



# **Priority Axis 2: Sustainable Economic and Enterprise Activity in Disadvantaged Communities**

## **LEICESTER'S ERDF LOCAL INVESTMENT PLAN 2011-13**



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## INTRODUCTION:

This updated investment plan sets out the priorities for investment in the City under the East Midlands European Regional Development Fund's Priority Axis 2 – *Sustainable Economic & Enterprise Activity in Disadvantaged Communities*.

This document sets out how over the next few years, Leicester City Council and its partners will target £8.3m European Regional Development Fund (ERDF) secured under the regions East Midlands European Structural Fund Programme 2007-13

In 2007, Leicester secured the first tranche of funding (approximately £8m) and this Local ERDF Investment Plan intends to build on the initial programme of activities. In particular it reflects what has or hasn't been supported in the first phase. It will concentrate on supporting more of the things that have worked well to date and will avoid duplication of activities that either haven't worked well so far or that haven't yet been able to fully evidence their impact.

The Local Investment Plan (LIP) has been developed within a multi-agency framework, pulling together an integrated package of measures to support sustainable economic development across the City. The programme will operate particularly in those areas that have demonstrable levels of deprivation and low levels of economic activity.

This Investment Plan builds on and relates to the strategies of other successful programmes including Leicester's Objective 2 Programme (2000-06), Working Neighbourhood Fund (WNF), Future Jobs Fund, Fit for Work and City Strategy. It also draws on the Leicester and Leicestershire Economic Assessment and the work being done to develop an economic strategy for the sub-region. All the above to varying degrees highlight and seek to tackle key issues facing the City including low educational attainment, high unemployment and worklessness, high rates of business failure, low wages, low levels of graduate retention and disproportionately low growth in knowledge intensive sectors.

## PARTNERS

The Economic Regeneration Programme Board has been established to manage all of the City's regeneration programmes such as the European Social Fund, Priority Axis 2 European Regional Development Fund (ERDF) and the Working Neighbourhood Fund (WNF). This programme board reports into the Leicester Partnership but will also feed into and seek strategic support from the Business & Enterprise group of the Leicester & Leicestershire Enterprise Partnership [LLEP]. The Economic Regeneration Programme Board includes representatives from the following organisations:

Leicester City Council (LCC)  
Leicester City Council (LCC), lead cabinet member for Regeneration & Transport  
National Apprenticeship Service  
Skills Funding Agency  
Voluntary Action Leicester (VAL)  
Connexions  
Leicester Partnership (LSP)  
National Health Service  
Chamber of Commerce  
East Midlands Business  
Job Centre Plus (JCP)

## BACKGROUND:

**This Investment Plan is concerned with Priority Axis 2 and is available only in the Principal Urban Area (PUA) of Leicester.**

Leicester, together with another 11 Districts across the East Midlands region has been identified for support under Priority Axis 2 because of the high levels of deprivation experienced in many of its localities

The allocation for PA2 is an indicative £121m over the full lifetime of the Programme with approximately half (£55m) having been allocated in the first half of the Programme (2008-10). Of this, 80% or £44m was divided between the 12 most disadvantaged Districts in the region. Of these Leicester received the largest share of the allocation due to having the largest population size. As a consequence it was awarded 16.6% of the total budget available (£7,386,309). Due to a favourable exchange rate this rose to £8m

The East Midlands Operational Programme (EMOP) states the overall aim of PA2 is to:

*“Promote sustainable economic growth by increasing the level of enterprise, creating new jobs and moving towards a knowledge-based economy. Resources will be directed at the most disadvantaged communities in order to support and develop a range of bespoke economic and enterprise activities to meet the specific needs of localities and target communities”*

All project proposals will need to demonstrate clear market failure and that they support a broader economic strategy for their area, before funding will be approved. They also need to address one or other of the 4 themes of the East Midlands Operational Programme (EMOP) which are explained briefly below and in the subsequent table.

