2014-2020 European Structural and Investment Funds & Sustainable Urban Development Strategy for London

April 2016
(updated December 2019)

LEAP
The Local Enterprise Partnership for London

SUPPORTED BY
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European Union
European Structural and Investment Funds

Contents

Executive Summary

The London Economic Action Partnership (LEAP) has been allocated €745m for the delivery of the European Structural and Investment Funds (ESIF), & Sustainable Urban Development (SUD) Strategy for London 2014-20.

London powers the UK economy; it is the financial centre of Europe; it hosts world class higher education institutions; it is home to more people than any other city in Europe. Yet it is home to five of the England's top twenty most deprived boroughs; its unemployment rate is higher than the rest of the UK, and it is one of the most expensive places to employ workers.

To tackle these and other challenges LEAP will dedicate approximately three-quarters of the funds to investment priorities which support the objectives of the European Social Fund and one quarter to support the objectives of the European Regional Development Fund; the activities add value to the priorities presented in LEAP's Job & Growth Plan. The ESIF priorities are:

- **Skills and employment** to ensure Londoners have the skills to gain sustainable jobs;
- **Enhancing the competitiveness of London's small and medium sized enterprises (SMEs)** to support SMEs to innovate and grow;
- **Strengthening science & technological development and fostering innovation in London enterprises** to realise the potential of the capital's world-class business sectors that drive innovation and growth;
- **Investing in London's infrastructure** to ensure that the capital has the underpinning technological, business and low carbon infrastructure to generate growth.

The London ESIF will contribute to the investment priorities and performance targets of the English Operational Programmes.

The London Economic Action Partnership has unique governance arrangements unlike the other 37 Local Enterprise Partnerships (LEP), providing an advisory role to the Mayor of London.

The Greater London Authority, as an Intermediate Body, will manage and deliver ESIF investments on behalf of the Managing Authority. The GLA will act on behalf of, and with, the Managing Authorities to deliver jobs and growth for the businesses and people of London.

Since initial publication of this strategy in January 2014, the Government asked LEP areas for a 'light-touch refresh' of their ESIF Strategies in February 2016 in order to align, where possible, activities proposed in the strategies with those set out in the Operational Programmes. Government then asked LEP areas to make further changes in April 2016, to reflect governance arrangements (from paragraph 4.8) and Performance Framework targets (Annex 2).

Further changes were made in December 2019 to update Chapter 4 'Partnership and Delivery', include reference to ERDF Investment Priority 4(e), and reflect revisions to the ERDF and ESF Operational Programme financial allocations.

Introduction

This European Structural and Investment Fund (ESIF) Strategy for London has been drafted in response to the Government's proposals for the European Structural Funds for 2014-20 for driving economic development and growth. It should be considered alongside LEAP's emerging Strategic Economic Plan.

This strategy takes forward the learning and experience from LEAP, which forms the basis of the investment priorities:

1. Skills and Employment
2. Enhancing the competitiveness of London's small and medium sized enterprises
3. Strengthening science & technological development and fostering innovation
4. Investing in London's Infrastructure

London's allocation of €745m European Regional Development Fund (ERDF) and European Social Fund (ESF) allows LEAP to develop a responsive and relevant portfolio of activities to tackle the challenges set out in its Jobs and Growth Plan for London published in May 2013. The ESIF allocation is significant, and so the proposed range of activities is broad, relating to the core areas of LEAP's work where ESI funds can add value.

The strategy follows an intervention logic. Chapter 1 provides an overview of the socio-economic picture in London, and specifically on the investment priorities. It establishes the context and rationale for committing ESI funds. Chapter 3 builds on the economic context by setting out the investment priorities in detail and highlighting indicative activities for ESI funding. Chapter 4 explains the governance structure in London which will enable delivery of the strategy; it explains the role of the LEP and GLA as Intermediate Body; also the use of financial instruments. Chapter 5 describes how the cross-cutting themes are embedded within the development and implementation of the strategy.

Following negotiations and approval of the 2014-2020 English Operational Programme (OP), Investment priorities on the ESIF have been aligned with the relevant Priority Axis of the OP. The table at the beginning of Chapter 2 illustrates how the investment priorities of this document and the OP align.

The strategy has been drafted in line with Government guidance. It proposes comparable funding allocations, outputs and results to the similar-sized 2007-13 London ERDF and ESF programmes. Unlike other LEP areas, London has the advantage of an approximate baseline for calculating reasonable levels of match funding and performance targets. The GLA has an existing, experienced European funds' team which will manage the operational delivery of the strategy on behalf of LEAP.

