economic drivers with the potential to deliver a consistently higher rate of economic growth. Investment under Priority 2 will be primarily focussed on current and emerging knowledge intensive and high growth industries including the existing knowledge intensive regional clusters which offer the greatest potential for improving regional competitiveness. The existing knowledge intensive clusters need to be supported though a long term approach in order to maximise their impact and promote the development of a knowledge economy across Yorkshire and the Humber. Targeting will be

reviewed throughout the programme period in order to ensure that where opportunities arise the region is able to capitalise on them.

In South Yorkshire particular focus will be placed on the Advanced Manufacturing & Materials cluster, focusing on maximising the potential of world class technology and leading edge research and development, supporting the Creative and Digital Industries clusters which have the ability to drive transformational and sustainable growth in the phasing-in area; the Bioscience, Environmental and Energy Technologies clusters, Financial and Business Services and the Sports cluster.

- Priority 3: Sustainable Communities. The aim of this priority is to target resources at the most deprived communities within the region, where continued under performance is a threat to the regions economic growth. Its focus will be upon tackling social and economic exclusion, creating enterprise opportunities within disadvantaged neighbourhoods and extending the social economy.

In the South Yorkshire, there remains a complex picture of deprivation, with some areas and some groups of people experiencing disproportionate levels of unemployment, below average educational and skills attainment and poor health. This deprivation is not always clustered, but is spread across the whole of a Borough in many cases; which makes it difficult to use a straightforward “10% most deprived SOA” formula, for the former Objective 1 area, as this results in the exclusion of many of the people that are least able to benefit from economic growth. To be most effective, the interventions will need to be targeted at those people who are most in need. Therefore in South Yorkshire, rather than directly using the Index of Multiple Deprivation (IMD) to identify its targeted areas, the sub-region is taking on board previously negotiated and agreed areas that are part of existing community regeneration initiatives. These have been decided on the basis of previous deprivation indices and include the practical knowledge and experience of voluntary and community workers. Local partnerships have been involved and agreed where the help should be provided. The four districts in South Yorkshire have already developed a Neighbourhood Renewal Strategy, which provides a framework for investments in areas where there is most need, and where they can have the greatest impact. Each neighbourhood has also developed a Local Enterprise Growth Strategy that aims to reach those furthest away from setting up their own enterprises. These strategies will provide guidance on the types of investment and where they should be targeted, and in the process enable strategic alignment and consistency.

- Priority 4: Economic Infrastructure for a Competitive Economy (South Yorkshire only). The focus of this priority is to continue investing in South Yorkshire’s economic infrastructure to maximise the impact of structural fund investments in the sub region to date and the development of a knowledge economy. Securing private sector investment in some centres still requires public sector support and encouragement. In terms of developing a sustainable knowledge based economy, Priority 4 will facilitate the key centres in their role of acting as attractive locations for new and re-investment.

The Programme recognises that investments in human, social and environmental capital as well as technological innovation are the prerequisites for long-term competitiveness,

economic prosperity, social cohesion, quality employment and better environmental protection. The Programme will strive to utilise the talents of all members of its communities and improve outcomes and opportunities for socially excluded people. Equality of opportunity and diversity therefore feature as a cross cutting theme, the principal objective of which is:

**“To promote a democratic, socially inclusive, healthy, safe and just society with respect for cultural diversity that creates equal opportunities and combats discrimination in all forms.”**

This will be supported by a number of operational objectives/actions which will put equality into practice by helping those in disadvantaged communities access employment opportunities generated by the programme and by ensuring that all business support is inclusive and responsive to the needs of all communities (please refer to the recommendations).

The Lisbon Strategy concentrates on improving accessibility and adaptability of workers and enterprises and increasing investment in human capital and this Operational Programme seeks to deliver this by focussing on more and better jobs delivered in the context of greater social and economic inclusion. For example, Priority 2 (*Stimulating and Supporting Successful Enterprise*) includes targeting towards under represented groups – including BAME communities, women, people with disabilities, younger and older people and people from disadvantaged communities. Actions will be facilitated that ensure better connectivity between people, places and economic opportunities, making the link between strategies and economic growth.

All project and activities supported by the Programme will have to demonstrate that they have included specific actions in their projects which deliver on the Cross Cutting Themes either by taking action via the specific Priority interventions which champion equality and diversity or through supporting action which delivers on the equality and diversity objectives.

At the time of writing this report, specific numbers of outcomes and targets for the new Programme are subject to final negotiations with the European Commission and are included at the end of this report.

Equality and Diversity are key issues on today's business agenda. The equality and diversity objectives of the Operational Programme will provide communities and businesses with the opportunities to develop and embrace the culturally diverse population within the region. The opportunities are available to inspire Yorkshire and Humber companies to make a positive impact on society by creating an inclusive culture within their businesses that is demonstrated by the diversity of their workforce, markets, customers, products and services by encouraging them to recruit from under-represented communities.

### **3. Evidence base**

The evidence detailed below has been utilised to determine if the new Programme is relevant to the equality duties and whether it is likely to have any adverse, negative impacts or differential effects on different groups of people.

Evidence sources are derived from the following sources: Mid-term evaluation for both the South Yorkshire Objective 1 Programme (2000-2006); Objective 1 Programme - 2006 Annual Report of Core and Cross-Cutting Themes; <sup>58</sup>South Yorkshire Objective 1 Programme (2000-2006) Equalities Audit; (Yorkshire and Humber Objective 2 Programme (2000-2006); Report on Cross-Cutting Theme Workshops - May 2005; Objective 2 Programme Cross-Cutting Theme Survey 2006

### **Analysis of the Objective 1 and Objective 2 2000-2006 Programmes**

The equalities and diversity agenda has had a high profile in the current Objective 1 and Objective 2 Programmes however, there has not yet been a final evaluation of the effectiveness of the equal opportunities cross cutting themes. Nonetheless, emerging from the current programmes we have developed a good evidence base and some good practice aspects of the themes have come to light and these have been utilised as evidence for this equality impact assessment screening. This includes in particular for the Objective 1 2000-2006 Programme:

1. Bi-annual achievement reports of the equality and diversity targets. These reports highlighted where the Programme was falling behind and thus where further effort was required;
2. A gender profile in relation to the labour market in South Yorkshire was produced to provide a real baseline against which strategic action could be developed and impact could be measured (this was the first time such an analysis was completed in England);
3. Every project had to complete an equalities audit to indicate whether they had policies and the demographic of their workforce. This was used to inform the Equalities and Diversity Coordinator of the type of actions that the project may be 'encouraged' to adopt to improve this profile;
4. Guidance on how to write an equalities policy and one-to-one support sessions were available and pro-actively offered;
5. Finally every project was expected to have at least one action to deliver a positive impact on equalities/diversity (separate to the actions which delivered on the core targets of the Programme)

### **Objective 1 Programme (2000-2006) Social Inclusion & Diversity – Progress Towards Targets: at June 2006**

Output	Targets		Achieved	
	% or relevant beneficiaries	Number	% or relevant beneficiaries	Number
ESF beneficiaries resident in P4a areas	36	89,078	42.7	187,584
ESF/EAGGF beneficiaries from ethnic minorities	7	17,182	9.2	40,113
Number if economically inactive beneficiaries		21,700		33,180
Number of people with disabilities helped into labour market	13	8,761	13.1	24,372
Economically inactive		15,745		30,596

<sup>58</sup> Eligibility maps are included in Annex 1 of both the South Yorkshire Objective 1 Programme 2000-2006 and the Yorkshire & Humber Objective 2 Programme 200-2006.

participating in ESF training				
Women % of economically inactive helped	60	13,020	50.8	16,860
Number of capacity building projects		123		156

The above table shows the Objective 1 Programme (2000-2006) Programme Complement target for each of the social inclusion and diversity outputs, the number of outputs, targets to be achieved and the actual numbers achieved for each output up to end of June 2006. It should be noted that, although the Programme finished at the end of 2006, some further commitments will be made early in 2007, and collection of data is due to continue until the end of 2008.