- **Enterprise Support**

The focus is on stimulating enterprise by providing bespoke programmes of support for local people with enterprise aspirations, and helping local businesses exploit opportunities by: adopting appropriate technology solutions (including ICT); supporting their innovation and knowledge needs to improve products and/or services; and helping them develop new markets. There will also be support for the development of social enterprises to deliver services that will improve the economic, social and environmental capacity of a local area.

Creation and refurbishment of associated premises, employment sites and small scale enterprise facilities will also be supported. Importantly, Priority Axis 2 will also be used to harness investment that links areas of need to areas of growth. It is possible, therefore to fund the provision of employment sites and enterprise centres outside the target areas provided they support the enterprise development needs of the local community.

- **Access to Finance**

One of the key barriers to starting a business in a disadvantaged area is the lack of access to finance. Appropriate financial instruments and services, for example Community Development Finance Instruments (CDFI), will be provided to meet local needs. CDFI's provide finance to businesses in disadvantaged areas and to under-represented groups where there is market failure in the provision of mainstream finance.

- **Access to Resources and Services**

Access to employment opportunities and public services remains a key constraint limiting growth in many disadvantaged areas. The Programme will support local transport initiatives and ICT initiatives where there is a clear need to support enterprise development.

- **Reviving Local Infrastructure and Environments**

Physical infrastructure and environmental improvements are an important part of reviving disadvantaged areas to attract new businesses and to improve communities' perceptions of a locality. Funding will be available to apply design and construction best practice; ensure integration of 'green' infrastructure in capital development projects; and support public realm activity. Only 23% of the available funding can be applied to this theme however all projects must demonstrate an economic benefit.

## **LEICESTER'S ECONOMY**

In May 2010, Leicester and Leicestershire's sub-regional Economic Assessment (EA) was published following the requirement by all County Councils and unitary district councils to prepare an assessment under the Local Democracy, Economic Development & Construction Act (April 2010)

The estimated resident population of Leicester City is approximately 315,000. Of these, approximately 65% are of working-age, 19% aged 0-15 years and 17% of state pension age. Cultural diversity is also a distinctive feature of the local economy, with 42% of the population being from non-white British ethnic groups.

The local economy is diverse and is not overly dependent on one sector or large employer. However, the largest employer in the City is the public sector accounting for 33.8% (1 in 3 jobs). The next largest sectors are the banking, finance, insurance and businesses services (19.9%) and wholesale / retail (15.1). The local economy has undergone a significant re-structuring over the last 20 years with substantial losses in the manufacturing sector but growth in the service sector. Nevertheless, the manufacturing sector still remains a key feature of the local economy, providing 13.8% of all employment opportunities in the City.

In 2008, Business registration rates for Leicester City were higher than that of Nottingham and Derby at 53.4 (per 10,000 aged 16+) with 96% of local businesses employing less than 50 people. Evidence has shown that promoting local supply chains can be helpful in terms of supporting smaller businesses and encouraging links with public sector procurement. For further information on the economic assessment, together with the corresponding investment plan go to LCC's website - <http://www.leicester.gov.uk/your-council-services/ep/regeneration/sub-regionalpartnership/economic-strategy/>

## **LEICESTER'S PRIORITIES FOR INVESTMENT**

Based on the overall economic assessment and the developing sub regional economic strategy we wish to use the LIP in particular within Leicester city to provide financial support for areas with high level of deprivation and low levels of economic and enterprise activity. Our objectives are:-

- Increase private sector investment
- Create new jobs and new businesses, especially in areas of deprivation

- Improve access (physical connectivity) to employment opportunities
- Improve the physical (green and build) environments and attractiveness of deprived areas
- Increase the survival rate of new businesses
- Improve linkages between areas of high deprivation and areas that have stronger economic growth

