

East of England European Regional Development Fund Competitiveness Operational Programme, 2007-2013

V3 Clean

Revised November 2010

TOWARDS LOW CARBON ECONOMIC GROWTH

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East of England Regional and European Context



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1: Introduction

Foreword

- 1.1 This documents sets out the context and ambitions for the East of England's Operational Programme for the Competitiveness Programme 2007-13.
- 1.2 The strategy for this Programme establishes an over-arching theme of 'Low Carbon Economic Growth'. This commitment signals the vital importance of achieving economic growth in a manner that recognises and addresses the region's carbon footprint and the economic and environmental imperatives for doing this. This theme is consequently at the heart of the Priorities that will drive the region's Competitiveness Programme and will be the touchstone for financial decision-making and project selection.
- 1.3 The East of England's Competitiveness Programme has the potential to be at the forefront of innovation and design in the development of new, economically significant ways of responding to this agenda from specific low carbon initiatives through to measures that reduce carbon emissions or which help to stimulate relevant sectors such as clean technology and renewable energy. Partners in the region are determined to seize these opportunities and to develop a Programme which is a model of excellence across the European Union.

The New Programming Period, 2007-2013

The new Structural Fund Programme

- 1.4 The **Structural Fund Regulations** for 2007-13 introduce a simplified programming architecture with two main priorities:
 - 'Convergence' objective: this will replace the current Objective 1 dedicated to European Union (EU) areas with a Gross Domestic Product (GDP) per capita below 75% of the EU average. There will be one 'Convergence' programme in England (Cornwall and the Isles of Scilly)
 - 'Competitiveness and Employment' objective: this will replace the current Objective 2 and 3. There will be one Competitiveness Operational Programme (OP) for each region in England. In addition, Merseyside and South Yorkshire will qualify for ring fenced phasing-in support. The Competitiveness and Employment objective is designed to strengthen the competitiveness and attractiveness of regions, and promote employment and growth through an emphasis on the promotion of the knowledge economy and investment in human resources.
- 1.5 In order to address the Competitiveness and Employment objective over the period 2007-2013, provision has been made for a Competitiveness Programme for the East of England. This will be resourced from the European Regional Development Fund (ERDF) and the

region's allocation is 110 million euro (at current prices), equivalent to approximately £74 million.

- 1.6 The eligible area for the new Programme will be the whole region: the six counties of Bedfordshire, Cambridgeshire, Essex, Hertfordshire, Norfolk and Suffolk, and the four unitary authority areas of Luton, Southend-on-Sea, Thurrock and Peterborough (see Map 1-1).
- 1.7 This document presents the Operational Programme for the Competitiveness Programme in the East of England.

Map 1-1: East of England: Eligible Area



Other Structural Fund Programmes in the East of England

- 1.8 Over the period 2007-2013, a number of EU Structural Fund programmes will operate in the East of England alongside the Competitiveness Programme. These include:
- the Employment Programme for the East of England which will be funded through the European Social Fund (ESF) and delivered as part of the English ESF Operational Programme. The region's allocation over the programming period is 230 million euro at current prices (approximately £155 million)

- a range of programmes under the Territorial Co-Operation Objective, funded by the European Regional Development Fund (ERDF):
 - two maritime cross-border co-operation programmes (estimated to be worth 168m euro each): the counties of Norfolk, Suffolk and Essex form part of the eligible area
 - two trans-national co-operation programmes: the North West Europe programme which is expected to be worth 350 million euro and encompasses the whole region, and the North Sea Programme which is relevant to Cambridgeshire, Suffolk, Norfolk and Essex and is worth 150 million euro
 - a pan-EU programme to support interregional co-operation which is worth 375 million euro. The new “Regions for Economic Change” initiative is part of this programme¹.

Continuity of European funding programmes

- 1.9 The East of England benefited from Objective 2 and Objective 3 funding during the 2000-2006 Programme period, as well as European Agricultural Guidance and Guarantee Fund (EAGGF) funding for the England Rural Development Programme, the Financial Instrument for Fisheries Guidance (FIFG), and the INTERREG, EQUAL, URBAN and Leader+ Community Initiatives. These Programmes and initiatives are being replaced by a new set of Programmes in 2007 as set out in Table 1-1.

Table 1-1 - Transition from 2000-2006 Programme period to 2007-2013 period

2000-2006 Programme period	2007-2013 Programme period
Objective 2 European Regional Development Fund Programme	Competitiveness and Employment European Regional Development Fund Programme
Objective 3 European Social Fund Programme	Competitiveness and Employment European Social Fund Programme
EQUAL and URBAN Community Initiatives	Incorporated into the new Competitiveness and Employment Programme
Leader+ Community Initiative	Incorporated into the new Rural Development Programme for England (RDPE)
Interreg Community Initiative	Territorial Co-operation Objective (ERDF)
England Rural Development Programme (ERDP)	Rural Development Programme for England (RDPE)

- 1.10 Throughout the European Union, Objective 2 Programmes were focused on revitalising areas facing structural difficulties as a result of the evolution of industrial or service sectors, a decline in traditional activities in rural areas, crisis situations in urban areas, or difficulties affecting fisheries areas. The East of England Objective 2 Programme covered “core” (Luton, Southend-on-Sea, Waveney and Great Yarmouth, Breckland and North Norfolk Coast) and “transitional” (Fens, Rural East Suffolk and Central Rural Norfolk) areas, which together

¹ “Regions for Economic Change” is a new Structural Funds Initiative under which regional and urban networks will be able to work closely with the Commission to have innovative ideas tested and rapidly disseminated into the mainstream programmes. It will exist under the umbrella of the Interregional strand of the Territorial Cooperation Objective. The scope and potential of Regions for Economic Change is considered further in Chapter 5

accounted for around 11% of the East of England's population. The Programme was divided into three main Priorities:

- *Priority 1:* Support for Small and Medium-sized Enterprises (SMEs) – this was mainly implemented through Business Links and it included schemes to promote start-ups and SMEs including a regional venture capital initiative
- *Priority 2:* Support for key locations, clusters and sectors – this accounted for 46% of programme funding and projects supported through it included SSHAPE Southend Seafront, High Street and Pier Enhancement project and the Integrated Great Yarmouth Project
- *Priority 3:* Community economic regeneration – this supported community economic development schemes in urban, rural and coastal areas.

- 1.11 The 2000-06 East of England Objective 2 programme was subject to a mid term evaluation (MTE) which was carried out in 2003. The MTE concluded that, based on an assessment of the Performance Reserve 'effectiveness' criteria, the Objective 2 programme was on course to achieve most of its targets for physical outputs. Whilst it was too early to fully assess the performance of the programme in terms of actual outputs, projections based on monitoring data, feedback from stakeholders in the various eligible areas, together with the results of a project managers' survey, all suggested that most projects were likely to achieve their targets. According to the MTE, most Objective 2 projects demonstrated high levels of financial additionality, i.e. Structural Fund aid made a genuine difference in terms of the scale and/or timing of projects. The feedback suggested that Objective 2 funding was seen as having a 'catalytic' effect, i.e. helping to unlock financial support from other sources while in other cases there was a 'top-up' effect. The MTE analysis of the unit cost per gross job created in the programme compared favourably with the costs suggested by other studies. The MTE argued that there were also important non-financial aspects to Objective 2 added value, particularly in terms of partnership development and capacity building. More generally, the Objective 2 programme was seen in the MTE as making a significant contribution to a number of then-Regional Economic Strategy themes.
- 1.12 More recently an update of the MTE completed in 2005 found a picture of strong programme performance in fragile social and economic conditions. The MTE update suggested a worsening economic climate in the period 2003-2004 in some parts of the region and questioned some of the more positive assumptions to be found in the MTE. It reported that substantial parts of the Programme Area, such as Norfolk, have experienced divergence from the regional trend and areas which have seen some convergence, including Southend UA, continue to remain adrift of the regional and UK GVA average. Falls in employment and a weakening labour market since production of the MTE against a backdrop of a much weaker skills base than the MTE concluded, all present challenging conditions for policy and programme development in the Area. The MTE update concluded that the Programme strategy and measures remained highly relevant but equally present ongoing challenges for current and future programmes.
- 1.13 Since then the programme has been fully implemented in respect of commitment of funds to projects. In particular the development of the programme's identified key locations through

additional projects funded by the virement of funds from Priority 1 to Priority 2 has been a strategic and operational success. Similarly, measures introduced to accelerate the pace of programme implementation and the extent to which an improved distribution of commitment across all Priorities and project spend has been achieved are a testament to the robust and effective partnerships that have been developed. The value of establishing a network of local and regional facilitators to help shape and drive Programme implementation has been clear. Together with a strengthened Programme Secretariat and supported by an improved coherence with regional strategic planning (as described in the work undertaken to better integrate Objective 2 with the Regional Economic Strategy, Regional Environmental Strategy and Regional Social Strategy) the Programme has continued to refine its focus and impact. For the future, the lessons are clear in terms of the need to invest in high-quality, localised support to ensure programme design is responsive to the specific needs of communities and that capacity is available to deliver these needs. Equally, the importance of joint strategic planning is evident and the discontinuity, for instance, in the inception of the Objective 2 Single Programme Document and the Regional Economic Strategy (the former pre-dated the latter) has presented its challenges which have only been fully addressed through the recent RES update.

- 1.14 The programme has also delivered a strong performance across the Horizontal Themes, especially with regard to Equal opportunities and Environmental Sustainability, has long-term implications for other investment programmes across the region. Events held to develop understanding about how to integrate horizontal theme considerations into project design in domestic programmes is now an established working method in the East of England. A case history approach was developed to promote practical methods for embedding environmentally sustainable design principles into regeneration activity and the excellence of this work has been recognised at EU level. Domestic investment programmes have gained greatly from this approach and will continue to do so as it is recognised as a fundamental principle in effective programme design. Future programmes will need to ensure these themes remain a continuing priority.
- 1.15 Partnership working has also been an undoubted success of the Objective 2 Programme. Community engagement has been considerably strengthened through the very active progress made in Priority 3 since the MTE. In addition the strides made since the MTE to integrate Programme sub-regional partnerships (the Local Area Groups) with Local Strategic Partnerships and Sub-Regional Economic Partnerships was an important development. It is an approach which Programme Facilitators and the Secretariat supported as part of a strategy to build long-term sustainability into sub-regional partnership working. Similarly, at a regional level, the increased joint planning of investment programmes following the MTE involving EEDA, GO-East, the Small Business Service, the National Lottery organisations and others has informed and mirrored similar joint regional alliances such as the Regional Skills and Competitiveness Partnership. For the future, the integration of all investment programmes into coherent regional and sub-regional partnerships and strategies will be essential. A particular priority will be to establish EU interventions as part of a complete package which add a distinctive dimension to domestic initiatives but which, crucially, are seen as integral to and not separate from regional and sub-regional economic and social strategies.

- 1.16 Finally, the East of England Objective 2 partnership recognises the critical part that has been played by the Programme in regenerating some of its most deprived communities. Measures taken to improve the Programme's efficiency and effectiveness maximised its impact. The lessons learned from this process will inform future programming, both at domestic and EU level.
- 1.17 The new ERDF Programme is not a direct successor to (or continuation of) the Objective 2 Programme. In recognition of the European Union's lagging growth in productivity and innovation, the new Programme moves from addressing the effects of economic restructuring to a growth agenda. The new Regional Competitiveness Programme therefore re-focuses European Regional Development Fund monies on opportunities for growth throughout the East of England in the 2007-2013 period, while building on the achievements of the 2000-2006 East of England Objective 2 Programme.

Box 1-1: Examples of projects from the previous programming period

Project Example 1

ORBIS Energy

OrbisEnergy (formerly known as the Offshore Renewable Energy Centre) is a £9.47M publicly funded project supported by a grant of £2,724,420 ERDF to develop the offshore renewables energy industry in Lowestoft. The project contains three interlinked elements:

- the development of a new flagship building at Ness Point, Lowestoft, providing 3,300m² space to a high-quality build and environmental specification for developing the region's offshore renewables sector at the UK's leading shallow water offshore energy location
- the development of this space into a model enterprise and innovation centre, comprising a lead anchor tenant, space for up to 40 renewables sector knowledge-based start-ups, inward investment companies and spin-outs, plus conference facilities, seminar rooms and other facilities to act as a beacon focus for the industry going forward
- the wider generation of industry interest, investment and acceleration of the offshore renewables industry in the East of England by EEDA and other organisations (Renewables East, East of England Energy Group (EEEGR) to increase market growth, demand and national/international reputation.

The project is an integrated part both of the regional economic development of energy and environmental businesses and the regeneration of the Lowestoft area itself (alongside other projects such as an HE campus, waterfront development, financial and business services). As such, this will create a 'critical mass' of offshore renewable presence in Lowestoft that will of itself create sufficient demand for further market-led growth and expansion.

The global acceptance of the absolute requirement to address climate change ensures that offshore wind energy will be a major sub-sector for many decades ahead. The Objective 2 programme funding has allowed the creation of a physical hub in a landmark building will stimulate the development of the offshore renewables industry for Lowestoft and the East of England helping businesses seize new opportunities in the sector and aiding the development of the supply chain.

There will be opportunities to build on the success of this approach during the period 2007-13.

Project Example 2

Norfolk Business Package

This £2.5m project supported through an ERDF grant of over £778k, assisted the growth and development of SMEs offering a tailored business support package of intervention measures to address the needs of businesses in the Norfolk Objective 2 areas.

The project offered both subsidised advice and financial support to business start-ups and expanding SMEs by providing support on the basis of integrated packages of finance, advice and skills

development, which are appropriate to, and accessible by, the target group of SMEs and entrepreneurs the Norfolk Objective 2 areas.

The grant aid and advice support offered to businesses through the Business Support Package over the three year period of the project was seen as integral to the priorities within the area's key economic strategies that support the development of a sustainable and viable regional and sub-regional local economy.

Process of developing the new Programme

- 1.18 The development of the Operational Programme for the East of England has been overseen by the East of England Steering Group (EESG) which has been chaired by the Government Office for the East of England (Go-East). Its membership has included representatives from the East of England Development Agency (EEDA), the East of England Regional Assembly (EERA), the Environment Agency, Learning and Skills Council, Job Centre Plus, COVER² and the East of England Business Group. In addition, day-to-day progress on the development of the OP has been steered by a sub-group of the EESG, the membership of which has included officers from GO-East, EEDA and EERA.
- 1.19 In addition to regular meetings with the EESG and its sub-group, key stages in the early development of the Operational Programme included:
- workshops with each of five Operational Programme Advisory Groups³ during July/August 2006 which were established to provide expert inputs on: programme strategy, trans-national elements, horizontal themes, communications and programme management
 - early discussions with the European Commission
 - an early written consultation, conducted during October 2006, on the high level meta-theme: around 30 responses were provided and these were taken into account in shaping the consultation draft
 - presentations of “work in progress” to a number of other groups including the Regional Assembly’s Europe and International Affairs Panel, the Structural Funds Steering Group (SFSG) and EEDA’s Chief Executive’s Group.
- 1.20 A full consultation draft of the OP was posted on websites around the region in January 2007 and a formal, twelve-week consultation period followed. During this time, various consultation events were held including a major region-wide event which took place in Newmarket on 24th January 2007. In addition, stakeholders from around the region were invited to submit written comments on the consultation draft. Approaching 40 sets of comments were received from a wide range of respondents including local authorities, businesses, community and voluntary sector bodies, universities and regional agencies. These comments were considered in some detail by EESG and account has been taken of them in finalising the OP. More information with regard to the written consultation is provided in Annex C.

² Community and Voluntary Forum for the East of England

³ A wide range of organisations took part in the OPAGs including local authorities, voluntary and community sector bodies, private sector representatives and regional agencies

Ex Ante Evaluation and Strategic Environmental Assessment (SEA)

- 1.21 Throughout its development, the Operational Programme has been subject to both an *ex ante* evaluation and a Strategic Environmental Assessment (SEA). The purpose of an *ex ante* evaluation is essentially to challenge and test the robustness of a programme during the course of its development, thereby strengthening the programme that is created. In parallel, the SEA is an ongoing process to assess the potential environmental effects of ERDF programmes. It involves the preparation of an environmental report in which the likely significant effects on the environment of implementing the programme, and reasonable alternatives taking into account the objectives and geographical scope of the plan or programme, are identified, described and evaluated.
- 1.22 Summarising the impact of both the *ex ante* evaluation and the SEA on the final form of the OP is difficult, for there have been frequent iterations across all three processes. The *ex ante* evaluators and the consultants completing the SEA attended all of the EESG meetings during the programme's preparation and engaged fully in discussions with EESG. The recommendations arising from both processes were explained – and considered – in some detail and subsequently, EESG sought to respond to many of the recommendations that were made.
- 1.23 In developing the programme, particular account was taken of the *ex ante* evaluation's assessment of risk. This identified, specifically, the challenges of financial absorption (given the specific focus of the OP) and the risk of deadweight (given the intention to support the process of delivering growth). With regard to the former, one part of EESG's response surrounded a shift in the balance of resources away from those Priority Axes in which particular concerns were expressed but also through a commitment actively to promote the OP among would-be beneficiaries region-wide. The risks linked to deadweight will be addressed – at project level – through rigorous approaches to appraisal and – at a programme level – by the emphasis, through the meta-theme, on lower carbon growth. Additionally, the OP will be monitored closely in delivery to manage these and other risks; this again is consistent with the findings of the *ex ante* evaluation,
- 1.24 Box 1-2 attempts to summarise various other ways in which the development of the OP has benefited from the comments, observations and recommendations made in the course of the *ex ante* evaluation and SEA.

Box 1-2: How the findings from both the Ex Ante Evaluation and the Strategic Environmental Assessment have shaped the Operational Programme

Ex Ante Evaluation

- more detail on continuity from the preceding Objective 2 programme
- strengthened the degree of cross-referencing to the EU policy context
- reduced the number of programme objectives and clarified the read-across to Priority Axes
- strengthened the assessment of the added value of the Structural Funds
- provided a stronger justification of financial allocations, etc.
- tested the development of programme-level indicators and targets

Strategic Environmental Assessment

- provided a stronger environmental input into the contextual analysis and from this, the definition of both the meta-theme and programme priorities
- added robustness to the consideration of the cross-cutting themes.

Document structure and content

1.25 The structure of this document has been largely pre-determined by the requirements of CLG and the European Commission:

- *Chapter 2* sets out the European policy context of which the new Programme is a part and then it also outlines key elements of UK national and regional policy
- *Chapter 3* presents a socio-economic analysis of the East of England which provides the evidence base for the strategy which follows
- the strategy itself is presented in *Chapter 4*. This reflects UK government and EU priorities, particularly the Community Strategic Guidelines (summarised earlier in Chapter 1). It is also aligned with the Regional Economic Strategy and a number of other regional strategies including, particularly, the draft Regional Spatial Strategy (East of England Plan) and the Integrated Regional Strategy
- *Chapter 5* sets out the three Priority Axes around which activity within the Programme will be focused, in line with the strategy's objectives. Indicatively, it also sets out initial thinking with regard to the range of project activity that might be supported
- *Chapter 6* then describes the region's proposed approach with regard to the cross-cutting themes identified by the Commission and endorsed by UK government: environmental sustainability and equal opportunities
- *Chapter 7* presents the proposed financial allocations, stratified across the Priority Axes
- *Chapter 8* presents the Programme's Implementing Provisions.

1.26 There are three supporting annexes which set out the proposed programme-level indicators and categorisation of assistance together with a synopsis of the consultation process.

2: EU, national and regional context for the new Programme

EU context for the new Programme

- 2.1 High level parameters for the new Programme have been provided by the European Commission through its **Community Strategic Guidelines**. These established that Structural Funds Programmes – whether relating to Co-operation, Convergence or (as here) the Competitiveness and Employment Objectives – should target resources on three main priorities:
- enhancing the attractiveness of Member States, regions and cities by improving accessibility, ensuring adequate quality and level of services, and preserving their environmental potential
 - encouraging innovation, entrepreneurship and the growth of the knowledge economy by research and innovation capacities, including new information and communication technologies
 - creating more and better jobs by attracting more people into employment, improving adaptability of workers and enterprises and increasing investment in human capital.
- 2.2 The Guidelines stress that the EU enlargement presents an unprecedented challenge for competitiveness, employment and internal cohesion of the European Union. To meet these challenges, the Guidelines argue for investment in regions with high growth prospects that have the potential to catch up rapidly with the rest of the EU; and more generally to invest in the drivers of growth and employment. At the same time, the Guidelines stress the need to promote cohesion by creating new and durable jobs in the least developed regions.
- 2.3 From a broader perspective, **EU Cohesion Policy** for the 2007-13 period has to meet challenges arising from an acceleration in economic restructuring as a result of globalisation, trade opening, the technological revolution, the development of the knowledge economy, an ageing population and a growth in immigration. Following EU enlargement in 2004, there has also been a shift in Structural Fund allocations away from the ‘old’ EU15 Member States in favour of the EU10 (and now EU12) ‘new’ Member States. This means that the East of England, in common with other UK regions, will receive considerably less EU funding in the 2007-13 programming period than previously.
- 2.4 In the new 2007-13 programming period, there is a greater emphasis on the role of the Structural Funds in promoting the aims of the **Lisbon Strategy** (see Box 2-1); indeed, the new Structural Funds Regulations for 2007-2013 require that 75% of expenditure under the Competitiveness and Employment Objective should support the Lisbon Agenda of promoting competitiveness and creating jobs. A number of other EU policies are also emphasised including the **European Employment Strategy** (EES) and those on sustainable development. An important purpose of the Community Strategic Guidelines is to reinforce synergies of this type.

Box 2-1: Lisbon Agenda

When European leaders met at a summit in Lisbon in March 2000 they set the European Union the goal of becoming “the most dynamic and competitive knowledge-based economy in the world” by 2010. It was the height of the dot.com boom, economic growth was good and prospects were strong. EU politicians were optimistic that Europe could enjoy the same kind of economic success as the USA if they focused strongly on innovation and concepts relating to the “learning economy”. They agreed a target of achieving 3% average economic growth and the creation of 20 million jobs by 2010. The agenda set out the way to achieve this with a series of goals in areas such as employment, innovation, enterprise and liberalisation. In 2001 – in Gothenburg – an environmental dimension was added to these goals.

Subsequently progress with regard to the Lisbon Agenda has faltered – in part because of macro economic conditions. In 2005, European leaders reasserted their commitment to the Lisbon Agenda and a new **partnership for jobs and growth** was formed. Across the EU, the intention also was that the focus should be narrower: jobs and growth were the two key priorities.

The **UK National Reform Programme** was developed in response. It emphasised strongly the importance of macro economic stability and improvements in productivity, focusing on five key productivity drivers: skills, enterprise, science and innovation, competition and investment.

- 2.5 Turning to the EU policy context in respect of environmental aspects of the new 2007-13 Operational Programmes, there is now a requirement to produce a **Strategic Environment Assessment** of the Operational Programmes (see below). It is also worth emphasising the importance of recent developments at EU level to reduce carbon emissions and to boost renewable fuel use by 2020. In early March 2007, EU leaders agreed to cut carbon dioxide emissions by 20% from 1990 levels by the year 2020. They also agreed to boost the usage of renewable fuels by 20% within the same timeframe.

Other EU strategies and policies

- 2.6 Within this overall context, there are, in addition, a number of EU policies and strategies with which the East of England’s OP will particularly resonate, given its focus on moving towards low carbon economic growth within the context of the Lisbon Agenda (see Chapter 4). As the backdrop to the region’s OP, these are introduced briefly below.

7th Framework Programme for R&D (FP7)

- 2.7 The Seventh Framework Programme for research and technological development (FP7) is the European Union's chief instrument for funding research over the period 2007 to 2013. FP7 has three overall aims: strengthening the EU’s science and technology (S&T) base; improving the EU’s competitiveness; and supporting policy development in the EU.
- 2.8 FP7 is open to EU public and private entities of all sizes and incorporates provision for the participation of non-EU countries. There are no national quotas as the Programme operates on a competitive basis with proposals being evaluated by panels of independent experts against set criteria (DTI, 2007)⁴.

⁴ DTI (2007) The Seventh Framework Programme. Available at[<http://www.dti.gov.uk/science/uk-intl-engagement/euro-programmes/fp7/page8390.html>]

Environmental Technologies Action Plan

- 2.9 The European Commission published the Environmental Technologies Action Plan (ETAP) in January 2004. The ETAP sets out 28 actions that aim to stimulate innovation and address barriers that make it difficult for environmental technologies to successfully penetrate the marketplace. It is being implemented through the Open Method of Coordination, which encourages non-legislative approaches including sharing best practice and benchmarking. UK priorities include green public procurement, the development of new funds to help companies bring new technologies to market, and revisions to state aid guidance (DEFRA, 2004)⁵.

EU Kyoto Commitments

- 2.10 The Kyoto Protocol to the United Nations Framework Convention on Climate Change is an amendment to the international treaty on climate change, assigning mandatory emission limitations for the reduction of greenhouse gas emissions to the signatory nations. Under the Kyoto Protocol, the EU committed itself to reducing its greenhouse gases emissions by 8% during the first commitment period from 2008 to 2012. This target is shared between the Member States under a legally binding burden-sharing agreement, which sets individual emissions targets for each Member State. On 31 May 2002, the EU and all its Member States ratified the Kyoto Protocol (Europaworld, 2004)⁶.

European Innovation Scoreboard

- 2.11 The European Innovation Scoreboard (EIS) measures innovation performances across the European Union. The EIS is the instrument developed by the European Commission, under the Lisbon Strategy, to evaluate and compare the innovation performance of the EU Member States. The EIS 2006 includes innovation indicators and trend analyses for the EU25 Member States, plus the two new Member States: Bulgaria and Romania, as well as for Croatia, Turkey, Iceland, Norway, Switzerland, the US and Japan (EU, 2007)⁷.

European Technology Platforms

- 2.12 European Technology Platforms (ETPs) help to co-ordinate and tailor research towards a common 'strategic research agenda' (SRA), which sets out R&D goals, time frames and action plans for technological advances that are relevant to industry and society. ETPs bring together a wide range of stakeholders, including key industrial players, small and medium enterprises, the financial world, national and regional public authorities, the research community, universities, non-governmental organisations and civil society. The primary objective of an ETP is to boost European industrial competitiveness by defining research and development priorities, timeframes and action plans on a number of strategically important issues where achieving Europe's future growth, competitiveness and sustainability objectives

⁵ DEFRA (2004) Environmental Technologies. Available at
[<http://www.defra.gov.uk/environment/business/envtech/actionplan.htm>]

⁶ Europaworld (2004) Background Paper: The European Union and the Kyoto Protocol, Some Questions and Answers. European Commission Paper, Brussels, 4 March 2004. Available at
[<http://www.europaworld.org/week167/background5304.htm>].

⁷ EU (2007) European Trendchart Newsletter: European Innovation Scoreboard 2006. Available at
[http://trendchart.cordis.lu/tc_article.cfm?ID=3579&NEWSID=24].

is dependent on major research and technological advances in the medium to long-term (NCL, 2007)⁸.

Competitiveness and Innovation Programme

- 2.13 The Competitiveness and Innovation Framework Programme (CIP) aims to encourage the competitiveness of European enterprises. It will run from 2007 to 2013, and is divided into three operational programmes: Entrepreneurship and Innovation Programme (EIP); Information Communication Technologies Policy Support Programme (ICT PSP); and Intelligent Energy Europe (IEE).
- 2.14 With small and medium-sized enterprises (SMEs) as its main target, the programme seeks to support innovation activities (including eco-innovation), provide better access to finance and deliver business support services in the regions. It will encourage better take-up and use of information and communications technologies (ICT) and help to develop the information society. It also promotes the increased use of renewable energies and energy efficiency. (Europa, 2007)⁹.

European Research Area

- 2.15 The European Research Area (ERA) is a system of scientific research programmes integrating the European Union's scientific resources. Its purpose is to increase the competitiveness of European research institutions by bringing them together and encouraging a more inclusive way of work, similar to what already exists among institutions in North America and Japan. Increased mobility of knowledge workers and deepened multilateral co-operation among research institutions among the Member States are central goals of the ERA (Europa, 2007)¹⁰

i2010

- 2.16 The i2010 programme is the follow up of eEurope 2005 (adopted at the Sevilla Council in 2002 and itself the successor to the eEurope 2002 action plan launched in 2000). i2010 is the European Commission's strategic policy framework laying out broad policy guidelines for the information society and the media in the years up to 2010. It promotes an open and competitive digital economy, research into information and communication technologies, as well as their application to improve social inclusion, public services and quality of life. i2010 focuses on the following policy priorities:
- creating a single information space (this includes revising regulations, supporting content creation and broadband as well as security issues)
 - increasing EU investment in ICT research by 80% (including trans-European demonstrator projects and actions for SMEs)

⁸ NCL (2007) FP7: European Technology Platforms (ETPs). Available at [<http://www.ncl.ac.uk/business-directorate/FP7/documents/EUROPEANTECHNOLOGYPLATFORMSINANUTSHELL.pdf>]

⁹ Europa (2007) The Competitiveness and Innovation Framework Programme. EU. Available at [http://ec.europa.eu/cip/index_en.htm]

¹⁰ Europa (2007) European Research Area. EU. Available at [http://ec.europa.eu/research/era/index_en.html]

- promoting an inclusive European information society (including better public services and quality of life actions with three flagship initiatives) (Europa, 2007)¹¹.

UK national government context

2.17 As set out in the National Strategic Reference Framework, the UK government's objectives for future Structural Funds Programmes are to strengthen the drivers of regional productivity and employment, responding to the increasing pace of economic change and the expanding reach of global markets, and to ensure environmental and community sustainability¹². Hence the government's intention is that Structural Fund Programmes should give particular attention to three overarching themes:

- **Enterprise and Innovation**, by promoting research, knowledge transfer and commercialisation, encouraging entrepreneurship and supporting a thriving SME sector;
- **Skills and Employment**, building a skilled and adaptable workforce, tackling disadvantage in the workplace and supporting employment opportunities for all; and
- **Environmental and Community Sustainability**, encouraging innovation to support sustainability, ensuring sustainable development, production and consumption and promoting social and economic cohesion in local economies, including in urban and rural areas.

2.18 These themes have been informed by – and reflect – a raft of other national policy initiatives. Those of particular relevance to the East of England include, *inter alia*:

- the **Science and Innovation Investment Framework, 2004-2014** – This sets out the Government's ambition for UK science and innovation over the next decade, in particular their contribution to economic growth and public services. It is informed – in part – by the findings of the **Lambert Review** of business-university collaboration
- the **Skills White Paper (2005)** – This focuses on the skills of adults already in, or seeking to enter, the labour market and it covers employers' needs, learner needs and reforming training supply. Also important are the findings of the **Leitch Review** – which reported in December 2006 – on the UK's long term skills needs
- the **Sustainable Communities Plan (2003)** – This sets out a long term programme of action for delivering sustainable communities in both urban and rural areas (see Box 2-2). Within this broad context, it has a particular focus on housing supply issues in the Greater South East. It was following the publication of the Sustainable Communities Plan that four Growth Areas were identified, three of which are wholly or partially in the East of England¹³. Subsequently, the **Barker Report** has

¹¹ Europa (2007) i2010, A European Information Society for Growth and Employment. EU. Available at [http://ec.europa.eu/information_society/eeurope/i2010/index_en.htm].

¹² UK National Strategic Reference Framework: EU Structural Funds Programmes 2007-2013 Issued by DTI, 23rd October 2006

¹³ Thames Gateway. Milton Keynes – South Midlands, London-Stansted- Cambridge-Peterborough growth corridor

emphasised further the importance of increasing housing supply, particularly in the South East, East of England and London

- the **UK Strategy for Sustainable Development (2005)** – This strengthened significantly the first strategy for sustainable development (produced by then-DETR in 1999) and it emphasised, *inter alia*, the challenges linked to climate change, sustainable production and consumption (linked to the imperative for “one planet” living¹⁴), and – informed by the Sustainable Communities Plan – the importance of creating sustainable communities (see Box 2-2 below).

Box 2-2: What makes sustainable communities?¹⁵

Sustainable communities are places where people want to live and work, now and in the future. They meet the diverse needs of existing and future residents, are sensitive to their environment, and contribute to a high quality of life. They are safe and inclusive, well planned, built and run, and offer equality of opportunity and good services for all.

Sustainable communities should be:

- active, inclusive and safe – fair, tolerant and cohesive with a strong local culture and other shared community activities
- well run – with effective and inclusive participation, representation and leadership
- environmentally sensitive – providing places for people to live that are considerate of the environment
- well designed and built – featuring a good quality built and natural environment
- well connected – with good transport services and communication linking people to jobs, schools, health and others services
- thriving – with a flourishing and diverse local economy
- well served – with public, private, community and voluntary services that are appropriate to people’s needs and accessible to all
- fair for everyone – including those in other communities, now and in the future.

2.19 Within this overall context – and with regard specifically to the Competitiveness and Employment Objective in England – UK government has identified four main Priorities (or “Axes”) for ERDF spending in England. The links to the national policy context (set out above) are clear:

- to promote innovation and knowledge transfer with the intention of improving productivity
- to simulate enterprise and support successful business by overcoming barriers to business creation and expansion
- to ensure sustainable development, production and consumption

¹⁴ “One planet” living is a wide ranging concept but central to it is the notion that all people should live within environmental limits

¹⁵ *Securing the Future: Delivering UK Sustainable Development Strategy*, HM Government, 2005 (Crown copyright)

- to build sustainable communities with the aim of improving the growth and productivity of local economies in order to promote the regeneration and renewal of disadvantaged areas.
- 2.20 However given limited resources, UK government has also stressed that funding will need to be focused on priorities that will deliver the highest impact and value for money, recognising the particular needs and opportunities within individual regions. In this context, government's expectation is that ERDF Programmes should be closely aligned with the relevant Regional Economic Strategy and that "regions should consider how funds will support the emphasis placed on city-regions as drivers of growth".