For the Objective 2 Programme (2000-2006) specific best practice themes emerging thus far include the following:

1. Some of the projects are theme-focused and have been set up specifically to address existing issues and problems, e.g. assisting socially excluded groups lacking access to mainstream support services
2. Many projects reporting that although they do not have theme related outputs and results targets per se to achieve, they were able to demonstrate ways, in which they were working in a "cross-cutting" way.
3. Increased partnership working and an escalating trend towards developing social enterprises as a means of creating and maintaining sustainable enterprises.

## Objective 2 Programme (2000-2006) – Cross-cutting Theme Analysis 2005

Priority	Type	Definition	Delivered	No of Project Contributing
1	Output	Number of Companies Adopting Flexible Work Practices	150	29
1	Output	Number of Women Assisted to Start Up a New Business	290.50	29
1	Output	Numbers of Ethnic Minorities Assisted to Start Up a New Business	53	29
1	Output	Average Amount £'s Support Provided to Each Start-up Business / SME	6073.55	30
1	Output	Average Number of Days Support Provided to Each Start-up Business / SME	9.01	30
1	Result	Number of Gross Direct Jobs Taken by Women	559.75	29
1	Result	Assisted Start-ups Surviving Beyond 36 Months (Gross)	495	28
1	Result	Gross Number of Businesses Controlled / Run by Women	620.5	29
2	Output	Number of Companies Adopting Flexible Work Practices	87	22
2	Output	Average Amount £'s Support Provided to Each Start-up Business / SME	3092.88	22
2	Output	Average Number of Days Support Provided to Each Start-up Business / SME	6.18	22
2	Result	Number of Gross Direct Jobs Taken by Women	513	22
2	Result	Gross Number of Businesses Controlled / Run by Women	596	22
3	Result	Number of Gross Direct Jobs Taken by Women	258.58	56
3	Result	Number of Sustainable Community Enterprises Created	49	56
4	Output	Number of Companies Adopting Flexible Work Practices	19	22
4	Output	Average Amount £'s Support Provided to Each Start-up Business / SME	100.00	12
4	Output	Average Number of Days Support Provided to Each Start-up Business / SME	29.33	12
4	Result	Number of Gross Direct Jobs Taken by Women	46	21
4	Result	Gross Number of Businesses Controlled / Run by Women	27	11

Questionnaires were returned as 31 March 2006

The above table demonstrates outputs and results reported by projects in respect of specific Objective 2 (2000-2006) cross-cutting theme outputs and results reported by projects in respect of specific cross-cutting theme indicators.

### Mid-Term Evaluation (MTE)

A mid term evaluation of the Objective 1 and Objective 2 Programmes (2000-2006) was completed in 2003. The study amongst other items provided evidence of progress and awareness of equality/diversity issues. Furthermore a 'Regional Linkages Study' was undertaken in parallel with MTE, the objectives of this study covered the operation of the two Programmes together, how they fitted in with other interventions in the region and what was needed post 2006 when the current Programmes end. The work was undertaken by MTL consultants.

With specific regard to the equality/diversity agenda, the Mid-term Evaluation of the Objective 1 Programme revealed the following:

1. If cross cutting themes are to have a long lasting effect on the economic development of the South Yorkshire sub-region they should be fully mainstreamed in the main delivery organisations (i.e. organisations which are the sponsors of major projects, or act as intermediary bodies and are key partners in the programme);

2. To share good/best practice between partner organisations, i.e. through the continued publication of guidance and good practices guides, training and information for project applicants;
3. Gaps existed between the cross cutting themes of the Objective 1 Programme and the cross cutting themes of other organisations and strategies (e.g. the Regional Economic Strategy)
4. To ensure the sustainability of activities beyond the lifetime of the Programme, there is scope to increase alignment with the Local Strategic Partnership's inclusion activities;

The Mid-term Evaluation of the Objective 2 Programme revealed the following:

1. The need to develop a better region-wide approach;
2. Improve monitoring systems and data collection;
3. Improve best practice and provide technical support;
4. Develop simpler, clearer guidance on mainstreaming;
5. Rationale – programme is under resourced in this area. Management information and monitoring systems need further development

Recommendations for the Objective 1 Programme (2000-2006) from the MTE encompass the following responses:

- Development of a partnership approach through a cross-cutting theme task and finish group. Its role to identify best practice ways of mainstreaming cross-cutting themes. This approach helped raise the profile of cross-cutting themes and the emphasis on mainstreaming will promote sustainability beyond the life of the 2000-2006 Programmes.
- The CCT task group identified and targeted any gap areas of expertise and developed a rolling programme of best practice seminars for partners, intermediaries and project sponsors. In addition, specific project activity was asked to be commissioned to support the development of good practice across the CCT.
- The Cross-cutting Themes (CCT) were revised following Mid-term Evaluation to reflect the regional themes set out by Yorkshire Forward and to address any identified or implied shortfalls.
- A task group consisting of members from Local Strategic Partners (LSPs) were established to look at ways in which increased alignment to tackle disadvantaged groups could be achieved for inclusion activities

Recommendations for the Objective 2 Programme (2000-2006) from the MTE revealed the following:

- *The recommendations were all supported following the MTE, furthermore management information on cross-cutting themes was also strengthened through the Objective 2 Programme Cross Cutting Theme Survey (2006)*

*The Regional Linkages Study of Structural Fund Programmes in Yorkshire and the Humber indicated two opportunities for developing strategic linkages between the two current ERDF Programmes in the region:-*

- *to replicate good practice from one Programme to another and;*

- *where both the Objective 1 and Objective 2 Programmes can benefit from strengthened arrangements through resolving common difficulties in programme management and to exchange best practice through regular meetings, workshops and other resources.*

### **Yorkshire & Humber (2006) Diversity and Equality Evidence Base**

This statistical evidence base reflects the latest available official data from:

- Yorkshire and Humber Operational Programme 2007-2013 draft 5
- Progress in the Region Report 2006 produced by Yorkshire Futures the Regional Observatory;
- Data from the Yorkshire and Humber Regional Economic Strategy consultation 2006;
- Diversity and the Economy, by Tony Pilch, published by the Smith Institute and Yorkshire Forward and
- Cross-Cutting Themes reports from current Objective 1 and Objective 2 ERDF Programmes;
- Acxiom National Lifestyle Survey, January 2005

Data quoted within this report is taken from this evidence base unless otherwise stated.

### **Anecdotal evidence**

This includes the views of experienced members of the Equality Impact Assessment Group who are aware of equality related issues throughout the region and who work to address those issues.

## **4. Risks and Opportunities**

The key risks (adverse, negative or differential impacts) and opportunities (positive impacts and opportunities to promote equality) have been formulated after consideration of the available evidence, the strategy of the Operational Programme, and the requirements of the equality duties. It is worth repeating here the main equality objective of the Programme:

**‘To promote a democratic, socially inclusive, healthy, safe & just society with respect for cultural diversity that creates equal opportunities and combats discrimination in all its forms’**

Overall, the new Operational Programme has the opportunity to provide improved economic stability and business opportunities to the diverse communities and workforce within the Yorkshire and Humber region, which in turn should generate greater productivity, business benefits, cultural awareness and community cohesion. However, from an equality perspective the necessary processes should be in place to monitor improvements and gains for those groups who are currently considered to be at a disadvantage.

It would be reasonable to expect that if the 2000-2006 Programme had a positive impact in terms of equality, the 2007-2013 Programme will also have similar positive effects. Variations in performance between different groups are inevitable because of the different number, range and combination of disadvantages that people face, the scale of the Programme compared to the scale of the problems that disadvantaged groups face, and the socio-economic factors which affect different people in different ways.