Leicester's LIP will deliver these objectives through the following PA2 delivery strands and indicative actions as set out in the East Midlands Operational Programme. Activities that are deemed priorities for the Phase two of the programme 2010-13 are highlighted below. :

| 2a)  | Enterprise Support  | Indicative Actions   |
|------|---|--|
| 2a1  | Enhanced enterprise and start-up initiatives including enterprise awareness coaching, mentoring provision and initiatives to support enterprise in target communities.  | Increase rate of sustainable business creation, particularly amongst disadvantaged communities<br><br>Support for the creative industries / high growth sectors to improve graduate retention  |
| 2a2  | Bespoke business support initiatives for businesses and social enterprises to develop and enter new markets, including those concerned with waste minimisation, renewable energies and resource efficiency opportunities, including financial assistance and consultancy support. | Support for existing businesses, particularly aimed at high growth businesses<br><br>Innovative actions to assist business survival rates post 12-months<br><br><b>Proposed 2010 – 13 priority</b>   |
| 2a-3 | Developing the capacity of local businesses and social enterprises to access local procurement opportunities.   | Support to develop local supply chains through effective procurement processes and development agreements with investors.  |
| 2a-4 | Creation and refurbishment of premises, employment sites and small scale enterprise facilities.   | The provision of premises and associated infrastructure to house business incubator units and workspaces to stimulate job creation and new business growth.<br><br>Targeted particularly at i) the Strategic Regeneration Area ii) third sector organisations throughout the city.<br><br><b>Proposed 2010 – 13 priority</b> |
| 2b)  | Access to Finance   |  |
| 2b-1 | Development and provision of appropriate financial instruments, including Community Development Finance Instruments (CDFI)  | Targeted provision of grants/loans for businesses that supports but does not duplicate mainstream provision  |
| 2b-2 | Access to finance and investor readiness support  | Targeted at growth sectors, based on gaps in mainstream provision  |
| 2c)  | Access to Resources and Support   |  |

|      |   |   |
|------|---|---|
| 2c-1 | Developing and improving access to employment opportunities, including local transport initiatives, connectivity (including ICT) and accessibility. | Sustainable transport / ICT initiatives that will directly impact on linking people to jobs<br><br><b>Proposed 2010 – 13 priority</b>   |
| 2d)  | <b>Reviving Local Infrastructure and Environments</b>   |   |
| 2d-1 | Rehabilitation and development of local environments to create more attractive places for communities and investors.                                | Infrastructure improvements to improve business environments so as to encourage investment and improve accessibility to employment.<br><br><b>Proposed 2010 – 13 priority</b> |

## ALIGNMENT WITH LOCAL, SUB-REGIONAL AND REGIONAL STRATEGIES

Applications under Leicester's ERDF Local Investment Plan (LIP) must align with local, sub-regional and regional strategies in relation to economic development. These include *One Leicester: Shaping Britain's Sustainable City*, Leicester City Council's *Corporate Plan* and *Leicester & Leicestershire Enterprise Partnership* proposals and the East Midlands Regional Economic Strategy:

- **One Leicester: Shaping Britain's Sustainable City**

One Leicester contains seven key priorities that represent the major changes people want to see in the City. They will form the focus for much of the work the Council and its partners will undertake over the coming years;

- Investing in our children
- Planning for people not cars
- Reducing our carbon footprint
- Creating thriving, safe communities
- Improving wellbeing and health
- Talking up Leicester
- Investing in skills and enterprise

It is important that applications are particularly linked to the "Investment and Skills" priority. For further information on One Leicester, go to [www.oneleicester.com/one-leicester-vision/](http://www.oneleicester.com/one-leicester-vision/)

- **Leicester City Council's Corporate Plan (2010-11 / 2012-13)**

Investing in Skills & Enterprise - Improving the economy of the city by increasing skills and through growth in business. For further information on LCC's Corporate Plan go to [www.leicester.gov.uk/your-council-services/council-and-democracy/key-documents/corporate-plan-one-council/](http://www.leicester.gov.uk/your-council-services/council-and-democracy/key-documents/corporate-plan-one-council/)

- **Leicester & Leicestershire Enterprise Partnership**

The Leicester & Leicestershire Enterprise Partnership (LLEP) is a strategic commissioning body which will lead sustainable economic growth through investment in enterprise and innovation, employment and skills, housing, planning, infrastructure and the rural economy both in the City and County. For further information on the priorities of the LLEP go to [www.leicester.gov.uk/your-council-services/ep/regeneration/sub-regionalpartnership/local-enterprise-partnership/](http://www.leicester.gov.uk/your-council-services/ep/regeneration/sub-regionalpartnership/local-enterprise-partnership/)