Regional context

- 2.21 As well as the EU and UK national government context, the Operational Programme is nested firmly within the family of regional strategies for the East of England.

Regional Economic Strategy

- 2.22 In line with the guidance from UK government, the Regional Economic Strategy (RES) provides a primary reference point. In the East of England (as elsewhere in England), the production of the RES is led by the Regional Development Agency (in this case, the East of England Development Agency (EEDA)). The RES is aligned with UK government policy but it is also cognisant of the particular circumstances that define the East of England. The RES is refreshed every 3-4 years, a process which involves extensive consultation with stakeholders and includes a mandatory Strategic Environmental Assessment. Hence with regard to economic development, the RES defines the *region's* priorities and targets for the work of private-, statutory- and voluntary-sector partners in delivery.
- 2.23 Against this backdrop, the Operational Programme adopts the Vision set out in the existing RES and throughout the analysis and strategy for the Operational Programme, reference is made to its eight Goals (Box 2-3) and to the evidence base which underpins them.

Box 2-3: Goals from the 2004 RES, "A Shared Vision"

- **Goal One:** A skills base that can support a world-class economy
- **Goal Two:** Growing competitiveness, productivity and entrepreneurship
- **Goal Three:** Global leadership in developing and realising innovation in science, technology and research
- **Goal Four:** High quality places to live, work and visit
- **Goal Five:** Social inclusion and broad participation in the regional economy
- **Goal Six:** Making the most from the development of international gateways and national and regional transport corridors
- **Goal Seven:** A leading information society
- **Goal Eight:** An exemplar for the efficient use of resources.

- 2.24 It is important to note, however, that the RES itself has undergone a formal review in parallel with the development of the OP. There has been a good deal of read-across and dialogue between the two processes.
- 2.25 The new draft RES was published in September 2007 and is undergoing public consultation until December 2007. Although there is much continuity with the previous version, it proposes a refined vision – that, by 2031, the East of England will be known as

an ideas-driven region that is internationally competitive, harnesses the talent of all and is at the forefront of the low carbon economy

- 2.26 Although both the ordering and the surrounding narrative has changed, the new draft RES essentially retains the eight goals introduced in the preceding version and summarised in Box 2-3 above. The principal differences between the new draft RES and the previous version are as follows:

- the new draft RES has a stronger focus on the imperative for low carbon forms of growth: an overall reduction in CO₂ emissions is identified as one of three headline targets
- the new draft RES has a much stronger spatial focus than the preceding version. Seven spatially-defined “engines of growth” are identified in recognition of the fact that they will disproportionately drive growth
- the new draft RES pays more attention to the definition and delivery of actions and, linked to this, the foundation for performance measurement is stronger.

- 2.27 At the time of writing, however, it is important to recognise that the new draft RES is still a draft and that it will evolve in the light of consultation feedback. It is likely to be finalised in spring 2008. Hence for the purposes of developing the OP our primary reference point needs to be the existing RES and the vision and goals set out within it.

Other Regional Strategies

- 2.28 The regional context for the OP is more broadly cast. It includes the provisions of *Sustainable Futures*, the first Integrated Regional Strategy for the East of England. This encompassed the high level objectives from the regional Sustainable Development Framework¹⁶ and it set out five high level outcomes for the region together with five over-arching priorities. At a regional level, the five high level outcomes – which are set out below – provided an important overall framework in which the OP has been developed:

- an exceptional knowledge base and a dynamic economy in the region
- opportunities for everyone to contribute to – and benefit from – the region’s economic dynamism

¹⁶ A Sustainable Development Framework for the East of England, produced by EERA and the Sustainable development Round Table, 2001

- strong, inclusive, healthy and culturally rich communities
- a high quality and diverse natural and built environment
- a more resource efficient region.

2.29 The OP has also been fundamentally shaped by the provisions set out within the evolving *East of England Plan* (which itself was shaped strongly by the government's Sustainable Communities Plan (see above)). Over the period in which the OP has been under development, the report of the Panel Inspectors following the Examination in Public of the draft Plan was made available and then – in December 2006 – the Secretary of State's Proposed Changes to the draft Plan were published for consultation. The East of England Plan is a complicated document and it is difficult to summarise succinctly. Key Proposed Changes of particular relevance to the design and delivery of the OP include the following:

- a further increment in the levels of proposed housing growth – from 478,000 net additional dwellings to 508,000 in the period 2001-2021
- an increase in job growth targets from 440,000 to 452,000
- development focused on the main towns and cities within the region, including the new growth points. Overall 21 Key Centres for Development and Change have been identified: Basildon; Bedford / Kempston / Northern Marston Vale; Bury St Edmunds; Cambridge; Chelmsford; Colchester; Great Yarmouth; Harlow; Hatfield and Welwyn Garden City; Hemel Hempstead; Ipswich; King's Lynn; Lowestoft; Luton / Dunstable / Houghton Regis and Leighton Linlade; Norwich; Peterborough; Southend-on-Sea; Stevenage; Thetford; Thurrock urban area; and Watford. The expectation is that future development will be concentrated at these locations and where these Key Centres adjoin or cross local authority boundaries, carefully co-ordinated strategies and delivery mechanisms will need to be developed
- some green belt to be released with a number of reviews around Key Centres for Development and Change, but the overall green belt area in the region is to be increased
- a reassertion of the fact that the region's performance needs to improve with regard to per capita consumption of water and waste recycling.

2.30 In preparing the OP, the East of England Steering Group has also been cognisant of a number of other regional strategies. Specifically:

- the *Regional Social Strategy* and the provisions it makes for greater inclusivity, especially among those at risk of vulnerability (which may include black and minority ethnic groups, disabled people, lone parents, older people, carers, asylum seekers, refugees and ex-offenders)
- *Healthy Futures*, the region's first *Regional Health Strategy* and the links it makes between population health and the wider determinants of health, many of which relate to economic opportunities, the quality of the built environment and the strength and character of communities

- *A Better Life*, the new *Regional Cultural Strategy* which highlights the importance of culture within the East of England
- *Our Environment, Our Future*, the *Regional Environment Strategy* which sets out a vision to celebrate, protect and enhance the region's natural, historic and built environment.

2.31 As this brief summary suggests, from the RES, IRS and RSS – and the other regional strategies – the emphasis is strongly and consistently on delivering growth across the region, but doing so in a manner that is genuinely sustainable – in environmental, social and economic terms. This overarching imperative is wholly consistent with the policy context defined at both EU and UK government levels and summarised above. It has been instrumental in shaping the Operational Programme that follows.

2.32 One further comment is important by way of conclusion. In July 2007, the UK government published its long-awaited Sub-National Review of Economic Development and Regeneration. This made wide-ranging proposals which will have important consequences in the East of England and elsewhere over the programming period. One key proposal is that – within the timescale of the OP – the processes underpinning Regional Economic Strategies and Regional Spatial Strategies should be pulled together such that there is one Integrated Regional Strategy setting out economic and spatial priorities for the region. In the East of England, there is already a good deal of alignment between the two strategies; the OP which follows is consistent with, and informed by, both.

3: Socio-Economic Analysis

Introduction

- 3.1 In line with the requirements of the European Commission and CLG, this Chapter provides an overview of the demographic, social, economic and environmental characteristics of the East of England region. It is based on a review of European, national, regional and local data.
- 3.2 The most thorough statement of the region's economic strengths, weaknesses, opportunities and threats – and the implications that follow – is provided by the Regional Economic Strategy and its surrounding evidence base. A *Shared Vision* – the current RES – was published by EEDA in November 2004 following extensive consultation across the region. However it is in the process of being reviewed and refreshed¹⁷. In this context, EEDA published *State of the Regional Economy*¹⁸ in October 2006, in order to fulfil two main functions: to provide a monitoring tool in relation to the goals and priorities set out in the current RES and an assessment of the state of the regional economy. Given the need for strong RES alignment at a strategic level and also the imperative for the OP to be evidentially robust, *State of the Regional Economy* is a key resource for the OP and one to which extensive reference is made in the analysis below.
- 3.3 After a summary statement with regard to the region's position in a European context, this Chapter examines the themes of: population and demography; employment; competition; enterprise; innovation; investment; skills; environment; rural areas; and urban areas. At the end of each sub-section, the key messages for the Operational Programme are drawn out; these are structured around the evidence, the implications and – briefly – the fit with ongoing regional interventions. The scope of the discussion reflects the detailed requirements of the European Commission and CLG. The material has been re-ordered and re-worked to provide a regionally-tailored narrative that can be traced back to the Goals in the current RES whilst also referencing the key themes within the Community Strategic Guidelines. As Chapter 4 will demonstrate, there is a strong level of read-across between the programme-level aims identified at EU and national levels and the eight RES Goals; the OP is nested in this strategic context.

The East of England in a European Context

- 3.4 The European Competitiveness Index was first published in 2004 by Robert Huggins Associates. It is a composite index, based on a basket of indicators relating to creativity and the knowledge economy. The Index suggests that the East of England is ranked 17th across 91 European regions; it is ranked immediately behind the two German regions of Bayern and Berlin (ranked 15 and 16 respectively) and above Denmark (which is treated as a single

¹⁷ Note that the new RES was published in draft form in September 2007 for a three-month consultation. Because it is not yet adopted, references to the RES in this chapter relate to the version that was published in 2004 unless explicitly stated to the contrary

¹⁸ *East of England: State of the Regional Economy – A regional economic strategy progress report for the East of England* East of England Development Agency, October 2006

region) and Vastsverige (Sweden). Some way above the East of England in the European rankings are the South East (ranked 12) and London (ranked 8). Uusimaa (Finland) and Stockholm (Sweden) are the highest ranking regions¹⁹.

- 3.5 Data drawn together by EEDA provide some more detailed insights into the region's relative performance when considered a European context²⁰:
- the East of England ranks 33rd out of 89 Eurozone regions in terms of the proportion of the adult population with tertiary (higher) level skills
 - the region is ranked 33rd out of 91 European regions in terms of GDP per worker
 - the East of England is ranked 6th out of 91 regions in terms of business expenditure on R&D
 - the region has the 12th lowest rate of unemployment across 91 European regions.
- 3.6 Overall then, the region must be regarded as a relatively strong performer when considered in a European context, particularly with regard to the knowledge economy. Behind these headline statistics however is a complicated intra-regional geography and both opportunities and areas of concern. In the paragraphs that follow, the factors underpinning these headline data are considered in more detail on a thematic basis.

Thematic Analyses

1: Area and demographics

- 3.7 The East of England extends from the edge of London World City to remote rural and coastal areas. It encompasses many successful local economies but also deprived areas in need of economic development and regeneration²¹. Within the region, there are 12 urban areas with a population in excess of 100,000 people; the largest of these is Southend-on-Sea followed by Luton/Dunstable and Norwich. At the same time, 80% of the land area is classified as rural and some 40% of the region's population lives in rural areas.
- 3.8 The paragraphs that follow describe the region's current demographic profile. They then turn to consider the scale and geography of projected population and housing growth as described in the draft Regional Spatial Strategy. In so doing they set out much of the future context for the Operational Programme.

Current demography

- 3.9 The population of the East of England is about 5.5 million people, as shown in the Table below. The region has grown quickly over the recent past: its population increased by 6.5% between 1995 and 2005, close to double the rate of growth across England and Wales. By comparison, the population of the EU-25 grew by 2.3% during the 1995 to 2004 period

¹⁹ *European Competitiveness Index, 2004* Robert Huggins Associates (2004)

²⁰ *The East of England at a glance: Performance against the Regional Economic Strategy* EEDA, 2006

²¹ Map 3-2, which is presented later in this chapter, shows clearly the geography of the most deprived areas in the region

(Eurostat). Hence the region has grown quickly in relation to both EU and UK comparators. However within this context – as the Table also shows – there was significant variation within the region: Cambridgeshire, Bedfordshire and Thurrock saw particularly rapid growth.

Table 3-1: Resident population trends 1985-2005 at unitary and county levels²²

Area	1985	1995	2005	1985-1995	1995-2005
East of England	4,963,800	5,205,700	5,541,600	4.9%	6.5%
Bedfordshire	346,100	361,000	397,700	4.3%	10.2%
Cambridgeshire	473,200	522,700	588,900	10.5%	12.7%
Essex	1,224,800	1,267,700	1,340,000	3.5%	5.7%
Hertfordshire	985,700	999,800	1,048,200	1.4%	4.8%
Luton	166,300	181,400	184,900	9.1%	1.9%
Norfolk	719,100	765,600	824,200	6.5%	7.7%
Peterborough	144,400	158,700	159,700	9.9%	0.6%
Southend-on-sea	155,600	163,900	159,300	5.3%	-2.8%
Suffolk	624,000	651,600	692,100	4.4%	6.2%
Thurrock	124,600	133,400	146,600	7.1%	9.9%

Source: ONS Mid Year Population Estimates

- 3.10 Unpacking the region's demography, two important observations can be made. First, there has been a change in the age structure of the population; while the population of the region has increased, the numbers in the 0-4, 20-34, 45-49 and 70-74 age cohorts have fallen. More generally though, the population of the East of England is ageing and the proportion of older people is growing. These trends are set to continue: between 2008 and 2013, the number of people aged 65 or over is expected to overtake the number aged 16 or less²³. This demographic change will have substantial implications in relation to economic activity, employment structures, volunteering and community dynamics²⁴.
- 3.11 Second, the East of England is distinctive with regard to its ethnic mix. Table 3-2 below sets out the ethnic make-up of the region. It shows that the East of England is less ethnically diverse than England and Wales as a whole, with some 8.6% of the population belonging to an ethnic minority, compared with 12.5% across England and Wales. White-Other, Asian British – Indian, Asian British – Pakistani and Black Caribbean and Black African form the largest ethnic minority groups in the region. The region's BME population is dispersed across the region, but unevenly so: at District/Unitary level, Luton has the largest BME population and North Norfolk has the smallest.

Table 3-2: Ethnic make-up of the East of England, 2001

Ethnic group	East		England and Wales	
	Number	%	Number	%
All People	5,388,139	100.0	52,041,907	100.0
White – British	4,927,343	91.4	45,533,741	87.5

²² Here, and throughout this document, Crown Copyright material is reproduced with the permission of the controller of HMSO and the Queen's Printer for Scotland

²³ *Healthy Futures: A Regional Health Strategy for the East of England, 2005-2010*, EERA 2006

²⁴ For further information and analysis see *The implications of an ageing population for sustainable development in the East of England* Population Associates, for EERA, 2003

Ethnic group	East		England and Wales	
White – Irish	61,208	1.1	641,804	1.2
White – Other	136,452	2.5	1,345,321	2.6
Mixed – White and Black Caribbean	19,882	0.4	237,420	0.5
Mixed – White and Black African	6,110	0.1	78,916	0.2
Mixed – White and Asian	17,385	0.3	189,014	0.4
Mixed – Other	14,608	0.3	155,684	0.3
Asian or Asian British – Indian	51,035	0.9	1,036,807	2.0
Asian or Asian British – Pakistani	38,790	0.7	714,826	1.4
Asian or Asian British – Bangladeshi	18,503	0.3	280,824	0.5
Asian or Asian British – Other	13,424	0.2	241,269	0.5
Black or Black British – Black Caribbean	26,199	0.5	563,846	1.1
Black or Black British – Black African	16,966	0.3	479,664	0.9
Black or Black British – Other	5,297	0.1	96,065	0.2
Chinese or other ethnic group – Chinese	20,385	0.4	226,951	0.4
Chinese or other ethnic group – Other ethnic group	14,552	0.3	219,755	0.4

Source: National Census, 2001

- 3.12 As well as the ethnic mix of the region's resident population, it is important to recognise the significant – and growing – role played by migrant workers. A recent study has estimated that there are some 50,000-80,000 migrant workers in the East of England, and this number is increasing. In pure economic terms, it has been estimated that new migrant workers to the East of England contribute revenue in the order of £360m per annum²⁵.

Future projections

- 3.13 In the context of the Sustainable Communities Plan and the emerging Regional Spatial Strategy, many parts of the region are set for substantial population and housing growth. This includes the three Growth Areas – Thames Gateway South Essex²⁶, the London-Stansted-Cambridge-Peterborough corridor, and the Bedford and Luton area which is within the Milton Keynes-South Midlands growth area) – which were formally designated in 2003²⁷, together with the recently-designated Growth Points (Haven Gateway, Norwich and Thetford). The Proposed Changes to the draft Regional Spatial Strategy identify 21 Key Centres for Development and Change across the region. The intention is that these urban areas – which vary significantly in terms of their scale – should provide the spatial focus for growth and new development in the period to 2021 (see Map 3-1)²⁸.

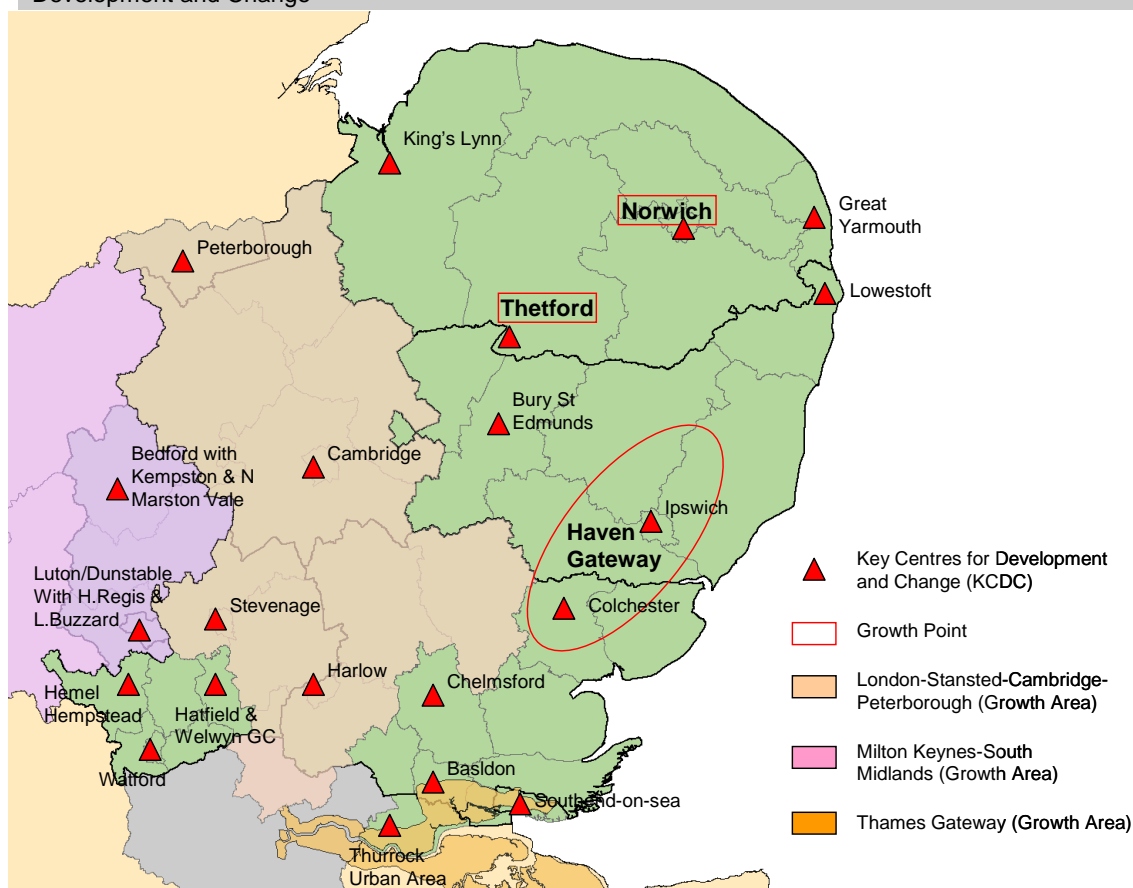
²⁵ *Migrant Workers in the East of England* Report completed by Dr Sonia McKay and Dr Andrea Winkelmann-Gleed for EEDA, June 2005

²⁶ Part of the wider Thames Gateway which is both a Growth Area and a national priority for regeneration

²⁷ Four Growth Areas were identified within the government's Sustainable Communities Plan and the intention was that these should provide 200,000 additional homes – over and above previously planned levels – by 2016. All four Growth Areas are within the East of England, London and the South East

²⁸ Map 3-2 – presented later – shows that many of these areas include significant areas of deprivation

Map 3-1: Schematic map showing Growth Areas, Growth Points and proposed Key Centres for Development and Change



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3.14 Based on the recommendations provided in the report of the Panel following the East of England Plan's Examination in Public (EiP), Table 3-3 provides population projections at County/Unitary level. It shows that overall, the region's population is set to grow by over 10% during the Plan period. This backdrop of rapid population (and housing) growth will provide the context for the delivery of the Operational Programme in the East of England. It also lends considerable support for the Community Strategic Guidelines which are driving the programme's delivery at an EU level – notably the imperative to create more and better jobs.

Table 3-3: Population projections, 2001-2021

County and UA	2001	2021	2001-2021	% change
Beds and Luton	568,400	624,102	55,702	9.8%
Cambs and Peterborough	712,100	879,840	167,740	23.6%
Essex, Southend and Thurrock	1,614,400	1,718,823	104,352	6.5%
Hertfordshire	1,035,900	1,138,426	102,526	9.9%
Norfolk	799,100	870,923	71,823	9.0%
Suffolk	670,200	733,684	63,484	9.5%

Source: Data are derived from the Chelmer model. The projection was run in August 2006 on the basis of the EiP Panel Report see www.eera.gov.uk

Key messages for the Operational Programme

Evidence

- the region has seen rapid population growth over the last decade relative to both UK and EU comparators
- across the region, rates of population growth have been uneven: Cambridgeshire, Bedfordshire and Thurrock have grown particularly quickly
- there are variations in the rate of growth across different age groups. Overall, the fastest growth rates are expected among the older age groups
- the East of England has a small ethnic minority population compared to the UK as a whole. However Census data do not include more recent population movements, particularly those from the new EU Member States. Moreover, in addition to the resident population, there has been a significant increase in the incidence of migrant workers within the East of England.

Implications and fit with on-going policy interventions

- looking ahead - and in line with the Sustainable Communities Plan and other key elements of central government policy - substantial further housing and population growth is projected in the period to 2021. Spatially, this is likely to be focused in the Growth Areas, Growth Points and the other Key Centres for Development and Change identified in the Proposed Changes to the East of England Plan; all of the Key Centres for Development and Change are urban areas but they vary substantially in their scale. The pace of growth will present challenges and opportunities to which the Operational Programme will need to respond
- within this overall context, the East of England will have an ageing population: the number of older people will grow relatively quickly. A wide range of implications will follow.

2: Employment and skills

- 3.15 Consistent with the emphasis in the Community Strategic Guidelines on increasing investment in human capital, the first Goal of the current adopted RES is concerned with building a skills base that can support a world class economy. Within this context, its focus is on increasing employment rates in disadvantaged communities that are facing barriers to employment; supporting those who are economically inactive but would like to work; better meeting the needs of businesses; and developing higher level skills. The paragraphs below consider – in terms of the Operational Programme – the baseline position with regard to different aspects of the region's employment and skills profile.

Activity rates

- 3.16 As measured by the Local Area Labour Force Survey, the proportion of economically active people in the East of England increased by 0.9 percentage points to 81.7% of the working age population between 1999 and 2003; this compared to a fall of 0.4 percentage points across England and Wales and it suggests some divergence between regional and national trends. More recent data – quoted in *State of the Regional Economy* – is less sanguine: since 2004, inactivity rates in the region appear to have increased. Nevertheless according to Eurostat, the economic activity rate in the East of England (and England and Wales) is considerably higher than the EU as a whole.

- 3.17 At the sub-regional level there are some marked differences. The Unitary Authority area of Luton showed an increase in activity rates of 2.0 percentage points between 1999 and 2003. Conversely Norfolk County recorded falls of 0.8 percentage points. Despite an increase over the period, Suffolk remains the sub-regional area with the lowest economic activity rate: 78% in 2003 (see Table 3-4).

Table 3-4: Economic activity of the working age population, 1999-03

	Mar 99-00	Mar 00-01	Mar 01-02	Mar 02-03	Mar 03-04
England and Wales	78.6	78.4	78.3	78.2	78.2
East	80.8	81.8	81.8	81.5	81.7
Bedfordshire	84.4	84.7	83.5	85.6	85.1
Cambridgeshire	83.4	83.6	83.0	83.6	84.3
Essex	79.3	81.2	81.7	80.6	81.1
Hertfordshire	82.4	83.6	82.9	83.6	84.1
Suffolk	75.8	76.3	77.9	76.2	78.0
Norfolk	78.9	81.1	80.4	79.2	78.1
Luton	79.8	80.3	80.8	81.1	81.8
Peterborough	81.3	76.2	78.6	79.4	80.5
Southend-on-sea	80.9	81.7	82.4	80.7	80.5
Thurrock	78.5	80.1	80.7	81.7	79.1

Source: Local Area Labour Force Survey

Unemployment

- 3.18 The Annual Population Survey (April 2004 to March 2005) recorded the unemployment rate, based on the economically active population, as 3.8% for the East of England and 4.8% for Great Britain. This compares with an EU-25 unemployment rate of 9% in 2004 (Eurostat).
- 3.19 Despite having a high economic activity rate and a low unemployment rate, there are significant intra-regional disparities – both between places and between communities of interest. As explained in *State of the Regional Economy*, areas of high and persistent unemployment do remain around the region's northern and eastern periphery, especially north and west Norfolk, Waveney (Suffolk) and Tendring and Thurrock (Essex).
- 3.20 There has been a slight decline in long-term unemployment in England and Wales (defined as those out of work for six months and more and claiming unemployment benefits). In the East of England, by contrast, there has been a slight increase in long-term unemployment, albeit from a low base. Across the EU-25, the long-term unemployment rate is 4% (Eurostat).

Sectoral structure of employment

- 3.21 Within the East of England, there are around 2.3 million employee jobs; this is just over 10% of the English total. Data from the Annual Business Inquiry indicate that between 1998 and 2004, the number of employee jobs in the East of England grew by nearly 6% (compared to a 7% growth across England and Wales). Within this context, there was a sizeable reduction in the number of jobs in the agriculture and fishing, energy and water, and manufacturing sectors. Conversely, the construction sector experienced 23% growth between 1998 and 2004 (compared to 9% at a national level); this is indicative of the volume of on-going

development activity within the region. Other regional trends mirror the national picture (see Tables 3-5 and 3-6).

Table 3-5: Numbers employed, and percentage of employment for each sector in the East of England

East of England	Numbers Employed			% of employment for each sector		
	2004	Change 98-04	Change 98-04 (%)	2004	1998	Pp Change 98-04
Agriculture and fishing	32,400	-8,100	-20.0	1.4	1.9	-0.5
Energy and water	10,200	-5,500	-35.0	0.4	0.7	-0.3
Manufacturing	277,700	-77,800	-21.9	12.0	16.2	-4.2
Construction	118,100	22,200	23.1	5.1	4.4	0.7
Distribution, hotels and restaurants	602,200	44,700	8.0	26.1	25.5	0.6
Transport and communications	146,700	6,500	4.6	6.4	6.4	-0.1
Banking, finance and insurance etc	450,900	38,500	9.3	19.5	18.8	0.7
Public administration, education and health	561,100	84,200	17.7	24.3	21.8	2.5
Other services	110,100	16,700	17.9	4.8	4.3	0.5
Total	2,309,400	121,400	5.5	100.0	100.0	

Source: Annual Business Inquiry

Table 3-6: Numbers employed, and percentage of employment for each sector in England and Wales

England and Wales	Numbers Employed			% of employment for each sector		
	2004	Change 98-04	Change 98-04 (%)	2004	1998	PP Change 98-04
Agriculture and fishing	196,200	-43,000	-18.0	0.8	1.1	-0.2
Energy and water	117,700	-40,700	-25.7	0.5	0.7	-0.2
Manufacturing	2,856,200	-856,600	-23.1	12.1	16.7	-4.7
Construction	1,051,800	82,300	8.5	4.4	4.4	0.1
Distribution, hotels and restaurants	5,876,300	473,000	8.8	24.8	24.3	0.5
Transport and communications	1,416,600	119,000	9.2	6.0	5.8	0.1
Banking, finance and insurance etc	4,774,500	583,200	13.9	20.2	18.9	1.3
Public administration, education and health	6,192,100	1,003,000	19.3	26.1	23.4	2.8
Other services	1,212,500	180,700	17.5	5.1	4.6	0.5
Total	23,693,900	1,500,900	6.8	100.0	100.0	

Source: Annual Business Inquiry

Earnings

- 3.22 Table 3-7 shows that over the period 2001-2005, the average earnings (by workplace) per week for employees increased by £49.60 in the East of England compared to £54.70 across the UK. At the end of this period, average weekly (workplace-based) earnings in the region were £428.70, slightly below the UK average (£432.10). Within this context, the female average weekly earning rate has been consistently lower in the region in comparison to the national position – in 2005, the difference between the female regional and national earnings

rate was £15.40. In contrast the male earning rate has been higher than the national average since 2001.

Table 3-7: Average weekly earnings (workplace) of working age population, £

	2001			2003			2005		
	Male	Female	All	Male	Female	All	Male	Female	All
UK	417.2	315.4	377.4	446.6	344.0	405.2	473.4	372.1	432.1
East	422.6	308.7	379.1	452.3	336.5	407.6	476.8	356.7	428.7

Source: Average earnings time-series, Office of National Statistics

- 3.23 The average weekly earnings for residents in the East of England are higher than for those whose workplace is in the region. This differential points to the importance of commuting flows. Within the East of England, London is especially important in this regard. At the time of the last Census, over 290,000 people commuted from their homes in the East of England to workplaces in London Boroughs.

Table 3-8: Average weekly earnings (residency) of working age population, £

	2002			2005		
	Male	Female	All	Male	Female	All
UK	493.4	284.1	391.5	525.5	319.9	423.2
East	527.6	280.3	410.5	567.4	318.1	448.1

Source: Nomis ONS, Average earnings time-series

- 3.24 Consistent with this observation, average weekly earnings vary substantially within the East of England. For full-time workers, the majority of sub-regions recorded higher earnings than the English average, but Luton, Norfolk, Peterborough and Suffolk (i.e. mainly areas in the north and east of the region) were all lower than the national average. There was also a mixed picture with regard to earnings growth – against an average earnings growth rate of 9.2% in England over the period 2002-2005, higher earnings growth was seen in Cambridgeshire, Hertfordshire and Essex, but growth was lower in Luton, Peterborough, Southend-on-Sea and Suffolk. Thurrock actually recorded a decline in average earnings. Data on sub-regional average earnings are presented in Table 3-9.

Table 3-9: Average weekly earnings in England and in East of England sub-regions, 2002-2005 - resident analysis

	Full time		% change	Part time		% change
	2002	2005		2002	2005	
Bedfordshire	516.5	564.0	9.2	129.5	172.2	33.0
Cambridgeshire	511.0	579.5	13.4	144.6	171.6	18.7
Essex	522.2	579.2	10.9	139.5	161.0	15.4
Hertfordshire	577.6	648.7	12.3	160.5	185.0	15.3
Luton	438.8	468.3	6.7	132.6	154.8	16.7
Norfolk	408.7	448.7	9.8	133.9	152.5	13.9
Peterborough	447.3	470.1	5.1	123.3	163.1	32.3
Southend-on-sea	481.0	517.6	7.6	136.3	182.7	34.0
Suffolk	449.9	480.4	6.8	128.4	163.3	27.2
Thurrock	491.2	483.4	-1.6	135.1	136.5	1.0
East						
England	483.3	527.7	9.2	146.6	165.9	13.2

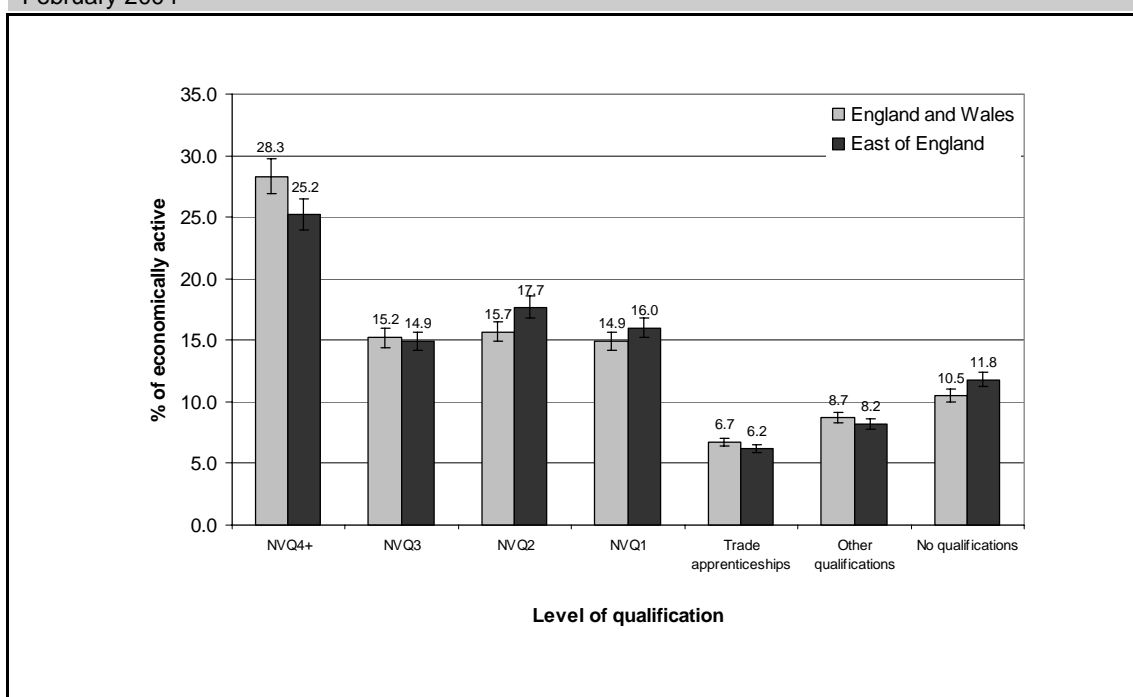
Source: Nomis ONS, Average earnings time-series

- 3.25 There was a similar level of variation in income for part-time workers. Again, the majority of sub-regions recorded earnings above the national average, but Essex, Luton, Norfolk and Thurrock had below average earnings. Disparities in earnings growth were even more marked for part-time workers, with growth in income ranging from 34% to only 1% over the period 2002-2005.