The equality strands considered within this exercise are:

**Race (Black, Asian and other minority ethnic and/or cultural groups)**

**Disability**

**Gender**

**Age**

**Sexual Orientation**

**Religion/Belief**

**Communities**

This section also includes an overview of the **management and implementation** requirements of the Programme, based on best practice from the 2000-2006 Programme.

**Race (Black, Asian or other minority ethnic and/or cultural groups)**

Data from the Objective 1 (2000-2006) Programme shows that the output relating to the ESF/EAGGF beneficiaries from ethnic minorities is performing well and also within the Objective 2 (2000-2006) Programme.

The region performs lower than the national average with regard to ethnic or national background with only 6.5% BAME households and the region lies joint 3<sup>rd</sup> with East Midlands, behind London, and the West Midlands. This is because London has such a high proportion of BAME's it has a significant effect on the national average figures and actually Y&H has a relatively high proportion of BAME households to other regions outside the capital (Acxiom National Lifestyle Survey, January 2005).

A perceived risk for this group in the region are language proficiencies, particularly amongst those of Pakistani or Bangladeshi origin (Diversity and the Economy Y&H; Tony Pilch, The Smith Institute, funded by Yorkshire Forward). There may also be cultural needs and customs that may not be understood within communities or the workplace, and the employment of good practice within projects should help to eliminate misunderstanding.

Available regional data suggests that both the economic and employment activity for this group is lower than the rates for white people, although there are clear differences across different ethnic groups (Diversity and the Economy Y&H; Tony Pilch, The Smith Institute). However, nationally, minority ethnic groups are known to be more entrepreneurial than their white counterparts. (Global Entrepreneurship Monitor 2005). In Yorkshire and Humber a larger proportion of Black or Minority Ethnic households are self employed - 11.0% compared to 9.6% of white households, demonstrating a 'greater entrepreneurial spirit' compared to the rest of the region (Acxiom National Lifestyle Survey, January 2005).

There is no reason to suggest that the new Operational Programme equality and diversity objective will not offer opportunities to minority ethnic groups; indeed a Programme objective re: to commercially exploit the research, technological development and innovation capacity of the region (within Priority 1 – Promoting Innovation) is relevant to those minority ethnic groups who are active entrepreneurs and who may wish to take advantage of the opportunity to make improvements in their business activities.

Given the region's sizeable ethnic minority population the Programme will strive to encourage this entrepreneurial spirit with other communities. Through targeting delivery within Priority 2 (Supporting & Stimulating Successful Enterprise ) towards under represented groups – including Black and Ethnic Minority groups.

Again, there is no reason to suggest that the new Operational Programme equality objective will not offer opportunities to people within this group to engage them in economic and employment activity and tackle disadvantage; indeed two of the proposed equality outputs are to specifically assist those who may be disadvantaged, to access training and employment with particular emphasis in Priority 3.

The National Strategic Reference Framework advises that all Programmes should take account of the needs of ethnic minorities when determining priorities and in the development of individual projects. There may be a risk of people belonging to this group not being aware of opportunities available to them, and the Programme should ensure that robust consultation and marketing activities are targeted at this group. Compliance with Race Relations legislation should ensure that discrimination on the grounds of race, colour and ethnic background does not take place, and Race Equality Duties should ensure that good relations are promoted between different racial groups.

### **People with disabilities**

In Yorkshire and the Humber, 20% of people of working age described themselves as being disabled. the employment rate among long-term disabled in the region is considerably lower (47.7%) than among those who are not disabled 80.5%. In fact, the employment rate of people with disabilities is lower than that of any other disadvantaged groups, such as lone parents & ethnic minority groups (Equality Impact Assessment Data Booklet 2005-2006, this data helped inform the RES Review 2005 Equality Impact Assessment).

The Operational Programme will comply with the requirements of the Disability Discrimination Act (DDA) 1995 which gives people with disabilities important rights of access to services, including those who are blind, deaf or have learning disabilities, and the DDA 2005 which introduces the public sector disability duty (see Section 1).

There is anecdotal evidence from projects to suggest that people with disabilities do not always acknowledge their disabilities when completing monitoring forms, especially in relation to employment, and are sometimes reluctant to take up assistance to start up a new business as it may mean a reduction in state benefits. Projects that specifically targeted people with disabilities within their communities to discuss barriers to their inclusion, did register some success.

Data from the <sup>59</sup>Objective 1 2000-2006 Programme shows that the output relating to the number of people with disabilities helped into the labour market is performing very well, 24,372 have been helped into the labour market to date — nearly 15,000 more than the Programme target. This indicator does not include all people with disabilities helped by the Programme, but only those unemployed and economically inactive people directly assisted by training, ILM projects etc).

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<sup>59</sup> There are no disability indicators for the Objective 2 Programme (2000-2006)

The inclusivity agenda of the new Operational Programme should ensure that all opportunities will be equally available to this group. However, experience from the 2000-2006 Programme has shown that there are distinct barriers to be overcome to ensure that people with disabilities are not isolated from the opportunities on offer. The new Operational Programme has stated that it will 'celebrate the diversity of the region', this will be achieved by proactively supporting actions to ensure that the people and communities of the Region can benefit from economic growth. Moreover, the interventions within Priority 2 will target delivery towards under represented groups, including those with disabilities. Actions will ensure better connectivity between people, places and economic opportunities.

### **Gender (women, men and transgender people)**

Within Yorkshire and the Humber, women represent over 51.2% of the labour market, and account for the majority in part time jobs. The employment activity rate for females is lower both nationally and regionally than for males. However, the unemployment rate is lower for women 4.8% compared rate for men 5.4% (Equality Impact Assessment Data Booklet 2005-2006).

The 2006 report published by the Equal Opportunities Commission (EOC), *Sex & Power: Who Runs Britain?* Showed that despite the progress made in equalising opportunities between men and women since the Sex Discrimination Act was endorsed over 30 years ago, there still remains a gap in equal pay for women and in particular women accessing senior occupational positions.

The lack of women at the top is all the more striking given that girls now outperform boys at school, women account for nearly half the workforce, more women than men are entering higher education and high-flying professions like the law, and significant numbers of women are the ranks of middle management (a third of managers and senior officials are now women). Yet only a few have 'broken through the glass ceiling' (*Diversity & The Economy, The Smith Institute – Tony Pilch*).

The Objective 1 2000-2006 Programme has invested £15million in targeted projects within the Gender Mainstreaming Measure to action a more level playing field for men and women's parity.

Key outputs for the Objective 2 2000-2006 Programme includes specific outputs for women in relation to: the number of gross direct jobs taken by women; number of women assisted to start-up new businesses and the gross number of businesses controlled and, or run by women.

Recent figures from April 2006 reveal significant gender cross-cutting theme target increases across all priorities within the Objective 2 Programme. Increasing number of projects contributing demonstrates the requirements of Objective 2 funding are clearly making a difference in promoting diversity good practice.

The European Social Agenda is keen to foster equal opportunities between men and women. The Operational Programme is keen to ensure that opportunities are available to everyone and will help those who may be disadvantaged, and will ensure that business support is inclusive. This all implies that women will be actively targeted, and from April 2007 gender duties will be a legal requirement for public authorities. There is certainly no indication that there will be any risks for this particular group, although data

relating to business ownership will need to be thoroughly investigated as there is evidence to suggest that some female business owners may still traditionally indicate in monitoring forms that their business is owned by their male partner.

There are no national or regional data available for transgender people. However, it is considered that discrimination in the field of employment is probably the issue of greatest concern to trans(gender) people. (Employment Discrimination and transsexual people, Stephen Whittle, The School of Law, Manchester Metropolitan University).

Current legislation prohibits sex discrimination, and discrimination on the grounds of gender reassignment. The Gender Equality Duty comes into force in April 2007; this means that public bodies will have to take steps to proactively promote equality between men and women and take account of their different needs when providing services.