- **East Midlands Regional Economic Strategy**

Leicester's LIP Is aligned to the Region's Economic Strategy (RES) and contributes to the following strategic priorities:

**Enterprise and Business Support:** To become a region of highly productive, globally competitiveness businesses.

**Innovation:** To develop a dynamic region founded upon innovative and knowledge focused businesses competing successfully in a global economy

**Transport and Logistics:** To improve the quality of regional infrastructure to enable better connectivity within and outside the region.

**Energy and Resources:** To transform the way we use resources and use and generate energy to ensure a sustainable economy, a high quality environment and lessen the impact on climate change.

**Land and Development:** To ensure that the quality and supply of development land, and balance between competing land uses, contributes towards sustainable growth of the regional economy.

For additional information go to [www.emregionalstrategy.co.uk](http://www.emregionalstrategy.co.uk)

- **East Midlands ERDF Operational Plan 2007-13**

*"By 2020, the East Midlands will be a flourishing region – with growing innovative businesses, skilled people in good quality jobs particularly in healthy inclusive communities and living in thriving and attractive places"*

The key influences in developing the East Midlands Operational Programme has been the analysis of the region's main challenges, strengths and opportunities as set out in the socio-economic and SWOT analyses that helped to formulate the Regional Economic Strategy. In addition to this it has taken into account the policy frameworks and key drivers as set out in the European Commission's Community Strategic Guidelines and the UK's National Strategic Reference Framework

Leicester's Local Investment Plan addresses the East Midlands ERDF Operation Programme Priority: "Increasing sustainable economic and enterprise activity in disadvantaged communities".

For additional information, go to; <http://www.eastmidlandserdf.org.uk/>

## **ERDF EXPENDITURE & OUTPUTS**

| <b>Intervention Rate (%)</b> | <b>ERDF (£)</b>  | <b>Public Sector (£)</b> | <b>Private Sector (£)</b> | <b>Total (£)</b>  |
|------------------------------|------------------|--------------------------|---------------------------|-------------------|
| <b>62.72%</b>                | <b>8,367,507</b> | <b>3,119,406</b>         | <b>1,280,078</b>          | <b>13,036,991</b> |



Leicester's total indicative ERDF allocation under the second half of the East Midlands ERDF Structural Fund Programme (2011-13) is £8,367,507 which is 90% of the programme value for Leicester.

The proposed outputs / results / Impacts are indicative only. The Table below sets out the original apportionment of targets as set out in the EMOP, together with what is already contracted or is currently under appraisal. The last column sets out the remaining outputs / results / Impacts needed for us to meet our commitment. Therefore, these may be subject to change over the lifetime of the programme:

| <b>Outputs</b>  | <b>Programme Target</b> | <b>2007-10</b>    | <b>2011-13</b>   |
|---|-------------------------|-------------------|------------------|
| <b>Businesses assisted to improve performance</b>         | <b>629</b>              | <b>360</b>        | <b>270</b>       |
| <b>Public / Private Sector investment leveraged (€)</b>   | <b>21,940,826</b>       | <b>12,537,615</b> | <b>9,403,211</b> |
| Sq metres of new or upgraded floor space                  | 3,232                   | 1,847             | 1,385            |
| N <sup>o</sup> of people assisted to start a new business | 459                     | 262               | 197              |
| <b>Brownfield land reclaimed or redeveloped (ha)</b>      | <b>2.891</b>            | <b>1.652</b>      | <b>1.239</b>     |

| <b>Results</b>   | <b>Programme Target</b> | <b>2007-10</b>   | <b>2011-13</b>   |
|--|-------------------------|------------------|------------------|
| <b>N<sup>o</sup> of Jobs created</b>   | <b>504</b>              | <b>288</b>       | <b>216</b>       |
| <b>N<sup>o</sup> of Businesses improving performance</b>                                 | <b>268</b>              | <b>153</b>       | <b>115</b>       |
| <b>GVA resulting from businesses improving performance (€)</b>                           | <b>9,588,351</b>        | <b>5,479,058</b> | <b>4,109,293</b> |
| N <sup>o</sup> of new businesses created and / or new businesses attracted to the region | 130                     | 74               | 56               |