LEAP's Jobs and Growth Plan describes London as 'the power house of the UK economy', accounting for over one-fifth of the UK's total output. This ESIF strategy acknowledges the work needed to build on this. Alongside London's successes, there are many challenges: juxtaposed with highly successful, agile and profitable labour markets are significant pockets of deprivation, worklessness and economic underperformance. The residents of many London boroughs do not possess the skills or opportunities to share in the successes of local markets. ESI funding is focused in areas that will help to generate jobs for Londoners and growth for London's businesses. While recognising major transport infrastructure is not eligible for ESI funding, it is important to acknowledge that sustaining the transport network, and ensuring it can accommodate the anticipated growth in London's population is critical to underpinning the growth delivered through this strategy.

The European Regional Development Fund will support the low carbon resource-efficient economy, strengthening science and technological development, while increasing the competitiveness of London's small and micro-businesses. Financial instruments (loans and equity) will be used where they will deliver results.

The European Social Fund will support sustainable employment opportunities, careers progression and progression in learning. ESF will also support business start-ups, entrepreneurship and business growth skills training. As part of the wider 'convergence' agenda, LEAP will use ESF to boost skills and employment growth in some of the most deprived parts of London. ESF and ERDF will be linked to develop joined-up projects, and opportunities for coordination with other EU funds will be explored.

The Government has advised that London will not receive an allocation from the European Agricultural Fund for Rural Development (EAFRD); London is one of two LEPs in England which has not been granted funds.

Successful delivery of the ESIF will be achieved through effective partnership working with Government, London Councils (representing London boroughs), sub-regional partnerships, the business, education, voluntary & community sectors across London, match-funding providers; and the eventual grant recipients of ESF and ERDF.

Delivery with neighbouring LEPs will take place in areas of common interest either geographic (including the Thames Gateway, Heathrow, London Stansted Cambridge Corridor) or related to particular activities (for example financial instruments making loan or equity investments to small and medium sized enterprises (SMEs) or infrastructure projects).

1. Analysis

1.1. This Chapter provides the evidence base to support the investment of ESI funds in London. It is aligned with the LEAP's Jobs and Growth Plan. This Chapter examines the strengths and weaknesses of London's labour market, business competitiveness, innovation and the environment at a macro level; it identifies the market failures and challenges which ESIF-supported activity will seek to address. The Chapter starts by considering London's economy in its broadest context.

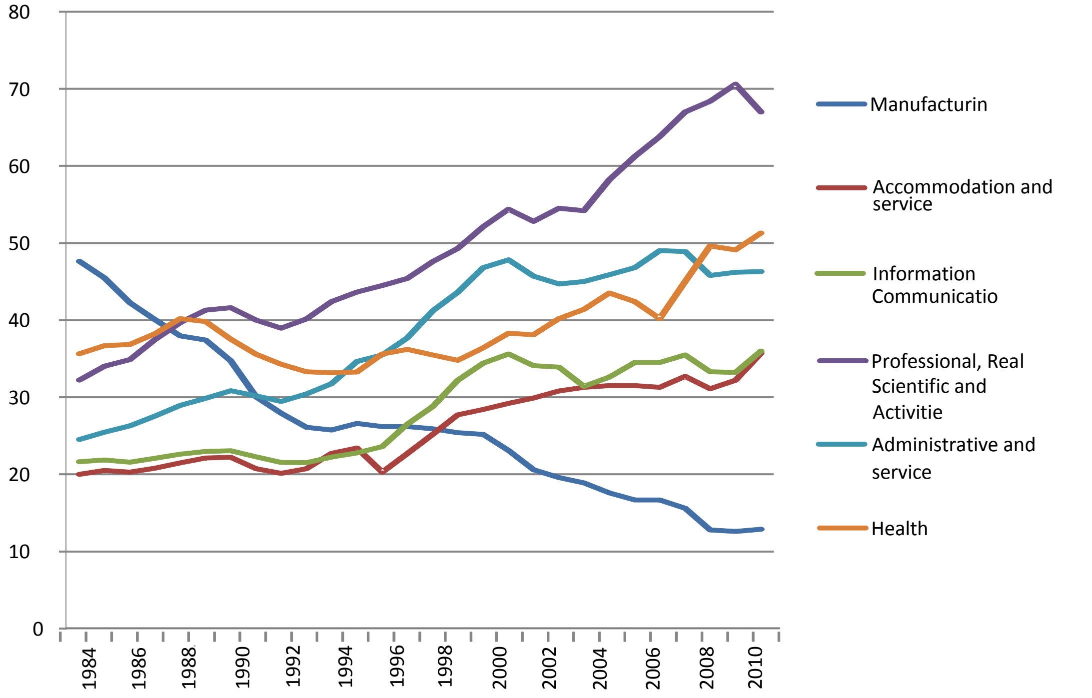
Context: London as a global city

Structural change and specialisation

1.2. Growth in an economy is dependent on its ability to raise productivity – that is, the economy's ability to produce more for a given resource. Openness to trade strengthens productivity. It can also increase productivity by allowing different countries and/or regions to concentrate on what they do best.