### **Age**

The working age employment rates in Yorkshire and the Humber in 2005 is 74.6%. This is a marginal increase from the previous year but continues a longer term trend of an increasing employment rate in the region. This is encouraging but the region is still behind the England average of 75.1% (Equality Impact Assessment Data Booklet 2005-2006).

The 35-49 age group has the highest employment rate, while the lowest employment rates are found among the 16- 19 age group (although this is largely thought to be a function of participation in education by those in this age band). (Equality Impact Assessment Data Booklet 2005-2006).

Nationally, 18-24 year olds are the most likely of any age group to be expecting to start a business within the next three years. They also, along with the 25-34 age group, have the second lowest fear of failure rate after the 55-64 age group. (Global Entrepreneurship Monitor 2005).

Regionally, most business owners are in the middle age brackets – Age 25-34, (34.5%) and Age 35-44 (27-29%) across both England and the region. However, most people that are considering starting a business are considerably younger - Age 25 - 34 and to a slightly lesser extent, 35 - 44.

Significant local differences are the high proportion of 25 - 34 year olds in Rotherham and Leeds that are considering starting their own business, the high number in Hambleton that are considering starting up between the ages of 35-44 (and to a slightly lesser extent in Ryedale and North Lincolnshire). Harrogate has a high proportion of people thinking of setting up that are 65+ (Acxiom National Lifestyle Survey, January 2005).

There is no real evidence from the 2000-2006 Programme relating to age as there was no requirement to collect age-related output data. From 01 October 2006 new laws have protected workers from discrimination, harassment and victimisation, although this will have limited relevance to the new Operational Programme. It is, therefore, difficult to assess what the risks and opportunities might be in relation to people of different age groups. However, the sensitive collection and continuous evaluation of data relating to the age of those benefiting from projects should be required to inform performance and progress, although evidence suggests that there may sometimes be a reluctance to give this information.

- **Ageing Population & the Regional Economy**

Demographics for the region continue to reflect an ageing population structure, with over 16% of the Yorkshire and Humber population now 65 and older, especially in rural areas. This trend looks certain to continue with over 34% of the population within the 30-54 age band and 25.1% of the population under 20, which means there are likely to be fewer economically active people in future years to support an increasingly older and retired population.

This represents a key 'demographic challenge' for both the local and regional economies. The new round of ERDF funds provide us with opportunities to add value within the 'silver economy', such opportunities for example, could take the form of 'inter-generational' and 'multi-generational initiatives.

**Sexual Orientation (lesbians, gay men, and/or bisexual people)**

There are no robust national or regional data on the number of lesbians, gay men and bisexuals as the national census has never asked people to define their sexual orientation. The UK Government estimates that 5-7% of the population are lesbians, gay men or bisexuals, and Stonewall, the national organisation that campaigns for legal equality and social justice for lesbians, gay men and bisexuals, agrees that this is a reasonable estimate. Current legislations bans direct and indirect discrimination, harassment and victimisation on the grounds of sexual orientation in employment and vocational training. As with the age equality strand, it is difficult to assess what the risks and opportunities might be for this group, and it is possibly more difficult to collect relevant data because of the sensitivities involved.

**Religion/Belief**

On 2 December 2003 the European Employment Equality (Religion and Belief) Regulations came into force. This means that it is unlawful to discriminate against workers because of their religion or belief. However, the Regulations do not extend to the provision of goods, facilities or services, education, housing or social advantages.

In the Yorkshire and Humber region 73% of the population say their religion is Christian with those stating their religion as Muslim accounting for the only other significant percentage of the population (Equality Impact Assessment Data Booklet 2005-2006).

There is no available regional data on economic or employment activity rates in relation to religion/belief and output data were not collected for this group in the 2000-2006 Programme. This is unlikely to change in the new Programme and, indeed, people may be sensitive in answering questions relating to religion and any collected statistics may not be reliable. With no evidence available it is difficult to assess whether the new Operational Programme will have a positive or negative impact on people based on their religion or belief, but current legislation and good practice should ensure that discrimination on these grounds does not take place.

**Communities**

The Index of Multiple Deprivation 2004 (IMD 2004) clearly shows that levels of deprivation in Yorkshire and the Humber are concentrated in the urban centres, the coalfields, some remote rural areas and parts of the east Yorkshire coast (Progress in the Region 2006: Yorkshire Futures, Regional Observatory for Yorkshire & the Humber).

In response to the above, the focus of Priority 3 – Sustainable Communities is to encourage entrepreneurship in the poorest neighbourhoods and in the most disadvantaged communities of interest, improving employability for those people furthest away from the labour market, particularly thematic groups, and enhancing the role of the social economy in sustainable community development.

The priority interventions will therefore be targeted to ensure maximum impact for the region. Targeting within Priority 3 (with the exception of the South Yorkshire ‘phasing-in’ region) will be based on Super Output Areas (SOAs) as these represent the poorest communities within the region based on deprivation indices. The Programme will target the most deprived 10% of SOAs and fund interventions for people who live in economically disadvantaged communities. Whilst the Programme will ideally focus on these SOAs, the targeting in Yorkshire and the Humber (excluding South Yorkshire) is not exclusive or rigid, we will not draw from maps but seek to encourage actions that benefit residents in these communities

It is estimated that more than 30 or so languages are spoken in the region, which can create barriers in relation to employment and opportunities. It is recognised that the remit of the new Operational Programme is not to directly provide solutions to this problem but there will be the chance to market opportunities to groups who do not speak English as their first language.

Under the new Operational Programme there will not be an imposed map defining eligible areas but Priority 3 will give an indication of target areas to help people in the most disadvantaged communities connect to employment and economic opportunities as discussed above and outlined in the table below.

Coverage at 10% of most deprived Super Output Areas in Region					
District	No of SOAs	Population Covered	% of District	Main impact	Other areas
Bradford	57	91,350	19.4	Across Bradford town	Keighley
Calderdale	9	12,790	6.6	Central Halifax	Mixenden
East Riding	3	4,530	1.4	Bridlington	Goole
Hull	53	78,230	32.2	Inner city	Outer estates
Kirklees	13	19,310	5.0	East Huddersfield	Dewsbury
Leeds	61	90,030	12.6	South and SE Leeds	Middleton, Beeston, Holbeck
NE Lincolnshire	11	15,990	10.1	Grimsby	East Grimsby, Nunsthorpe
N Lincolnshire	5	7,130	4.7	Scunthorpe town	Barrowcliff, Eastfield
Scarborough	5	7,300	6.9	North Scarborough town	
Wakefield	13	20,530	6.5	Wakefield town	Hemsworth, Castleford,

This targeting will allow areas of need, such as those detailed above, to receive funds to increase their economic potential and inclusivity and could have significant impacts on the communities involved. Evidence suggests that communities can be empowered through the provision of training, support and networking and by bringing opportunities

and investment into deprived neighbourhoods. Community activities can create cohesion by changing attitudes, giving people confidence to take charge of their future, forming alliances between different community groups and raising community issues like childcare and isolation.

## **Other Opportunities**

### **Regional Inclusion Framework (RIF)**

At the time of the drafting of the new Operational Programme, the RES set out the need for a Regional Inclusion Framework. The RES stipulates the Framework should;

- Take stock of regional inclusion issues;
- Develop a shared understanding of the inclusion agenda within the region that all partners can sign up to;
- Address issues of leadership, responsibility and resources;
- Coordinate and prioritise future action, sustain best practice and promote a strong and sustainable voluntary and community sector and;
- Make strong and effective links to other regional and local plans and strategies.

The framework will have a close link to delivery and is envisaged to make a tangible difference in local communities. Furthermore, there will be emphasis geographically (where are the poorest areas) and thematically (who are the poorest groups).