## **LISBON GROWTH & JOBS AGENDA**

Competitiveness and Employment Objective areas (ERDF/ESF 2007-13) are required to commit a minimum of 77% of their funds on achieving 77% Lisbon-eligible activities (meeting the objectives of the Integrated Guidelines for Growth and Jobs):

- R&TD infrastructure (including physical plant, instrument and high-speed computer networks linking research centres) and centres of competence in a specific technology
- Assistance to R&TD, particularly in SME's (including access to R&TD services in research centres)
- Advanced support services for firms and groups of firms
- Assistance to SME's for the promotion of environmentally friendly products and production processes (introduction of effective environment managing system, adoption and use of pollution prevention technologies, integration of clean technologies into firm production) Investment in firms directly linked to research and innovation (innovative technologies, establishment of new firms by universities, existing R&TD centres and firms, etc)
- Other investment in firms
- Other measures to stimulate research and innovation and entrepreneurship in SME's
- Technology transfer and improvement of cooperation networks between small businesses (SME's), between these and other businesses and universities, postsecondary education establishments of all kinds, regional authorities, research centres and scientific and technological poles (scientific and technological parks, techno poles, etc)

## CROSS CUTTING THEMES

Activities to support the cross cutting themes have been mainstreamed into the development of the East Midlands Operational Programme. For example the Programme will support indicative actions aimed at improving sustainable consumption and production in the region as it is anticipated that this will have both economic and environmental benefits.

The ERDF Competitiveness & Employment Programme will be subject to the legal requirements to monitor beneficiaries by gender, ethnicity and disability along with age. For the purposes of this monitoring activity, ethnic groups based on those used in the 2001 Census of population will be used. In addition the Programme will monitor the size of business supported

Priority Axis 2 includes indicative actions to support the development of social enterprises to deliver services that will improve the economic, environmental and social capacity of a local area

All of the activities as set out in our LLIP have been designed to provide maximum impact on Leicester's most disadvantaged communities with the aim of providing economic benefits to those groups most disadvantaged in the labour market including lone parents, ethnic minorities and those with no qualifications

In addition to this, Leicester will be building on its reputation of having been Britain's first Environmental City and ensuring that all of our projects are both environmentally friendly and sustainable.

## ELIGIBILITY CRITERIA

All projects seeking finance through the East Midlands 2007-13 ERDF programme will need to ensure they meet the following eligibility criteria:

- Deliver against the objectives of the ERDF Operational Programme;
- Form part of a Key Activity or Programme of Investment identified in the Investment Framework
- As a general rule, be located within the programme area and demonstrate that the outputs will be delivered in, and impact on, the programme area;
- Identify expected outputs and results and provide details of clear and attainable targets;
- Demonstrate an additional and sustainable benefit to the socio-economic development of the area;
- Demonstrate acceptable value for money in terms of outputs/results and benefits returned on the investment;
- Have a sound funding package in place, identifying the recipient of the funds and the sources of match funding;
- Not duplicate existing activity (but could extend such activity) and must not be a substitute for existing or
- planned domestic expenditure;
- Undertake an options analysis to ensure their proposals are the best way of achieving the desired outputs/results;
- Demonstrate full consideration of the cross cutting themes of environmental sustainability and equalities at project design stage; and
- Demonstrate that they have fully considered procurement and state aid issues.
- Applicants will be required to submit an application form irrespective of the route to market they are applying under. They will need to demonstrate that

they meet the core selection criteria as set out above along with the ERDF eligibility conditions which can be found in the East Midlands