1.3. This drive to higher productivity through competition, innovation and openness to trade has contributed to structural change in the UK economy (as elsewhere in the world). As a result of such economic forces over the past three decades or so, London has seen a significant shift away from manufacturing towards services. This is demonstrated in Figure 1.1 which shows that manufacturing employment in London fell from nearly half a million jobs in 1984 to around 129,000 jobs in 2011.

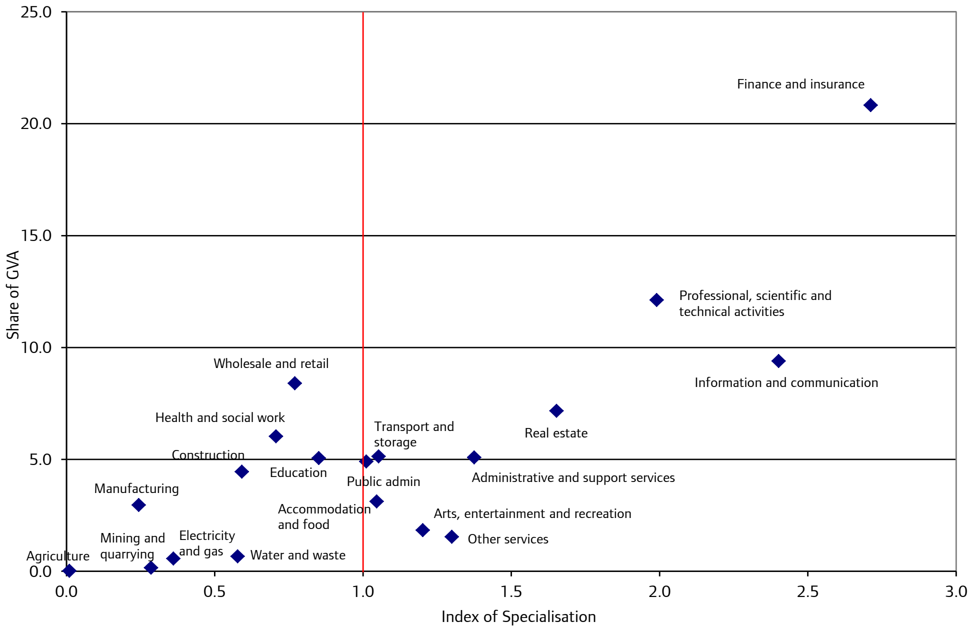
Figure 1.1: Employment in London by sector over time



Source: 1996 to 2011: ONS Workforce Jobs series; before 1996: GLA Economics using various ONS sources and modelling assumptions

1.4. In contrast, employment in the broad business category of professional, real estate, scientific and technical services more than doubled, from 322,000 in 1984 to 670,000 in 2011. Over the same period there have also been increases in employment in accommodation and food services, information and communication, administrative and support services and health and, to a lesser extent, construction, retail, finance and insurance, education, arts entertainment & recreation and other services.

Figure 1.2: London's broad sectors: Index of Specialisation (relative to the rest of Great Britain) and share of London's total output (2010) [1]



Source: Annual Business Inquiry – ONS Crown Copyright; UK Regional Accounts – ONS Crown Copyright

1.5. Figure 1.2 shows that London specialises in knowledge-intensive sectors, above all, finance and insurance activities, but also professional, scientific and technical activities and information & communication. High-technology activities are especially important to London's economy, comprising £30 billion of London's Gross Value Added (GVA) - over 10%.

1.6. At a more disaggregated level, London specialises in such activities as securities trading, fund management (amongst other financial services), media and other creative activities (for example, television, film, music, publishing, computer consultancy and programming) and other professional services (such as legal, accountancy, management consulting, advertising, market research and architectural services). London's employment is not concentrated in sectors such as manufacturing, primary industries and freight transport.

1.7. As a result of London's specialisations, it has strong international trading links. GLA Economics estimates that London exported some £92 billion of goods and services in 2009, up from around £66 billion in 2001[2]. Over this period London has consistently accounted for between a fifth and a quarter of the UK's total exports. London's main exports of services are fund management and securities broking, monetary finance as well as business and leisure tourism (personal travel and air transport).