The starting point for the framework rests with an honest appraisal of how successful the region has been in the past working with excluded individuals and communities. This will lead to a short summary report on the key 'inclusion hotspots', which will then form the basis of consultation within the region. The consultation will ask, based on data how the region can identify key priorities:

- Geographical areas – where do our poorest communities live?;
- Particular groups and;
- Key actions (looking at what works and how this could be replicated).

The consultation will feed into the production and publication of the RIF, of which will set out the next tangible steps for actions to improve inclusion of disadvantaged groups in the economy.

To take advantage of the regional inclusion framework, it is envisaged the proposed 'Equalities Advisor' for the new Operational Programme will 'feed into' this process bringing to this arena equality and diversity issues relevant to the ERDF Operational Programme and examples of best practice.

### **European Year of Diversity 2007**

2007 has been designated the "European Year of Equal Opportunities for All".

The 2007 European Year of Equal Opportunities for All is an initiative leading the way to a bolder strategy seeking to give momentum to the fight against discrimination in the EU.



During the Year, all discrimination grounds have to be treated in a balanced way and the different ways in which women and men experience discrimination on the grounds of sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation have to be considered as well.

The Year aims to:

- make people more aware of their rights to enjoy equal treatment and a life free of discrimination – irrespective of sex, racial or ethnic origin, religion or belief, disability, age and sexual orientation
- promote equal opportunities for all
- launch a major debate on the benefits of diversity both for European societies and individuals

Activities during the Year will be organised around four key objectives: rights, representation, recognition and respect. Nationally, the Year will be launched in the region, in Leeds on 23<sup>rd</sup> February. For the UK, the emphasis on diversity will enable regions to review what work is being undertaken nationally and engage in stimulating interest for businesses in this sector.

An 'Investors in Diversity Standard' is also being launched alongside the European Year of Diversity. This standard in principle will be similar to the 'Investors in People standard' but applied to the diversity agenda.

To take advantage of this positive impact and opportunity to promote equality in the region, again, it is envisaged the proposed 'Equalities Advisor' for the new Operational Programme will 'feed into' this 'standard' bringing to this arena equality and diversity issues relevant to the ERDF Operational Programme and examples of best practice.

### **Other Barriers**

There are a range of other perceived barriers to participation and economic inclusion; these include access to and take up of employment and learning opportunities, access to childcare provision and access to services in the remote rural parts of the region, such as parts of North Yorkshire . These barriers may be similar for all parts of the region, whilst others may be more location specific. There are also other groups of people who may be described as disadvantaged, for example, the long term unemployed and ex-offenders. Whilst it may be unrealistic for the programme to target these, and any other disadvantaged groups individually, there may be scope for including them in activities aimed at disadvantaged groups in general.

Access to childcare has long been recognised as a significant barrier to work, particularly among women and lone parents. Universal childcare provision would impact on the gender wage gap concerned with the length and nature of employment and interruptions to the work career.

### **Management and Implementation**

The 2000-2006 Programme has demonstrated that robust management of the equalities cross-cutting theme is key to the successful implementation of the equalities agenda; without direct and dedicated management of the theme there are risks that the specific



equality objectives would not be achieved, and the opportunities available would not be maximised. Evidence has demonstrated that in order to reinforce the importance and requirements of the equality mainstreaming agenda, management and implementation procedures should include:

- An Equalities Advisor in place at the beginning of the programme.
- A comprehensive and robust data collection system.
- Specific equalities training for everyone involved with the management and implementation process, including partners and project appraisers.
- Robust and inclusive monitoring and evaluation systems.

These procedures are detailed within the Recommendations below (section 4).

It is recognised, however, that the precise arrangements for ensuring that the cross-cutting theme is appropriately managed will be subject to discussions on the new implementation arrangements. It is proposed, therefore, that further details will be available on the weblog/Government Office (Y&H) website when more information on the implementation aspects of the new Programme are agreed.

## **5. Proportionality – the scale and likelihood of the risks and Opportunities**

The Operational Programme has an opportunity to create lasting positive social and economic change by challenging disadvantage and discrimination, but the scale and relevance of the risks and opportunities will vary for different localities, and solutions will need to be location specific. Some areas, for example North East Lincolnshire have high employment rates where the BAME community are particularly successful, (Equality Impact Assessment Data Booklet 2005-2006) however, whilst it may be easy to recognise which areas and communities face economic and social success or challenges, the limited nature of regional evidence available fails to determine the scale and likelihood of any risks or opportunities for any specific equality group.

All groups and communities will have the same access to the opportunities offered by the new Operational Programme, but this in itself will not reduce the risk of disadvantaged groups not making the most of the opportunities on offer. In order to minimise any risks and maximise opportunities therefore, it is crucial for the Operational Programme to be implemented in a way that ensures not only equal access for all, but that positive action is directed at disadvantaged groups (see Recommendations below).

## **6. Conclusions**

This draft Equality Impact Assessment Screening Report has been undertaken to assess the potential or likely impact of the new (2007-2013) ERDF Operational Programme on different groups of people within the Yorkshire & Humber Region and to make recommendations on how to maximise the opportunities available for those groups. The Programme is a high level funding programme with a remit to include disadvantaged groups and enable under-performing communities to realise their economic potential. The available evidence certainly indicates that it should not have a negative impact on any of the equality groups included in this report and the intention is to have as positive an impact as possible. There is no reason to suggest that the equality objective within the Operational Programme will not offer opportunities to people of all groups to increase their economic and employment activity, and it is reasonable to assume that the new

Operational Programme will not have any less effective and valuable approach to equality than the 2000-2006 programme. One of the new Operational Programme strategic aims is to champion actions that ensure that the people and communities of the Region can benefit from the economic growth. For these reasons it is considered that carrying out a full Equality Assessment of the Operational Programme will not yield any further insights into any risks, opportunities or impacts for disadvantaged groups in the Yorkshire and Humber region.

It is accepted that, for some groups, there was scant 'real' evidence available for consideration within this assessment, but it is also believed that because of the sensitivities related to the collection of some data it is not likely that any meaningful further evidence for these groups (for example data relating to sexual orientation) will be collected in the future. All activities funded through the Operational Programme will, of course, need to comply with relevant legislation to avoid discrimination and positively promote equality of opportunity, and will need to ensure that all groups have equal access to the opportunities on offer.

At the time of writing this assessment the new Operational Programme is subject to consultation with national Government (DCLG) and the European Commission and thus is not definitive. Details relating to the management and implementation of the Programme, and a complete list of expected outcomes are not available.

To take account of this, there are recommendations listed below which should ensure that the impacts from the new Operational Programme are positive, and that the good practices forthcoming from the Objective 1 and Objective 2 2000-2006 Programmes continue to develop and influence the performance and processes of the new Programme.

## **7. Recommendations**

In terms of the performance of the equality agenda, the new Operational Programme should be looking to achieve inclusivity, no discrimination, and positive action for disadvantaged groups in all its activities. To ensure that the intentions of the programme and its objectives are fulfilled, and that the required performance is achieved, the following actions are recommended:

1. The presence of cross-cutting themes has in itself encouraged a mainstreaming approach to equality and diversity and has been recognised as being effective and should be continued. This involves putting equal opportunities into every aspect of project applications including its delivery, how it is monitored and evaluated and the longer-term impacts on the local or wider communities.
2. All project applications will be expected to carry out an equalities audit/appraisal. This will be used for monitoring purposes and also for providing support to businesses in terms of equality practices and producing appropriate policies. Project based support will be available from the Programme to facilitate this. Businesses will be encouraged to develop an equalities and diversity policy.

**Projects will need to achieve minimum gateway criteria. These minimum standards will include providing evidence of the existence of an equal opportunities policy**

3. Specific provision should be in place to manage the equality and diversity cross cutting theme. This could take the form of a Programme-specific 'Equalities Advisor'. Ideally, the proposed Equalities Advisor should report progress on the equality and diversity cross cutting theme to the RDA, as the 'Intermediate Body' , as well as reporting to the Programme Monitoring Committee on a regular basis. The Equalities advisor will also feed into the Regional Inclusion Framework and provide the European link to the new Investors in Diversity Standard.