## **ROUTES TO MARKET**

There are three routes to market as detailed in the East Midlands ERDF Competitiveness Operational Programme 2007-13. These being:-

- Open bidding: where any number of potential project applicants or delivery organisations are invited to apply directly for grant for specific operations and/or outputs;
- Limited bidding: where a limited number of project sponsors are identified and invited to bid to deliver a series of programme targets and outputs or to deliver a specific operation; and
- Non-competitive Selection: where a single project sponsor (or perhaps two or more) is selected as the appropriate vehicle for delivering specific operations and or programme targets and outputs and are approached directly to submit an application

It is intended that all of these approaches will be used as required. Limited Bidding and Non-competitive selection will only be used where an open bidding process is unnecessary and inappropriate i.e. where a project can only be delivered by a restricted range of providers

## **CONSULTATION PROCESS**

The Economic Regeneration Programme Board (ERPB) will inform and agree projects to be supported under the ERDF programme, with regular updates being provided to the Leicester Partnership. Strategic advice and support will be ascertained from the Business & Enterprise Group of the Leicester & Leicestershire Economic Partnership who will assist with the development of specifications as required.

The Programme Board represents organisations with remits for and experience of economic and social regeneration work, enterprise support and public-private input. Each expression of interest received will be scored by two assessors in accordance with guidelines laid down by EMDA.

The Regeneration Programmes Team and an ERDF Programme co-ordinator will facilitate the co-ordination and delivery of this work and will report to the ERP Board.

All bidding processes will be carried out in accordance with EMDA's guidelines.

The ERP Board will have overall responsibility to ensure effective delivery with Leicester City Council providing programme performance updates and administrative support. An outline of the proposed reporting structure is outlined on Page 13:

## **ERDF PROGRAMME MANAGEMENT PROCESS**

The application process begins with the submission of an Expression of Interest (EOI) Form to Leicester City Council (For further information, go to "Contact Details" below)

The EOI will then be assessed against an Assessment Framework (which details the relative priority or 'weighting' applied to each particular criteria). This will be scored by a

representative from both Leicester City Council and a member from the ERDF team. This documentation can be found at [www.eastmidlandserdf.org.uk](http://www.eastmidlandserdf.org.uk)