Skills

- 3.26 Qualification levels amongst the resident population are below the national average. Some 25.2% of the economically active population in the East of England is qualified to NVQ Level 4 or above compared to 28.3% across Great Britain. Within the East of England, there is a higher proportion of people qualified to NVQ Levels 1 and 2. The region lags slightly behind in numbers of trade apprenticeships and other qualifications, and has a higher than average proportion of its economically active population with no qualifications.
- 3.27 However there are important variations within this. Data from the Census 2001 for example show that some ethnic minority groups are much more likely to have lower skills than their White British counterparts. The following groups had higher percentages of people with no qualifications or with Level 1 as their highest level of qualification than White British people:
- No qualifications (White British, 28.3 per cent): Bangladeshis (49.5 per cent), Pakistanis (40.5 per cent) and White Irish (35.6 per cent)
 - Level 1 (White British, 18.9 per cent): Mixed White & Black Caribbean (21.9 per cent) and Black Caribbean (20.5 per cent).

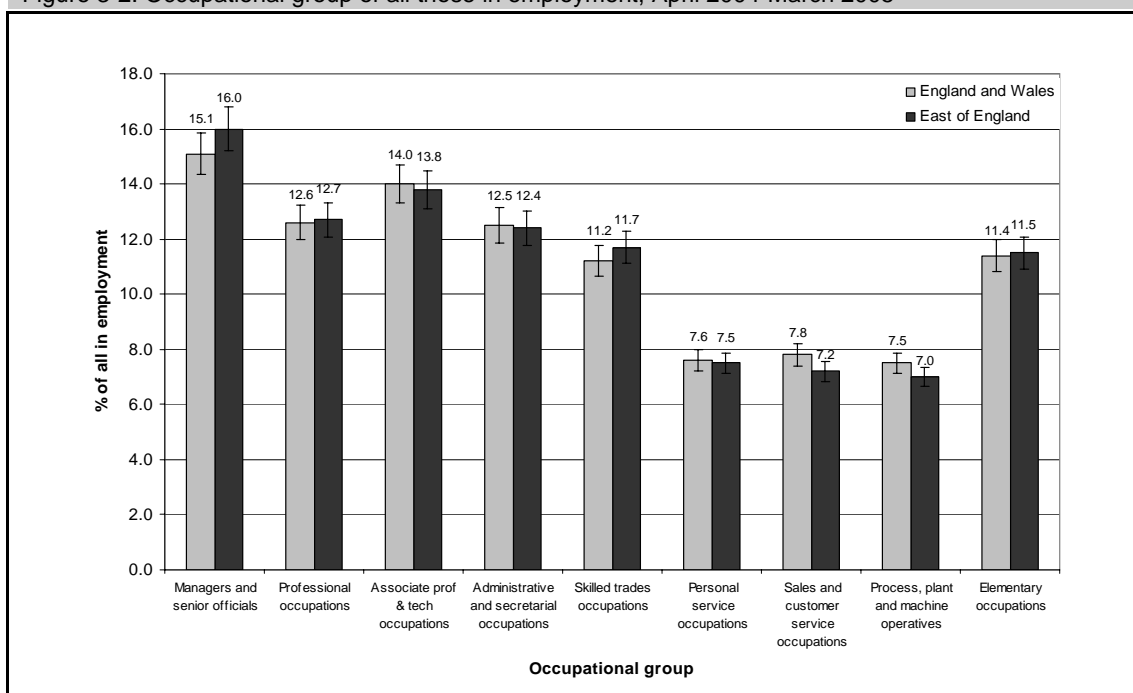
Figure 3-1 : Level of qualification of the economically active population (of working age), March 2003-February 2004



Source: Local Area Labour Force Survey

- 3.28 Within the region there is some evidence to suggest a particular need for people with higher level managerial skills, (the management skills gap is 16% in the region, compared to 12% in England). Additionally – as flagged in *State of the Regional Economy* – the East of England is the worst performing region in terms of general IT skills. A shift towards higher level skills is necessary if the region is to move towards a more knowledge-based economy (in line with the Lisbon Agenda, the Community Strategic Guidelines and the RES). Currently – and notwithstanding the strength of the knowledge base – the Annual Population Survey suggests that the region's occupational groupings are in line with the national average: some 42.5% of the working age population in the East of England was included in the SOC Groups 1 to 3 (which includes managers and senior officials, professional occupations, and associate professional and technical occupations) compared to 41.7% across England and Wales.

Figure 3-2: Occupational group of all those in employment, April 2004-March 2005



Source: Annual Population Survey

Key messages for the Operational Programme

Evidence

- the region has an economic activity rate which is higher than the national average although there is some evidence that this might have fallen recently
- unemployment rates in the region have consistently been lower than the national average. However, this masks higher than average rates of unemployment in a number of sub-regions. Long-term unemployment in the UK declined over the period 2001-2005, but rose in the East of England, albeit from a low base
- workplace earnings in the East of England are slightly below the national average, but the average income of residents in the region is above the UK average
- gaps in the region's skills base are evident, with lower than average qualifications at NVQ Levels 3 and 4+, a lower number of trade apprenticeships, and a higher than average proportion of economically active people with no qualifications.

Implications and fit with on-going policy interventions

- given the weak skills profile, there is much to be done if the aspirations of high value-added growth linked to the Lisbon Agenda are to be achieved fully within the region
- within the East of England, skills issues have long been a regional priority. The East of England Skills and Competitiveness Partnership has been set up to lead activities to deliver Goals One, Two and Three of the RES. It has developed a Framework for co-ordinated action and has made important progress in seeking to align key mainstream activities
- in moving forward, close co-ordination and clear demarcation between the OP and the new ESF programme will be essential (see Chapter 8).

3: Competition and Enterprise

- 3.29 Consistent with one of the CSGs and the wider Lisbon agenda, Goal 2 of the current RES is concerned with growing competitiveness, productivity and entrepreneurship. As set out in *State of the Regional Economy*, the focus includes building a more enterprising culture; providing coherent and integrated business support services; supporting the accelerated and sustained growth, productivity and competitiveness of the region's businesses; and developing the capacity of the region to engage in global markets. In the paragraphs below, we consider some of the key baseline dimensions which ought to shape the focus of the Operational Programme over the period to 2013.

Business density and the business stock

- 3.30 Across the East of England, business density – the number of registered businesses in proportion to the population – is higher than the national average. However, at sub-regional levels, business densities vary widely. Norfolk has a high level of business density – it is more common to have a preponderance of small and micro businesses in more rural areas – and Cambridgeshire, Bedfordshire and Hertfordshire all record levels of business registrations above the national average. But several sub-regions have business densities well below the national average, most notably Thurrock and Southend-on-Sea.

Table 3-10: Business stock and business density in East of England and sub-regions, 2000 and 2004

	2000		2004		% change 00-04
	Number	Per 10,000	Number	Per 10,000	
England and Wales	1,575,260	302.1	1,633,810	308	3.7
East	176,770	328.9	183,675	334.5	3.9
Bedfordshire	12,850	339.8	13,595	346.6	5.8
Cambridgeshire	20,015	363	21,055	363.8	5.2
Essex	42,600	326.6	44,525	334.7	4.5
Hertfordshire	38,355	372.5	39,635	380.6	3.3
Norfolk	25,110	1353.6	25,640	1393.5	2.1
Suffolk	22,220	280	23,075	282.6	3.8
Luton	3,745	239.1	3,955	248.6	5.6
Peterborough	4,000	247.5	4,330	271.3	8.3
Southend-on-sea	5,030	74.8	4,655	68.1	-7.5
Thurrock	2,850	201.4	3,205	220	12.5

Source: VAT registrations and Annual Population Survey, Office of National Statistics

- 3.31 Against this backdrop, VAT registration data for 2000 to 2004 indicate that within the East of England, some areas have experienced increases in business stock in comparison to the national average. Peterborough has shown an increase of 8.3% while Southend-on-sea has witnessed a decline in the stock of VAT registered businesses of over 7%.
- 3.32 Table 3-11 examines the stock of VAT registered businesses for 2004 stratified by sector. It shows that the dominant sectors across the region and England and Wales in 2004 were “real estate, renting and business activities”, accounting respectively for 29.9% and 30.2% of the total. Overall, the regional sectoral structure mirrors that of England. However there are important contrasts at a sub-regional scale. For example:
- the incidence of VAT registered businesses in agriculture, forestry and fishing is higher in Norfolk and Suffolk than the regional average. Conversely it is much lower in Hertfordshire and the four Unitary areas
 - Hertfordshire appears to have a relative concentration of businesses in the “real estate, renting and business activities” sector, particularly as compared to Norfolk
 - at county level, Essex and Suffolk have a high incidence of businesses engaged in “transport, storage and communication” which is probably a reflection of the growing importance of the East Coast ports, particularly in the Haven Gateway and South Essex.

Table 3-11: Percentage stock of VAT-registered businesses at the end of year 2004

	Agriculture; Forestry and fishing	Mining + quarrying; Electricity, gas and water supply	Manufacturing	Construction	Wholesale, retail and repairs	Hotels and restaurants	Transport, storage and communication	Financial intermediation	Real Estate, renting and business activities	Public administration; Other community, social and personal services
England and Wales	6.5	0.1	8.5	11.2	21.3	7.0	4.4	1.1	30.2	8.1
East	6.3	0.1	8.8	14.1	20.3	6.0	4.9	0.9	29.9	7.3
Bedfordshire	5.0	0.0	8.9	15.0	20.2	5.5	4.7	0.8	31.5	6.9
Cambridgeshire	9.8	0.0	8.7	12.4	17.4	5.6	4.7	0.8	31.6	7.1
Essex	4.7	0.0	9.4	17.4	20.3	5.6	5.1	0.8	28.6	6.9
Hertfordshire	2.1	0.1	7.9	12.3	19.5	4.8	4.1	1.1	38.5	8.0
Norfolk	12.6	0.1	9.0	13.3	21.9	8.1	4.4	0.6	21.6	6.9
Suffolk	10.8	0.1	8.6	12.2	19.5	6.8	5.8	0.9	25.2	8.6
Luton	0.4	0.0	10.7	15.9	24.0	6.6	5.6	0.8	28.8	5.8
Peterborough	3.7	0.1	8.4	10.4	22.5	5.9	4.0	1.1	29.1	6.6
Southend-on-sea	0.3	0.0	9.8	14.5	26.5	7.6	3.8	0.9	29.0	6.2
Thurrock	1.4	0.2	7.6	19.3	23.1	5.9	12.6	0.5	22.4	5.6

Source: Nomis VAT registrations

Gross Value Added – residence- and workplace-based

- 3.33 In the context of “competition and enterprise” it is valid to consider GVA: the principal measure of regional output. The region’s performance in terms of GVA provides an important insight with regard to the strength of the business base.
- 3.34 Amongst those living in the region, GVA per head was £18,300 in 2004; this was 9% higher than GVA per head for the UK as a whole²⁹. From an EU perspective, GDP per head is relatively high in the East of England: 112% of average GDP (based upon purchasing power standards).

Table 3-12: GDP per head at Purchasing Power Standard, 2003 (Eurostat, 2006)

EU -25	100.0
East of England	112.1
Norfolk, Suffolk, Cambridgeshire	106.8
Bedfordshire and Hertfordshire	131.6
Essex	100.2

- 3.35 The performance of the East of England on workplace-based measures of GVA is less strong: overall it is around 94% of the UK average. While the East of England is the third best performing region on this measure, there is a significant gap in relation to London and the South East. In fact, the performance of the East of England is closer to that of the Midlands regions and the South West. The gap between residence- and workplace-based measures of GVA is explained largely by the influence of commuting and the fact that – in the south of the region – there is substantial net out-commuting to London.

Table 3-13: GVA per head (£) – workplace basis

Region	1994	2004	% increase, 1994-2004	Regional GVA compared with UK average
United Kingdom	10,505	17,258	64.3	100.0
North East	8,629	13,433	55.7	77.8
North West	9,365	14,940	59.5	86.6
Yorkshire and the Humber	9,171	14,928	62.8	86.5
East Midlands	9,696	15,368	58.5	89.0
West Midlands	9,562	15,325	60.3	88.8
East	9,954	16,281	63.6	94.3
London	15,248	24,955	63.7	144.6
South East	10,615	18,329	72.7	106.2
South West	9,501	15,611	64.3	90.5
England	10,470	17,188	64.2	99.6
Wales	8,571	13,292	55.1	77.0
Scotland	10,350	16,157	56.1	93.6
Northern Ireland	8,171	13,482	65.0	78.1
United Kingdom less Extra-Regio ³	10,299	16,802	63.1	97.4

Source: Office for National Statistics

²⁹ ONS, Region in Trends 39, Edition 2006

- 3.36 The table below shows the change in GVA per head between 2000 and 2002/3 by sub-region, and relative to the UK. It suggests that Hertfordshire, Peterborough, Cambridgeshire, and Luton have high residence-based GVA per head compared to the UK. Of some concern is the down turn in the performance of Southend, Thurrock, Luton, Bedfordshire and Norfolk. Also of note is the fact that across much of the region – Norfolk, Suffolk, Bedfordshire, Southend, Thurrock and Essex – GVA per head is below the national average.

Table 3-14: GVA per head, workplace-based (UK = 100)

	2000	2001	2002	2003
UK	100	100	100	100
East of England	96	96	95	95
Old East Anglia	91	91	90	
Peterborough	110	111	111	
Cambridgeshire	105	106	106	
Norfolk	80	79	78	
Suffolk	86	88	87	
Bedfordshire and Hertfordshire	116	115	115	
Luton	104	102	101	
Bedfordshire CC	90	88	87	
Hertfordshire	127	128	127	
Essex	83	82	82	
Southend-on-sea	87	82	83	
Thurrock	90	85	87	
Essex CC	82	82	82	

Source: Table 3.1 Region in figures, Winter 2004/05, ONS

International trade

- 3.37 The East of England is a “gateway region” and its principal ports and airports constitute an important economic driver in their own right; the Haven Gateway ports and the Port of Tilbury are, for example, substantial foci for economic activity. As the table below demonstrates, relative to its population base, the region accounts for a high proportion of UK trade with elsewhere in the EU. Its share of export activity further afield is in line with the population base.

Table 3-15: Percentage share of export trade with EU and non-EU countries, 2004

	To the EU	To outside the EU	All export trade	% share of population
North East	4.8	3.6	4.3	4.3
North West	8.6	10.3	9.4	11.4
Yorks & Humber	5.5	5.1	5.3	8.4
East Midlands	7.2	7.5	7.3	7.2
West Midlands	7.1	7.4	7.2	8.9
East	9.7	9.2	9.5	9.2
London	8.5	15.8	11.8	12.4
South East	14.8	16.1	15.4	13.6
South West	5.5	4.6	5.1	8.4
England	71.7	79.6	75.2	83.8

	To the EU	To outside the EU	All export trade	% share of population
Wales	5.0	3.6	4.4	4.9
Scotland	5.7	7.0	6.3	8.5
Northern Ireland	2.5	2.1	2.3	2.8
Unallocatable trade	15.2	7.7	11.8	
United Kingdom	100.0	100.0	100.0	100.0

Source: HM Revenue and Customs

Entrepreneurship

- 3.38 Entrepreneurial activity in the UK (measured by the proportion of adults of working age who are either setting up or have been running a business for less than 42 months) stood at 6.0% of the adult working age population in 2005. The East of England was slightly above the national average at 6.53%. On this metric, the East of England is behind London, the South East and South West. Conversely it performs better than the East Midlands, North East, North West and Yorkshire and Humberside.

Table 3-16: Total Entrepreneurial Activity (TEA) in the UK regions (% adult population)

Region	2002	2003	2004	2005
East Midlands	4.6	5.4	6.9	5.3
East of England	6.1	5.5	5.8	6.5
London	5.6	10	7.3	8.3
North East	2.9	3.8	4.9	3.8
North West	4.3	4.7	4.0	4.6
Northern Ireland	3.3	5.3	5.0	4.8
Scotland	4.3	5.5	5.2	5.7
South East	5.3	7.9	6.9	6.8
South West	5.1	6.8	6.8	6.8
Wales	3.6	6.8	5.5	5.2
West Midlands	4.9	6.6	5.2	5.4
Yorkshire & Humberside	3.9	4.2	4.5	5.7
UK	5.4	6.4	6.2	6.0

Source: Global Entrepreneurship Monitor, 2005

- 3.39 Of some importance to the OP in this context is the observation that the East of England had the second highest differential, after the South East, between male and female entrepreneurial activity in 2005. The female TEA rate was very slightly above the national average, while the male rate was substantially above. The relative dearth of female entrepreneurs may be a missed opportunity for the region; it has been estimated that if women in the region matched the number of male-led start-ups, there would be an additional 16,000 businesses in the East of England³⁰. However the challenges are deep-rooted: the UK Government's Strategic Framework for Women's Enterprise noted in May 2003 that, "At a cultural level, there is a failure to recognise and value the contribution – and potential contribution – of women-owned businesses to the UK economy". For the UK in general – and the East of England in particular – this is a challenge to which the OP ought to respond.

³⁰ See <http://www.admin.cam.ac.uk/news/dp/2005112804>

Table 3-17: Total Entrepreneurial Activity (TEA) by gender in the UK regions (%)

Region	Female	Male
East Midlands	3.4	7.3
East Of England	3.9	9.1
London	5.8	10.9
North East	2.7	5.0
North West	2.2	6.9
Northern Ireland	2.8	6.9
Scotland	3.8	7.7
South East	3.9	9.8
South West	5.5	8.2
Wales	3.6	6.9
West Midlands	3.3	7.5
Yorkshire & Humberside	3.4	8.0
Total	3.8	8.2

Source: Global Entrepreneurship Monitor 2005

New business formation

- 3.40 As set out in *State of the Regional Economy*, after nine consecutive years of growth in the business stock, the rate of business formation stalled in 2004. Within this overall context, Essex and Hertfordshire had the highest number of new businesses registering for VAT in 2004. However, the RES suggests these two sub-regions have lower business survival rates than areas such as Norfolk and Cambridgeshire. This suggests greater churn in the south of the region, but also a different context for new business formation: encouraging start-up may be the issue in the north of the region while enhancing survival appears to be a greater priority further south. VAT registration data for 2000 and 2004 for each sub-region are displayed in Table 3-18 below.

Table 3-18: VAT registrations, 2000-04

	2000	2004	% change 00-04
England and Wales	163,880	165,435	0.9
East	17,595	17,580	-0.1
Bedfordshire	1,285	1,375	7.0
Cambridgeshire	1,835	1,795	-2.2
Essex	4,355	4,580	5.2
Hertfordshire	4,150	4,025	-3.0
Norfolk	2,135	2,030	-4.9
Suffolk	2,040	2,050	0.5
Luton	410	425	3.7
Peterborough	405	440	8.6
Southend-on-sea	655	485	-26.0
Thurrock	325	370	13.8

Source: Nomis, VAT registrations/deregistrations by industry

- 3.41 Table 3-19 shows the sectoral composition of the VAT registrations over the same period. In the main, the trends across the region are similar to those for England and Wales. One exception is agriculture, forestry and fishing. However this sector is small and the absolute changes are modest. Also noteworthy is the fact that in some key growth sectors – notably “real estate, renting and business activities” – the business base in the East of England has declined whilst that of England and Wales has grown slightly. It is in the construction sector that the region has seen greatest absolute gains.

Table 3-19: Sectoral composition of VAT registrations, 2000-04

	England and Wales			East of England		
	2000	2004	% change 00-04	2000	2004	% change 00-04
Agriculture; Forestry and fishing	2,595	2,795	7.7	275	335	21.8
Mining and quarrying; Electricity, gas and water supply	165	135	-18.2	*	*	*
Manufacturing	11,395	9,035	-20.7	1,250	990	-20.8
Construction	15,945	19,670	23.4	2,175	2,590	19.1
Wholesale, retail and repairs	32,000	33,185	3.7	3,205	3,280	2.3
Hotels and restaurants	15,805	17,895	13.2	1,480	1,645	11.1
Transport, storage and communication	8,125	8,440	3.9	985	1,005	2
Financial intermediation	1,995	1,565	-21.6	215	135	-37.2
Real Estate, renting and business activities	60,520	60,820	0.5	6,515	6,350	-2.5
Public administration; Other community, social and personal services	13,290	9,860	-25.8	1,245	1,000	-19.7
Education; health and social work	2,050	2,030	-1.0	240	235	-2.1
Total	163,885	165,430	0.9	17,595	17,575	-0.1

Source: Nomis, VAT registrations/deregistrations by industry

Social Enterprises

- 3.42 Social enterprises – defined as businesses with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profits for shareholders and owners³¹ – are playing an increasingly important role in the economic and social development of the East of England. In 2001, EEDA commissioned a study to map social enterprises operating in the East of England. Some 1103 social enterprises were identified and figures extrapolated from the 33% of organisations that returned the questionnaire showed that the total turnover of the sector was over £3 billion per annum; that this represented between 1% and 1.5% of the total turnover of Small and Medium-size Enterprises (SMEs) in the region; and that nearly 27,000 people were employed in the sector on a full time basis and 13,500 on a part time basis³². Nevertheless, as set out in *State of the Regional Economy*, the East of England has a relatively low rate of social entrepreneurial activity. Against this backdrop, the Social Enterprise Strategy for the East of England sets out nine strategic objectives including improving access to finance, enabling social enterprises to grow, and enabling social enterprises to access

³¹ *Social Enterprise: A Strategy for Success* DTI, 2002

³² Quoted in *Lend me your fears: Lending, borrowing, saving and earning – social enterprise finance in the East of England* Report by the Guild, 2004

public procurement. Looking to the future, it is recognised that the 2012 Olympics represent a particular opportunity (and potentially a challenge).

Key messages for the Operational Programme

Evidence

- there are substantial variations across the East of England with regard to business density, and rates and patterns of new business formation and survival
- the region performs well on GVA per capita measures relative to the EU but its performance is below the UK average on workplace-based measures
- the region is a relatively open economy and it accounts for a relatively high proportion of UK exports
- the region's entrepreneurial activity, measured by the Total Entrepreneurial Activity rate, has been close to the average for the English regions
- the East of England has one of the highest differentials between male and female entrepreneurship – men in the region are more likely to engage in entrepreneurship than women in the region
- although growing, the region's social enterprise sector is currently relatively small.

Implications and fit with on-going policy interventions

- the region is currently not a strong performer in terms of the productivity of businesses – certainly in relation to London and the South East - and in moving forward, raising levels of productivity needs to be a priority
- there is scope to improve levels of entrepreneurship, particularly amongst women and in some parts of the region. Additionally, the social enterprise sector presents important opportunities within the East of England
- within the region, there have been an array of interventions to improve productivity and support new firm formation and growth. Key to this has been the work of the Business Link network. The growing network of Enterprise Hubs around the region is also playing an important role.

4: Innovation and research

- 3.43 The Lisbon Agenda is concerned fundamentally with building the knowledge economy (see Box 2-1), and the East of England has some very distinctive strengths and opportunities in this regard. Goal 3 of the RES (global leadership in developing and realising innovation in science, technology and research) is wholly aligned with the aims of the Lisbon Agenda. Its focus is on (a) stimulating demand for research and development and knowledge transfer, particularly amongst small and medium-sized enterprises in the region, and (b) ensuring strong links between regional universities, research institutes and the private sector as well as facilitating international partnerships that enable knowledge transfer and collaboration on R&D. The paragraphs below examine elements of the surrounding evidence base.

Research base

- 3.44 The Research Assessment Exercise 2001 (the next assessment is scheduled for 2008) rates research departments in each higher education institution in the UK. The results for the UK as a whole and across institutions within the East of England are shown below.

Table 3-20: University researchers in the UK and the East of England, 2001

	UK (number of staff)	East of England (number of staff)	East of England % share of UK total
Category A and A* Research Active Staff (FTE)	48,021	4,584	9.5
Non-selected Category A and A* Research Active Staff (FTE)	32,635	2,940	9.0
Rating 1	94	27	28.7
Rating 2	1,144	93	8.1
Rating 3b	2,635	204	7.7
Rating 3a	5,981	368	6.1
Rating 4	11,932	1,079	9.0
Rating 5	17,259	1,149	6.7
Rating 5*	8,975	1,665	18.6

Source: Research Assessment Exercise, 2001

- 3.45 As the East of England has a population share of 8% of the total UK population, it can be seen that the East of England has a proportionately higher share of Category A and A* researchers.
- 3.46 The East of England has lower proportions of research departments rated 3b, 3a and 5, but a slightly higher proportion of departments rated 4 and 5*. The very high proportion of 5* rated research in the region is almost entirely attributable to the University of Cambridge, which accounts for almost 80% of all 5* research departments. It is worth noting that across the region there is a diversity of Higher Education Institutions (HEIs) including both leading research universities and institutions focused on increasing access to higher education.

Patents

- 3.47 The region has an above average patent intensity – measured as the number of patents awarded per 100,000 resident population. Only the South East recorded a higher rate of patents awarded.

Table 3-21: Patent intensity, 2004

Region	Total Population	Number of patents granted	Patents per 100,000 of population
North East	2,545,100	51	2.0
North West	6,827,200	274	4.0
Yorkshire and The Humber	5,038,800	216	4.3
East Midlands	4,279,700	194	4.5
West Midlands	5,334,000	332	6.2
East	5,491,300	492	9.0
London	7,429,200	645	8.7
South East	8,110,200	820	10.1

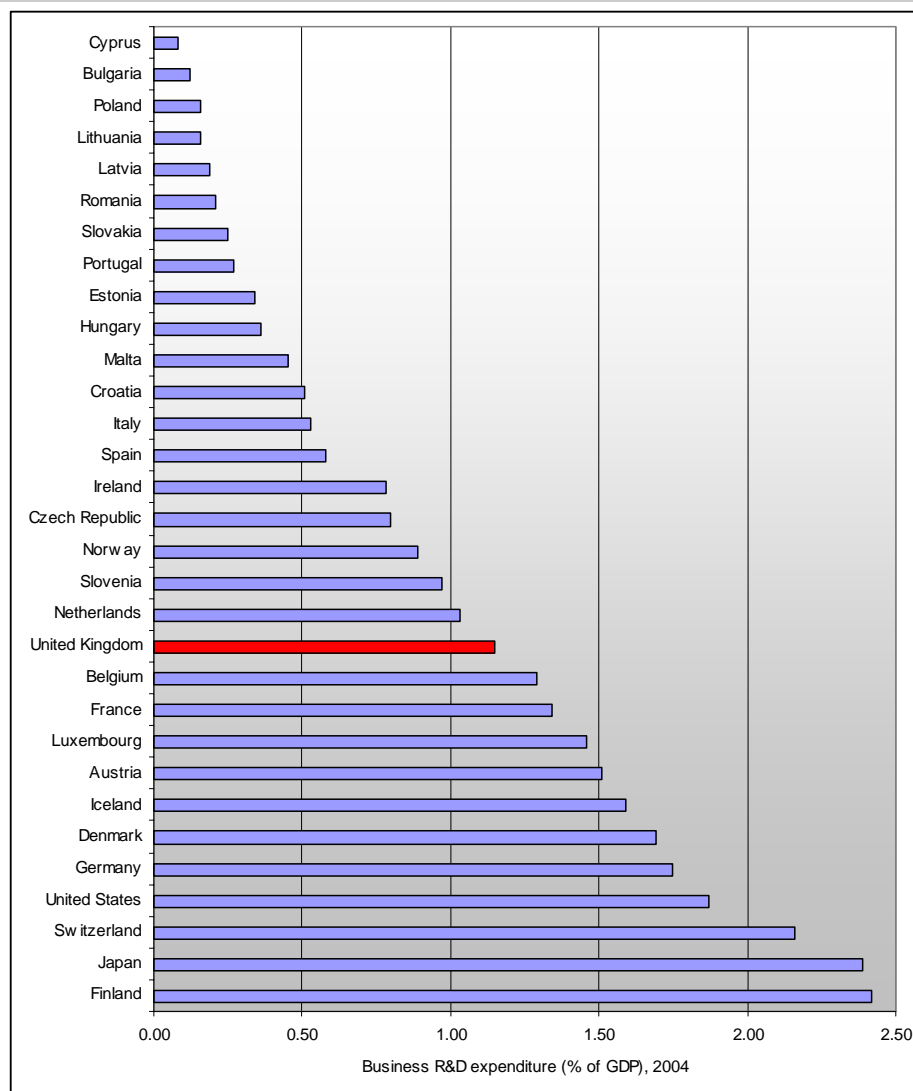
Region	Total Population	Number of patents granted	Patents per 100,000 of population
South West	5,038,200	350	6.9
Wales	2,952,500	116	3.9
Scotland	5,078,400	162	3.2
Unmatched Postcodes**		110	
Total	58124600	3,762	6.5

Source: Mid-Year Population Estimates and Patent Office

Business R&D and Innovation

- 3.48 In 2003, expenditure within the region on research and development was over a fifth of all UK expenditure on R&D in this sector. Within this context, businesses in the East of England were responsible for a quarter of UK business expenditure on research and development³³. The performance of the East of England on this metric far exceeds the UK average which is mid-ranking in relation to international comparators (see Figure 3-3).

Figure 3-3: Business R&D expenditure as a proportion of GDP: International comparators



Source: Pro Inno Europe Website

³³ ONS, Regional Trends 39, Edition 2006

- 3.49 In large part, the region's strong performance reflects the stock of large private R&D facilities. However many of these businesses are internationally owned (and hence potentially mobile). Moreover, there is evidence that the wider business base is not particularly innovative (despite the region's research strengths).
- 3.50 In this context, the findings of the Department for Trade and Industry (DTI) innovation survey are instructive. DTI defines a business as innovative if it engages in any of the following:
- introduction of a new or significantly improved product, service or process
 - innovation projects, including those not yet complete or abandoned
 - expenditure in areas such as internal research and development, training, acquisition of external knowledge or machinery and equipment linked to innovation activities.
- 3.51 The DTI's 2005 innovation survey found some 57% of UK businesses to be innovation active, according to this definition, with products or process innovations implemented by around 30% of businesses. Businesses in the East of England were found to be below average in terms of levels of innovation activity (see Table 3-22). They also reported the lowest levels of innovation-related expenditure.

Table 3-22: Business innovation in England and Wales

Category	North East	North West	Y&H	East Mids	West Mids	East	Lon	South East
Innovation active	57	58	58	57	55	55	57	60
of which,								
• Product innovator	25	24	25	27	24	26	27	28
• Goods	16	16	17	19	18	16	14	18
• Services	18	15	17	17	14	16	23	19
• Process innovator	16	15	15	16	16	17	17	16
• Ongoing / abandoned activities	8	8	10	9	10	11	10	13
• Innovation-related expenditure	54	55	56	53	53	52	53	56
• Wider Innovator	30	33	32	33	30	33	37	36
• Broader Innovator	60	62	62	60	58	60	61	64
• Either product or process innovators	30	28	30	32	30	31	33	32
• Both product and process innovators	12	11	10	11	10	12	11	11

Source: Department for Trade and Industry, Innovation Survey, 2005

Technology intensive sectors

- 3.52 Nevertheless – combining the enabling potential of both university-based and business-based R&D excellence – the East of England can claim a number of technology-intensive specialisms. In this regard a report by Arthur D Little³⁴ is instructive³⁵:

³⁴ *Innovation and Technology Audit for the East of England* A report by Arthur D Little to EEDA, November 2003

- in *bioscience*, it identified concentrations of research activity around Cambridge (where the focus is on human biosciences and pharmaceuticals, and in addition to the University of Cambridge, major research institutes include the MRC Laboratory of Molecular Biology and the Babraham Institute) and Norwich (where there is excellence in plant and soil biology, food and environmental sciences linked to the University of East Anglia and the John Innes Institute). At Harlow and Stevenage there are major corporate players linked to bioscience including GlaxoSmithKline
- in *food*, the report identified Norwich as a hub for research in agricultural biotechnology and food safety (the Institute of Food Research, John Innes Centre and Sainsbury Research Laboratory). It also identified a number of research institutes in and around Cambridge, and the role of Rothamsted (in Hertfordshire). From the private sector, the report flagged the significance of Unilever's Colworth Laboratory, based near Bedford
- in *automotive*, a number of research centres exist including Ford's facility at Dunton (near Basildon), the Nissan Technical Centre (at Cranfield) and the Lotus Engineering Research and Technology Centre (near Norwich). In terms of HEIs, the report identified that Cranfield University (Automotive Group) and Cambridge University (Motorsport Manufacturing Group) have especially strong links with the sector
- in the *creative, culture and media* sector, relevant university research specialisms are recognised across a number of HEIs, particularly the University of Cambridge and the University of East Anglia (Norwich). It considered that computer games, software and electronic publishing are "*concentrated in the western part of the region, particularly in and around Cambridgeshire, Huntingdonshire and Hertfordshire*". Hertfordshire is seen as the primary location of the film cluster within the region; other clusters are identified in Cambridge, Ipswich and Norwich
- in *photonics*, the universities of Cambridge, Cranfield and Essex are all recognised as having significant strengths. However the biggest centre of excellence is considered to be the former BT Photonics Research Centre at Adastral Park, near Ipswich.