1.8. Around 30% of SMEs in London export.[3] Over a third of companies (35%) report significant growth due to exporting.[4] Increasing exporting will therefore help to safeguard and to create jobs in London as well as to support growth. Eight of the UK's top 15 export partners are European[5]; this creates a long-term strategic challenge for the UK as the world 'moves East'. For the UK, only 6.8% of all exports went to BRIC countries in 2011, equating to just 1.2 times the total of our exports to the crisis-hit Irish market alone.[6]

[1] The index of specialisation is calculated as: (London employment in sector / London total employment) / (Rest of GB employment in sector / Rest of GB total employment). Therefore if the index of specialisation is greater than 1, then this shows that London has a greater share of its total jobs in the sector being examined than does the rest of GB. As such it can be regarded as an area in which London has some specialisation.
[2] See "An Analysis of London's Exports", GLA Economics (December 2011) http://www.london.gov.uk/sites/default/files/wp-50.pdf.
[3] 2010 data GLA Economics, 2013.
[4] New Markets, New Ideas UKTI, 2011.
[5] UPS and Centre for Economics and Business Research, 2012.
[6] Idem.

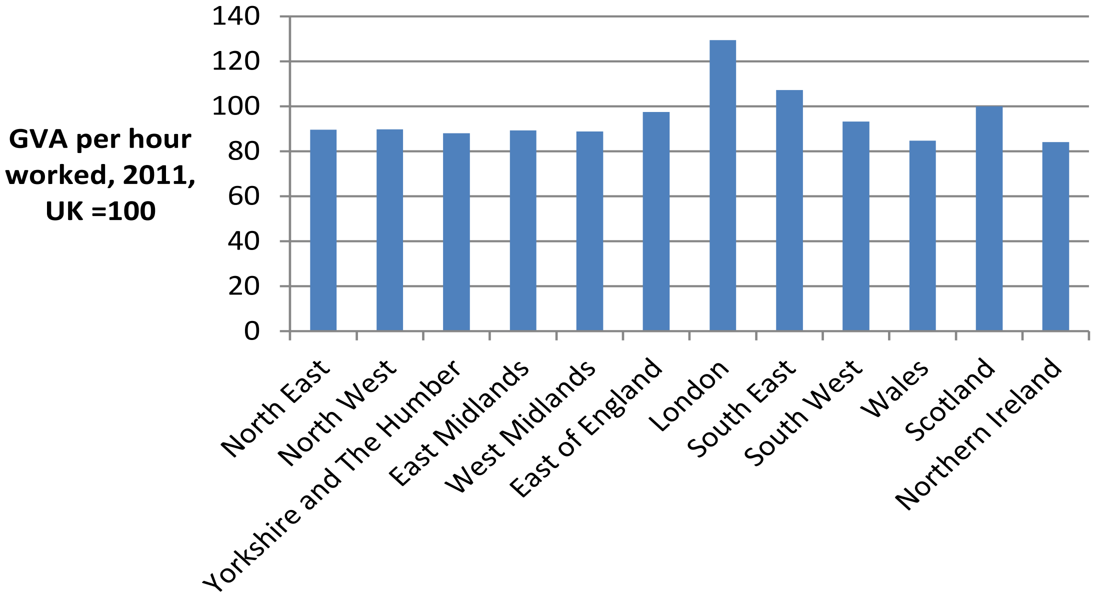
1.9. Over the last two decades far higher rates of output growth have been experienced by the emerging economies of China and India than by the developed economies of North America, the European Union or Asia. By 2050, China is expected by some forecasters to be the largest economy in the world and the Indian economy could also be larger than that of the United States. These three economies are expected to be far larger than any others.

1.10. However even measured at Purchasing Power Parity exchange rates, China and India are likely to have per capita incomes less than half that of the US, Japan or the UK by 2050. The fact that per capita incomes in these and other emerging economies will remain relatively low could limit demand for imports of services from the UK.

Economic growth and productivity

1.11. London's total economic activity GVA is substantially higher than any other UK region, accounting for 22% of total UK GVA.[7] London's highly skilled labour force is almost 30% more productive than the UK average, in terms of nominal GVA per hour worked (see Figure 1.3).