4. There should be a robust monitoring system in place from the outset to record relevant equality outputs. Included at the end of this document are the proposed equality outputs for Priorities 1-4 of the Operational Programme 2007-2013, these are naturally subject to negotiations with the European Commission. It could prove useful to include additional outputs specific to individual projects which will have a relevance to the project itself, and specific to individual equality strands which will measure the effectiveness of projects in relation to inclusivity. For example, it might be relevant for some projects to collect data on pay levels to illustrate any differences between men and women. Issues regarding availability of suitable, official data sources will need to be considered.

5. There should be a process of continuous evaluation of the groups who take up opportunities offered by the new Operational Programme and a programme of action designed to assist project managers increase take-up by people from disadvantaged groups when necessary. This work will be undertaken by the proposed new post of 'Equalities Advisor'.

6. In line with the National Strategic Reference Framework (NSRF), the Operational Programme should take account of the needs of ethnic minorities when determining priorities and in the development of individual projects. In particular, they should take account of the difficulties that certain ethnic minorities face in accessing the labour market and the low levels of employment, skills and entrepreneurship suffered by ethnic minority groups.

7. The NSRF also states that programmes will provide projects with advice on how to address equal opportunities issues, including those relating to gender, ethnicity, disability and age through guidance documents, events and web communications.

## Annexe G: Indicators and Quantifications

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### *The Indicator Framework*

Indicators for monitoring and evaluating the 2007-13 programmes have been selected using the following guidance:

1. The logic chain and principles set out in the Commission's Indicative Guidelines on Evaluation Methods: Monitoring and Evaluation Indicators – Working Document No 2 issued in August 2006.
2. The national menu of indicators produced by the Department for Communities and Local Government produced in April 2007.
3. Consultation with representatives of key partners involved in the Yorkshire & the Humber Operational Programme Task Group.
4. Experience of staff working on the existing 2000-2006 Objective 1 and 2 Programmes in South Yorkshire and Yorkshire & the Humber.

### *Core and Regional Indicators*

The 'core' indicators included in the Priority and Programme tables in the Operational Programme Document have been selected from the menu of national indicators produced by Communities and Local Government. Where relevant, these include monitoring for the Equalities and Diversity Cross-cutting Theme (e.g. jobs created by gender and ethnicity).

Work is well advanced on a larger set of 'regional' indicators reflecting the more detailed activities, e.g. R&D, exports etc. These will be contained in additional guidance documentation for Yorkshire Forward staff and project sponsors to set individual project targets and monitor performance. They will provide both quantitative and more qualitative data on key areas of the Programme, such as innovation.

### *Constructing the Indicators*

For both the 'core' and 'regional' indicators, the following methodology has been used:

1. since there are no Measures in the new Programme, the Objectives set out in Chapter 4 of the Operational Programme have been used as the basic building blocks
2. these Objectives have been further sub-divided into activities, e.g. support for new businesses, construction/refurbishment of incubator workspace
3. appropriate indicators have been assigned to these activities, e.g. no of businesses created, sq m of floorspace constructed/refurbished.

### *Quantifying the Programme*

In order to quantify Priority and Programme targets, the financial allocations at Priority level have had to be sub-divided on the same basis, i.e. by Objective and then by Priority. These allocations have been agreed by the Task Group. It should be noted that there are variations in the allocations within Priority 3 between the Convergence and Competitive Programmes, which is reflected in the balance between targets.

Outputs and results coming from these financial inputs have then been quantified using the following:

1. analysis of unit costs and the relationship between outputs and results achieved in the current Objective 1 and 2 Programmes

2. consultations with relevant officers both within these Programmes and in partner organisations
3. 'reality checks' of outputs and results against contextual data, i.e. number of patents currently registered per annum, no of businesses in target clusters, % of BAME employees in the workforce etc.

This work is still in progress for the 'regional' indicators.

Impact targets for net jobs and Gross Value Added have been calculated using the Regional Econometrics Model (REM) developed by Experian Business Strategies for Yorkshire Forward. This Model was used to requantify the impacts of the existing Objective 1 Programme for South Yorkshire at Mid-Term and is being used to evaluate the impact of both the existing Objective 1 and 2 2000-2006 Programmes. Assumptions have been made about the mix of sectors based on targeting of the Yorkshire Forward clusters/sectors.

### ***Cross-cutting Themes***

The main Equalities and Diversity targets for jobs, access to employment etc are contained in the OPD tables. There is only one 'core' environmental indicator in Priority 2. However, the 'regional' indicators will contain further targets relating to greenhouse gas emissions, buildings and the development of the environmental industries.

## **ANNEX H MAJOR PROJECT NOTIFICATION**

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### **DIGITAL REGION: South Yorkshire's High Capability Digital Communications Infrastructure**

#### **Background**

Telecommunications infrastructure today is as vital to economic growth as transportation systems were in the past. Evidence from the UK government, the EU and OECD has demonstrated that 'Information Society' applications are one of the foremost generators of economic growth and that regions that have invested in next generation communications infrastructure have gained strategic advantage.

#### **Aims and Objectives**

Digital Region's aim is to develop a world class communications network infrastructure that will transform the economic prosperity and social development of South Yorkshire. Its primary objective is to leverage private and public sector investment in a high speed public sector broadband infrastructure to transform the economy; making it a better place to live and work. A range of services, delivered over next generation broadband will be provided, focussed on the public sector, small and medium enterprises and residential customers. To achieve this, the initiative will:

- Stimulate economic growth and inward investment through the availability of high speed, next generation broadband services to business and residential users;
- Create an infrastructure that allows the public sector to utilise a network that will provide more efficient and effective corporate services;
- Provide a communications network that can be used by the commercial and public sectors to deliver more advanced services to both citizens and business

#### **Project Description and Operation**

There are a number of key elements from procurement and delivery of a next generation broadband infrastructure to managing the network infrastructure thereafter and marketing the services to the Service provider community. The Digital Region initiative will restrict its activities to the creation of a wholesale backhaul, access and server/storage infrastructure. Recent State Aid adjudications have ruled in favour of the creation of wholesale networks (i.e. infrastructure that is available on equal terms to all) by the public sector. At an operational level Digital Region will be delivered and managed by a Special Purpose Vehicle (SPV) – a publicly owned limited liability company. It is intended that the SPV will be an Accountable Body for the receipt and administration of public funds. The SPV will have a critical role in the marketing of Digital Region, primarily to public sector users and, with the business partner, to Internet, applications and entertainment service providers.

As an entity owned by the public sector stakeholders, the offer that the SPV will take to public sector customers will be relatively wide. At a minimum it will be high-speed, secure and resilient connectivity *on a single network* between public sector sites and/or the public network/Internet. However, a range of other services will also be offered. These may include data storage, disaster recovery, Voice over Internet Protocol (VOIP), conferencing (voice and high definition video) and much more. The SPV will act as a service provider for the public sector, but only for digital connectivity. It will not compete with Applications Service Providers seeking to offer other public sector services.

The offer that the SPV will take to the private sector market will be restricted to wholesale access, backhaul and interconnection with the Internet or public sector networks. The channel will be direct to Internet, application, entertainment or communications service providers to market to private customers within the network coverage area.

The access delivery bandwidth will be in the order of 50 Mb/s downstream and 20Mb/s upstream with a low contention ratio (i.e. the bandwidth will not be excessively shared in the backhaul network). This is essential for residential entertainment applications such as Video on Demand and interactive gaming. The ubiquitous high –speed and low-cost network will facilitate the development and delivery of more advanced services to citizens and businesses. It will facilitate flexible and home-based working and assist meeting the needs of the socially excluded.