3.53 Cutting across many of these important established specialisms, more recent research has highlighted the strengths in the region linked to the environmental goods and services sector. According to *State of the Regional Economy*, the East of England Eco-Directory (published in 2003) identified 2,186 environmental goods and services companies and organisations in the region which together employ 60,000 people with an estimated turnover of £7.2bn. A recent national report found that the sector is "particularly strong" in the East of England³⁵ and within this context, Peterborough has supported the development of a wide-ranging environmental cluster. Overall, the sector is dynamic and diverse, encompassing a number of distinctive sub-sectors. One is "clean" (or "cleaner") technologies which have been defined

³⁵ Note that since the Arthur D Little study was completed, there have been a number of developments of note. These include the establishment of the Hethel Engineering Centre (focusing on automotive technologies) near Norwich. In terms of the more recent developments, EEDA's focus on Enterprise Hubs has been important

³⁶ *Emerging markets in the Environmental Sector* Report written by Jonathan Selwyn and Bill Leverett, UK CEED, for DTI and Defra, November 2006

as “new industrial processes or modifications in existing processes aimed at reducing the impact on the environment and reducing the consumption of energy and raw material”³⁷. Within the East of England, a significant “clean tech mini cluster” has been identified around Cambridge with strong links to Cambridge University³⁸; on one estimate, companies within the Cambridge area received 16% of the total capital inflow to UK clean technology³⁹. A second key sub-sector is renewable energy which – according to DTI – had a turnover nationally of £290m in 2003. According to Renewables East – the agency responsible for renewable energy in the East of England – by September 2006, the region had installed generating capacity of 384 MW; its target for 2010 is 1192 MW. Of current capacity, just under half is derived from landfill gas and about a quarter from each of biomass and wind⁴⁰. With a long and shallow coastline, and significant areas of agricultural land, the potential for renewable energy – through wind, wave and tidal power, and energy crops – is substantial (see below for consideration of the environmental dimensions of renewable energy).

- 3.54 Overall, it is clear that the East of England has important technological strengths. These need to be used well. In an essay which was drafted to stimulate debate in relation to the review of the Regional Economic Strategy, the view was expressed that

*Technology has a key role to play in tackling weaknesses and helping our region address some of its most pressing challenges including our transport infrastructure; the need to retain skilled workers and make the best use of people’s abilities; the issues associated with our ageing population; and public service provision. If we fail to act and use the opportunities that technology provides, people and businesses will leave the region*⁴¹

- 3.55 From within the new draft RES, the following technology-intensive sectors are identified as priorities: automotive manufacturing, creative and cultural industries, energy and offshore industries, environmental goods and services, high tech and advanced manufacturing, ICT, pharmaceuticals and life sciences, and R&D.

Key messages for the Operational Programme

Evidence

- the region has a strong concentration of world class research, centred on the University of Cambridge and a number of other HEIs with world class specialisms, notably the University of East Anglia and the University of Essex. Across the region however, the provision of HEIs is uneven and in a number of areas set for substantial growth it has historically been quite weak
- the business base in the region has a very high level of spending on research and development. However this tends to be concentrated in larger businesses, many of which are internationally owned

³⁷ LIFE environment application guide, 2004

³⁸ *Warming to Cleantech: Financing Clean Technology Companies with Public and Private Equity* Report by Library House sponsored by Nabarro Nathanson and the Carbon Trust, 2006

³⁹ *Investment Trends in UK clean technology 2000-2004* A study commissioned by the Carbon Trust and carried out by Library House, May 2005

⁴⁰ *East of England Renewable Energy Statistics, October 2006* Renewables East

⁴¹ *The East of England in the Knowledge Economy* Essay by Will Hutton and Laura Williams, Work Foundation, 2007

- there is a high level of patenting activity in the region, the second highest in the UK. However overall, the region is found to be a relatively average performer in innovation, according to the DTI's 2005 innovation survey
- the region has a number of distinctive technology-based specialisms. Increasingly, the environmental goods and services sector needs to be considered as one of these.

Implications and fit with on-going policy interventions

- substantial progress has been made over recent years in developing HEI provision across the region. University Campus Suffolk is a key venture for Ipswich and the rest of Suffolk while there are plans for Anglia Ruskin University to establish a physical presence in both Harlow and Peterborough. Initiatives of this type are very important for the region and they represent a substantial opportunity in moving forward
- the developing network of Enterprise Hubs is playing a key role in terms of realising the potential of the region's research-based specialisms
- the environmental goods and service sector has substantial growth potential as a sector in its own right. It also has transformative potential in terms of the environmental performance of the region's businesses and communities.

5: Access and Connectivity

3.56 The Theme of access and connectivity is emphasised in the Community Strategic Guidelines, particularly in terms of “*enhancing the attractiveness of member States, regions and cities by improving accessibility, ensuring adequate quality and level of services, and preserving their environmental potential*”. Two RES Goals are of direct relevance. Goal Six – making the most from the development of international gateways and national and regional transport corridors – is concerned with developing transport solutions to effect sustainable economic growth. Goal Seven – a leading information society – is focused around the greater use of network technologies among businesses, organisations and individuals. Across the East of England – given the scale of the growth agenda alluded to above – there are significant issues and challenges related to the infrastructure deficit, particularly as regards transport. These are outside the scope of the OP and hence the surrounding funding issues are not considered further here⁴². The paragraphs that follow consider some key substantive aspects of connectivity and access.

Internet

3.57 Internet take-up for SMEs was 84% in 2005, the second highest level in the UK. More generally, the region has a good level of internet penetration, with 53% of the population having access to the internet. This figure has doubled over the last five years. It hints both at the growing importance of electronic forms of communication but also the risk of a serious “digital divide”. For those without internet access – individuals, communities and businesses – service exclusion can follow. Looking ahead, *State of the Regional Economy* identifies that there may be challenges with regard to next generation broadband owing to the constraints linked to the existing copper infrastructure.

⁴² See the Advice from the East of England to Government on the Regional Funding Allocations (January 2006) for more information and analysis

Table 3-23: Percentage of population with access to Internet

	1999-2002	2002-2005
United Kingdom	24	49
North East	18	42
North West	24	47
Yorkshire and the Humber	21	44
East Midlands	24	50
West Midlands	22	46
East	26	53
London	29	54
South East	28	54
South West	24	50
England	25	50

Source: Expenditure and Food Survey, Office for National Statistics

Car use and bus use

- 3.58 The region has a higher than average level of car registrations: 0.5 per head of population in 2003, compared to 0.45 for England as a whole. Conversely – according to *State of the Regional Economy* – it has the lowest level of bus use in England. Hence the region is heavily car dependent. In part this reflects the rural character of parts of the region. However given the growing importance of carbon neutrality, it does present some challenges and the OP ought to be part of a wider response (see below).

Table 3-24: Car registrations in England and Wales, 000s

	1994	2003 ²	Cars per head of population 1994	Cars per head of population 2003	% change
North East	745	948	0.29	0.37	29.7
North West	2,375	2,942	0.35	0.43	24.5
Yorks and Humber	1,633	2,039	0.33	0.41	23.6
East Midlands	1,532	1,965	0.38	0.46	22.8
West Midlands	2,070	2,612	0.39	0.49	24.5
East	2,168	2,711	0.42	0.50	18.5
London	2,310	2,480	0.34	0.34	-0.1
South East	3,295	4,162	0.43	0.52	20.5
South West	1,976	2,523	0.42	0.50	21.5
England	18,104	22,382	0.38	0.45	19.6
Wales	1,012	1,305	0.35	0.44	26.7

Source: Department for Transport

Travel to work

- 3.59 Reflecting these same issues, workers in the East of England are likely to travel longer distances to work than the average English worker: for example, the region has almost twice the English average number of workers travelling 40-60 kilometres to work. Within this context, Bedfordshire, Essex, Hertfordshire and Southend were the sub-regions with the highest proportion of workers travelling more than 30 kilometres to their place of work. These figures are strongly influenced by the “pull” of London as a key employment location.

Table 3-25: Distanced travelled to work, East of England and England, 2001

	East	England
All people	2579378	22441497
Less than 2km	20.1	20.0
2km to less than 5km	17.0	20.1
5km to less than 10km	13.7	18.2
10km to less than 20km	14.7	15.2
20km to less than 30km	7.8	5.3
30km to less than 40km	4.2	2.4
40km to less than 60km	4.2	2.2
60km and over	3.5	2.7
Working at or from home	9.4	9.2
Other	5.4	4.7

Source: 2001 National Census

Key messages for the Operational Programme

Evidence

- the region has a good level of Internet penetration among both residents and businesses
- reflecting the rural character of parts of the region, the incidence of car ownership, and the ownership of two or more cars, is high. The region has a substantially greater than average proportion of its workforce travelling long distances to work.

Implications and fit with on-going policy interventions

- it will be important that the region continues to exploit the potential of broadband connectivity and the potential of ICT applications in relation to overall productivity. However there are concerns about the infrastructure for next generation broadband
- as discussed in the section which follows, modes and distances of travel to work have negative implications in terms of the region's Ecological Footprint. Looking ahead it will be important that quality jobs are created close to where people live. In addition, it may be appropriate to reconsider working practices and the scope for increased homeworking, particularly where this can lead to productivity improvements.

6: Environment

- 3.60 The quality of the environment is another important theme within the Community Strategic Guidelines and in relation to the EU's wider Gothenburg Agenda. It is also a high priority within the current RES where it is picked up especially with regard to two of the Goals. Goal Four is concerned with creating high quality places to live, work and visit. Its environmental focus includes enhancing green spaces and securing adequate supplies of employment land and housing. Goal Eight is "An exemplar for the efficient use of resources". Its detailed provisions include the promotion of resource efficiency; securing the potential of renewable energy; and ensuring environmentally sustainable development.
- 3.61 The Annex to the Scoping Study for the Strategic Environmental Assessment (produced by WSP) provides something of the context for the OP with regard to environmental issues. It highlights both the region's strengths, and its pressures. On the one hand, the region now has a network of Sites of Special Scientific Interest (SSSI), National Nature Reserves (NNR),

Special Areas of Conservation (SAC) and Local Nature Reserves (LNR) and there are some signs that the condition of these habitats is improving. On the other, the region also faces new pressures in the form of increased population growth, and associated demands for housing, employment, transport and recreation. Drawing in part on the SEA analysis, the paragraphs below examine countryside, landscape and settlement character; historic and built environment; water resources; air quality; and CO₂ emissions, energy and the region's Ecological Footprint. Finally some overarching comments are made with regard to climate change.

Countryside, landscape and settlement character

3.62 In terms of countryside and settlement character, key “dimensions” of the East of England may be summarised as follows:

- around 30,000 hectares of the East of England is designated as National Park, 2% of the region's total area, and 3% of the total National Park area in England. There is also some 121 km of designated heritage coast, 11.4% of the English total
- the region has some 112,000 hectares designated as Areas of Outstanding Natural Beauty, 6% of the total region, and 5.5% of designated areas in England. The region also has 14% of the country's designated Green Belt, much of which is in the area close to London
- there are 22 diverse landscape character areas in the region – 10 have experienced limited change, 6 have experienced changes inconsistent with character, and 6 have experienced significant changes inconsistent with character
- access to the countryside compares with national standards. The State of the Countryside report found 73.9% of paths were easy to find, 97.6% easy to follow and 90.2% easy to use – this compares to 67.1% easy to find, 96% easy to follow, and 91% easy to use nationally
- the amount of brownfield land in the region is reducing in size, as in other regions. The percentage of housing built on brownfield sites is increasing but is still below the national target
- the East of England has the second highest proportion of land under agriculture, and has more arable land than any other region. Of the 1,471 thousand hectares in agricultural use, 73.2% was arable land in 2002, compared with 34% in the UK as a whole. The region contains 58% of the UK's grade 1 and 2 soils. However intensive farming has led to 70% of the region being designated as nitrogen vulnerable zones, compared with 55% nationally
- the East of England has an extensive coastline which is differentiated in character. Careful long term planning in coastline management is vital to shaping the region's future.

Historic and built environment

- 3.63 The historic environment of the region is rich and varied. It is important both for its own sake and because it is a significant driver of economic and social objectives. As set out in the *Regional Environment Strategy*, the East of England's historical and built environmental assets include 57,643 listed buildings, 211 registered parks and gardens, a registered battlefield at Maldon, approximately 1,600 scheduled monuments and 1,100 areas of special architectural or historic interest, designated as Conservation Areas. Additionally the region's archaeological resource includes approximately 150,000 archaeological sites currently recorded on County Sites and Monuments Records.

Water resources

- 3.64 Rainfall in the region is lower than the national average, at 600mm pa compared with 836mm in the UK as a whole. Water quality is poorer than nationally, with 92% of the rivers in the region rated good or fair in 2002 (compared with 94% nationally) and 55% rated good (compared to 65% nationally). To meet the requirements of the EU Water Framework Directive, all bodies must meet "good" status.
- 3.65 The region's groundwater resources are considered to be broadly in balance with current demand. However no further resources are available. In some areas, surface and groundwater extraction has already exceeded sustainable limits. Given the scale of planned growth, water resources will need to be managed carefully: the East of England cannot meet its current or future water needs from within the region and some sub-regions – including those earmarked for significant growth – already import up to 50% of their water needs from adjacent areas. Water deficits are likely to increase as a result of climate change. However research completed by the Environment Agency has suggested that domestic water supply issues can be addressed as long as there is a 25% water efficiency target for all new housing developments and a 8% efficiency target in existing development.
- 3.66 At the same time, however, the region has a substantial number of homes vulnerable to flooding. The Sustainability Appraisal of the draft Regional Spatial Strategy estimated that 125,000 homes were vulnerable to river flooding and it predicted that this number would increase to 200,000 by 2016.

Air quality

- 3.67 Across the region, the situation with regard to air quality is variable. Urban air quality is poorer than the national average, as measured in Southend on Sea, Thurrock, St Osyth, Wicken Fen, Sibton, and Weybourne. Only Norwich Centre recorded a lower number of days of moderate or poor air quality than the national average.

CO₂ emissions, energy and Ecological Footprint

- 3.68 According to data quoted in the SEA scoping study, CO₂ emissions in the region, at 2,300 kg per head, were somewhat lower than the national average (2,600 kg per head). Total CO₂ emissions from the region were 13 million tonnes. However, emissions per head have risen at the same rate as nationally: 15% between 2000 and 2001.

- 3.69 Electricity consumption in the East of England is much in line with its population share, at 53,427 Giga Watt Hours (compared with 723,743 in Great Britain). Renewable energy was estimated to make up 5.6% of total electricity consumption in 2003: up from 4.2% in 2002 (RSS AMR 2005). There was also a 15% increase in the amount of electricity generated from renewables between 2002 and 2003, and the East of England ranked highest of all the regions in the amount generated. The East of England Plan sets a target of 14% of regional electricity production from renewable sources by 2010. As explained above, renewable energy also constitutes an important economic opportunity within the East of England.
- 3.70 An analysis completed by WWF suggests that the region's Ecological Footprint is 5.64 gha per capita. This is higher than the UK average and it reflects:
- very high material flows into and out of the region
 - high CO₂ emissions from transport as a result of long distance commuting from semi-rural areas
 - high Ecological Footprint for aviation
 - lower than average household energy consumption.
- 3.71 Overall, WWF concluded that *“the region's consumption pattern and inflated Footprint reflect a society that is more affluent than the UK average and one that also travels long distances for work and leisure”*⁴³.

Climate change impacts

- 3.72 The East of England is one of the driest regions in the UK and it has an extensive and dynamic coastline. It is the most vulnerable of all UK regions to the effects of climate change. For example, flood risk is likely to increase, particularly around the rivers and the coast. Additionally, climate change will bring changes to the region's agriculture reflecting changing temperatures and water supply. A range of measures for mitigating and adapting to the effects of climate change were set out in a report commissioned by the East of England Sustainable Development Round Table⁴⁴. At the beginning of 2007, regional partners committed to producing a Climate Change Action Plan for the East of England, the aims of which will be:
- to ensure that there is an appropriate and coordinated programme of evidence gathering and analysis to inform regional strategy, and to inform future regional targets for greenhouse gas emissions reduction and adaptation to climate change
 - to ensure a coordinated approach to action for Climate Change mitigation and adaptation by regional partners, bringing together the current disparate strands of activity and identifying new action where there are gaps.

⁴³ *Counting Consumption: CO₂ emissions, material flows and Ecological Footprint of the UK by region and devolved country* WWF, 2006

⁴⁴ *Living with Climate Change in the East of England* Report for the Sustainable Development Round Table see www.sustainability-east.com

Key messages for the Operational Programme

Evidence

- future development has the potential to put green belt and character landscapes under increased pressure
- carbon emissions are slightly below the national average but are increasing at the same rate
- the region contains much high quality farmland, but this is intensively farmed with consequent environmental impacts
- water resources in the region are under considerable pressure in many areas
- the region's Ecological Footprint is currently high when measured on a per capita basis
- the region has a dynamic and extensive coastline
- the region is particularly prone to the impacts of climate change.

Implications and fit with on-going policy interventions

- the East of England is very susceptible to the impacts of climate change and measures aimed at both mitigation and adaptation will be imperative over the period of the Operational Programme. In this context there will be a need to liaise closely with work on the Climate Change Action Plan
- looking ahead, improvements in the efficiency with which water and other resources are used will be essential
- within the region, there is a range of on-going activity including the national sustainable consumption and production project (Spent). Additionally, resource efficiency business support initiatives have been funded through the Business Resource Efficiency and Waste resource programme (BREW).

7: Deprivation

- 3.73 The Community Strategic Guidelines emphasise the importance of attracting more people into employment, improving the adaptability of workers, and enhancing access to services. Consistent with these themes, Goal 5 from the current RES is concerned with social inclusion and broad participation in the regional economy. It focuses on supporting those who are most disadvantaged to achieve their potential including through access to sustainable employment opportunities.
- 3.74 According to the Index of Multiple Deprivation (IMD) 2004, 6.2% of the Super Output Areas (SOAs) in the East of England fall into the most deprived 20% of SOAs in England. These very deprived local areas are scattered across the region but as Table 3-26 demonstrates there is a prevalence of deprivation in coastal towns, some larger urban areas, some of the more remote rural areas and in a number of the region's New Towns.

Table 3-26: SOAs with high levels of deprivation in the East of England

Regional Rank	SOA	District	Historic County	IMD Score	National Rank
1	E0102662	Great Yarmouth	Norfolk	77.78	55
2	E0102198	Tendring	Essex	76.28	102
3	E0102662	Great Yarmouth	Norfolk	70.37	269
4	E0103025	Waveney	Suffolk	67.28	413
5	E0101584	Southend-on-Sea UA	Essex	67.01	428
6	E0102662	Great Yarmouth	Norfolk	65.01	542
7	E0102659	Great Yarmouth	Norfolk	61.74	783
8	E0101560	Peterborough UA	Cambridgeshire	60.86	857
9	E0102202	Tendring	Essex	60.27	919
10	E0102666	King's Lynn and West Norfolk	Norfolk	59.81	960
11	E0102668	King's Lynn and West Norfolk	Norfolk	58.16	1132
12	E0102662	Great Yarmouth	Norfolk	57.23	1227
13	E0102203	Tendring	Essex	56.23	1348
14	E0102127	Basildon	Essex	55.84	1390
15	E0102130	Basildon	Essex	55.32	1456
16	E0101589	Southend-on-Sea UA	Essex	55.30	1457
17	E0102669	King's Lynn and West Norfolk	Norfolk	55.09	1477
18	E0101585	Southend-on-Sea UA	Essex	54.81	1510
19	E0101577	Luton UA	Bedfordshire	54.39	1555
20	E0102128	Basildon	Essex	53.91	1618

Source: ODPM, ID 2004

Map 3-2: Deprived areas in the East of England in relation to Growth Areas, Growth Points and Key Centres for Development and Change



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3.75 Map 3-2 above shows the spatial distribution of deprived areas – on an IMD measure – and it presents these in relation to designated Growth Areas, Growth Points and Key Centres for Development and Change. It suggests a complicated set of relationships which may be summed up as follows:

- without exception, all 21 of the Key Centres for Development and Change include areas which fall within the 20% most deprived in the region on the IMD metric
- in the west and south of the region, all deprived areas are also included within designated Growth Areas
- the deprived areas which fall outside the scope of KCDCs and/or Growth Areas are all predominantly rural; the east of the Fens area and parts of north Norfolk stand out in this regard.

3.76 Deprivation, however, is not solely a geographical phenomenon. There are also communities of interest that are at particular risk of social exclusion and deprivation. The Regional Social Strategy identifies as especially vulnerable people who are elderly, unemployed, lone parents, those with caring responsibilities, those without access to a car, gypsies and travellers. Evidence provided in *State of the Regional Economy* suggests that unemployment rates among people with disabilities and some black and minority ethnic communities are around twice the regional average.

Key messages for the Operational Programme

Evidence

- notwithstanding the relative affluence of parts of the region, persistent deprivation remains a feature of the East of England. Geographically, deprived communities are concentrated in some of the larger urban areas together with coastal towns. However across the region, there are also communities of interest at particular risk of social exclusion.

Implications and fit with on-going policy interventions

- in pursuing the Lisbon agenda and achieving the broad objectives linked to the Employment and Competitiveness Objective, there will be a need to ensure that opportunities for labour market inclusion are pursued actively and creatively, and that – through enterprise and growth – genuinely sustainable communities are nurtured and encouraged. This will also need to be reflected in measures developed through the Programme's Technical Assistance Strategy to build the capacity of communities to engage with Priority Axis opportunities. Accordingly, appropriate levels of facilitation will be targeted at areas where lack of capacity might prevent effective engagement in programme opportunities. In implementing the programme, a significant effort will be made to ensure that more disadvantaged areas and communities are positively engaged, in order to promote a balanced socio-economic development across the region.
- the Regional Social Strategy has identified a number of objectives in order to achieve its vision of social inclusion across the East of England
- within the region, Investing in Communities is a major programme which is aimed at tackling social and economic exclusion and underperformance over the long term. It is being delivered through sub-regional IiC partnerships across the East of England.

8: Rural Areas

3.77 As set out at the beginning of this Chapter, 80% of the land area of the East of England is rural and around 40% of the population live within rural areas. In addition, the East of England can claim over 200 market towns – a quarter of the national total.

- 3.78 Rural issues and rural areas in the East of England are, however, extremely diverse – although in general, rural areas in the north and east of the region are less prosperous than those further south. For people who can afford to live in the countryside and have access to a car, rural areas can provide a very high quality of life. But for people on low incomes and without private transport, access to services can be poor and socio-economic exclusion is frequently an issue. Despite BT's intention to enable exchanges with assigned trigger levels, rural areas tend to be relatively impoverished in terms of digital technologies: data from the Countryside Agency suggest that in 2003, 49% of rural households had use of personal internet facilities compared to 60% of urban households. Moreover, the affordability of housing in rural areas is a growing concern: in parts of the region, the increased incidence of second homes is causing serious challenges, particularly for younger people seeking to enter the housing market (parts of the North Norfolk coast, for example, now have average prices which are nearly 10 times average incomes⁴⁵). The combined effect of in-moving retirees and the out-migration of young adults in search of both housing and employment means that the age profile of many rural communities is significantly older than the average for the region.
- 3.79 Conventionally, the rural economy has been defined in terms of agriculture and associated activities. In parts of the region – most notably the Fens – the agri-food cluster continues to account for a large proportion of the economy; and here there are issues surrounding low wage levels, labour shortages, economic vulnerabilities and the sustainability of resource use. But across most rural areas, the economic structure is similar to the regional average (although the incidence of small and micro businesses tends to be higher). Nevertheless, agricultural activity – although limited in scale – continues to play a role in terms of the economy and a vital one with regard to landscape management.
- 3.80 Within this context, the region's rural areas provide rich and diverse environments that attract tourism with a value in excess of £5bn to the region. In addition, these areas have an enormous potential to lead the UK in terms of renewable energy through innovation in biofuels, biomass and wind energy production. They also have significant potential for the production of non-food crops.

Key messages for the Operational Programme

Evidence

- 80% of the region's land area is rural and about 40% of the population lives in rural areas. However the region's rural areas – and the issues facing communities and businesses within them – are very diverse
- within the region there is a large number of market towns – a quarter of the national total
- access to services is a particular challenge within rural communities and it can be a source of acute (and often hidden) deprivation and exclusion.

Implications and fit with on-going policy interventions

- in many of the region's rural areas there is a need to ensure that viable local economies are sustained which provide good job opportunities for local people

⁴⁵ Commission on Affordable Rural Housing 2006

- there is a high incidence of small and micro businesses in the region's rural areas and it will be important that these enterprises are able to grow, drawing on the region's knowledge base as appropriate
- rural areas have important resources and there are important economic opportunities linked to renewable forms of energy in particular
- the Regional Rural Delivery Framework⁴⁶ outlines seven objectives for rural delivery in the East of England. The Regional Implementation Plan for the new Rural Development Programme for England – successor to the England Rural Development Programme – is currently being developed.

9: Urban Areas

- 3.81 The East of England's urban structure is quite distinctive. The region lacks a dominant conurbation (other than, arguably, London) and instead is characterised by a network of medium sized towns and cities: within the East of England, there are 12 urban areas with a population in excess of 100,000 people. All of the larger urban areas have been identified as Key Centres for Development and Change and the expectation is that much of the region's future growth will be focused in and around these areas. Some of these towns and cities are set for substantial growth – most notably Peterborough, Cambridge, Ipswich and Norwich. As stated already, the region in general – and these urban areas in particular – face a substantial challenge in delivering sustainable forms of growth at a rate which is consistent with government policy. Nevertheless, in the main, the appetite and ambition for growth is currently strong locally.
- 3.82 Within this overall context, a key recent initiative within the East of England has been Regional Cities East. RCE is a partnership of six of the region's medium-sized cities: Peterborough, Luton, Ipswich, Norwich, Colchester and Southend-on-Sea. RCE was founded on the belief that by sharing best practice, collaborating on joint ventures and setting clear priorities, medium-sized cities could deliver significant economic growth in a sustainable way. An evidence base⁴⁷ underpinning the RCE venture was published in November 2005 and then in July 2006, RCE launched its draft prospectus⁴⁸. This included an overall vision and then identified some of the challenges facing individual RCE members. Finally, it set out a series of proposals relating, *inter alia*, to innovative models for infrastructure funding, proposals for Integrated Development Plans (relating to a broader functional urban area) and proposals for a Multi Area Agreement between the RCE partnership and central government.
- 3.83 The region's larger urban areas constitute an important part of the regional economy. Contained within them are some of the region's principal knowledge assets and the effectiveness (or otherwise) of functional urban areas as competitive locations will certainly have a bearing on the extent to which these opportunities are realised. Moreover, some of the region's major urban areas are fulfilling key roles in relation to international gateways; again, this is key with regard to regional competitiveness. More generally, the agglomeration

⁴⁶ Regions – led by the relevant Government Office – were asked to prepare Regional Rural Delivery Frameworks as part of Defra's Rural Strategy (2004). The East of England's RRDF is available on GO-East's website

⁴⁷ *Understanding the Impact of Regional Cities East – Evidence Base* Report by Roger Tym and Partners for EEDA, November 2005

⁴⁸ *A Business Case for Enabling Measures from Government: Draft Prospectus – July 2006* Produced by Regional Cities East

economies linked to the larger towns and cities are vital in terms of regional economic performance. At the same time, it is in the urban areas that some of the greatest deprivation and exclusion is found. Hence the sustainable growth of the region's urban areas is at once a challenge and an opportunity.

Key messages for the Operational Programme	
Evidence	
•	the region has a polycentric urban structure characterised by a group of medium-sized cities – there is no one dominant conurbation within the East of England
•	21 Key Centres for Development and Change have been identified and it is likely that these will provide the spatial focus for future development.
Implications and fit with on-going policy interventions	
•	many of the region's urban areas are set for substantial housing and population growth over the next decade. It will be important that commensurate levels of employment growth are achieved. The associated jobs need to be of a high quality and they should contribute to the region's profile in high value-added business activities
•	given the pace of growth, it will be important that steps are also taken to ensure that the region's towns and cities are good places to live with strong communities and good social and other amenities
•	the environmental performance of the region's urban areas has already been identified as a priority by Regional Cities East: future economic growth will need to reflect these ambitions and priorities.

Conclusion

- 3.84 The East of England region has substantial resources, major opportunities and a strong policy commitment – both from central government and from within the region – to effect significant economic growth consistent with the priorities of the European Commission's Lisbon Agenda. At the same time, however, it is important to recognise that there is no guarantee of success: the region will need to work hard to ensure that actual and potential economic assets are used to best effect, that the pace of jobs growth and housing growth are appropriately aligned, and that the benefits of growth are shared by all those who live and work in the East of England. In progressing this agenda, some of the region's weaknesses must be actively addressed. Hence it will be important that workforce skills are enhanced and that more people are able to benefit from – and contribute to – the region's economic performance: economic growth needs to be pursued in a manner which genuinely does effect greater economic inclusion, recognising – as set out in the *Regional Social Strategy* – the challenges which face individuals and groups within the population who may be particularly vulnerable.
- 3.85 For the East of England – given its low lying topography and relatively low rainfall – there are particular and overarching challenges relating to climate change and associated environmental (and socio-economic) impacts: much of the region is susceptible to flooding and – as the proposed revisions to the *East of England Plan* make clear – water resources are

a major concern region-wide. Equally, changes in temperature and in patterns of precipitation will have a bearing on land use.

- 3.86 While the sources of carbon emissions have a much wider geography, the region must do its part in effecting a more sustainable future which comes closer to “one planet” living. The pace of the growth agenda is such that over the next decade, the East of England needs to – and ought to be able to – make a difference, using the resources available to it to effect more sustainable patterns of economic growth. Within this overall context, the Operational Programme – although modest in overall scale – has an important and distinctive role to play.