Figure 1.3: London's produc *Source: Regional Economic Indicators (ONS Crown Copyright)*



The spatial nature of London's economy

1.12. The spatial nature of London's economy is the product of more than a century of trade and agglomeration (i.e. extra benefits such as a large pool of skilled labour that arise when economic activity takes place in a concentrated space). There is a significant concentration of employment in the very centre of London. The proximity of a large number of suppliers and customers in a relatively small area creates economies of scale in input and output markets. Closeness of many competing businesses also leads to more effective competition.

1.13. Central London remains a prime location for businesses. It lies at the centre of the most populous region in Britain and more than 3 million people can travel by public transport from home to Central London within 45 minutes.

[7] Office for National Statistics, Regional GVA (December 2012).

1.14. But a rapidly growing city needs constant renovation and expansion of its public transport links if bottlenecks are to be avoided and sustainability improved. London's underground railway is 150 years old and needs upgrading. Transport for London is engaged on a major upgrade programme to increase capacity by 33% by 2018. Already demand has grown strongly: 34% more bus kilometres and 13% more Underground kilometres operated in 2011/12 compared to 2000/01.

1.15. London's specialised, globally competitive activities tend to locate centrally. Some locate almost exclusively in Central London because they benefit so greatly from agglomeration economies. Within the business services sector, there are notable concentrations in accountancy, legal, management consulting and advertising as well as the more creative radio and television, publishing and motion pictures industries.

1.16. Trends that have and will continue to affect London's economic geography include the continuing shift in focus from manufacturing to services, population growth and household formation, and changes in accessibility brought about by new transport investment. The economy in London today is unrecognisable compared to that of medieval times but the economic forces that affect growth in London – trade and agglomeration – remain the same.

The outlook for London's economy

1.17. As described above, London currently specialises in service activities, particularly financial, business and cultural services. As a result of the global financial crisis that began in 2008 and the ongoing measures to reduce the likelihood of any future crisis, the financial services sector is facing a period of readjustment and structural change.

1.18. A failure of financial market regulation has been partly blamed for the crisis. In response, tighter regulations are beginning to be introduced and, given London's leading role in the financial sector, these measures are likely to impact disproportionately on London's economy.

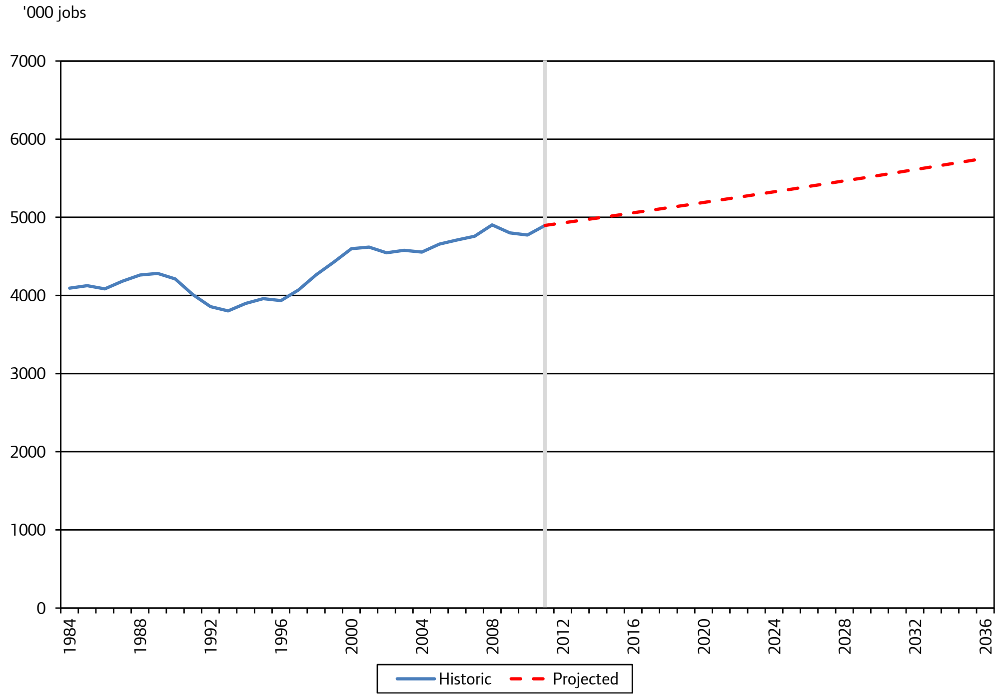
1.19. Although the financial turmoil particularly impacted on the banking sector, other areas of the financial services sector have been less directly affected. Nevertheless, opportunities for rapid growth in the financial services sector might be curtailed in the future and would impact other sectors of the economy through trade linkages.