The benefits arising from this investment are :

- Regional Economic Transformation
  - Innovation and enterprise
  - Strategic Developments
    - Digital Entertainment services
    - New Digital services
    - Flexible Working
    - Telecare
    - Virtual and Flexible Learning
    - Security, Identity and Authentication
    - Demonstrators
- South Yorkshire Public Sector improvements
- Greater Social and Economic Inclusion
- Better Environment and Quality of Life

Total project costs are likely to be in the region of £100m.

## Annex I Process for developing priority prospectus

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### *Develop Priority Prospectus*

Yorkshire Forward EU staff collate proposed actions from existing strategies, Yorkshire Forward H o S, Sub-Regional partnerships and other key regional agencies (e.g. Environment agency, Natural England). The existing strategies within Yorkshire Forward have been developed in conjunction with partners and have been widely consulted on.

YF EU staff draft priority prospectus

PMB Standing technical committees input to priority prospectus – this aims to ensure the proposed actions will achieve the maximum strategic impact within the region.

Circulated for consultation to appropriate partners/ forums, YF Board. This circulation will be informed by the consultation on the full OP.

YF EU staff refine the priority prospectus based on feedback from partner consultation.

PMB Standing technical committees ratify refined priority prospectus – there maybe a re-iterative process between 1.5 & 1.6

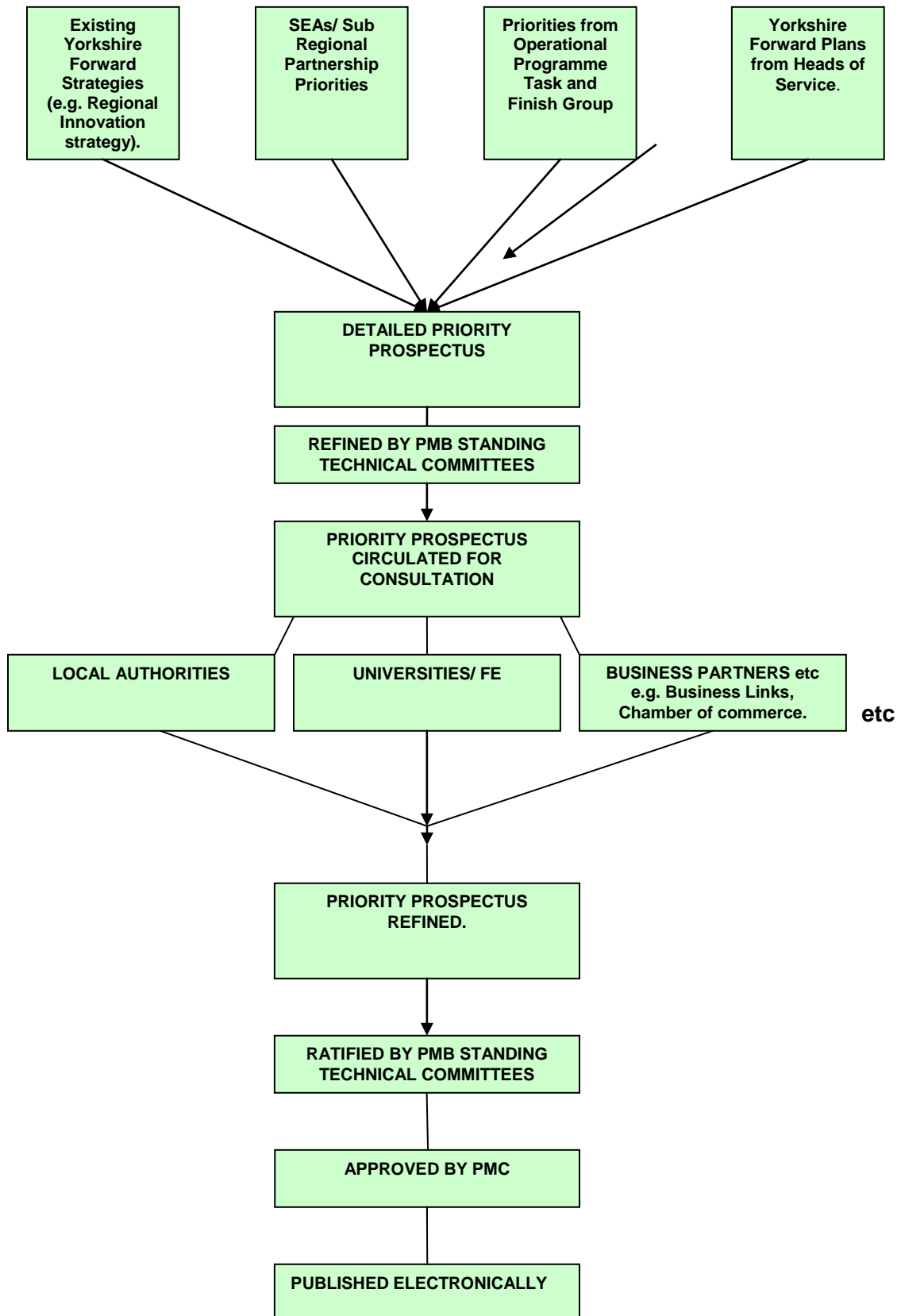
The PMC in the role of the monitoring body of the Operational Programme will give final approval of priority prospectus; thereby ensuring the wider regional interests are respected and Yorkshire Forward do not exercise unreasonable control on the ERDF funds.

Electronic Publishing of priority prospectus.

[See FLOWCHART OF DEVELOPMENT OF PRIORITY PROSPECTUSES](#)



## FLOWCHART OF DEVELOPMENT OF PRIORITY PROSPECTUSES



## Project Initiation

Available electronically

Submitted to YF priority development team.

Checked against ERDF priority prospectus/ eligibility regs (technical gateway criteria; cross cutting themes criteria etc) by YF Priority team.

Match funding sources identified

If passes through gateway then referred to Geographic Strategic Priorities by Geographic Strategic partnership team

Decision within timescale- recommend for development/ reject with feedback.

Expression of interests submitted by external applicants (i.e. not YF project manager) assigned EU Project Support Officer.

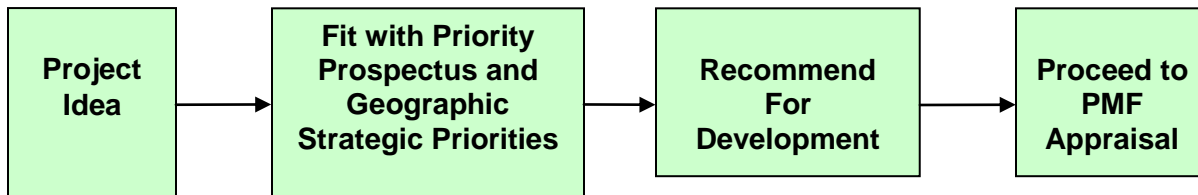
Expression of interests submitted by YF Project manager notified to PMC for possible referral to DCLG

All submissions recommended for development – published electronically and partners invited to express interest in project