Summary of eligible area - strengths and challenges

Table 3-27: Strengths in the East of England's Economy

Strategic Issue	Evidence base	Implications	Assessment
Growing population	Growth in population between 1994 and 2004 was significantly above the national trend and is likely to continue	Expanding population provides the basis for further economic development. However there are also challenges linked to the pace of planned growth (see below)	The planned rate of population growth comprises an economic driver in its own right. However there will be challenges in creating sustainable communities and ensuring that the area generates sufficient high quality jobs
Relatively affluent	GVA on a residential basis is higher than the national average	Indicative of a strong economy, although high residential earnings are strongly influenced by London commuting. Relative affluence, however, should also provide the basis for improved social and health outcomes	Significant opportunity, but complicated by intra-regional (and intra-locality) differences in income
Active business base	Business density is higher than the national average	A strong business base forms the foundation for future development	Significant opportunity
Strong export performance	The region is the UK's second highest exporter	Indicates a competitive regional business base	Significant opportunity
Low unemployment	Unemployment is below the national average, 3.8% compared to 4.8% (2004-2005)	Improved quality of life and life-chances for residents, but restricts recruitment opportunities for expanding businesses	Significant issue
Strong knowledge base	18.6% of England's 5* researchers High level of patenting activity	Knowledge is one of the key competitive advantages in modern economies and research is a key enabler of economic development	Very significant opportunity, will be one of the main drivers for economic development in the region.
Relatively high level of Internet connectivity	Among the top regions for Internet penetration	Internet access is increasingly a prerequisite for business creation	Significant opportunity

Table 3-28: Weaknesses in the East of England's Economy

Strategic Issue	Evidence base	Implications	Assessment
Low productivity	GVA on a workplace basis is below the national average	The region is less productive than competing regions Potential for growing divide between residents working in the region and those earning	Very significant issue, with the potential to become a significant social problem. Compounded by intra-regional differences

Strategic Issue	Evidence base	Implications	Assessment
		higher wages in workplaces outside the region	
Long-term unemployment	Long-term unemployment in the region has risen from 0.5% of working age population in 2001, to 0.7% in 2006, while the national trend has been downwards	Long-term unemployment is associated with a range of poor social and health outcomes	Less significant issue. The numbers involved are relatively small and the region is still below the national average
Fewer high-level qualifications	Qualifications at NVQ Level 3 and 4+ are below the national average – 25.2% of the population compared to 28.3% nationally (2004-05)	Knowledge-based economies rely upon highly-skilled employees. Lower levels of educational achievement are likely to reduce the economic performance of the region	Significant issue, compounds problem of raising productivity
Uneven geography of knowledge	High quality research in the region is concentrated in a small number of institutions	Danger of a two-tier economy developing	Significant issue, commercialisation of research may increase disparities in the region
Lower levels of innovation	The region is only an average performer in product and process innovation	Despite the strength of the research base, the region is not capitalising on the opportunities created	Significant issue, the region is not harnessing its full potential
Intra-regional disparities	Employment, income and development prospects vary substantially at sub-regional level	The pattern of unequal development means reduced opportunities and outcomes for many residents	Significant issue, global and regional trends may exacerbate the situation
Out-migration of young people	The size of the 20-24 age-group fell by 10% and the 25-29 age group by 20% between 1994 and 2004	These age cohorts are among the most economically active in the population	Significant issue, but tied to the proximity of London as an labour market
Fragile environment	Within the region, water resources are under pressure, habitats are being fragmented and there is a pressure for development within the floodplain	The current pace of development may further damage the environment, reducing the quality of life and the sustainability of the region	Very significant issue, development pressures on the region are increasing

Table 3-29: Opportunities in the East of England's Economy

Strategic Issue	Evidence base	Implications	Assessment
Capitalising on research and innovation	Strong research and technology base	Knowledge based businesses have strong, sustainable competitive advantages and are typically high-earning	Very significant potential
In-migration	Rate of population growth	Potentially there are opportunities to harness the skills and labour supply provided by people moving into the region	Very significant potential

Strategic Issue	Evidence base	Implications	Assessment
Building on region's location	Good links within the UK, particularly with London, and to the EU	Enhanced economic development opportunities	Significant potential
Supporting the environmental research and development, and goods and services sectors, including clean technology and renewable energy	The region appears to be relatively well placed	Major opportunity, particularly in the context of both lower carbon imperatives and the pace at which the region is set to grow	Significant potential
2012 Olympics	Region is well-placed geographically to capture impact of Olympic event	Potential for enhanced communications, skills and business development, and raising profile of region	Significant potential

Table 3-30: Threats in the East of England's Economy

Strategic Issue	Evidence base	Implications	Assessment
Growing population	Growth in population is significantly above the national trend and is likely to continue	Increasing demands on infrastructure Potential for environmental degradation	Very significant issue for region which needs to be managed carefully
Climate change	Region is particularly vulnerable to rising sea-levels, coastal erosion and changes in rainfall	Viability of coastal and low-lying settlements, impact on farming and other land use	Significant issue and likely to be of increasing importance
Pressures on infrastructure	Growing demands for hard and soft infrastructure but only limited public expenditure	Degraded infrastructure leading to reduced economic performance and quality of life	Significant issue

4: Strategy

Introduction

- 4.1 As set out in Chapter 3, the East of England is facing a wide range of challenges and opportunities. The OP needs to respond to these. As a Structural Funds programme, it must do so in a distinctive way that is embedded within EU policy including, specifically, the Community Strategic Guidelines published by the European Commission and the requirement for at least 75% of Programme monies to be spent in support of the Lisbon Agenda. It must also be consistent with the National Strategic Reference Framework whilst reflecting the particular conditions that characterise the East of England.
- 4.2 Additionally, in developing the OP, we have been mindful of the imperatives to be:
- *focused*, recognising the need to achieve measurable impacts in the context of a Programme with modest resources
 - informed by – and cognisant of – the *cross-cutting themes* discussed in Chapter 6 – specifically those of environmental sustainability and equality
 - *aligned* fully with the Regional Economic Strategy and – hence – the principal economic imperatives that the region must address
 - *additional*, such that the activities it supports do not simply displace interventions that would have been funded from elsewhere
 - grounded in an understanding of *market failures* as the essential rationale for public sector intervention
 - sufficiently *flexible* to enable actions to respond to changing opportunities and problems over the seven year duration of the Programme.

Vision and Meta-Theme for the East of England Regional Competitiveness Operational Programme

- 4.3 The Operational Programme adopts the headline Vision set out in the current RES: *A leading economy, founded on our world class knowledge base and the creativity and enterprise of our people, in order to improve the quality of life of all who live and work here.*
- 4.4 Against this backdrop – and informed both by the socio-economic analysis in Chapter 3 and the priorities for Structural Funds identified through the Community Strategic Guidelines – partners within the East of England have taken the view that there are two overarching (and inter-related) imperatives for the OP as a whole in the period to 2013.
- 4.5 The first is *the need to support the process of delivering growth*. In the period to 2021 – and in line with the Government's own Sustainable Communities Plan – the East of England has committed to delivering around 500,000 net additional dwellings. Spatially, this commitment

is likely to be focused on 21 Key Centres for Development and Change⁴⁹. For some of these areas, growth will be on the scale of New Towns but without – at a local level – New Town powers or resources. There are real challenges in ensuring that new and expanded communities really are sustainable, with appropriate cultural assets, social infrastructures and green spaces (see Box 2-2 for a definition of Sustainable Communities). Moreover across much of the region, targets for jobs growth are also very ambitious. They present a major challenge: the intention must be to generate high quality jobs in line with both the EU's Lisbon Agenda *and* the imperative to address the low wage – low skill equilibrium that has long dogged much of the region. The region has substantial knowledge-based assets but these are unevenly distributed and also – arguably – underused. Steps need to be taken to ensure that these resources are used as effectively as possible for the benefit of the whole region.

4.6 *Making the knowledge economy work better to create more, higher quality, jobs in the context of unprecedented levels of planned growth must therefore be a first over-arching imperative.* This is wholly consistent with two of the three Community Strategic Guidelines which set out funding priorities for the Structural Funds, viz.:

- **encouraging innovation, entrepreneurship and the growth of the knowledge economy by research and innovation capacities**, including new information and communication technologies
- **creating more and better jobs** by attracting more people into employment, improving adaptability of workers and enterprises and increasing investment in human capital.

4.7 The second over-arching priority is the absolute imperative *to deliver the growth agenda in a manner that is cognisant of the region's carbon footprint and the need to stabilise and reduce it*. The economic case for lower carbon growth was made strongly in the Stern Report: currently each tonne of emitted CO₂ causes damage worth at least \$85 (about £44) but these costs are not included when investors and consumers make decisions about how to spend their money. Hence, steps to reduce emissions will improve prosperity: on one measure, the benefits over time of actions to shift the world onto a low-carbon path could be in the order of \$2.5 trillion (about £1.2 trillion) each year. Tackling climate change is – Stern argued – a pro-growth strategy; ignoring it will undermine economic growth⁵⁰. For the East of England, the imperatives are especially important: the region is particularly vulnerable to climate change impacts given its low lying topography, its extensive coastline and its low annual rainfall.

4.8 Effecting lower carbon forms of economic growth is therefore essential in the period to 2013 (and beyond). Again, this imperative is strongly influenced by the thinking underpinning the Community Strategic Guidelines; alongside the two priorities set out above, a third is summarised as “enhancing the attractiveness of Member States, regions and cities by improving accessibility, ensuring adequate quality and level of services, and **preserving their environmental potential**”. It is also wholly consistent with the decision of EU leaders – made in March 2007 – to cut carbon dioxide emissions by 20% from 1990 levels by 2020.

⁴⁹ Maps 3-1 and 3-2 (Chapter 3) showed the spatial distribution of the Key Centres for Development and Change. Within the Key Centres are some of the region's most deprived areas

⁵⁰ Stern Review on the Economics of Climate Change, published October 2006, HMT/Cabinet Office

- 4.9 The view of partners in the East of England is that within the broad context provided by the RES Vision (set out above) – but shaped intrinsically by the Community Strategic Guidelines and other elements of EU Policy – these two over-arching imperatives need to shape the Operational Programme as whole. They should also provide the parameters and rationale for the activities that the OP supports. Bringing them together, a “meta-theme” has been identified to provide the highest level statement of programme intent within the region. The agreed meta-theme is:

TOWARDS LOW CARBON ECONOMIC GROWTH⁵¹

- 4.10 Linked to the Vision and meta-theme are four high level programme objectives which reflect the key imperatives introduced above and contribute to the EU’s priorities for sustainable development and to increasing growth, competitiveness and employment. All four need to be delivered in a manner that will contribute to the development of genuinely sustainable communities – as defined in Box 2-2 – across the region:

- **Objective 1:** to capitalise on the region’s strengths in research and development and to ensure that more businesses are genuinely innovative
- **Objective 2:** to increase the productivity of the region’s businesses and encourage economic activities that are based on higher skill levels, particularly in those parts of the region that are set for substantial growth
- **Objective 3:** to encourage higher levels of business start up and growth, particularly in activities that are consistent with lower carbon economic growth
- **Objective 4:** to enhance resource use efficiency amongst the region’s businesses and communities, and to accelerate the development of the environmental goods and services sector (including the continuing development of both “clean technology” businesses, products and services, and renewable forms of energy).

Priorities for Action

- 4.11 The East of England has one of the smallest UK Competitiveness Programmes with a limited resource to invest. The Programme needs to focus on those areas where the greatest impact for the region can be obtained, and on those actions which are likely to be most effective (and most cost-effective) in providing economic benefits.
- 4.12 In line with the meta-theme and high level objectives introduced above, the Programme will focus on the first three of the Priorities identified in the National Strategic Reference Framework, weaving the imperative to create more sustainable communities strongly into the delivery of all three:

⁵¹ Note that the Vision contained within the new draft RES (outlined in Chapter 2) acknowledges the importance of lower carbon growth. The new RES is currently out for consultation and it is unlikely to be finalised until spring 2008. Hence it does need to be treated as a draft statement, not an agreed position. Nevertheless, the meta-theme is consistent with what is likely to be the new RES vision. Indeed the development of the OP largely preceded the RES review and has influenced its content

- **Priority Axis 1:** promoting innovation and knowledge transfer with the intention of improving productivity
- **Priority Axis 2:** stimulating enterprise and supporting successful business by overcoming barriers to business creation and expansion
- **Priority Axis 3:** ensuring sustainable development, production and consumption.

- 4.13 These Priorities are closely aligned with the Lisbon and Gothenburg agendas, and will make an important contribution to regional competitiveness and employment in the context of the over-arching imperatives outlined at the beginning of this Chapter.
- 4.14 As set out above, the three Priorities will be *shaped by four objectives for the East of England's Operational Programme and will collectively contribute to the development of more sustainable communities – as defined in Box 2-2 (Chapter 2) – across the region.* To this end, the Operational Programme will build on the achievements of the previous Objective 2 Programme – particularly in terms of creating and safeguarding jobs in more deprived areas – whilst also supporting a stronger and region-wide focus on competitiveness (see Chapter 1). Active steps will be taken to ensure that no part of the region – including the more deprived areas in which knowledge economy assets are generally weakest – is excluded from the OP; in the first instance, all upper tier Local Strategic Partnerships (LSPs) are being invited to prepare ERDF Plans to set out how local communities and businesses can engage and benefit. Additionally, the OP has been structured so as to complement a number of on-going initiatives which are targeted more explicitly at renewal and regeneration in communities which are particularly disadvantaged, whether they are in coastal, rural or urban locations; key amongst these is EEDA's major Investing in Communities Programme⁵².
- 4.15 *Sectorally, the intention is that the OP should focus on activities consistent with lower carbon growth.* The current RES does not identify sectoral priorities *per se*. However, fourteen priority sectors are identified in the new draft RES (which is undergoing public consultation): agriculture and food processing; automotive manufacturing; construction; creative and cultural industries; energy and off-shore industries; environmental goods and services; high technology and advanced manufacturing; ICT; pharmaceuticals and life sciences; public sector; R&D; heritage, tourism and leisure; and transport gateways. Although note will clearly need to be taken of the final RES, the intention is that the OP should focus on those priority sectors which have *a strong (actual or potential) technological focus and are consistent with lower carbon forms of economic growth – either because they are intrinsically low carbon in nature, or because their carbon footprints can be reduced through intervention, or because they are part of the clean technology and renewable energy sectors.*
- 4.16 *Finally, the intention is that the delivery of the OP should be premised on making serious headway with regard to the cross-cutting themes: environmental sustainability and equalities.* These are absolute priorities.

⁵² See <http://www.eastspace.net/investingincommunities/home.asp>

Strategic Alignment

- 4.17 Partners within the East of England believe that the four high level objectives identified for the OP – set within the overall context of the Programme meta-theme – are wholly consistent with the strategic priorities that have been set out at EU, national and regional levels. All four Objectives are aligned with – and will contribute to – the delivery of the Community Strategic Guidelines. Additionally, all four will support the delivery of Goal 4 (places) from the current RES and IRS Priority 1 (sustainable growth). A summary assessment of strategic fit of each of the four programme-level objectives is presented in Table 4-1.

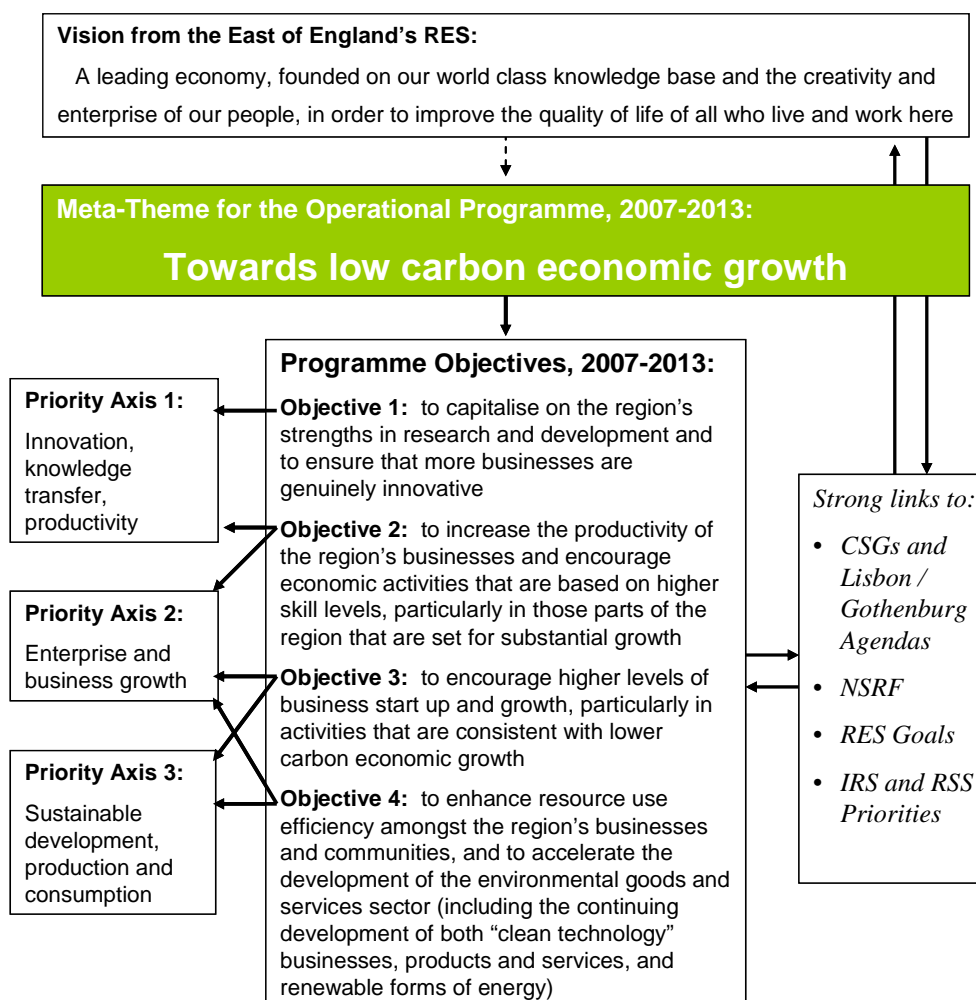
Table 4-1: Summary of Strategic Fit between OP Objectives and key EU, national and regional priorities

	Fit with CSG and EU priorities	Fit with NSRF and national priorities	Fit with current RES	Fit with other regional strategies
OP Objective 1: Innovation	Lisbon Agenda: Knowledge and innovation for growth Innovation-focused CSG	Fits strongly with Priority Axis 1 (innovation and knowledge transfer)	Fits strongly with RES Goal 3 (innovation)	IRS Priority 2 (science and innovation)
OP Objective 2: Productivity	Lisbon Agenda Fits with CSG focused on creating more and better jobs	Fits strongly with Priority Axis 1 (innovation and knowledge transfer) and 2 (enterprise and business)	Fits with RES Goals 1 (skills), 2 (enterprise) and 7 (ICT)	IRS Priorities 1 (sustainable growth) and 2 (science and innovation)
OP Objective 3: Enterprise	Lisbon Agenda Fits with CSG focused on entrepreneurship Gothenburg Agenda: Sustainable production and consumption	Fits strongly with Priority Axis 2 (enterprise and business)	Fits with RES Goal 2 (enterprise)	IRS Priorities 2 (science and innovation) and 4 (resource use)
OP Objective 4: Resource use and the EGS sector	Gothenburg Agenda: Sustainable production and consumption, and better management of natural resources	Fits strongly with Priority Axis 3 (sustainable development, production and consumption)	Strong fit with RES Goals 7 (ICT) and 8 (resources)	IRS Priority 4 (resource use)

Summary

- 4.18 Drawing the different strands together, the proposed structure of the Operational Programme in the East of England is summarised in Figure 4-1.

Figure 4-1: Operational Programme for the East of England, 2007-2013



Added Value of Structural Funds

- 4.19 As was the case with previous Structural Fund programmes in the East of England, the 2007-13 OP should demonstrate considerable Community added value. This term is generally defined as meaning the extent to which Structural Fund assistance helps to bring about outcomes that would be difficult, if not impossible, to achieve using purely national or regional resources. A variation on this is that Community intervention accelerates developments that might have taken place anyway but over a longer timeframe.
- 4.20 At a high level, the OP will demonstrate additionality as a result of its distinctive meta-theme: *towards low carbon economic growth*. Hence as well as economic outputs and outcomes, the OP ought to deliver outputs consistent with lower carbon economic growth across the region. This is a distinctive feature in its own right. In the paragraphs below, we set out in detail the more specific ways in which the programme – shaped fundamentally by the Community

Strategic Guidelines and the wider EU policy context – will add value to the interventions of other organisations.

- 4.21 In the case of the East of England OP, Structural Fund assistance is likely to demonstrate Community added value in a number of ways. Firstly, it will enable certain forms of support to be provided which can genuinely complement the use of existing regional funding. The clearest case of this is with regard to Priority Axis 2: by providing support for stimulating new enterprise creation as well as supporting existing growth businesses, the OP will complement existing provision. Interventions of this type are consistent with the need identified in the OP baseline to shift activities up the value chain particularly in those areas of the East of England that remain largely dependent on low value added activities. A specific on-going intervention that the new OP will complement particularly is EEDA's Enterprise Hubs programme which is relevant across all three Priority Axes. A brief summary is presented in Box 4-1.

Box 4-1: Enterprise Hubs

EEDA is helping knowledge-based businesses to innovate and develop their R&D activities through a range of activities, including the enterprise hubs programme. The programme is a series of linked strategic initiatives focused on the following four key areas:

- encouraging the development of networking groups in the region's key knowledge-based sectors and clusters. These networks assist small business members through technology collaboration; market information; access to finance and business support; training opportunities; and supply chain information
- supporting the development of a select number of incubators, innovation centres and science parks: these link emerging knowledge-based businesses with higher education establishments, R&D centres of excellence and big industry players
- ensuring the delivery of leading-edge innovation support for all knowledge-based businesses in the region. This focuses on helping small businesses to access expertise from across the region, providing support and advice in the development of new and improved products, services and business processes
- supporting innovative businesses as they seek access to finance to accelerate growth and development at all stages of their lifecycle.

- 4.22 In the case of Priority Axes 1 and 3, Community added value lies more in adding to the financial resources available from national and regional sources to address key challenges. More generally, the OP's meta-theme of moving *towards low carbon economic growth* will create a focus that would otherwise not exist because there is no comparable measure in the current Regional Economic Strategy and to the extent that low carbon economic growth is a priority in the East of England, support is spread across a number of different programmes and schemes.
- 4.23 As with any Structural Fund programme, the extent to which these theoretical manifestations of Community added value are translated into reality will depend on the project selection criteria being able to distinguish between applications that are likely to produce additional outcomes and others than are not likely to do so.
- 4.24 Experience of previous ERDF interventions, in the East of England and elsewhere, suggests that Community added value is also likely to be demonstrated in other ways. Partnership working is likely to be reinforced, especially in areas where it is relatively weak, as is the case

with collaboration between HEIs and business (this is addressed by Priority 1 of the OP); secondly, the inclusion of a horizontal 'equality' theme will add weight to efforts to mainstream this priority across programmes generally in the region; and last but not least, the Structural Funds' emphasis on monitoring and evaluation should strengthen the role of performance measurement generally in the management of regional development programmes in the East of England.

5: Priorities

- 5.1 In order to achieve focus and impact, the Competitiveness Programme in the East of England will focus on three Priority Axes. This level of focus is necessary given the scale of the available resources and the need to achieve programme-level impacts. It is also consistent with the guidelines provided by CLG which have been developed in response to the EU regulation (i.e. the legal basis for the programme) and the Commission working papers.
- 5.2 The three operational Priority Axes are summarised in Table 5-1 (overleaf) and described in the paragraphs that follow, focusing in turn on their context and rationale, their aims and objectives, the range of activities that they are likely to support, their links to delivering sustainable communities, the Lisbon Categorisation linked to them, and the output indicators associated with their delivery. Towards the end of the Chapter, a programme summary is provided. Finally, reference is made to the Technical Assistance Axis and to the potentially complementary Regions for Economic Change initiative⁵³.
- 5.3 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.

⁵³ Note that this relates to the OP in its entirety

Table 5-1: East of England Operational Programme: Summary of Priorities

	1: Promoting innovation and knowledge transfer with the intention of improving productivity	2: Stimulating enterprise and supporting successful business by overcoming barriers to business creation and expansion	3: Promoting sustainable development, production and consumption
Context and Rationale	<ul style="list-style-type: none"> Region has great strengths in R&D but there are relatively few innovative businesses, particularly amongst "indigenous" businesses Productivity in the region (measured in terms of GVA per capita) is not as high as it should be Many businesses in the region appear to have little or no appetite for technology transfer, despite the benefits it could confer Through collaborative work between the region's HEIs, progress has been made and the OP could provide important complementary funding 	<ul style="list-style-type: none"> Business start-up rate is not as high as it should be, especially in more remote and rural areas Business survival rate is not as high as it should be The region has failed to grow big businesses in the past The social enterprise sector in the region is relatively small The UK and the EU has a commitment to renewables and the East of England has particular opportunities which need to be exploited 	<ul style="list-style-type: none"> Jobs growth is imperative in the East of England in the context of substantial planned housing growth, if the continuing growth of long-distance out-commuting is to be limited Steps need to be taken to reduce the creation of waste and to use resources better in both communities and businesses The development process – in the context of the growth agenda – offers opportunities for lower carbon forms of living and working
Axis level aims and objectives	<ul style="list-style-type: none"> SUPPLY OF KT POTENTIAL – encourage commercialisation across the region's strong research and development base, including for energy efficient and clean technologies, in order to enable increases in productivity and resource use efficiency ICT USAGE – support the wider application and take up of ICT and other technologies which support innovation and productivity improvements plus limited support for infrastructure to allow connectivity to broadband networks DEMAND FOR KT – encourage demand from businesses to engage with HEIs and other institutions/organisations to effect knowledge transfer INTER-REGIONAL – Where appropriate, and with regard to activities that could be funded under Territorial Co-Operation programmes, to seek opportunities to develop collaborative interventions across the priority aims and objectives. 	<ul style="list-style-type: none"> ACCESS TO FINANCE – improve access to finance for businesses (SMEs), particularly those engaged in low carbon activities SOCIAL ENTERPRISES – support the development of social enterprises, particularly those engaged in low carbon activities START-UP – promote business start-up including among those currently under-represented in business (e.g. women, some ethnic minority groups and new migrant communities) HIGH GROWTH BUSINESSES – support the development of high growth, high value added businesses SECTOR GROWTH – develop the clean technologies and renewable energy clusters in the region LOW CARBON BUSINESS PRACTICES – encourage the uptake of management and operational practices that will reduce the carbon footprint of the region's businesses, including through environmental management systems INTER-REGIONAL – Where appropriate, and with regard to activities that could be funded under Territorial Co-Operation programmes, to seek 	<ul style="list-style-type: none"> LOW CARBON COMMUNITIES – work with communities – in both urban and rural areas – to support local jobs and business growth in a manner that generates low carbon outcomes LOW CARBON CONSTRUCTION / PHYSICAL DEVELOPMENT – support the development of low carbon approaches to construction and refurbishment of properties SUSTAINABLE CONSUMPTION – promote the efficient use of resources and the minimisation of waste in the region INTER-REGIONAL – Where appropriate, and with regard to activities that could be funded under Territorial Co-Operation programmes, to seek opportunities to develop collaborative interventions across the priority aims and objectives.

1: Promoting innovation and knowledge transfer with the intention of improving productivity	2: Stimulating enterprise and supporting successful business by overcoming barriers to business creation and expansion	3: Promoting sustainable development, production and consumption
<p>Indicative activities</p> <ul style="list-style-type: none"> • Support for collaborative approaches to commercialisation of R&D through an 'Open Innovation' inter/extra-organisational model , focusing on the exploitation of energy efficient and clean technologies • Programmes to encourage the uptake and further exploitation of ICT solutions within the region's businesses including initiatives to promote energy-efficient processes and outcomes plus limited support for infrastructure to allow connectivity to broadband networks. • Support for innovation advice to businesses • Outreach programme to businesses with the aim of engaging them in appropriate knowledge networks • Initiatives to support collaboration between HEIs and businesses in the context of knowledge transfer • Support for innovation and knowledge transfer (e.g. complementing the network of Enterprise Hubs) • Inter-regional collaborative activities to include the sharing of low carbon research; experience results and the development of complementary approaches and joint action projects 	<p>opportunities to develop collaborative interventions across the priority aims and objectives.</p> <ul style="list-style-type: none"> • Provision of venture capital facility and/or other access to finance measures • Business start-up programme encouraging entrepreneurship • Support for business-to-business networking (SMEs and exceptionally other businesses, especially when part of a network) and cluster development within the clean technology sector • Interventions to support the development of the renewable energy supply chain with particular reference to wind, solar, biomass, hydroelectric and geothermal and energy efficient solutions such as combined heat and power solutions • Provision of business support to social enterprises, focusing especially on those which are intrinsically "low carbon" • Support, advice and encouragement for businesses (SMEs) to improve environmental performance and resource efficiency • Inter-regional collaborative activities to include the sharing of low carbon research; experience results and the development of complementary approaches and joint action projects 	<ul style="list-style-type: none"> • Support for projects that effect sustainable consumption such as green procurement; eco-effective production processes and consumer access together with information initiatives and energy efficiency demonstrator projects linked to economic development objectives and outcomes • Limited support for key strategic developments linked to the growth of the clean technology and renewable energy sectors • Support for renewable energy demonstrator or exemplar projects making use of wind, solar, biomass, hydroelectric and geothermal solutions and others • Support for exemplar demonstrator energy efficiency solutions such as combined heat and power • Limited provision of flagship business space (potentially incubators and move-on space – and possibly third "spaces"), particularly in support of low-carbon focused enterprises and with an eco-efficient design in accordance with local plans • Support for initiatives within communities aimed at encouraging low carbon forms of economic growth • Support for the development of social enterprise particularly those involved in low carbon activities such as re-cycling • Support for innovative energy efficiency and renewable energy measures in low income housing to stimulate market development • Inter-regional collaborative activities to include the sharing of low carbon research; experience results and the development of complementary approaches and joint action projects

	1: Promoting innovation and knowledge transfer with the intention of improving productivity	2: Stimulating enterprise and supporting successful business by overcoming barriers to business creation and expansion	3: Promoting sustainable development, production and consumption
Funding assumptions	<ul style="list-style-type: none"> Mix of capital and revenue funding Allocation - 33.6% of ERDF Funding 	<ul style="list-style-type: none"> Revenue & capital (capital for access to finance instrument only) Allocation – 24.0% of ERDF Funding 	<ul style="list-style-type: none"> Mix of capital and revenue funding Allocation – 38.4% of ERDF Funding
Link to Sustainable Communities	<ul style="list-style-type: none"> Key link through wealth generation and improved productivity. While the focus is on links to the knowledge base (which in practice has an urban focus), steps are also planned to ensure that businesses in more peripheral and generally disadvantaged areas are able to participate fully. This is consistent with building sustainable communities across the region 	<ul style="list-style-type: none"> Linked to sustainable communities through the encouragement provided to enterprise and business growth where clear market failures exist. Linked to this, there is an intention to respond to the needs of disadvantaged communities (both geographical and communities of interest) and to recognise the scope and potential of social enterprises 	<ul style="list-style-type: none"> Intrinsically linked to the thinking behind sustainable communities in terms of the carbon footprint of people and businesses in places, including in relation to the built environment
Lisbon Categories	<ul style="list-style-type: none"> 03 - Technology transfer and improvement of cooperation networks between SMEs and research institutes 04 - Aid for the RTD in particular in the SMEs (including access to RTD services in the research centres) 09 - Other actions aiming at stimulation of research and innovation and entrepreneurship in SMEs 10 – CI infrastructure (including broadband networks) 11 - Information and communication technology (access, safety, interoperability, prevention of risks, research, innovation, e-content) 	<ul style="list-style-type: none"> 05 - Advanced supporting services in companies and groups of companies 07 - Investments in companies directly related to research and innovation (innovative technologies, creation of new companies by the universities, RTD institutes and existing companies, ...) 08 - Other investments in firms 39 - Renewable energy: wind 40 - Renewable energy: solar 41 - Renewable energy: biomass 42 - Renewable energy: hydroelectric, geothermic, and others 43 - Energy efficiency, combined heat and power, control of energy 	<ul style="list-style-type: none"> 06 - Assistance to SMEs for the promotion of environmentally products and processes 09 - Other actions aiming at stimulation of research and innovation and entrepreneurship in SMEs 39 - Renewable energy: wind 40 - Renewable energy: solar 41 - Renewable energy: biomass 42 - Renewable energy: hydroelectric, geothermic, and others 43 - Energy efficiency, combined heat and power, control of energy

Priority Axis 1: Promoting innovation and knowledge transfer with the intention of improving productivity

Context and rationale

- 5.4 The region has a strong research base – both in terms of universities and corporate R&D – but the evidence is that this strength is not being translated into large numbers of innovative and high-growth businesses. Indeed, overall, the proportion of innovative businesses in the East of England is lower than the average for the UK. Hence for the region as a whole, building the capacity and inclination of businesses to innovate needs to be a priority. Key to this is the need to create demand across industry/business for engagement with the research base: this is an important market failure that needs to be addressed.
- 5.5 There are significant intra-regional disparities in the strength of the underlying research base. Although in the process of being remedied, it is notable that the HEI presence in a number of the region's Key Centres for Development and Change – the areas set for substantial housing and population growth – is really quite modest; hence projects such as University Campus Suffolk in Ipswich (and with planned hubs in both Lowestoft and Bury St Edmunds) and proposals to create a physical presence for Anglia Ruskin University in both Peterborough and Harlow are really very important. Over the lifetime of the OP, these projects should come “on stream” and it is vital that the enabling potential linked to them – and established HEIs and research institutions elsewhere – is exploited to the full such that higher quality jobs are created in some of the region's fastest growing areas.
- 5.6 Whilst strengthening research commercialisation and higher education in the region is crucial to increasing business innovation and productivity, other factors are also important. For example, ICT capital investment accounted for 46% of UK productivity growth in the second half of the 1990s. Encouraging greater take up and use of ICT among firms in all sectors of the regional economy will therefore help improve productivity, and also provide more tools for innovation.
- 5.7 Overall, there is a need to effect significant productivity improvements if the current low wage low skill equilibrium – a feature of much of the region – is to be shifted. Given the scale of planned growth, this needs to be a priority. The danger otherwise is large numbers of low paid jobs which – over time – will leave the region vulnerable to economic restructuring and decline. Hence high productivity and high value-added employment is imperative across the region.

Fit with Framework Programme 7 and the UK's Technology Strategy Board

- 5.8 To facilitate some of the issues above, the East of England needs to, and is, establishing support to take advantage of R&D and Innovation opportunities for the region. Of particular note is a support service set up by EEDA principally to enable SMEs to access the European Framework Programme 7 (FP7), the European Union's main method of funding research and development. The proposed service EEDA has commissioned will seek to increase the number of businesses participating and engaging in International collaborations of mutual benefit with HEI and research institutions and other businesses. The support package aims to

deliver multi-level assistance to enable regional companies to: lead and coordinate proposal submissions; become consortium partners; deliver and project management research projects. The service will link up with regional proposals for a European Information Centre and Innovation Relay Centre through the European Competitiveness and Innovation Programme (CIP).

- 5.9 The new regional ERDF Competitiveness and Employment programme will complement regional FP7 activity in support of a regional environment that encourages innovation and commercialisation of its strong research and development base.
- 5.10 In delivering activities and projects under Priority Axis 1, partners in the region are also committed to working closely with the new Technology Strategy Board (TSB) to ensure that Structural Funds are used in a manner that is complementary and genuinely additional. 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. The objectives of the TSB over the next 5-10 years are to encourage and enable:
- the continued restructuring of the UK economy in favour of high value, knowledge-based design, manufacturing and services
 - significant activity relative to international competitors in chosen 'Key Technology Areas'
 - high levels of domestic and inward investment relative to competitors in the Key Technology Areas
 - strategic procurement by Government which stimulates innovation in business and improves the quality and cost effectiveness of public services by encouraging pull-through of innovative products and services.
- 5.11 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.