1.20. Estimates from Experian Economics indicate that London's GVA declined by as much as 7.4% through the course of the recession. Given the size of this downturn, the concurrent drop in employment in both London and the UK as a whole was moderate and less than expected by many forecasters; especially in light of the falls in employment seen in the recessions of the early 1980s and 1990s. This could mean that any ongoing recovery in employment subsequent to the recession will be more muted than expected, as employers utilise the spare productive capacity implied by these figures. However, London's unemployment rate has increased in recent times, reaching 8.5% (from 6.7% before the 2008 recession).

1.21. Nevertheless London's employment level is expected to continue to grow over the longer term. Figure 1.4 shows the GLA's long-run employment projection. This projection, which is used for planning purposes by the GLA Group, sees employment in London growing to 5.76 million by

2036, an increase of over 850,000 from 2011 levels.[8] As set out in the next section, growth in employment levels will put additional pressure on the transport network, as growth in jobs will result in increased demand to travel.

Figure 1.4 The GLA's long-run employment projection to 2036



Source: London labour market projections, GLA Economics, April 2013

1.22. Almost half of this employment growth is projected to come from the key business services sector professional, real estate, scientific and technical activities. Other sectors projected to show increases of more than 100,000 jobs include administrative and support services and accommodation and food services.

1.23. More modest employment growth is projected to be experienced by other sectors including arts; entertainment and recreation; education; health; and retail. All other sectors are forecast to see falling employment rates, with particularly significant falls in the manufacturing sector.

Accommodating growth and keeping London moving

1.24. The 2011 census shows London is growing faster than previously thought. With a current population of 8.2m, London's population will grow to 9m by 2018 and 10m by 2030 – the equivalent of adding two extra cities the size of Birmingham. Accommodating this growth will require considerable investment in the transport infrastructure. While the funding covered by this strategy is not directly transport-focused, many aspects of developing the low emission transport sector required by London to manage its future growth in a sustainable way, are eligible.

1.25. Transport plays a central role in unlocking the benefits of a growing population. For example, since the London Overground opened in 2010—with extensions in 2011 and 2012—the modes by which commuters travel around the capital has shifted. In 2008, 33m passengers used the service; in 2012 there were 120m users. 64% of those who use the network are travelling to and from work. As house prices increase across London, younger families and rich professionals are being pushed farther east. East London itself was boosted by the introduction of the Jubilee line extension in 1999 and the Victoria line upgrade in 2011. Such new connections opened new areas to young professionals, helping gentrification—already well-advanced in places such as Shoreditch—to spread farther east and south.

[8] Full details of GLA's long-run employment projection and projections by sector are set out in GLA Economics Working Paper 51.

1.26. In the next section we explore more closely the factors attracting businesses and people to London and the risks and challenges to London's success in the national and global arena.

Business Competitiveness

London's attractiveness to business

1.27. London has long been recognised as a leading world city. In 2008 GaWC (Globalisation and World Cities) found that London was the leading global city, closely followed by New York.[9] Other surveys such as the Global Financial Centres Index[10] consistently rank London as one of the two leading financial centres in the world, while Cushman and Wakefield[11] consistently rank London as the most attractive city in Europe for locating a business. This position as a global centre plays an important role in sustaining and attracting businesses and people to the city.

1.28. The main factors that attract businesses to London include the availability of a favourable business environment (taxes and regulation); access to markets; a time zone that spans both North America and Asia; pre-eminence of the English language; highly qualified staff; and internal and external transport links.[12]

1.29. Table 1.1 provides a clear summary of the factors that Directors and Senior Managers of 500 of Europe's largest companies state as driving their decisions about business location; it illustrates London's dominance as a leader in terms of European cities. Table 1.1 ranks London among 36 European cities, on the basis of survey responses.

Table 1.1: Attractiveness of London to business

	2011	2010	2009	2008	2011 Leader
Availability of qualified staff	1	1	1	1	London
Easy access to markets	1	1	1	1	London
Quality of telecommunications	1	1	1	1	London
External transport links	1	1	1	1	London
Cost of staff	=30	29	28	29	Bucharest
Climate for doing business	3	2	4	5	Dublin
Language spoken	1	1	1	1	London
Office space – value for money	=24	26	23	24	Warsaw
Internal transport	1	1	1	1	London
Availability of office space	10	4	2	5	Berlin
Freedom from pollution	25	25	29	27	Stockholm

Source: European Cities Monitor, Cushman & Wakefield (2008-2011)

1.30. London compares poorly with some other European cities on the costs of staff and office space, and freedom from pollution. But its attractions such as availability of qualified staff, easy access to markets and internal transport, are clearly noticeable.