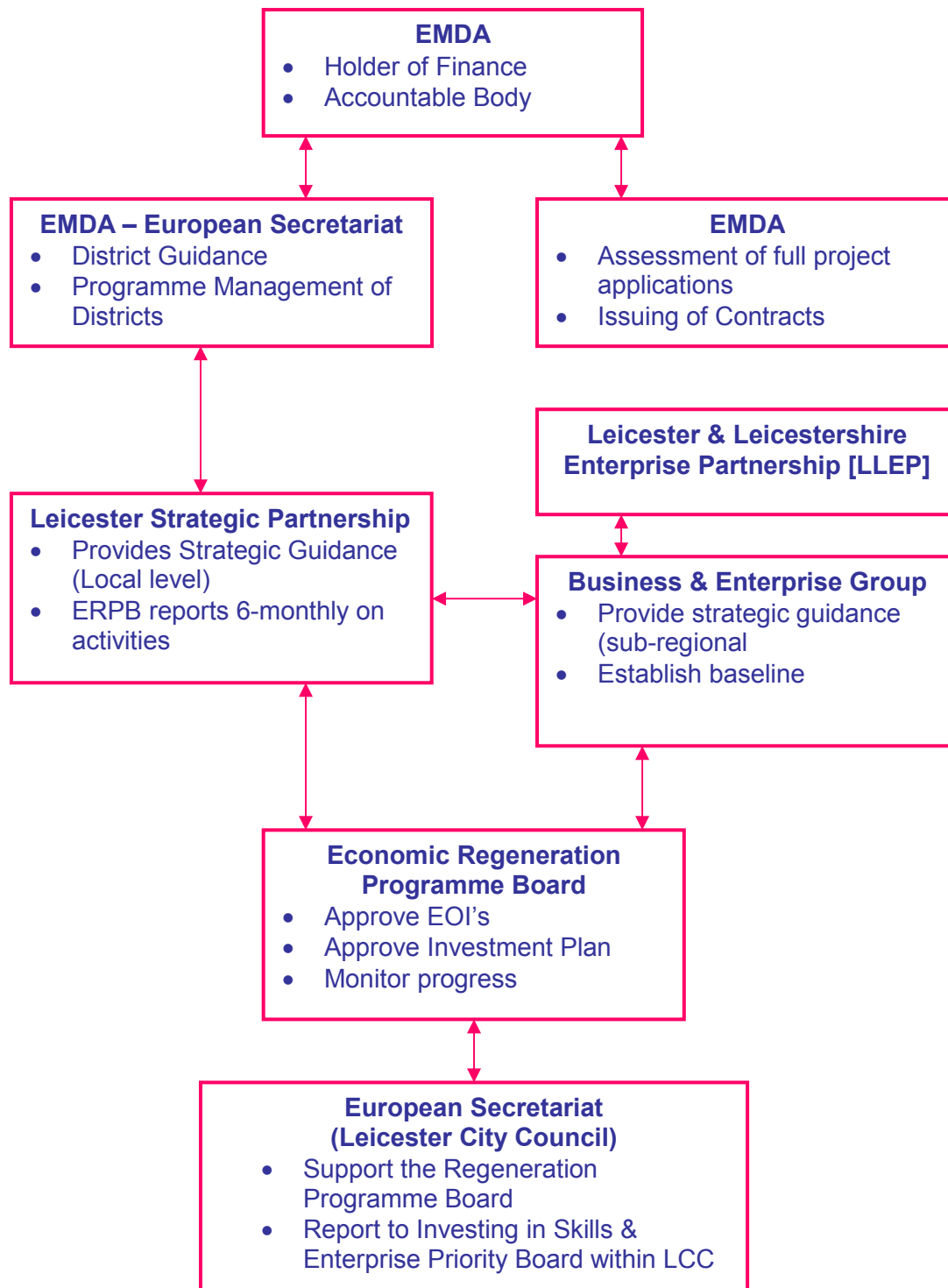
EOI's will be expected to achieve a minimum quality threshold score of 50% (30/60) in order to progress to the full applicant stage.

Applicants whose EOI's have failed to reach the minimum threshold will be formally written to advising them why they have been unsuccessful

Those achieving or exceeding the appropriate score will then go before the ERPB Board for prioritising. If supported, they will then be invited to submit a full application. Completed applications (along with those arising through limited bidding or non-competitive selection where appropriate) will be passed (with the appropriate endorsement by Leicester City Council on behalf of Leicester's Strategic Partnership, to the ERDF Team for assessment / appraisal.

EMDA has been designated as the "intermediary body" by the Government for the purpose of managing ERDF on their behalf and is responsible for issuing all funding agreements and payment of claims / monitoring etc

## ERDF PROGRAMME MANAGEMENT STRUCTURE



## CONTACT DETAILS

For further information on Leicester's ERDF Local Investment Plan contact the following people on Leicester's LERDF Local Investment Plan:

**Leicester City Council:** Mary-Louise Harrison – European Lead Officer  
T: 0116 252 8654  
E: [mary-louise.harrison@leicester.gov.uk](mailto:mary-louise.harrison@leicester.gov.uk)

**Leicester City Council:** Joanne Ives – Team Leader, Regeneration Programmes  
T: 0116 252 6425  
E: [joanne.ives@leicester.gov.uk](mailto:joanne.ives@leicester.gov.uk)

**EMDA:** Michelle Targett – ERDF Contracts Manager  
T: 0115 947 1768  
E: [michelletargett@emd.org.uk](mailto:michelletargett@emd.org.uk)

Note: All corresponding information / documentation can be found on the following websites:

[www.leicester.gov.uk/your-council-services/ep/regeneration/investment-plan/](http://www.leicester.gov.uk/your-council-services/ep/regeneration/investment-plan/)

or

[www.eastmidlandserdf.org.uk](http://www.eastmidlandserdf.org.uk)