Axis-level aims and objectives

- 5.12 Within the East of England, three broad aims have been identified with regard to Priority Axis 1, all of which are focused on improved productivity and resource efficiency in line with the overall meta-theme – *towards low carbon economic growth*:
- to encourage commercialisation across the region's strong research and development base, including for energy efficient and clean technologies, in order to enable increases in productivity and resource use efficiency
 - to support the wider application and take up of ICT and other technologies which support innovation and productivity improvements plus limited support for infrastructure to allow connectivity to broadband networks

- to encourage demand from businesses to engage with HEIs and other institutions/organisations to effect knowledge transfer
- Where appropriate, and with regard to activities that could be funded under Territorial Co-Operation programmes, to seek opportunities to develop collaborative interventions on an inter-regional basis across the priority aims and objectives.

Indicative activities to be supported

- 5.13 Within this context, Table 5-2 summarises – on an indicative and not exhaustive basis – the types of activities that the Operational Programme is likely to support in the East of England.

Table 5-2: Priority Axis 1 - Promoting innovation and knowledge transfer with the intention of improving productivity: Indicative Actions/Activities

Indicative Actions/Activities	Partners/Beneficiaries
<ul style="list-style-type: none"> • Support for collaborative approaches to commercialisation of R&D through an 'Open Innovation' inter/extra-organisational model , focusing on the exploitation of energy efficient and clean technologies 	<ul style="list-style-type: none"> • HEIs, FECs, research institutions, businesses (SMEs and exceptionally other businesses, especially when part of a network)
<ul style="list-style-type: none"> • Programmes to encourage the uptake and further exploitation of ICT solutions within the region's businesses including initiatives to promote energy-efficient processes and outcomes plus limited support for infrastructure to allow connectivity to broadband networks. 	<ul style="list-style-type: none"> • Businesses (Small and Medium-Sized Enterprises (SMEs)), business support providers
<ul style="list-style-type: none"> • Support for innovation advice to businesses 	<ul style="list-style-type: none"> • HEIs, FECs, research institutions, businesses
<ul style="list-style-type: none"> • Outreach programme to businesses with the aim of engaging them in appropriate knowledge networks 	<ul style="list-style-type: none"> • Businesses (SMEs and exceptionally other businesses, especially when part of a network)
<ul style="list-style-type: none"> • Initiatives to support collaboration between HEIs and businesses in the context of knowledge transfer 	<ul style="list-style-type: none"> • HEIs, businesses (Small and Medium-Sized Enterprises (SMEs))
<ul style="list-style-type: none"> • Support for innovation and knowledge transfer (e.g. complementing the network of Enterprise Hubs) 	<ul style="list-style-type: none"> • Businesses (SMEs and exceptionally other businesses, especially when part of a network)
<ul style="list-style-type: none"> • Inter-regional collaborative activities to include the sharing of low carbon research; experience results and the development of complementary approaches and joint action projects 	<ul style="list-style-type: none"> • HEIs, FECs, research institutions, businesses (SMEs and exceptionally other businesses, especially when part of a network)

Links to sustainable communities

- 5.14 Priority Axis 1 is concerned about wealth generation and improved productivity in the context of global competition in the knowledge economy. It is closely aligned with the thinking behind the Lisbon Agenda and it is hugely relevant to the East of England given its own particular assets and opportunities. As set out above, Priority Axis 1 is intrinsically related to the region's priorities in relation to creating sustainable communities for it is premised on building economic resilience and using the region's knowledge-based assets to the full. Whilst those knowledge assets are not distributed evenly across the East of England, some significant progress is being made (see earlier discussion with regard to initiatives in Peterborough, Harlow and Suffolk). In addition, steps will be taken to ensure that businesses in more peripheral and remote areas are not disadvantaged and mechanisms are provided to effect their engagement.

Links to relevant categories

- 5.15 Table 5-3 sets out the links between Priority Axis 1 and the relevant Lisbon categories.

Table 5-3: Priority Axis 1 and Lisbon Categories

Codes for the priority theme dimension	
03	Technology transfer and improvement of cooperation networks between SMEs and research institutes
04	Aid for the RTD in particular in the SMEs (including access to RTD services in the research centres)
09	Other actions aiming at stimulation of research and innovation and entrepreneurship in SMEs
10	CI infrastructure (including broadband networks)
11	Information and communication technology (access, safety, interoperability, prevention of risks, research, innovation, e-content...)

Indicators and targets

- 5.16 Table 5-4 shows the output indicators for Priority Axis 1.

Table 5-4: Output, result and impact indicators linked to Priority Axis 1⁵⁴

Reference	Description	RES	CLG	EC
OUTPUTS				
O 1.1	Number of start up businesses receiving assistance	Yes	Yes	Yes
O 1.2	Number of SMEs receiving assistance – innovation	Yes	Yes	
O 1.3	Number of SMEs receiving assistance - non-innovation	Yes	Yes	
O 1.4	Number of businesses assisted to improve performance through ICT initiatives			
O 1.5	Number/type of low carbon construction enterprise/innovation centre initiatives			
RESULTS				
R1	No. of jobs created – FTE (i) men and (ii) women	Yes	Yes	Yes
R2	No. of jobs safeguarded FTE - (i) men and (ii) women	Yes	Yes	Yes
R 3	Number/type of successful innovation related initiatives in SMEs	Yes		
R 4	Number/type of successful non-innovation related initiatives in SMEs			
R 5	Number/type of successful environment related initiatives in SMEs			
R 6	Number/type of successful start-up businesses	Yes		Yes
R 7	Leverage of private sector funding	Yes	Yes	Yes
R8	Leverage of public sector funding	Yes	Yes	Yes

⁵⁴ The three columns entitled RES, CLG and EC in Tables 5-4, 5-7, 5-10 and 5-11 relate to the fit with various sources of guidance in respect of the choice of indicators (see Annex A for more details)

Reference	Description	RES	CLG	EC
R 9	Occupancy rate of new and upgraded specialist premises 3 years after opening (%)			
R11	Number of new or existing businesses locating to eco-efficient, high quality workspace			
R 13	Number of businesses integrating new products, processes or services			
IMPACTS				
I 1	Increase in GVA as a result of the programme GVA (€m)	Yes	Yes	Yes
I 2	Number of net jobs created (FTE and by gender, sector)	Yes	Yes	Yes
I 3	Number of net jobs safeguarded (FTE and by gender/sector)	Yes	Yes	Yes
I 4	Net additional increase in number of businesses (by sector, size and location)	Yes	Yes	Yes
I 5	Net additional number of knowledge intensive firms	Yes	Yes	Yes

5.17 At the end of this chapter, a programme summary is provided.

Priority Axis 2: Stimulating enterprise and supporting successful business by overcoming barriers to business creation and expansion

Context and rationale

- 5.18 The region has an active business base, but it has the capacity to become more enterprising and wealth-creating. In parts of the region, the rate of business start up is relatively high, although this may also be accompanied by high levels of business failure. Elsewhere, the business start-up rate is relatively low. In general, rates of entrepreneurship amongst women are noticeably lower than those amongst men.
- 5.19 Within the region, there is a vibrant – although still relatively small – social enterprise sector and within Priority Axis 2, the intention is to support its continuing growth. Many social enterprises are playing important roles in effecting a lower carbon East of England: for example, within the sector, a good number are engaged in activities relating to recycling and renewable forms of energy.
- 5.20 The region is also home to a growing – but diverse – environmental goods and services sector. This includes a growing complement of clean technology companies which has the potential to ameliorate and (in the longer term) reduce the environmental impacts of human activity, including carbon emissions and their contribution to climate change. Additionally – as Chapter 3 explained – the region’s renewable energy sector is growing. Within the context of Priority Axis 2, the intention is to support the growth of businesses within these sectors.

Axis-level aims and objectives

- 5.21 Priority 2 (Stimulating enterprise and supporting successful business by overcoming barriers to business creation and expansion) will support activities intended to deliver a more economically competitive and socially sustainable region and in so doing, it will seek to create a more enterprising culture. In line with the meta-theme (*towards low carbon economic growth*), the focus will be on businesses with high-growth potential, and/or with an emphasis on clean technologies, renewable energy, improved use of resources and environmental improvement.
- 5.22 Within this context the objectives of the Priority are to:
- improve access to finance for businesses, particularly those engaged in low carbon activities
 - support the development of social enterprises, particularly those engaged in low carbon activities
 - promote business start-up including among those currently under-represented in business (including women, some ethnic minority groups and new migrant communities)
 - support the development of high growth, high value-added businesses
 - develop the clean technologies and renewable energy clusters in the region
 - encourage the uptake of management and operational practices that will reduce the carbon footprint of the region's businesses, including through environmental management systems.
 - Where appropriate, and with regard to activities that could be funded under Territorial Co-Operation programmes, to seek opportunities to develop collaborative interventions on an inter-regional basis across the priority aims and objectives

Indicative activities to be supported

- 5.23 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.

- 5.24 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.

- 5.25 Where the 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.
- 5.26 In delivering projects under Priority Axis 2, the OP will be used to complement and add value to other on-going activity whilst avoiding "crowding out" across private sector interventions. This is particularly true of Venture Capital and Loan Funds (VCLFs) which will be established only if clear market failures are demonstrated and VCLFs are shown to be the best solution⁵⁵.
- 5.27 In improving access to finance, consideration will be given to the potential benefits of using the JEREMIE initiative as a means of allocating and managing all or part of the funding available to support the access to finance activities within this Priority Axis.
- 5.28 The European Investment Fund is undertaking a gap analysis of venture capital instruments within the UK. Part of this will look at the need or otherwise, for JEREMIE-type instruments within the UK. The conclusions will enable a decision to be made as to whether or not to proceed with JEREMIE.
- 5.29 Other activities that may be supported are outlined in Table 5-5.

Table 5-5: Priority Axis 2 – Stimulating enterprise & supporting business: Indicative Actions/Activities

Indicative Actions/Activities	Partners/Beneficiaries
<ul style="list-style-type: none"> Provision of venture capital facility and/or other access to finance measures 	<ul style="list-style-type: none"> Start-up businesses and SMEs
<ul style="list-style-type: none"> Business start-up programme encouraging entrepreneurship 	<ul style="list-style-type: none"> Start-up businesses / entrepreneurs
<ul style="list-style-type: none"> Support for business-to-business networking and cluster development within the clean technology sector 	<ul style="list-style-type: none"> Businesses (SMEs and exceptionally other businesses, especially when part of a network)
<ul style="list-style-type: none"> Interventions to support the development of the renewable energy supply chain with particular reference to wind, solar, biomass, hydroelectric and geothermic and energy efficient solutions such as combined heat and power solutions 	<ul style="list-style-type: none"> Businesses (SMEs and exceptionally other businesses, especially when part of a network) and related organisations
<ul style="list-style-type: none"> Provision of business support to social enterprises, 	<ul style="list-style-type: none"> Social enterprises, community groups

⁵⁵ Note that a study has been commissioned to examine the feasibility of delivering part of the East of England ERDF Competitiveness Programme 2007-13 (access to finance) through provision of financial instruments such as a venture capital, loan fund and/or debt finance. The study is gathering evidence of market failure and identifying potential scope for intervention using ERDF in accordance with the programme strategy set out in the Operational Programme document

Indicative Actions/Activities	Partners/Beneficiaries
focusing especially on those which are intrinsically "low carbon"	
<ul style="list-style-type: none"> Support, advice and encouragement for businesses to improve environmental performance and resource efficiency Inter-regional collaborative activities to include the sharing of low carbon research; experience results and the development of complementary approaches and joint action projects 	<ul style="list-style-type: none"> Businesses (SMEs and exceptionally other businesses, especially when part of a network), business support providers Businesses (SMEs and exceptionally other businesses, especially when part of a network) including Social Enterprises and related Business Support organisations/providers

Links to sustainable communities

- 5.30 Priority Axis 2 is all about the process of enterprise and the intention is to use available funds to address clear market (and other) failures. For communities to be sustainable it is essential (a) that employment growth parallels population growth; (b) that employment growth is itself sustainable, and (c) that in the process, groups within local communities are not – in some sense – disenfranchised. Priority Axis 2 seeks to respond to all of these imperatives.

Links to relevant categories

- 5.31 Table 5-6 sets out the links between Priority Axis 2 and the relevant Lisbon categories.

Table 5-6: Priority Axis 2 and Lisbon Categories

Codes for the priority theme dimension	
05	Advanced supporting services in companies and groups of companies
07	Investments in companies directly related to research and innovation (innovative technologies, creation of new companies by the universities, RTD institutes and existing companies, ...)
08	Other investments in firms
39	Renewable energy: wind
40	Renewable energy: solar
41	Renewable energy: biomass
42	Renewable energy: hydroelectric, geothermic, and others
43	Energy efficiency, combined heat and power, control of energy

Indicators and targets

- 5.32 Table 5-7 shows the output, results and impact indicators for Priority Axis 2.

Table 5-7: Output, results and impact indicators linked to Priority Axis 2

Reference	Description	RES	CLG	EC
OUTPUTS				
O 2.1	Number/type of business start-ups receiving assistance	Yes	Yes	Yes

Reference	Description	RES	CLG	EC
O 2.2	Number/type of SMEs receiving assistance - risk capital			
O 2.3	Number/type of SMEs receiving assistance – non risk capital			
O 2.4	Number of social enterprises receiving assistance		Yes	
O 2.5	Number of organisations/SMEs supported engaged in promotion of clean technology or renewable energy			
O 2.6	Increase in number of businesses within the region engaged in business to business networks			
RESULTS				
R1	No. of jobs created – FTE (i) men and (ii) women	Yes	Yes	Yes
R2	No. of jobs safeguarded FTE - (i) men and (ii) women	Yes	Yes	Yes
R 3	Number/type of successful innovation related initiatives in SMEs	Yes		
R 4	Number/type of successful non-innovation related initiatives in SMEs			
R 5	Number/type of successful environment related initiatives in SMEs			
R 6	Number/type of successful start-up businesses	Yes		Yes
R 7	Leverage of private sector funding	Yes	Yes	Yes
R8	Leverage of public sector funding	Yes	Yes	Yes
R 10	Return (IIR) on OP risk capital investments – 10 years			
R 13	Number of businesses integrating new products, processes or services			
IMPACTS				
I 1	Increase in GVA as a result of the programme GVA (€m)	Yes	Yes	Yes
I 2	Number of net jobs created (FTE and by gender, sector)	Yes	Yes	Yes
I 3	Number of net jobs safeguarded (FTE and by gender/sector)	Yes	Yes	Yes
I 4	Net additional increase in number of businesses (by sector, size and location)	Yes	Yes	Yes
I 5	Net additional number of knowledge intensive firms	Yes	Yes	Yes

5.33 At the end of this chapter, a programme summary is provided.

Priority Axis 3: Ensuring sustainable development, production and consumption

Context and rationale

5.34 The East of England is already under environmental pressure. This will need to be managed and addressed creatively if it is not to be exacerbated in the context of further planned population growth. The region is also highly vulnerable to climate change impacts as a result

of land use changes, more extreme weather and through increased risk of fluvial and tidal flooding.

- 5.35 The East of England Competitiveness Programme provides an opportunity for the region to play its part in addressing environmental pressures by encouraging sustainable development, production and consumption. The context for this – as set out in Chapter 3 – is a region with an Ecological Footprint which is in excess of the national average and currently falling some way short in terms of “one planet” living. However, the process of delivering growth can – if done well – be an opportunity for enhanced environmental performance. For example, there might be scope for reducing carbon emissions through greater use of combined heat and power (CHP) in buildings and the use of building fabric materials with improved insulating properties: space heating and hot water account for around 90% of domestic emissions. Equally the process of economic growth provides an opportunity to consider the scope for improved productivity focusing both on the productivity of labour, but also the productivity of resource use: according to DTI’s own figures, “inefficient use of resources is estimated to cost UK business in excess of £20bn per year. And 30% of the energy used in the UK every year – the equivalent of £12bn – is wasted”.

Axis-level aims and objectives

- 5.36 The Programme will seek to establish and implement best practice in reducing the carbon footprint of businesses, communities and settlements whilst also seeking to improve overall competitiveness and economic performance. Hence the objectives for the Priority are to:
- work with communities – in both urban and rural areas – to support local jobs and business growth in a manner that generates low carbon outcomes
 - support the development of low carbon approaches to construction and refurbishment of properties
 - promote the efficient use of resources and the minimisation of waste in the region.
 - Where appropriate, and with regard to activities that could be funded under Territorial Co-Operation programmes, to seek opportunities to develop inter-regional collaborative interventions across the priority aims and objectives.

Indicative activities to be supported

- 5.37 In delivering projects under Priority Axis 3 – particularly those that are helping to support the development of participative, integrated and sustainable strategies to tackle the high concentration of economic, environmental and social problems affecting urban areas – advantage may be taken of the instrument Jessica (Joint European Support for Sustainable Investment in City Areas). This is an initiative of the Commission in co-operation with the European Investment Bank and the Council of Europe Development Bank to promote sustainable investment, and growth and jobs, in Europe’s urban areas. The objective would be to use some of the Structural Fund allocation as investments rather than grants, by placing funds from the OP into either an Urban Development Fund or a Holding Fund.
- 5.38 Other indicative activities linked to Priority Axis 3 are summarised below.

Table 5-8: Priority Axis 3 – Ensuring sustainable development, production and consumption: Indicative Actions/Activities

Indicative Actions/Activities	Partners/Beneficiaries
<ul style="list-style-type: none"> Support for projects that effect sustainable consumption such as green procurement; eco-effective production processes and consumer access together with information initiatives and energy efficiency demonstrator projects linked to economic development objectives and outcomes 	<ul style="list-style-type: none"> Businesses (SMEs and exceptionally other businesses, especially when part of a network)
<ul style="list-style-type: none"> Limited support for key strategic developments linked to the growth of the clean technology and renewable energy sectors 	<ul style="list-style-type: none"> Businesses (SMEs and exceptionally other businesses, especially when part of a network) authorities, etc.
<ul style="list-style-type: none"> Limited provision of flagship business space (potentially incubators and move-on space – and possibly third “spaces”), particularly in support of low-carbon focused enterprises and with an eco-efficient design in accordance with local plans 	<ul style="list-style-type: none"> Businesses(SMEs and exceptionally other businesses, especially when part of a network), local authorities, etc.
<ul style="list-style-type: none"> Support for renewable energy demonstrator or exemplar projects making use of wind, solar, biomass, hydroelectric and geothermic solutions and others 	<ul style="list-style-type: none"> Businesses (SMEs and exceptionally other businesses, especially when part of a network) authorities, etc.
<ul style="list-style-type: none"> Support for exemplar demonstrator energy efficiency solutions such as combined heat and power 	<ul style="list-style-type: none"> Businesses (SMEs and exceptionally other businesses, especially when part of a network) authorities, etc.
<ul style="list-style-type: none"> Support for the development of social enterprise particularly those involved in low carbon activities such as re-cycling 	<ul style="list-style-type: none"> Businesses(SMEs and exceptionally other businesses, especially when part of a network) and communities
<ul style="list-style-type: none"> Support for initiatives within communities aimed at encouraging low carbon forms of economic growth 	<ul style="list-style-type: none"> Businesses (SMEs and exceptionally other businesses, especially when part of a network) and communities
<ul style="list-style-type: none"> Support for innovative energy efficiency and renewable energy measures in low income housing to stimulate market development 	<ul style="list-style-type: none"> Businesses (SMEs and exceptionally other businesses, especially when part of a network) authorities, etc.
<ul style="list-style-type: none"> Inter-regional collaborative activities to include the sharing of low carbon research; experience results and the development of complementary approaches and joint action projects 	<ul style="list-style-type: none"> Businesses (SMEs and exceptionally other businesses, especially when part of a network) and communities

Links to sustainable communities

- 5.39 Priority Axis 3 ought to contribute substantively to the development of more sustainable communities. Its focus is on supporting business growth and community development in a way that is “low carbon” and there is a particular emphasis within this Priority Axis on capital build projects. Interventions linked to Priority Axis 3 ought to contribute to the development of communities across the East of England that perform better in environmental terms and hence contribute significantly to regional ambitions with regard to lower carbon economic growth.

Links to relevant categories

- 5.40 Table 5-9 sets out the links between Priority Axis 3 and the relevant Lisbon categories.

Table 5-9: Priority Axis 3 and Lisbon Categories

Codes for the priority theme dimension	
06	Assistance to SMEs for the promotion of environmentally products and processes
09	Other actions aiming at stimulation of research and innovation and entrepreneurship in SMEs
39	Renewable energy: wind
40	Renewable energy: solar
41	Renewable energy: biomass
42	Renewable energy: hydroelectric, geothermic, and others
43	Energy efficiency, combined heat and power, control of energy

Indicators and targets

5.41 Table 5-10 shows the output, result and impact indicators for Priority Axis 3.

Table 5-10: Output, result and impact indicators linked to Priority Axis 3

Reference	Description	RES	CLG	EC
OUTPUTS				
O 3.1	Number of organisations receiving Priority 3 assistance			
O 3.2	Number/type of low carbon construction and refurbishment initiatives			
O 3.3	Number of sq meters of new or upgraded specialist premises achieving BREEAM standard of 'very good' or better			Yes
O 3.4	Number of energy efficiency demonstrator projects			
RESULTS				
R1	No. of jobs created – FTE (i) men and (ii) women	Yes	Yes	Yes
R2	No. of jobs safeguarded FTE - (i) men and (ii) women	Yes	Yes	Yes
R 5	Number/type of successful environment related initiatives in SMEs			
R 7	Leverage of private sector funding	Yes	Yes	Yes
R8	Leverage of public sector funding	Yes	Yes	Yes
R 9	Occupancy rate of new and upgraded specialist premises 3 years after opening (%)			
R11	Number of new or existing businesses locating to eco-efficient, high quality workspace			
R12	Number of businesses supplied with low or zero carbon energy			
IMPACTS				
I 1	Increase in GVA as a result of the programme GVA (€m)	Yes	Yes	Yes
I 2	Number of net jobs created (FTE and by gender, sector)	Yes	Yes	Yes

Reference	Description	RES	CLG	EC
I 3	Number of net jobs safeguarded (FTE and by gender/sector)	Yes	Yes	Yes
I 4	Net additional increase in number of businesses (by sector, size and location)	Yes	Yes	Yes
I 5	Net additional number of knowledge intensive firms	Yes	Yes	Yes

- 5.42 A summary of programme indicators is provided in Annex A together with details of performance targets.

Priority Axis 4: Technical Assistance

Axis-level aims and objectives

- 5.43 In accordance with Articles 45 and 46 of the EC Regulations No 1083/2006, the East of England ERDF Operational Programme is permitted to include Technical Assistance (TA) as one of the Priority Axes of the operational programme. In compliance with the regulations, a maximum of four per cent of the total Programme allocation will be allocated to this priority. An intervention rate of 50% will apply.
- 5.44 Technical Assistance will be used to build and support the development and implementation of the East of England Operational Programme. Allocated funds will be used to support programme and project development through facilitation, a model that proved to be very successful under the previous Objective 2 Programme. Funds may also be used to support monitoring, evaluation and implementation of the programme as required. TA funds will also be used to support programme level publicity and awareness raising activities as well as capacity building initiatives.

Indicative activities:

- 5.45 A list of indicative activities that could be funded under this theme are:
- activities that will support development of the programme or projects including the preparation of approaches to commissioning
 - support for partnership working: Programme Monitoring Committee and other partnership related activity
 - support for secondees as deemed appropriate to support the ERDF administration authority or partner organisations
 - development and provision of training, guidance and advisory/information services for potential applicants and partner organisations
 - evaluations, feasibility studies, expert reports, statistics and studies, including those of a general nature concerning the operation of the funds

- publicity, marketing and communications, including costs of printing and publications and events for the ERDF programme
 - support and development of the ERDF cross-cutting themes.
- 5.46 The above list is not intended to be exhaustive. A full technical assistance strategy will be developed and approved by the Programme Monitoring Committee.

Interregional Co-operation – Regions for Economic Change

- 5.47 In considering the Priority Axes within the OP, partners feel it is important – in addition – to flag the scope for complementarity with the Interregional Co-operation Programme (INTERREG IVC) and in particular the European Commission’s initiative “Regions for Economic Change”. The Interregional Co-operation Programme will support the exchange and transfer of experience which can contribute to the effectiveness of regional development policies and to economic modernisation by facilitating co-operation through two types of operations:
- Regional Initiative Projects
 - Capitalisation including Fast Track projects.
- 5.48 Two priorities for action are proposed:
- Innovation and the knowledge economy
 - Environment and risk prevention.
- 5.49 Given the focus of the East of England’s Competitiveness Operational Programme - *towards low carbon economic growth* - there will be many opportunities for partners to work with colleagues in other parts of the EU and other eligible areas to exchange and develop joint learning on subjects covered by these priorities.

6: Cross-Cutting Themes

- 6.1 Informed by the legislation underpinning the Structural Funds and the Community Strategic Guidelines, UK government has committed to treating environmental sustainability and equal opportunities as cross-cutting themes for all Structural Fund programmes. The paragraphs below describe – in summary terms – the approach adopted in response by partners within the East of England.

Environmental Sustainability

EU Policy context

- 6.2 The European Union requires that all Structural Fund activity is pursued in the framework of sustainable development and the promotion of the goal of protecting and improving the environment, as set out in Article 6 of the Treaty of Amsterdam. The wide-ranging provisions of Article 6 are implemented through the EU Lisbon and Sustainable Development Strategies which together provide the driving force for a more prosperous and socially cohesive Europe whilst safeguarding precious environmental assets and striving to achieve low carbon status. Article 6 requires that environmental protection requirements must be integrated into the definition and implementation of the Community policies with a view to promoting sustainable development. The preferred definition of sustainable development is that of the Brundtland Commission – “development which meets the needs of the present without compromising the ability of future generations to meet their own needs.”
- 6.3 For the 2007-2013 programming period, sustainable development is reconfirmed as one of the most important principles of the Cohesion Policy. The cross-cutting nature of sustainable development is reflected in Article 17 of the General Provisions Regulation for the Cohesion Policy 1083/2006/EC, which is a specific expression of the integration principle.

EU Sustainable Development Strategy (EU SDS): Key Objective - Environmental Protection

- 6.4 The overall aim of the EU SDS is to identify and develop actions to enable the EU to achieve continuous improvement of quality of life both for current and for future generations. This will be achieved through the creation of sustainable communities able to manage and use resources efficiently and to tap the ecological and social innovation potential of the economy, ensuring prosperity, environmental protection and social cohesion⁵⁶.
- 6.5 The Strategy sets overall objectives, targets and concrete actions for seven key priority challenges for the coming period until 2010. These challenges are predominantly environmental:
- climate change and clean energy

⁵⁶ Additionally, the EU SDS highlights the need for co-ordination of EU co-financing to ensure complementarities and synergies between Cohesion Policy, rural development, LIFE+, RTD, the CIP and EFF

- sustainable transport
- sustainable production and consumption
- public health threats
- better management of natural resources
- social inclusion, demography and migration
- fighting global poverty.

UK Context

- 6.6 The United Kingdom's National Strategic Reference Framework for the Structural Funds requires that the environmental sustainability theme be implemented both horizontally and vertically. The Programme will therefore have to deliver both horizontal activity (i.e. ensuring that projects incorporate the principles of sustainable development) and vertical activity (i.e. delivering dedicated actions concerned with improving environmental outcomes). The NSRF also requires Programmes to take account of the UK government's goal to reduce the UK's emissions of carbon dioxide by 20% by 2010, and 60% by 2050, in order to address climate change.

Regional Context

- 6.7 In the East of England, the importance of environmental sustainability is recognised explicitly in the Regional Economic Strategy:
- *Goal Four:* High quality places to live, work and visit, aims to develop and enhance green spaces and infrastructure to support economic growth, and promote sustainable and resource-efficient development
 - *Goal Eight:* An exemplar for the efficient use of resources, aims to promote the adoption of resource efficiency and environmental good practice; to capture the advantages of the renewable energy potential of the region; progress the development of environmental goods and services; and to establish the region as an exemplar of environmentally sustainable development.
- 6.8 The baseline situation with regard to environmental sustainability within the East of England has been summarised in Chapter 3. A fuller account may be found in the scoping study for the Strategic Environmental Assessment. Key headlines however include:
- development within the East of England has the potential to put Green Belt and character landscapes under increased pressure
 - the region contains much high quality farmland, but this is intensively farmed with consequent environmental impacts
 - water resources in the region are under pressure in some areas and may limit development

- the region's Ecological Footprint is high when measured on a per capita basis
- air quality in many sub-regional areas is poorer in many places than the national average.

6.9 The development of the Programme has been informed in an iterative manner by the findings of the Strategic Environmental Assessment.

Delivering environmental sustainability through the OP

6.10 At the highest level, the chosen meta-theme – *Towards Low Carbon Economic Growth* – ought to ensure that principles of environmental sustainability are totally embedded within the Programme. The meta-theme will influence how the Programme is promoted; how projects are chosen; and how progress is monitored

6.11 In delivery, the intention is that the Programme will seek to ensure that sustainable development aspirations are advanced *horizontally* across the range of project activity by building in a series of gateway questions into the application process. These will help applicants to consider all relevant environmental impacts and how they might be ameliorated. Moreover, environmental factors will be taken into account in selecting projects for funding.

6.12 The Programme will deliver sustainable development actions *vertically* through a series of specific actions, including:

- the development of clean technology and energy efficient products and services, and associated business infrastructure
- reduction of the carbon footprint of the region's business base
- reduction of the carbon footprint of the region's communities
- addressing resource efficiency in the region
- encouraging the adoption of environmental management systems.

6.13 The Programme's pursuit of sustainable development may also be supported through a dedicated environmental sustainability themes officer, building on best practice from the region's previous Objective 2 Programme and experience elsewhere⁵⁷. The officer would work with both mainstream applicants to help embed best practice in sustainable development in all projects, as well as helping develop specific sustainable development projects.

⁵⁷ A recent review concluded that "the most effective form of information and support for improving the environmental performance of projects is the direct support of the Environmental Sustainability Theme Manager (ESTM), with 77% of projects that indicated they found this either very or quite useful also reporting that they felt their environmental performance had been enhanced. This concurs with findings from other regions that the roles of ESTMs in supporting individual project sponsors at all stages of development was seen as the single most effective activity in delivering environmental integration"" Source: Fraser Associates and The Rural Development Company, 2005, *The Effectiveness of US Structural Funds in Delivering the Government's Environmental Objectives*, Report for Defra

Monitoring

- 6.14 Measuring progress towards improved environmental sustainability in the region will be an important part of Programme monitoring, and the monitoring system will include indicators to record this progress, building on the findings of the SEA (see Annex A). As part of the appraisal process, the Programme will use progress reporting, monitoring visits and evaluation exercises to verify progress.
- 6.15 The Programme team will also consider using case studies of best practice to further reinforce good practice in sustainable development.

Equality Cross Cutting Theme

EU Policy context

- 6.16 The European Union requires that all Structural Fund Programmes give due weight to helping deliver equality and social inclusion in their region. As stated in the General Regulation for the Structural Funds:

“The Member States and the Commission shall take appropriate steps to prevent any discrimination on the basis of gender, race or ethnic origin, religion or belief, disability, age or sexual orientation during the various stages of implementing the Funds and, in particular, access to them. In particular, accessibility for disabled persons is one of the criteria to respect in defining operations cofinanced by the Funds and to take into account during the various stages of implementation.”

- 6.17 The Treaty of Amsterdam states that equality for men and women is a basic democratic principle and its incorporation into all policies is an obligation.

UK Context

- 6.18 The UK has taken a lead in social inclusion and equal opportunities, being one of the first Member States to broaden the definition of equal opportunities. The key legislative provisions are:

- Race Relations Act 1976, Race Relations (Amendment) Act 2000 (amended Race Regulations 2003)
- Disability Discrimination Act 1995, Disability Discrimination (Public Authorities) (Statutory Duties) Regulations 2005
- Sex Discrimination Act 1975, Regulations 2001, Gender Re-Assignment Regulations 1999, Equality Act 2006, Gender Equality Duty
- Employment Equality (Sexual Orientation) Regulations 2003
- Employment Equality (Religion or Belief) Regulations 2003
- Employment Equality Regulations (Age) 2006.

- 6.19 The United Kingdom's National Strategic Reference Framework for the Structural Funds states that Programmes will take account of the principles of equal opportunities in the preparation, implementation, monitoring and evaluation of Programmes, building on good practice in the 2000-2006 period.

Regional Context

- 6.20 In the East of England, the importance of equal opportunities is recognised in the Regional Economic Strategy, Goal 5: social inclusion and broad participation in the regional economy. This calls for support for those who are disadvantaged to achieve their full potential, for disadvantaged communities to access sustainable employment opportunities, to improve prospects for better quality employment, and to tackle discrimination experienced by communities or individuals.
- 6.21 Issues affecting equal opportunities and social inclusion in the region are set out in detail in the Regional Social Strategy. They include:
- long-term unemployment in the region has risen from 0.5% of working age population in 2001, to 0.7% in 2006, while the national trend has been downwards
 - there is a danger of a two-tier economy developing, due to disparities in access to employment and higher earnings
 - the pattern of unequal development in the region means reduced opportunities and outcomes for many residents
 - female entrepreneurial activity lags behind male activity: the female Total Entrepreneurial Rate is very slightly above the national average, while the male rate is substantially above.