1.31. Another practical means of assessing London's attractiveness as a place to do business is the comparatively high rate of business start-ups. When London is compared to the UK on the basis of resident population, London supports more businesses per head of population. The steady

[9] Taylor P.J. in association with P. Ni, B. Derudder, M. Hoyler, J. Huang, F. Lu, K. Pain, F. Witlox, X. Yang, D. Bassens and W. Shen, 2008, Measuring the World City Network: New Results and Developments.
[10] Global Financial Centres Index (2013) prepared by Z Yen.
[11] Cushman and Wakefield, 'European Cities Monitor' (2008-2011).
[12] Cushman and Wakefield, 'European Cities Monitor' (2008-2011) and KPMG 'Global Cities Investment Monitor' (2012).

growth in London's stock of businesses suggests there are benefits to establishing a business in London. This is further explored later in this Chapter.

1.32. One of London's most attractive features for business is the depth of its highly skilled labour market. 56% of those working in London hold a degree level qualification, and the demand for people with such skills is forecast to increase. In London around 25% of employed workers with a degree are non-UK nationals (and almost 60% of these people are non-EEA nationals). To enable Londoners to compete for London-based jobs requires better education and training outcomes.

1.33. Although higher wages make London an attractive place for highly skilled workers, higher staffing costs can be a deterrent for businesses considering where to locate or expand their operations. Wages in London are amongst the highest in the world.[13]

1.34. Renting office space is also a significant cost for business; London has traditionally been one of the most expensive cities in the world. Despite the recent economic downturn, office space in London's West End is the most expensive in the world.[14] Occupancy costs in the City, although significantly below those for the West End, are ranked as the third highest in Europe (behind the Central Business District (CBD) of Moscow). It is unclear whether London will become a less expensive place to do business compared to other global cities in the medium-term.

Business size distribution

1.35. London is the city of choice for thousands of businesses from all over the world. As illustrated in Table 1.2, over 800,000 private sector businesses are located within London's 33 boroughs, accounting for 14.1% of all jobs in the UK (5.1million July-August 2012). However, this is not just a story of big business; small & medium sized enterprises account for 99.8% of businesses in the capital and nearly 50% (2.3 million) of people in employment.[15]

Table 1.2 London's businesses by size

	Businesses		Employment		Turnover	
	Number	Share of total %	Number (000s)	Share of total %	Number (£m)	Share of total %
No employees	615,995	76	660	15	49,516	5
Micro (1-9 employees)	156,965	19	578	13	123,925	14
Small (10-49 employees)	27,185	3	520	11	135,196	15
Medium (50-249 employees)	4,940	1	497	11	121,186	13
Large (250+ employees)	1,345	0.2	2,227	50	471,704	52
Total	806,430	100	4,482	100	901,527	100

Source: Business Population Estimates, BIS

1.36. London has proportionally more self-employed individuals than the UK as a whole. This is significant and has been growing steadily since 1996, to around 677,900 individuals in the year to March 2013. The construction sector includes by far the largest number of self-employed individuals, closely followed by professional, scientific and technical sectors. Self-employment accounts for around 570,000 individuals in London; this represents legal and accounting activities (199,400); activities of head offices; management consultancy activities (155,400); architectural and engineering activities; technical testing and analysis (75,300) and advertising and market research (62,500); other professional, scientific and technical activities (46,800); scientific research and development (26,000) and veterinary activities (4,100).

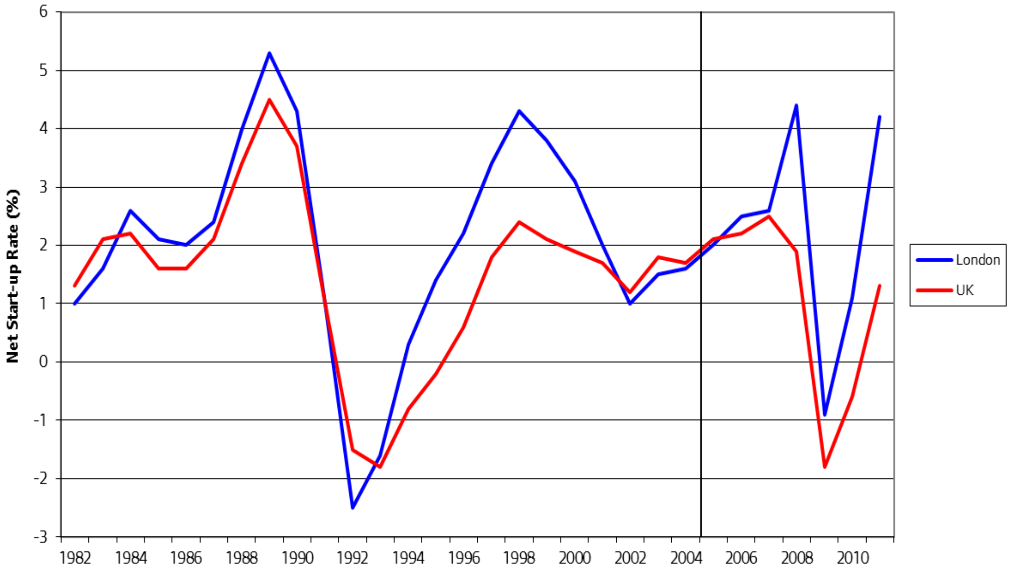
[13] UBS survey (September 2012) Prices and earnings.
[14] Cushman and Wakefield, 2013. Office Space Across the World 2013, Research Department, London.
[15] Source: Business Population Estimates, BIS.