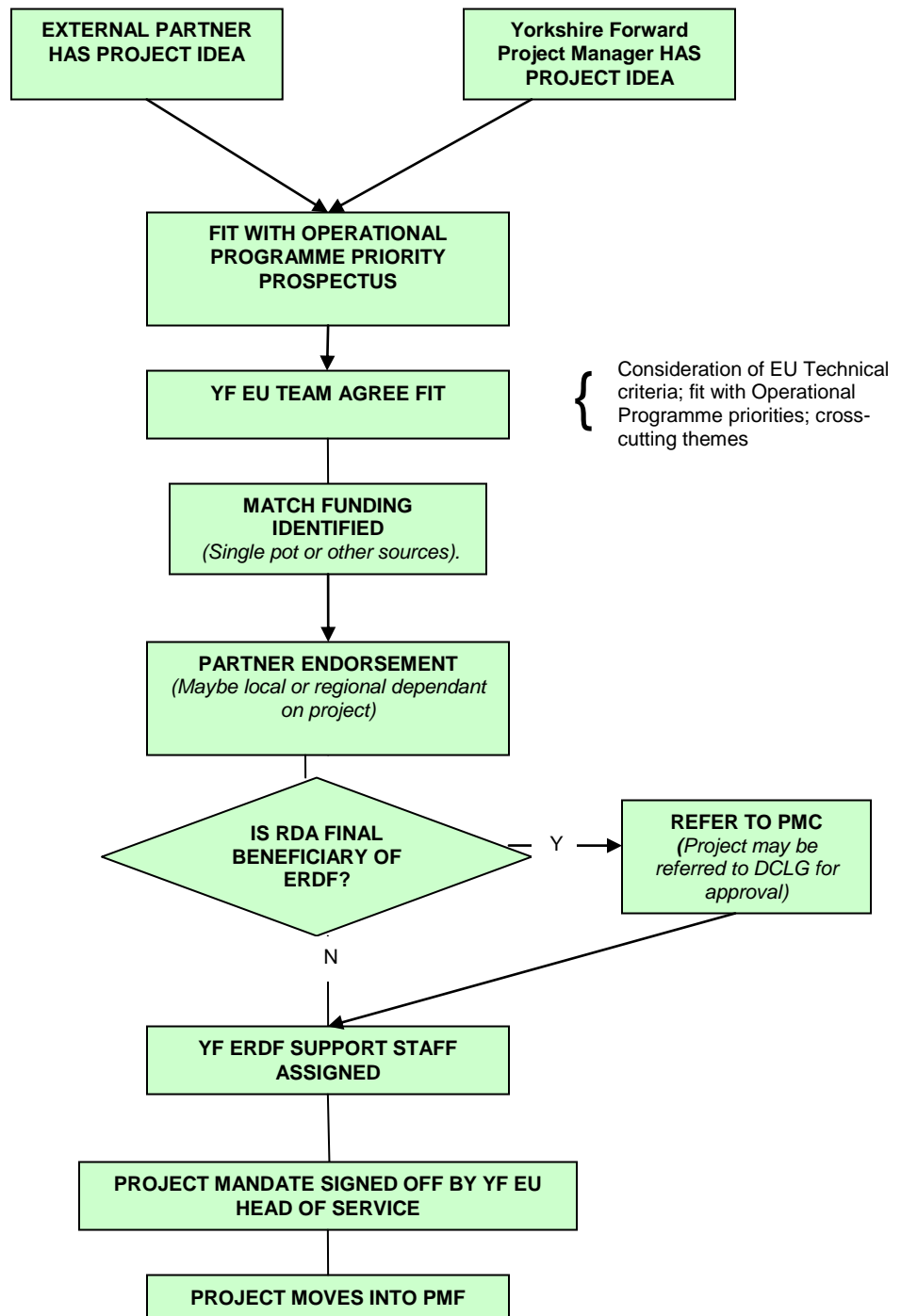
## PMF

Start PMF Process

### OUTLINE FLOWCHART FOR PROJECT INITIATION



# FLOWCHART OF ERDF PROJECT INITIATION PROCESS



## Summary of project involvement

	PMC	PMB	PMB Standing Technical committees	External partners	YF EU development staff	External Project Sponsor	YF Project Staff	YF Appraisal Team	YF Monitoring Team
Process for developing priority prospectus	Approve				Draft ideas				
Priority prospectus development	Approve		Input ideas and ratify final version	Input ideas Provide feedback on draft	Collate ideas into draft document Revise draft Refine final version		Input ideas		
Project criteria	Approve		Input ideas	Input ideas	Draft ideas with referral to EU Regulations, DCLG guidelines and Operational Programme				
Expression of Interest paperwork		Approve			Draft forms				
Project initiation by YF Project manager	Consider possible refer to DCLG		<i>Possible approval of projects of specialist nature</i>	Approve strategic fit	Gateway approval for technical fit Gateway approval for priority fit Gateway approval for Cross Cutting themes Separate team member provide guidance and support to YF Staff		Draft Expression of interest paperwork		
Project initiation by External project Sponsor			<i>Possible approval of projects of specialist nature</i>	Approve strategic fit	Gateway approval for technical fit Gateway approval for priority fit Gateway approval for Cross Cutting themes Separate team member provide guidance and support to	Draft Expression of interest paperwork			

	<b>PMC</b>	<b>PMB</b>	<b>PMB Standing Technical committees</b>	<b>External partners</b>	<b>YF EU development staff</b>	<b>External Project Sponsor</b>	<b>YF Project Staff</b>	<b>YF Appraisal Team</b>	<b>YF Monitoring Team</b>
<b>Project Appraisal for YF initiated project</b>	Consider full business plan for possible refer to DCLG				Provide support and guidance to YF project manager on ERDF requirements		Develop project idea into full business plan using YF PMF paperwork	Appraise project against ERDF full ERDF criteria	
<b>Project Appraisal for externally initiated project</b>	Consider full business plan for possible refer to DCLG				Provide support and guidance to YF project manager on ERDF requirements and meeting YF PMF requirements	Develop project idea into full business plan using YF PMF paperwork	<i>Possible support role on PMF requirements</i>	Appraise project against ERDF full ERDF criteria	
<b>Procurement</b>					Provide support re-capacity to ERDF monitoring and reporting	Adhere to EU Procurement guidelines	Adhere to EU Procurement guidelines		
<b>Contracting</b>					Provide advisory support on inclusion of ERDF requirements in contract schedules		Prepare contract schedules		Carry out initial pre-engagement visit
<b>Project Claims</b>					Provide advisory service for YF project staff re- acceptability of claim		Check and give initial approval for payment		Check claim and approve

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## Glossary

**Appraisal Process** – Full appraisal of part-funded ERDF projects. PMF process being adapted by Marilyn Skelton to ensure fit for purpose.

**Gateway Cross-Cutting Theme Criteria** – Ensure projects meet CCT criteria as defined in OP

**Gateway ERDF Approval Process** – Stage within the Initiation Process where the project is approved to proceed to full appraisal. Project must therefore have been agreed by the YF EU Team to meet the gateway criteria and received partner endorsement. This is not an approval of funds merely an approval that it meets the ERDF Programme requirements and is potentially a project that could receive funding.

**Gateway Strategic Criteria** - Project fit against Operational Programme priorities/objectives/indicative actions.

**Gateway Technical Criteria** – Project fit against eligibility criteria; is there sufficient headroom in the priority to deliver the project?; does the project produce acceptable levels of outputs/results?; does the project sponsor have sufficient capacity to deliver the project successfully? (track record of project sponsor with ERDF funds?); is suitable match funding identified?

**Initiation Process** – Initial stage to take ERDF project ideas through to the full appraisal stage (PMF). Includes assessing fit with gateway criteria by YF EU team, partner endorsement and assigning YF ERDF support staff. At the end of the process successful projects receive a project mandate and it moves into the appraisal process (PMF).

**PMB Standing Technical Committees** – Groups appointed by the PMB to provide specialist knowledge primarily in the development and ratification of the Priority Prospectus. Could also form part of the approval process for projects of a specialist nature where required. Will be formed from relevant partners/bodies in the region and will include representation from the PMB.

**Priority Prospectus** – Document derived from the priorities of the Operational Plan that outlines more specifically the activities that will be funded by the ERDF Programme 2007-2013 and includes provisional allocations of ERDF and public match. Initially contains ideas from functional and sub-regional YF teams but will be consulted on with partners in the region to gather non-single pot activities. These will be refined by the PMB Standing Technical Committees (see below) to determine what the priorities are for funding. Endorsed by the PMC and used as the central planning document for approving ERDF projects.