Delivering equality through the OP

- 6.22 In the light of the policy drivers and the evidence set out above, the East of England Competitiveness Programme will seek to:
- ensure no beneficiaries are excluded from participation in the Programme on the grounds of gender, race, ethnicity, belief, disability, age or sexual orientation
 - ensure that the economic benefits from the Programme reach dis-advantaged and hard to reach groups
 - ensure that the Programme is responsive to and inclusive of under-represented groups in recruitment, delivery and management.
- 6.23 The Programme will ensure the delivery of social inclusion objectives by building a series of gateway questions into the application process. This will require that all project applicants give due cognisance to social inclusion issues in the objectives of the project and its delivery mechanisms.

- 6.24 The gateway questions will also prompt applicants to consider all relevant aspects of social inclusion, not simply those that are most familiar, and will suggest approaches that may be used to overcome identified barriers.
- 6.25 The Programme may potentially also identify a dedicated equalities officer.

Monitoring

- 6.26 Measuring progress towards greater social inclusion will be an important part of Programme monitoring, and the monitoring system will include indicators to record this progress.
- 6.27 As part of the appraisal process, the Programme will use progress reporting, monitoring visits and evaluation exercises to verify progress.
- 6.28 The Programme team will also consider using case studies of best practice to further reinforce good practice in project implementation.

Equality Impact Assessment

- 6.29 The East of England Competitiveness Operational Programme has undergone an Equality Impact Assessment to assess its potential impact on race, disability, gender, sexual orientation, age, and religion/belief. This concluded that the (then-draft) OP would have no adverse impact on one or more minority/under-represented or community groups. It also suggested that as activities and projects are developed they should be subject to Equality Impact Assessment screening in proportion to their relevance to equality and diversity. Table 6-1 below provides a summary of some of the more detailed findings from the EIA.

Table 6-1: Summary of the Equality Impact Assessment

EiA Questions	Key findings of the EiA assessment
Q 1. Who will benefit from this Programme? Is there likely to be a positive impact on specific groups/community (whether or not they are the intended beneficiaries), and if so, how? <u>Or</u> is it clear at this stage that it will be equality "neutral"?	<ul style="list-style-type: none"> • Low rate of female entrepreneurship is being addressed through the programme – likely positive effect on women • In delivery, programme needs to ensure that it positively promotes equality of opportunity • Monitoring arrangements ought to take equalities issues into account
Q 2. Is there likely to be an adverse impact on one or more minority/under-represented or community groups as a result of this initiative? If so, who may be affected and why? <u>Or</u> is it clear at this stage that it will be equality "neutral"?	<ul style="list-style-type: none"> • There is no adverse impact as a result of the draft Operational Programme.
Q 3. Is the impact of the initiative – whether positive or negative - significant enough to warrant a more detailed assessment (Stage 2)? If not, will there be monitoring and review to assess the impact over a period time?	<ul style="list-style-type: none"> • No, but as activities and projects are developed, they should be subject to EqlA screening in proportion to their relevance to equality and diversity, and a full EqlA undertaken where the need for it has been identified in the screening process.

Source: Summarised version of EIA presented to SFSG April 2007

7: Co-Ordination

Complementarity with other Funds

- 7.1 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.

Complementarity and demarcation between ERDF, EAFRD and EFF

- 7.2 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).
- 7.3 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.
- 7.4 Partners within the East of England have worked hard to ensure that there is clear demarcation between ERDF and the application of both EAFRD and the (much smaller) EFF. EAFRD is less flexible than ERDF and it is structured by Measures as set out in the Rural Development Regulation. Table 7-1 adopts the RDR Measures as a framework within which to illustrate the proposed lines of demarcation between the different funding streams.

Table 7-1: Proposed demarcation in the East of England between ERDF and EAFRD and EFF, structured by RDR Measure

Axis 1	EAFRD	ERDF	EFF
Cooperation for the development of new products, processes and technologies in the agriculture, food and forestry sectors	Support collaboration and new product development costs from <u>land based SMEs (principally farming, food, forestry)</u> bringing together primary producers, processors	ERDF support for innovation and knowledge transfer will focus upon SMEs with particular emphasis on: <ul style="list-style-type: none"> Renewable Energy Clean technology ICT 	No overlap

	and other third parties. Limit max level of investment.	Land based SMEs supported under this measure will be excluded from support under the E of E ERDF Competitiveness OP.	
Axis 3 Quality of life in rural areas and diversification of the rural economy	EAFRD	ERDF	EFF
Diversification into non-agricultural activities	Support for farm household members only setting up high impact, high quality added value (non-agric) enterprises providing local employment	Beneficiaries under this measure to be excluded from ERDF support.	No overlap
Support for business creation and development	Support the creation and development of (non-farm/forest) <u>micro-enterprises and sole traders</u> , including, enterprise animation, business support and incubator activities to be targeted at specific sectors within this measure (e.g. food, bio-energy, rural knowledge based business)	ERDF will provide business support focussed on development of low carbon or clean technology sectors/ start-ups or targeted at improving business efficiency. Support for land based business and businesses in the sectors targeted by the EAFRD will be excluded.	No overlap
Encouragement of tourism activities	Support for small scale infrastructure and services related to rural <u>and farm-based</u> tourism / <u>hospitality</u> . Activity supported will reflect regional tourism strategy and priorities.	Tourism related activities will not be funded under the E of E ERDF Competitiveness OP.	No overlap
Basic Services for the economy and rural population	<u>In rural areas only.</u> Support for village or groups of villages and related small-scale infrastructure. Activities will include social enterprise, culture	No support for the provision of basic services is included in the E of E ERDF Competitiveness OP.	No overlap

	and leisure and innovative service delivery.		
Training and information for economic measure for economic actors operating in the fields covered by Axis 3.	Training support for economic actors (including farmers who are diversifying) <u>in rural areas</u> covering activities such as ICT skills, traditional rural skills for young people and management training.	No support for training or skills development is included in the ERDF OP.	No overlap
<p>During the 2007-2013 funding period, delivery of the rural development and ERDF funds in the East of England will be closely aligned through the Regional Development Agency, East of England Development Agency (EEDA) and through the collaboration of regional partners in the development of the East of England RIP and East of England Competitiveness OP. In the East of England the day to day management of the ERDF Competitiveness Programme and Axis 1 and 3 of the European Agricultural Fund for Rural Development (EAFRD) will be delivered via EEDA. Each fund will be overseen by its own secretariat and implementation of both will be overseen by regional partners through the region's European Programmes Strategy Group (EPSG).</p> <p>Each Programme has been developed within the policy framework established by the agreed East of England Regional Economic Strategy. This will bring increased complementarity, ensuring a greater contribution by both instruments to shared regional objectives. The teams developing the two programmes have worked together to ensure synergy and reduce the risk of duplication between the two funds. Similar coordination methods will operate during the delivery of the programme in order to avoid double funding. For example, a representative of the RDPE Secretariat will be attend the EPSG (PMC for ERDF Competitiveness Programme).</p> <p>The RDPE programme under Axis 1 is restricted in its scope to fund largely land based industries, principally, farming and forestry, which are outside the scope of the East of England ERDF Competitiveness OP. However, as part of the region's ongoing commitment to modulation and the importance of the LEADER based approach to development Axis 3 will support more broadly based socio-economic development in rural areas. The table above describes the demarcation and respective focus of EAFRD against ERDF as agreed between regional partners. The parameters set out above will be managed on a day to day basis by the Agency's European and Rural Secretariats.</p>			

Fit between ERDF and ESF

- 7.5 The regional ESF strategy, which the East of England Skills and Competitiveness Partnership is playing a key role in developing, will provide a framework for ESF spending in the region.
- 7.6 Although still under development, the priorities that are emerging through the East of England ESF Framework are strongly complementary to those set out in the OP and together,

they will contribute significantly to building sustainable communities (see Box 2-2). The emerging ESF priorities include:

- *Extending Employment Opportunities* – with a particular focus on people with disabilities and health conditions, lone parents and other disadvantaged parents, older workers, ethnic minorities, people with no or low qualifications, and young people, particularly those not in education, employment or training
- *Developing a skilled and adaptable workforce* – with a focus on those who lack basic skills and level 2 qualifications. Additionally, seven sectors have been identified as priorities for Level 2 and 3 skills: construction/built environment; retail; logistics; health and social care; hospitality; manufacturing and engineering; and land-based industries.

8: Financial Allocations

- 8.1 As set out in Chapter 1, the available resources from ERDF amount to 110.9 million euro at current prices (approximately £74.95 million). Table 8-1 shows the annual allocation of ERDF funding over the programming period in the East of England. The annual allocation is reasonably evenly spread which means that the Programme will need to start spending promptly if n+2 requirements are to be met.
- 8.2 Table 8-2 overleaf shows the proposed distribution of spend by Priority Axis. The rationale for this reflects a mix of strategic and pragmatic considerations including:
- the views that were expressed by a variety of stakeholders during the consultation on the draft OP⁵⁸
 - the advice of the *ex ante* evaluators with regard to the management of risk (see Chapter 1)
 - the availability of match funding
 - the experience of – and lessons learned from – the previous Objective 2 programme (see Chapter 1)
 - a judgement based on the range and quantity of outputs, results and impacts that might be delivered by interventions linked to each of the three Priority Axes.
- 8.3 In delivery, consideration may be given to re-allocating resources at the mid point in the OP's implementation should one or more of the Priority Axes be under-performing in terms of financial absorption.
- 8.4 The expectation is that across the Programme, a UK public sector contribution well in excess of 50% will be achieved (although there will be some flexibility in intervention rates at a project level). Hence contributions will be required from a number of sources including, potentially, EEDA, local authorities, HEFCE, the Learning and Skills Councils and English Partnerships.
- 8.5 In both the development and the delivery of the OP, the East of England region is fully committed to advancing the Lisbon Agenda. A full profile of Categories of expenditure is provided in Chapter 5 (structured by Priority Axis) and Annex B (in composite form).

⁵⁸ It is worth noting that consultation responses were specifically sought on the allocation between Priority Axes and some changes to the proposed distribution were made as a result

Table 8-1: Financial Allocations by year

Operational Programme - Table 1 (EUR M)

Programme Reference Number (CCI number):

Year	ERDF	Total
2007		
In regions without transitional support	€ 14,930,117	€ 14,930,117
In regions with transitional support	€ 0	€ 0
Total 2007	€ 14,930,117	€ 14,930,117
2008		€ 0
In regions without transitional support	€ 15,228,719	€ 15,228,719
In regions with transitional support	€ 0	€ 0
Total 2008	€ 15,228,719	€ 15,228,719
2009		
In regions without transitional support	€ 15,533,294	€ 15,533,294
In regions with transitional support	€ 0	€ 0
Total 2009	€ 15,533,294	€ 15,533,294
2010		€ 0
In regions without transitional support	€ 15,843,959	€ 15,843,959
In regions with transitional support	€ 0	€ 0
Total 2010	€ 15,843,959	€ 15,843,959
2011		
In regions without transitional support	€ 16,160,838	€ 16,160,838
In regions with transitional support	€ 0	€ 0
Total 2011	€ 16,160,838	€ 16,160,838
2012		
In regions without transitional support	€ 16,484,055	€ 16,484,055
In regions with transitional support	€ 0	€ 0
Total 2012	€ 16,484,055	€ 16,484,055
2013		€ 0
In regions without transitional support	€ 16,813,737	€ 16,813,737
In regions with transitional support	€ 0	€ 0
Total 2013	€ 16,813,737	€ 16,813,737
Totals		
In regions without transitional support	€ 110,994,719	€ 110,994,719
In regions with transitional support	€ 0	€ 0
Grand Total 2007-13	€ 110,994,719	€ 110,994,719

Table 8-2: Financial Allocation by Priority ('000 euro)

Priority Axes	Community Funding (a)	National Counterpart	Indicative Breakdown of National Counterpart		Total Funding	Co-Financing Rate	For Information		
			National Public Funding (c)	National Private Funding (d)			EIB Contribution	Other Funding	% of ERDF Allocation
Priority 1 - Promoting innovation and technology transfer with the intention of improving productivity	€ 37,293,431	€ 55,939,000	€ 30,766,000	€ 25,173,000	€ 93,232,431	40%	€ 0	€ 0	33.60%
Priority 2 - Stimulating enterprise and supporting successful businesses by overcoming barriers to business creation and expansion	€ 32,639,500	€ 48,961,000	€ 36,708,685	€ 12,252,315	€ 81,600,500	40%	€ 0	€ 0	29.41%
Priority 3 - Ensuring sustainable development, production and consumption	€ 36,622,000	€ 54,933,000	€ 45,777,500	€ 9,155,500	€ 91,555,000	40%	€ 0	€ 0	32.99%
Priority 4 - Technical Assistance	€ 4,439,788	€ 4,439,788	€ 4,439,788	€ 0	€ 8,879,576	50%	€ 0	€ 0	4.00%
Total	€ 110,994,719	€ 164,272,788	€ 117,691,973	€ 46,580,815	€ 275,267,507	40%	€ 0	€ 0	100.00%

9: Implementing Provisions

General

Regulatory Context

- 9.1 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 **East of England** European Regional Development Fund Regional Competitiveness and Employment Operational Programme (“the OP”).
- 9.2 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.
- 9.3 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.

Managing Authority, Certifying Authority, Audit Authority, and Intermediate Bodies

Managing Authority: Role and Functions

- 9.4 A system of management and control of the implementation of the OP will be set up in accordance with Article 58.
- 9.5 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.
- 9.6 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

- 9.7 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 the East of England Development Agency, which is a regional development agency established and regulated by the Regional Development Agencies Act 1998.
- 9.8 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 7), 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.
- 9.9 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.
- 9.10 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.
- 9.11 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.
- 9.12 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.
- 9.13 The MA will consult the A 59(2) body before issuing directions and guidance on matters relating to the performance of intermediate body functions.
- 9.14 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.
- 9.15 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.
- 9.16 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

- 9.17 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.

- 9.18 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 at each stage of the procedure as in the case of any other applicant for funding.

Certifying Authority: Role and Functions

- 9.19 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).
- 9.20 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

- 9.21 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).
- 9.22 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.
- 9.23 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

- 9.24 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.

Partnership and Committee Structure

General

- 9.25 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.
- 9.26 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)

- 9.27 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.

- 9.28 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.
- 9.29 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.
- 9.30 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.
- 9.31 The chairperson of the PMC will be the Regional Director of the Government Office for the East of England.
- 9.32 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

- 9.33 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.
- 9.34 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.
- 9.35 The MA will approve the rules of procedure in accordance with Article 63(2).

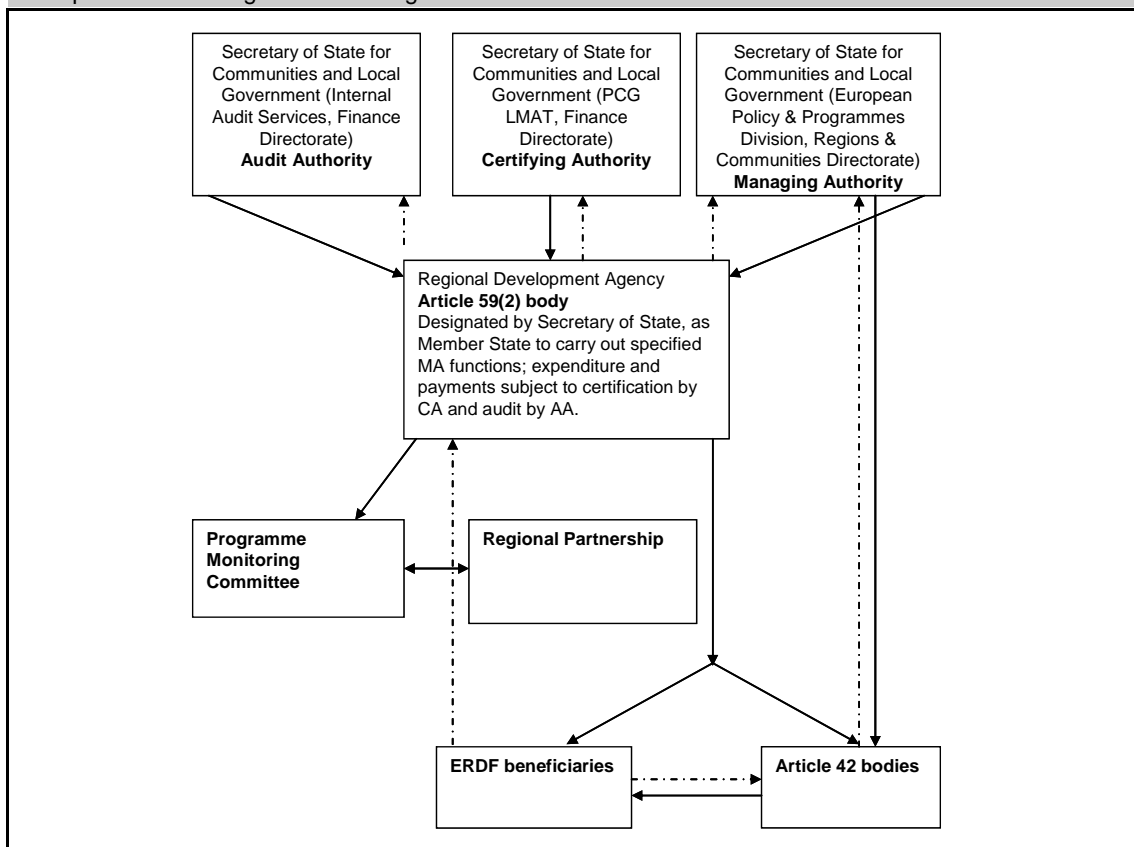
Sub-committees and working groups of the PMC

- 9.36 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.

Management and Control System

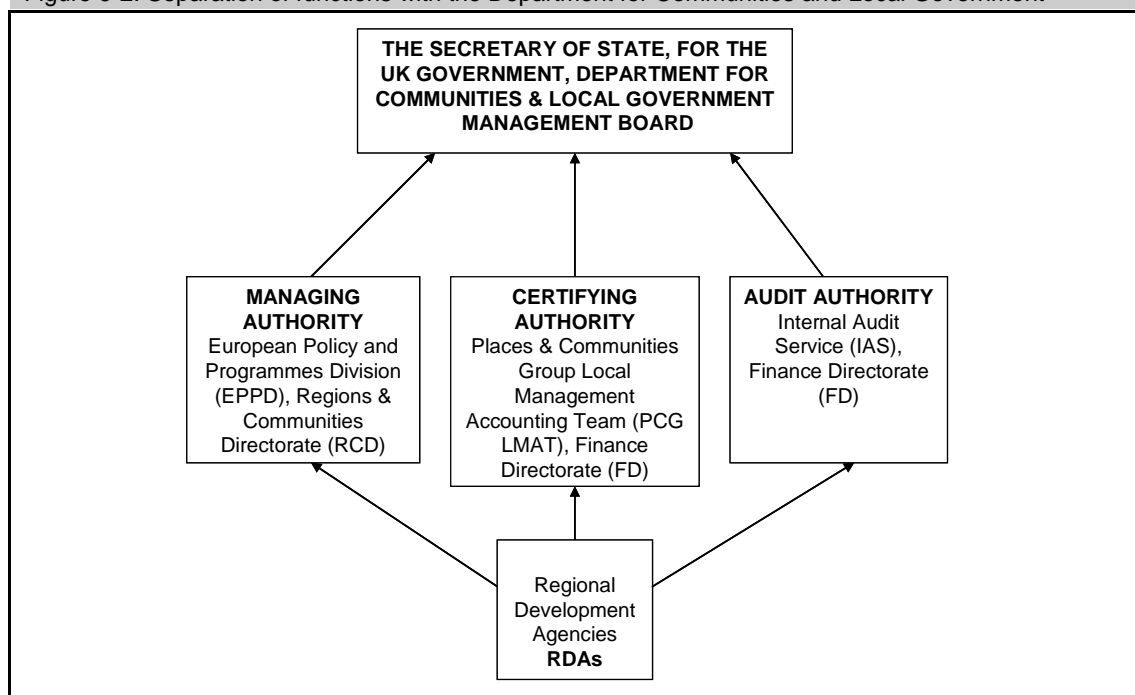
- 9.37 The Secretary of State, for the UK Government, will establish management and control arrangements for the OP in accordance with Article 58.
- 9.38 This will ensure that Community funds are used efficiently and correctly and that assistance is managed in accordance with all applicable Community 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.
- 9.39 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.

Figure 9-1: Global Management and Control System for ERDF Convergence and Regional Competitiveness Programmes in England



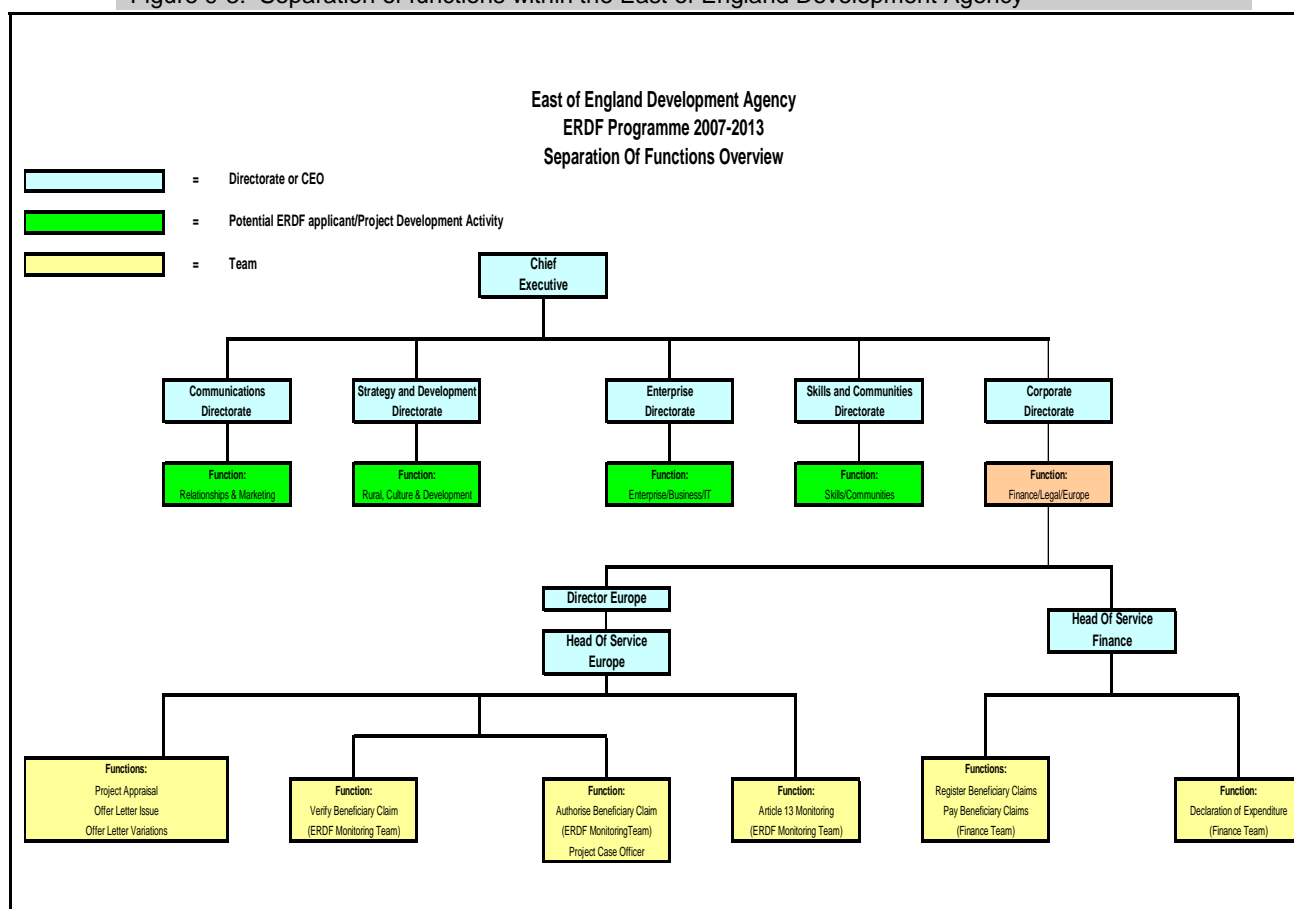
The direction of the solid arrow denotes the direction of management and control. The dotted arrows denote the direction of accountability

Figure 9-2: Separation of functions with the Department for Communities and Local Government



The direction of the arrows denotes reporting lines

Figure 9-3: Separation of functions within the East of England Development Agency



Proportionality

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

Global Grants

- 9.41 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.
- 9.42 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.
- 9.43 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).
- 9.44 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).
- 9.45 The MA will provide reasons for a decision not to designate a body or organisation proposed for the management of a global grant.
- 9.46 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.

- 9.47 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.
- 9.48 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.
- 9.49 The selection of projects under the global grant will be made through an advisory group, comprising the appropriate regional and local partners.
- 9.50 If any designations are made under Article 42, the bodies most likely to be designated include universities and local authorities, which already have an appropriate range of public responsibilities or functions, and are likely to be competent for designation.

Selection of operations for ERDF support

- 9.51 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.
- 9.52 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.
- 9.53 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.

- 9.54 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.
- 9.55 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.

Computerised Exchange of Data

- 9.56 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.

Monitoring Arrangements and Systems

General

- 9.57 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.
- 9.58 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.
- 9.59 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.

- 9.60 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.
- 9.61 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

- 9.62 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.
- 9.63 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.
- 9.64 The reports will contain the information set out in Article 67(2).
- 9.65 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.
- 9.66 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.

Evaluation Arrangements and Systems

- 9.67 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.
- 9.68 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.
- 9.69 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.

- 9.70 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.
- 9.71 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.

Financial Implementation

Financial contributions by the Funds

- 9.72 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.
- 9.73 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.
- 9.74 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.
- 9.75 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.
- 9.76 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

- 9.77 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.

- 9.78 The ERDF contribution for the OP will be subject to a maximum of 50% of the total eligible cost of the OP. Co-financing of support given by the ERDF will come from both a variety of public and private sources and both will be reflected within the OP Financial Table.
- 9.79 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

- 9.80 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.
- 9.81 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

- 9.82 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

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

Financial Flows and Payments

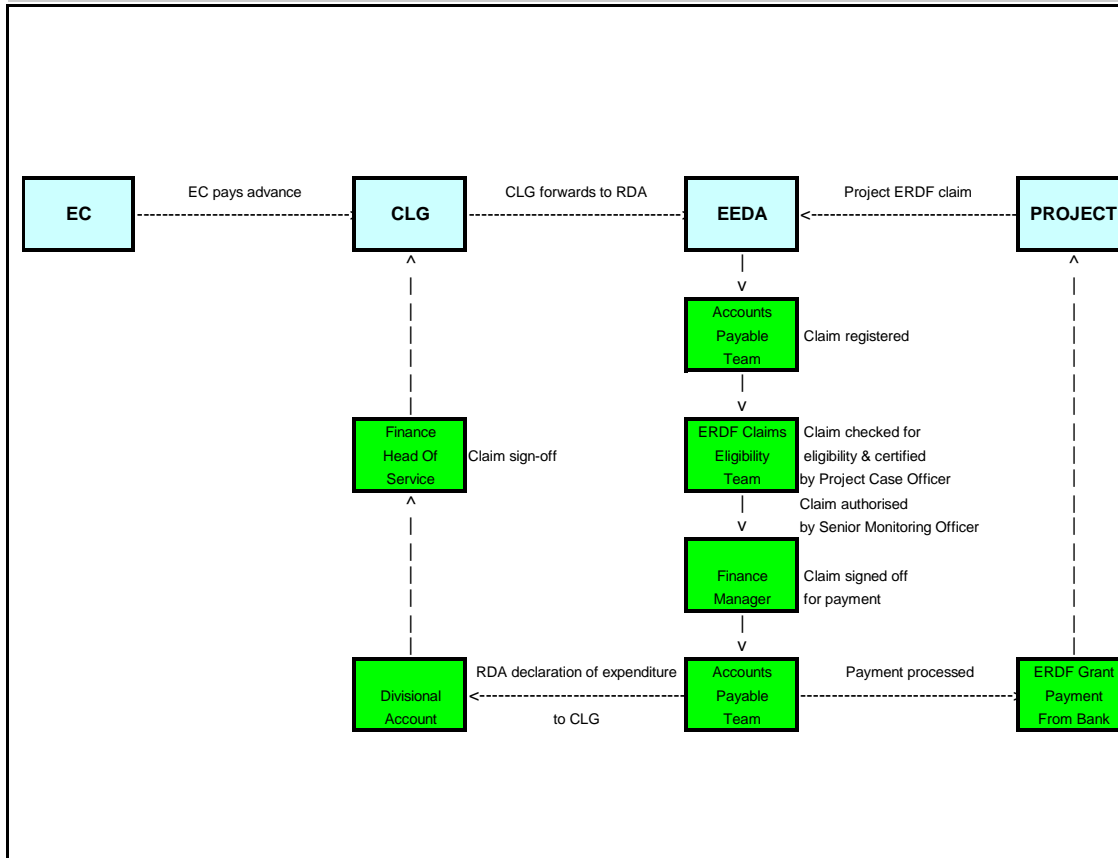
General

- 9.84 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

- 9.85 Financial flows will operate in accordance with the Structural Funds Regulations and the following procedures:
- 9.86 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.
- 9.87 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.

Figure 9-4: Financial flows overview for 2007-13 ERDF Ops



- 9.88 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.
- 9.89 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.
- 9.90 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.
- 9.91 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

- 9.92 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.
- 9.93 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

- 9.94 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.

Financial Management and Control Arrangements

General provisions

- 9.95 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

- 9.96 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.
- 9.97 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

- 9.98 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

- 9.99 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

- 9.100 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

- 9.101 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.
- 9.102 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.
- 9.103 BERR, acting for the Member State, will communicate with the Commission about irregularities and corrections.
- 9.104 The MA will report to the AA any cases involving fraud. BERR will report them to the Commission's OLAF service.
- 9.105 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.

Information and Publicity

- 9.106 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.
- 9.107 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.
- 9.108 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.
- 9.109 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.

- 9.110 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.
- 9.111 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.
- 9.112 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.
- 9.113 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.
- 9.114 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.
- 9.115 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.

Supplementary Objectives

Sustainable Development

- 9.116 The OP will promote the objectives of sustainable development as required by Article 17.
- 9.117 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.
- 9.118 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:-

- 9.119 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.
- 9.120 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.
- 9.121 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.
- 9.122 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.
- 9.123 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

- 9.124 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.
- 9.125 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 - to the OP. .
- 9.126 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

- 9.127 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.
- 9.128 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

- 9.129 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.
- 9.130 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.
- 9.131 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

- 9.132 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.
- 9.133 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.

- 9.134 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.

Use of Reserves

National Performance Reserve

- 9.135 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

- 9.136 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.

Financial Engineering

- 9.137 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.
- 9.138 Any proposal to set up financial engineering instruments will have to be agreed by the MA.

State Aid

- 9.139 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.
- 9.140 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.

Annex A: Performance Measurement

High level indicators and targets

- A.1 In the context of the Vision from the Regional Economic Strategy, the high level meta-theme – *towards low carbon economic growth* – provides the highest level statement of programme intent. Steps need to be taken both to
- monitor progress towards this outcome across the East of England⁵⁹
 - monitor the contribution of the OP in effecting this outcome.
- A.2 However the meta-theme is complicated in terms of both metrics and attribution. It is accepted that some development work will be needed before a “fit for purpose” performance measurement framework might be agreed. Work is underway on the development of indicators linked to the review of *Sustainable Futures*, the region’s Integrated Regional Strategy. Nationally, relevant work is also ongoing. Once this is further advanced, the Programme Monitoring Committee (European Programmes Strategy Group) will look again at the issues relating to monitoring progress linked to the meta-theme.

Operational/delivery indicators and targets

- A.3 The Table overleaf sets out a list of proposed core output, results and impact indicators for the East of England OP. Later in the Chapter, separate lists are provided for each Priority Axis and for the OP as a whole (impact indicators).
- A.4 In preparing the lists, due account has been taken of three sets of guidance:
- the European Commission’s Working Paper 2 – ‘Indicators for Monitoring and Evaluation: An Indicative Methodology’ (2006)
 - CLG’s document ‘Indicators for ERDF Convergence and Regional Competitiveness Programmes’ (2007)
 - EEDA’s Corporate Plan for 2005-08, Tasking Framework - Annex A (RDA and PSA targets) and Annex B (RDA core outputs).
- A.5 In the tables, information is provided indicating the extent to which the proposed performance indicators and targets are common to the three sources above. The specific objectives set out in the East of England OP for 2007-13 mean that there are a number of additional indicators – particularly relating to Priority Axis 3 – that are not included in the various guidance documents.
- A.6 It is envisaged that data for the ‘output’ indicators will be collected through routine OP monitoring systems. This, combined with data on financial allocations, should provide the information required by the Monitoring Committee to ensure efficient management of the OP.

⁵⁹ Note that the new draft RES (which will be adopted in spring 2008, following consultation and amendment) identifies a reduction in overall CO₂ emissions as a headline regional outcome target. If this is adopted, it ought to be seriously helpful in terms of OP monitoring

- A.7 In accordance with European Commission guidance, the emphasis in designing the indicator framework is on measuring 'results' and 'impacts'. With a view to simplification, a set of common indicators is proposed for these two categories of outcomes. In many cases, these involve monitoring the number of 'successful' projects. In the context of the OP, this is to be interpreted as equivalent to the term 'improved performance' used in CLG and RDA guidance. It is envisaged that the data required for these 'results' indicators will be mainly collected through surveys with a scaling up to provide estimates for assisted projects generally. This exercise is likely to be mainly undertaken as part of a mid term OP review but periodic assessments will also be undertaken across the programme as part of on-going evaluation.
- A.8 In the case of the impact indicators, the required assessment is likely to form part of an ex post evaluation. Under European Commission procedures, ex post evaluation is the responsibility of the Commission itself. However, in implementing the proposed performance measurement system, the necessary data will be collected throughout the programming period by EEDA and its partners.

Table A1: Quantification of DCLG Indicators/Targets (UK and ERDF funding)

Outputs					
Ref	Type	Definition	Target	Priority Axis	Unit of Measurement
O 1.1	Business	Number/type of start-up businesses receiving Priority 1 assistance	485	1	No. of businesses
O 1.2	Business	Number/type of SMEs receiving Priority 1 assistance - innovation	1550	1	No. of businesses
O 1.3	Business	Number/type of SMEs receiving Priority 1 assistance - non innovation	390	1	No. of businesses
O 1.4	Business	No of businesses assisted to improve performance through ICT initiatives	770	1	No. of businesses
O 1.5	Physical	Number/type of low carbon construction enterprise hubs	5	1	No. of constructions
O 1.6	Business	No of businesses within the region engaged in new collaboration with the new knowledge base	4850	1	No. of businesses
O 2.1	Business	Number/type of start-ups receiving Priority 2 assistance	85	2	No. of businesses
O 2.2	Business	Number/type of SMEs receiving Priority 2 assistance - risk capital	45	2	No. of businesses
O 2.3	Business	Number/type of SMEs receiving Priority 2 assistance - non risk capital	2500	2	No. of businesses
O 2.4	Business	Number of social enterprises receiving Priority 2 assistance	30	2	No. of businesses
O 2.5	Business	Number of organisations/SMEs supported engaged in promotion of clean technology/renewable energy	465	2	No. of businesses
O 2.6	Business	Increase in No of Businesses within the region engaged in business to business networks	250	2	No. of businesses
O 3.1	Business	Number of organisations receiving Priority 3 assistance	2000	3	No. of businesses
O 3.2	Physical	Number/type of low carbon construction and refurbishment initiatives	12	3	No. of constructions
O 3.3	Physical	Number of sq meters of new or upgraded specialist premises achieving BREEAM standard of 'very good' or better	15000 m ²	3	Sqm
O 3.4	Physical	Number of energy efficiency demonstrator projects	25	3	No. of projects

Results					
Ref	Type	Definition	Target	Priority Axis	Unit of Measurement
R 1	Jobs FTE	No of jobs created (FTE and by gender)	2560	1, 2 & 3	Jobs FTE
R 2	Jobs FTE	No of jobs safeguarded (FTE and by gender)	2525	1, 2 & 3	Jobs FTE
R 3	Business	Number/type of successful innovation related initiatives in SMEs	3125	1 & 2	No. of businesses
R 4	Business	Number/type of successful non innovation related initiatives in SMEs	1584	1 & 2	No. of businesses
R 5	Business	Number/type of successful environmental related initiatives in SMEs	2700	1, 2 & 3	No. of businesses
R 6	Business	Number/type of successful start-up businesses	297	1 & 2	No. of businesses
R 7	Programme	Leverage of private sector funding	€85,55m	1, 2 & 3	€m
R 8	Programme	Leverage of public sector funding	€44,53m	1, 2 & 3	€m
R 9	Programme	Occupancy rate of new or upgraded specialist premises 3yrs after opening (%)	85%	1 & 3	%
R 10	Programme	Return (IIR) on OP risk capital investments - 10 years	10.00%	2	%
R 11	Programme	Number of new or existing businesses locating to eco-efficient, high quality work spaces	70	1 & 3	No. of businesses
R 12	Business	Number of businesses supplied with low or zero carbon energy	75	3	No. of businesses
R 13	Business	Number of businesses integrating new products, processes or services	4105	1 & 2	No. of businesses

Impacts					
Ref	Type	Definition	Target	Priority Axis	Unit of Measurement
I 1	Programme	Increase in the GVA as a result of the Programme	€ 189m	1, 2 & 3	€m
I 2	Jobs FTE	No of net jobs created (FTE and by gender, sector)	2900	1, 2 & 3	Jobs FTE
I 3	Jobs FTE	No of net jobs safeguarded (FTE and by gender, sector)	620	1, 2 & 3	Jobs FTE
I 4	Business	Net additional number of businesses (by sector, size and location)	2000	1, 2 & 3	No. of businesses
I 5	Business	Net additional number of knowledge intensive firms	187	1, 2 & 3	No. of businesses

Defining Output Indicators

- A.9 Target 1.1– based on financial allocations to Priority 1 x target of assisted start-ups; Target 2.1- based on financial allocations to Priority 1 and assumption that 80% of expenditure will be innovation related x target for assisted SMEs. Innovation defined as process of making improvements by introducing something new leading to increased value, customer value, or producer value.. Sources for Targets 1.1 & 2.1 – OP monitoring data.
- A.10 With regard to the classification of start-ups/SMEs receiving assistance by type (Targets 4.1 to 4.4), it is suggested that this is done using the NACE classifications. In September 2005, Eurostat finalised the draft structure of NACE Rev. 2. In the NACE Rev. 2 the number of sections is increased from 17 to 21 and the number of divisions from 62 to 88. The result is a better classification of service sector activities and other activities that contribute to a ‘knowledge-based’ economy. For example, there is a new section on ‘Information and communication’ which more clearly identifies ICT activities in manufacturing and services. It needs to be emphasised that a purely sectoral analysis focusing on the type of NACE classifications listed above will not capture the full contribution of Structural Fund interventions with employment outcomes to the development of knowledge-based activities. In the first place, knowledge-intensive activities are spread across the European economy as a whole and can be found in elements of most if not all industries. From a different perspective, the fact that jobs may be created in knowledge-intensive sectors does not of course mean that the job-holders concerned have knowledge-intensive functions that can contribute to promoting competitiveness and growth.

Examples of Knowledge-Intensive Sectors (NACE Rev. 2)

Manufacturing	Services
Chemical products (NACE 20)	ICT (58)
Pharmaceuticals (21)	Telecommunications (61)
Electronics/electrical components (26, 27)	Information and technology service activities (62)
Medical and dental equipment (32)	Information service activities (63)
Air transport (51)	Scientific R&D (72)

- A.11 Target 2.2 – based on financial allocations to Priority 2 and assumed 20% for risk capital x target for assisted SMEs; Target 2.3 – difference between Target 2.2 and estimated total number of SMEs assisted under Priority 2; Target 2.4 – businesses with primarily social objectives whose surpluses are reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners. Source: OP monitoring data. Target 2.5 – based on analysis of financial allocations to Priority 2 clean technologies and average grant of €25,000. Sources for Targets 2.1 to 2.5 – OP monitoring data.
- A.12 Target 3.1 – based on financial allocations to Priority 3, breakdown between different actions and average grant of €25,000 (excluding match funding); Target 3.2 - based on breakdown of financial allocations to Priority 3 and average grant of €500,000 (excluding match funding); Target 3.3 - based on breakdown of financial allocations to Priority 3 and average cost per sq meter of euro 1,200. Specialist premises defined as workspace designed for knowledge-

intensive start-ups/SMEs that achieves BREEAM standard of 'very good' or better. Sources for Targets 2.1 to 2.5 – OP monitoring data.

Defining Results Indicators

- A.13 **Target R1 – Number of jobs created** - jobs created are a 'result' when the jobs follow after the project intervention e.g. when a workspace or business development is sold on the market and a firm purchases it the subsequent jobs are the result. Further defined as new, permanent, full time equivalent (FTE) jobs that did not exist in the region before the intervention. Permanent = should have a life expectancy of at least 1 year from the point at which it is created; FTE = paid work of 30 hours or more per week (convert part time jobs to FTE either on a pro rata basis based on hours worked or two part time jobs = 1 FTE, where no other information available. Seasonal jobs may be counted where they are integral to the project for example in the tourism sector, provided there is a contract of employment that will last for a minimum of four weeks per annum (calculated on a pro rata basis e.g. a three-month job = 0.25FTE or 2 part-time jobs = 1FTE, if no data is available). Source: OP monitoring data.
- A.14 Source: OP monitoring data.
- A.15 **Target R2 – Number of jobs safeguarded** - jobs safeguarded are a 'result' when they are an indirect result of the project intervention e.g. the project may assist a business which results in jobs being retained further down the supply chain. defined as permanent, paid, full time equivalent (FTE) job which is at risk. 'At risk' is defined as being forecast to be lost within 1 year normally i.e. the jobs at risk must be specified, or if sector is in long-term decline a longer period might be appropriate. Source: OP monitoring data. Source: OP monitoring data.
- A.16 After the mid term review, the previous East of England Objective 2 programme had a target of 17,811 gross additional jobs created or saved (9,579 net). With a total of €423 million from the Structural Funds and national sources, the cost per gross job was €23,750 (gross) and €44,160 (net). This is similar to the cost per job assumed in EEDA's 2007-08 Corporate Plan (£77.9 million or €113 million leading to 4,200 gross jobs, i.e. a cost per job of €26,900) and wider European research undertaken by CSES (around €20,000 per gross job). Assuming the cost per job remains broadly the same as under the East of England Objective 2 programme, total expenditure of €275 million in 2007-13 should lead to some 11,500 gross additional jobs being created or saved (6,200 net). Of this total, 4,600 jobs would be attributable to Structural Fund aid.
- A.17 However, as things stand at the moment, the number of jobs that are actually likely to be created or saved under the Objective 2 programme is forecast to be 60% of the target. Moreover, the earlier programme had more pronounced job creation purpose than the present OP. We have therefore assumed that a realistic target for 2007-13 is 50% of the figure based on the cost per job parameters quoted above, i.e. 5,750 gross jobs created or saved (3,100 net). Under the Objective 2 programme, 61% of the total jobs target related to jobs created and 39% to jobs saved. Given the 'growth' objectives of the OP, it is suggested that there should be an 80/20 split for 2007-13, i.e. a target of 4,600 gross jobs created/1,150 saved

(2,480/620 net). Of these totals, 1,840 gross jobs created and 460 jobs saved would be attributable to Structural Fund aid.

- A.18 Gender and jobs created saved: According to EEDA's statistics ('East of England at a Glance', October 2006), there is an 11 percentage point difference between female employment rates in the region (72% and 83% respectively). A target for the gender split in new jobs might therefore be 55% female/45% men which would help reduce this differential. However, it needs to be recognized that in accordance with equal opportunities policies, jobs can be filled by either gender. Consequently, there is limited scope to influence outcomes and this target can only be 'passively' monitored.
- A.19 Targets R1 and R2 – taken from gross/net estimates in OP and based on nominal 25% (there are no available standard parameters and the target will need to be refined through research once the OP is underway; Target R3 – taken from Target 04 and based on a nominal 75%. Target R6 – based on an assumed investment cost of £1,200 sq meter and financial allocations in OP to this type of intervention. 50% of Objective 2 target.
- A.20 **Target R3 – Number/type of successful innovation related initiatives in SMEs** – It is envisaged that success criteria will be negotiated with applicants as part of the application process, e.g. success criteria for an innovation-related grant could be defined in terms of the successful launch of a new product/patent or in the environment-related field, an indicator that might be monitored is the 'Number of businesses introducing EMS'. In the case of Target 4.4, 'successful start-ups' it is envisaged that this would be defined as a start-up that is still trading after three years.
- A.21 : OP monitoring data.
- A.22 **Targets R4 and R5 – Number/type of successful non innovation related initiatives in SMEs** - see above..
- A.23 **Target R6 – Number/type of successful environmental related initiatives in SMEs** -. Source: OP monitoring data.
- A.24 **Target R7 - Leverage of private sector funding** - This includes all match funding for projects and all private sector contributions. Public sector organisations defined as being other than EEDA/GO-EAST (e.g. LSC, Lottery funders, local authorities, registered charities etc); private includes businesses and private individuals. Investment defined as gross funding provided to cover the project costs, including investment in fixed assets, and working capital from the funding bodies (in kind contributions are ineligible unless they are donations of land or buildings, which can be clearly quantified). Source: OP monitoring data.
- A.25 Public and private sector leverage is assumed to be same proportions as the amounts indicated for the OP as whole (see Table 3.1, page 20).
- A.26 **Target R8 - Leverage of public sector funding – see above.** Source: OP monitoring data.

- A.27 **Target R9 - Occupancy rate of new or upgraded specialist premises 3yrs after opening (%)** – based on CSES research for DG Enterprise. It is suggested that the occupancy rate is calculated three years after new premises that receive OP assistance open; Target 4.8 - see explanation for DCLG Target 01/02; Target 4.9 - see explanation for DCLG Target 01/02. Source: OP monitoring data.
- A.28 **Target R10 – Return (IRR) on OP risk capital investments - 10 years** - approximate target IRR for EU-supported venture capital and loan funds based on CSES research for DG Regio. Although the overall IRR will not be known until disinvestment takes place, which may not occur in some cases until after the programme closes, it should be possible to obtain a forecast from fund managers based on the hurdle rate of return they set as a target and periodic monitoring data on the performance of their portfolios. Source: external evaluation/OP monitoring data.
- A.29 **Target R11- Number of new or existing businesses locating to eco-efficient, high quality work spaces**, relates to the number of businesses taking-up residence in new or refurbished workspace part funded by ERDF that is either low or zero carbon and/or has a BREEAM rating of 'Excellent'. Source: OP monitoring data.
- A.30 **Target R12 – Number of businesses supplied with low or zero carbon energy**, relates to the number of new or existing businesses that are or will be supplied with low or zero carbon energy from a new decentralised energy source part funded by ERDF. Source: OP monitoring data.
- A.31 **Target R13 - Number of businesses integrating new products, processes or services**, relates to businesses that after having received advice or having entered in collaboration with knowledge base have decided to integrate new products, processes or services in the business, in other words, advice received enables them to create new products, processes or services. This is a result indicator which will measure how efficient these advices have been. As part of this indicator the project will need to state what these new products, processes or services are, how many businesses have integrated each one and what the benefit to the business is or will be. Part of this will include identifying and quantifying the environmental benefits that will arise to the businesses as a consequence of the new products, processes or services. Source: OP monitoring data.

Defining Impact Indicators

- A.32 **Target I1 – Increase in GVA as a result of the programme** – net additional GVA equals gross GVA created (see results targets), minus non-additionality (deadweight), leakage, displacement, plus multiplier effects at the regional level. These are defined as follows: non-additionality (deadweight): the GVA increase which would have been occurred without assistance in assisted firms leakage: the GVA increase that occurs outside the region; displacement: the GVA increase that occurs at the expense of other firms in the region, for example if increased sales represent some sales competed away from another regional firm; multiplier effects: increases in GVA generated indirectly from the intervention, through the supply chain of assisted firms or the expenditure of the wages of employees. Source: external evaluation.

- A.33 **Target I2 – Increase in net jobs created**, i.e. net additional employment (FTEs) generated as a result of assistance. Defined as net additional employment equals gross employment created, minus non-additionality (deadweight), leakage, displacement, plus multiplier effects. These are defined as for O4. Source: external evaluation.
- A.34 **Target I3 – Increase in net jobs safeguarded**
- A.35 **Target I4 – Net additional of businesses..** Impacts will be aggregated figures at programme level. Source: external evaluation.
- A.36 **Target I5 - Net additional number of knowledge intensive firms** (sectors which average more than 25% staff at graduate level). Source: external evaluation.
- A.37 Target I2 discounted by 63% to allow for additionality, displacement and indirect effects. Parameters derived from forecasts for Objective 2 results. Target I2. Target I3 – same as Target O3. Target I4 – 50% of Target O3; Target I5 – 75% of Target O7; Target I6 – according to ONS data for 2003, there were 3,475,287 people in the East of England aged 16-65 of whom 249,838 (71.7%) were in employment. Assuming there is an increase in employment of 4,600 (gross – Target O1) and 2,900 (net - Target I2), this would increase the employment rate based on a 2003 baseline from 71.7% to 73.2% (gross) and 72.7% (net). Target I7 – Target I2 discounted by 63% to allow for additionality, displacement and indirect effects. Parameters derived from forecasts for Objective 2 results.
- A.38 The following table sets out indicators and targets by OP Priority Axis and overall. It also contains additional indicators and targets for the types of intervention envisaged under the East of England OP that are not covered by the DCLG indicator ‘menu’.

Table A2: Full List of Proposed Indicators and Targets (by Priority)

	Priority 1 - Promoting Innovation and knowledge transfer with the intention of improving productivity	Target
Ref	Output indicators	
O 1.1	Number of start-up businesses receiving Priority 1 assistance	485
O 1.2	Number/type of SMEs receiving Priority 1 assistance - innovation	1550
O 1.3	Number/type of SMEs receiving Priority 1 assistance - non innovation	390
O 1.4	No of businesses assisted to improve performance through ICT initiatives	770
O 1.5	Number/type of low carbon construction enterprise hubs	5
O 1.6	No of businesses within the region engaged in new collaboration with the new knowledge base	4850
	Result indicators	
R 1	No of jobs created (FTE and by gender)	1075
R 2	No of jobs safeguarded (FTE and by gender)	1185
R 3	Number/type of successful innovation related initiatives in SMEs	2850
R 4	Number/type of successful non innovation related initiatives in SMEs	1075
R 5	Number/type of successful environmental related initiatives in SMEs	800
R 6	Number/type of successful start-up businesses	280
R 7	Leverage of private sector funding	€20,42m
R 8	Leverage of public sector funding	€19,87m

R 9	Occupancy rate of new or upgraded specialist premises 3yrs after opening (%)	85%
R 11	Number of new or existing businesses locating to eco-efficient, high quality work spaces	20
R 13	Number of businesses integrating new products, processes or services	2875
	Impact indicators	
I 1	Increase in the GVA as a result of the Programme	€ 67m
I 2	No of net jobs created (FTE and by gender, sector)	1015
I 3	No of net jobs safeguarded (FTE and by gender, sector)	217
I 4	Net additional number of businesses (by sector, size and location)	700
I 5	Net additional number of knowledge intensive firms	65

Ref	Priority 2 - Stimulating enterprise and supporting successful business by overcoming barriers to business creation and expansion	Target
	Output indicators	
O 2.1	Number/type of start-ups receiving Priority 2 assistance	85
O 2.2	Number/type of SMEs receiving Priority 2 assistance - risk capital	45
O 2.3	Number/type of SMEs receiving Priority 2 assistance - non risk capital	2500
O 2.4	Number of social enterprises receiving Priority 2 assistance	30
O 2.5	Number of organisations/SMEs supported engaged in promotion of clean technology/renewable energy	465
O 2.6	Increase in No of Businesses within the region engaged in business to business networks	250
	Result indicators	
R 1	No of gross jobs created (FTE and by gender)	775
R 2	No of gross jobs safeguarded (FTE and by gender)	620
R 3	Number/type of successful innovation related initiatives in SMEs	275
R 4	Number/type of successful non innovation related initiatives in SMEs	509
R 5	Number/type of successful environmental related initiatives in SMEs	650
R 6	Number/type of successful start-up businesses	17
R 7	Leverage of private sector funding	€41,95m
R 8	Leverage of public sector funding	€7,56m
R 10	Return (IIR) on OP risk capital investments - 10 years	10%
R 13	Number of businesses integrating new products, processes or services	1230
	Impact indicators	
I 1	Increase in the GVA as a result of the Programme	€47m
I 2	No of net jobs created (FTE and by gender, sector)	725

I 3	No of net jobs safeguarded (FTE and by gender, sector)	155
I 4	Net additional number of businesses (by sector, size and location)	500
I 5	Net additional number of knowledge intensive firms	47

	Priority 3 - Promoting sustainable development, production and consumption	Target
Ref	Output indicators	
O 3.1	Number of organisations receiving Priority 3 assistance	2000
O 3.2	Number/type of low carbon construction and refurbishment initiatives	12
O 3.3	Number of sq meters of new or upgraded specialist premises achieving BREEAM standard of 'very good' or better	15000 m ²
O 3.4	Number of energy efficiency demonstrator projects	25
	Result indicators	
R 1	No of gross jobs created (FTE and by gender)	710
R 2	No of gross jobs safeguarded (FTE and by gender)	720
R 5	Number/type of successful environmental related initiatives in SMEs	1250
R 7	Leverage of private sector funding	€23,18m
R 8	Leverage of public sector funding	€17,1m
R 9	Occupancy rate of new or upgraded specialist premises 3yrs after opening (%)	85%
R 11	Number of new or existing businesses locating to eco-efficient, high quality work spaces	50
R 12	Number of businesses supplied with low or zero carbon energy	75
	Impact indicators	
I 1	Increase in the GVA as a result of the Programme	€75m
I 2	No of net jobs created (FTE and by gender, sector)	1160
I 3	No of net jobs safeguarded (FTE and by gender, sector)	248
I 4	Net additional number of businesses (by sector, size and location)	800
I 5	Net additional number of knowledge intensive firms	75

Baseline for the Impact Indicators

- A.39 For the Impact Indicators in Table A2, Table A3 sets out the baseline situation in the East of England at (or close to) the start of the Programming period. Note that many of these data were published as part of the June 2007 release; hence they are “newer” than some of the data included within Chapter 3 of the OP.

Table A3: Baseline for Impact Indicators

Baseline Indicators				
Indicator	Baseline	Year	Area	Source
GVA (current basic prices)	£93,686m	2005	East of England	ONS
GVA per capita (current basic prices)	£16,906	2005	East of England	ONS
Stock of Businesses	187,600	2005	East of England	ONS

Baseline Indicators				
Number of new business registrations in the year	18,450	2004	East of England	ONS
Number of employee jobs (workplace-based)	2,353,014	2005	East of England	ABI/EERA

Monitoring and the SEA Directive

A.40 The SEA Directive requires monitoring to identify unforeseen adverse effects and to enable appropriate remedial action to be taken (Article 10.1 refers). The factors to be monitored include:

- Biodiversity
- Population
- Human health
- Fauna
- Flora
- Soil
- Water
- Climatic factors
- Material assets
- Cultural heritage
- Landscape.

A.41 A Programme Monitoring Committee (PMC) will be established to oversee monitoring against the indicators specified in the OP. The OP also acknowledges the need for monitoring arrangements to comply with the requirements of the SEA Directive. In accordance with the advice of the SEA team, it is suggested that monitoring is best undertaken at the project level, with results periodically reviewed, e.g. annually. A set of indicators will need to be established covering the factors set out above. The indicators should aim to identify both positive and negative effects. If any negative effects are identified the allocation/use of funding should be reviewed to ensure that such effects are avoided or mitigated. Within six months of approval of the OP, the PMC shall consider and approve the criteria for selecting the operations financed under the programme, state the appraisal and decision making procedures. The SEA report suggests that schemes are subjected to assessment using the IRF objectives. This approach should help avoid potential negative effects and optimise positive effects.

Annex B: Categories of Assistance

It is a requirement that 75% of more of expenditure under ERDF competitiveness Operational Programmes is delivered against Lisbon categories. The East of England OP plans to deliver over 90% of expenditure towards Lisbon categorised interventions. 4% of identified non-Lisbon spend will be programme technical assistance as set out below.

The following table sets out proposed indicative expenditure. During implementation there are likely to be variances against these indicative levels of expenditure and categories listed..

Table B-1: Categorisation

Code	Codes for the priority theme dimension	Total ERDF €
	Research and technological development (RTD), innovation and entrepreneurship	
1	RTD activities in research centres	
2	RTD infrastructures (including equipment, instrumentation and high speed computer networks between research institutes) and specific technology competence centres	
3	Technology transfer and improvement of cooperation networks between SMEs and research institutes	7,458,686
4	Aid for the RTD in particular in the SMEs (including access to RTD services in the research centres)	7,458,686
5	Advanced supporting services in companies and groups of companies	9,311,600
6	Assistance to SMEs for the promotion of environmentally products and processes	13,958,071
7	Investments in companies directly related to research and innovation (innovative technologies, creation of new companies by the universities, RTD institutes and existing companies, ...)	4,000,000
8	Other investments in firms	8,000,000
9	Other actions aiming at stimulation of research and innovation and entrepreneurship in SMEs	20,858,500
	Information society	
10	CI infrastructures (including broad-band networks)	2,850,000
11	Information and communication technology (access, safety, interoperability, prevention of risks, research, innovation, e-content...)	3,729,343
12	Information and communication technology (TEN-TIC)	
13	Services and applications for the citizen (e-health, e-government, e-learning, e-inclusion, ...)	
14	Services and applications for the SMEs (electronic trade, education/training, networking, ...)	
15	Other actions aiming at access to the TIC by the SMEs and their effective use	
16	Rail	
17	Rail (TEN-T)	

Code	Codes for the priority theme dimension	Total ERDF €
18	Mobile rail assets	
19	Mobile rail assets (TEN-T)	
20	Motorways	
21	Motorways (TEN-T)	
22	Trunk roads	
23	Regional/local roads	
24	Cycle tracks	
25	Public transport	
26	Multimode transport	
27	Multimode transport (TEN-T)	
28	Intelligent transport systems	
29	Airports	
30	Ports	
31	Internal inland waterways (<i>regional and local</i>)	
32	Internal inland waterways (TEN-T)	
	Energy	
33	Electricity	
34	Electricity (TEN-E)	
35	Natural gas	
36	Natural gas (TEN-E)	
37	Petroleum products	
38	Petroleum products (TEN-E)	
39	Renewable energy: wind	8,950,870
40	Renewable energy: solar	2,397,525
41	Renewable energy: biomass	2,397,525
42	Renewable energy: hydroelectric, geothermal, and others	2,397,525
43	Energy efficiency, combined heat and power, control of energy	12,786,600
	Environment and risks prevention	
44	Domestic and industrial waste management	
45	Drinking water management and distribution	
46	Waste water (<i>treatment</i>)	
47	Air quality	
48	Prevention and integrated pollution control	

Code	Codes for the priority theme dimension	Total ERDF €
49	Mitigation and adaptation to climate change	
50	Rehabilitation of factory sites and contaminated land	
51	Promotion of biodiversity and nature conservancy (<i>including Natura 2000</i>)	
52	Promotion of clean urban public transport	
53	Risks prevention (including the development and implementation of plans and actions to prevent and manage the natural and technological hazards)	
54	Other actions aiming at the safeguarding of the environment and the prevention of risks	
	Tourism	
55	Promotion of natural assets	
56	Protection and development of natural inheritance	
57	Aid for the improvement of tourist services	
	Culture	
58	Protection and safeguarding of cultural heritage	
59	Development of cultural infrastructure	
60	Other assistance for the improvement of cultural services	
	Urban/rural rehabilitation	
61	Integrated projects for urban/rural rehabilitation	
	Increasing adaptability of workers and enterprises	
62	Development of lifelong learning systems and strategies in companies; training and services for workers and managers to increase their adaptability to change	
63	Design and dissemination of innovative and more productive forms of work organisation	
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	
	Enhancing access to and sustainability of employment	
65	Modernisation and strengthening of labour market institutions	
66	Implementation of active and preventive labour market measures, including encouraging active ageing and prolonging working lives	
67	Encouraging active ageing and prolonging working lives	
68	Supporting self-employment and entrepreneurship	
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	

Code	Codes for the priority theme dimension	Total ERDF €
70	Actions to increase migrant's participation in employment and thereby strengthen their social integration Reinforcing social inclusion of people at a disadvantage	
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 Enhancing human capital	
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	
73	Increase participation in education and training; including initial vocational and tertiary education; and actions to achieve a significant decline in early school leaving	
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 Investments in social infrastructures	
75	Infrastructures for education	
76	Infrastructures for health	
77	Infrastructures for childcare	
78	Infrastructure for housing	
79	Other social infrastructures Mobilising for reforms in the fields of employment and inclusion	
80	Promoting partnerships, pacts and initiatives through networking of relevant stakeholders at national, regional and local level Strengthening institutional capacity at national, regional and local level	
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.	
82-84	Reduction of additional costs hindering the outermost regions' development Technical assistance	
85	Preparation, implementation, follow-up and control	3,551,830
86	Evaluation, studies, conferences, publicity	887,958

Table B-2: Coding of the form of financing dimension

Code	Form of financing	Total ERDF €
1	Non-refundable aid	98,994,719

Code	Form of financing	Total ERDF €
2	Refundable aid (loan, interest subsidies, guarantee)	
3	Venture capital (public capital holding, venture capital fund)	12,000,000
4	Other form of financing	

Table B-3: Coding of the territory dimension

Code	Territory	Total ERDF €
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	110,994,719

Annex C: Written consultation on the draft OP

Consultation Process

- C.1 The draft OP was posted on websites and written responses were invited over a twelve-week period. Formally, this ended on 17th April 2007.
- C.2 The written consultation was structured around fifteen questions which are set out below:
- 1. Does Chapter 2 provide a reasonable and balanced summary of the opportunities and challenges facing the East of England?
 - 2. Should any other social, economic, environmental or spatial factors be taken into account in setting out the evidence base for the Operational Programme in the East of England?
 - 3. Do you support the Vision and meta-theme which are proposed for the East of England's Operational Programme?
 - 4. Do you support the five Objectives which have been identified for the Operational Programme?
 - 5. Do you consider that the choice of three Priority Axes is appropriate?
 - 6. Do you consider that the indicative activities identified with regard to each of the Priority Axes are appropriate? If not, what specific activities would you like to see the OP support?
 - 7. Can you suggest any specific projects that might be funded through the OP within any of the Priority Axes? If so, please provide outline details (including the potential lead partner) and also indicate the sources of match funding which you would call upon
 - 8. Do you think that the indicative budget allocation within each of the Priority Axes is about right? If not, what alternative allocation would you suggest?
 - 9. Do you think the region should make a commitment in the Operational Programme to work with partners elsewhere in the EU through the Regions for Economic Change initiative?
 - 10. Do you think that the proposed approach to the environmental sustainability cross-cutting theme is appropriate? If not, what changes would you like to see?
 - 11. Do you think that the proposed approach to the equality cross-cutting theme is appropriate? If not, what changes would you like to see?
 - 12. Do you think that the balance of funding across the three Priority Axes is appropriate (i.e. 40% for Axis 1; 30% for Axis 2; and 30% for Axis 3)? If not, what would be your preferred distribution of resources?

- 13. What kinds of facilitation do you think would be most appropriate for the new Programme?
- 14. Do you consider that the issue of demarcation has been appropriately addressed i.e. ensuring that overlap and duplication between European funding streams is avoided?
- 15. Please provide any other comments with regard to the East of England's Operational Programme

Consultation Responses

C.3 By close of play on Friday 20th April, 37 written responses had been received (a small number of responses were received later and were considered separately). A list of the 37 respondents is provided below.

Ref No.	Name	Organisation
1	Sue West	COVER
2	Simon Jones	DTI
3	Paula Grayson	Equality Advisory Group, SFSG
4	Chris Davies	Anglia Ruskin University
5	Richard Collyer	Chair of Luton's Objective 2 Local Area Group
6	Stuart McDougall	Outback Steakhouse
7	Guy Mills	Cambridgeshire County Council
8	Karen Gibson	Norfolk County Council
9	Paul Beeson	Young Enterprise East of England
10	Richard Puleston	Essex County Council
11	Corinne Meakins	CPRE East of England
12	John Atherton	East of England Tourism
13	Andrew Wheeler	Living East
14	Kathy Pollard	East of England Regional Assembly
15	Helen Utteridge/Natalie Moll	Response represents a cross section of public organisations in Suffolk
16	Anne Clube	Luton Borough Council
17	Hugh Parnell	EcoSpace (formerly Envirolink UK), Cambridge Energy Forum, Cambridge Network Clean SIG etc
18	Tim Wilson	University of Hertfordshire
19	Simon Gerrard	Cred
20	David Martin	Business Link East
21	Alex Smeets	St John's Innovation Centre
22	Janice Pittis	University of Essex
23	Alex Francis	Bedfordshire and Luton Economic Development Partnership
24	Linda Jones	University of Essex, Southend Campus
25	Greg White	University of East Anglia
26	Jenny Hawley	National Trust East of England
27	Hugh Goldring	East of England Development Agency
28	Nigel Hall	University of Bedfordshire

Ref No.	Name	Organisation
29	Julia Upton	Environment Agency
30	Gill Eden	Bedfordshire & Luton Local Management Group
31	Gill Eden	Bedfordshire County Council
32	Jackie Burnicle	Cranfield University
33	Ashley Jarvis	Southend Borough Council
34	Lynn Ballard	Greater Essex Prosperity Forum
35	Greg Smith	Natural England
36	Phil Sheppard	Centre for Sustainable Engineering
37	Lynette Warren	Centre for Sustainable Technologies

C.4 From the Table, it is clear that within the 37 responses, there were:

- seven from HEIs from across the region
- four from specialist environmental organisations (outside the statutory sector)
- six from regional agencies/organisations/partnerships
- seven from local authorities
- two from SREPs
- five from the community and voluntary sector.

How the consultation feedback was used

C.5 EESG took full account of the consultation feedback in finalising the OP. Changes were made to all sections of the document. In particular the allocation of resources across the three Axes was changed in a manner that was consistent with the balance of opinion. Additionally, elements of the socio-economic analysis were embellished; greater weight was attached to the importance of sustainable communities throughout the strategy for the OP; and the specification of activities within the Priority Axes was developed.