1.37. The number of SMEs by sector is similar to the self-employment rates, with the largest number of businesses undertaking construction, professional, scientific and technical services. However, whilst SMEs account for the overwhelming majority of businesses in the capital and for around half of all employment opportunities, this is less than the rest of the UK due to the relative dominance of large businesses in London.

Business dynamics

1.38. In 2011, there were 61,395 new businesses births and 43,730 deaths (out of an active stock of 421,185 businesses).

Figure 1.5 Net Business start-up rates, London and UK, 1982 – 2011



Source: Department for Business, Enterprise and Regulatory Reform (dataset up to 2003); Business Demography, ONS, 2004 data onwards. Vertical line indicating data discontinuity.

1.39. In 2011 the net business start-up rate for London stood at 4.2% compared to -1.9% in 2010. For the UK as a whole the net business start-up rate rose from -2.7% in 2010 to +1.3% in 2011. Over the last decade, London's annual net business start-up rate has averaged 1.7% compared to 1% for the UK as a whole, as depicted in Figure 1.5.

1.40. Table 1.3 shows the percentage of businesses in London that survive over a five year period based on the year of birth. It can be seen that, since 2006, a smaller proportion of new businesses in London survive past one year; only 41.8% of business born in 2006 survived to 2011.

1.41. London has the lowest five year business survival rate of all UK regions (41.8%). The UK average rate is 45%. London has the second lowest three year business survival rate at 52.6%, compared to a UK rate of 58%. However, these indicators are in part a reflection of the highly competitive business climate in the capital.

Table 1.3 Survival of newly born enterprises in London, 2006-2011

Year of birth	Number of births	1 Year Survival %	2 Year Survival %	3 Year Survival %	4 Year Survival %	5 Year Survival %
2006	47,890	95.9	78.8	63.7	49.9	41.8
2007	53,120	94.9	79.1	59.5	48.6	
2008	57,955	88.5	68.6	52.6		
2009	50,575	88.3	70.5			

2010	52,755	84.6				

Source: Business Population Estimates, BIS

1.42. In 2011 London saw the most start-ups in the professional, scientific and technical sectors; this was reflected in the rest of the UK. In both London and the UK, the second most popular sector was business administration & support; yet it had the worst survival rate. In both cases the information and communication sector had the joint best survival rates. The education and health sectors also had high survival rates.

1.43. Chapter 3 of this strategy sets out how ESIF funds will support new and established businesses across different sectors in the capital.

High Growth firms

1.44. High growth firms (HGFs) are fast growth firms employing ten or more people in the first year of a three year growth period. There are typically around 2,000 HGFs per three year period in London. Since 2002/05 the UK has recorded between 10,000 and 11,000 HGFs per period, of which London accounts for about one fifth of all the HGFs in the UK.[16] The rate of HGFs in London is around 2-3% higher than the UK average over each three year period.

1.45. Businesses with 10-19 employees' account for one half of all HGFs in most periods, with the other half split 30/20 between the medium (20-49 employees) and large (50+ employee) bands. Episodes of high growth are more likely amongst younger firms with around 17.5% of year-one firms in the 'high growth' category; by age 10 the share is typically just below 10%. HGF incidence rates by sector vary considerably. The top five are services; two of which are financial services (insurance and pensions; and activities auxiliary to finance).

1.46. HGFs are disproportionately important as job creators: they account for about 1.5% of job creating firms but contribute 25-30% of jobs created. The figures for London are similar to those for the UK as a whole; in 2007/10 HGFs accounted for about 1.5% of job creating firms and just over 20% of jobs created.

Public spending and investment

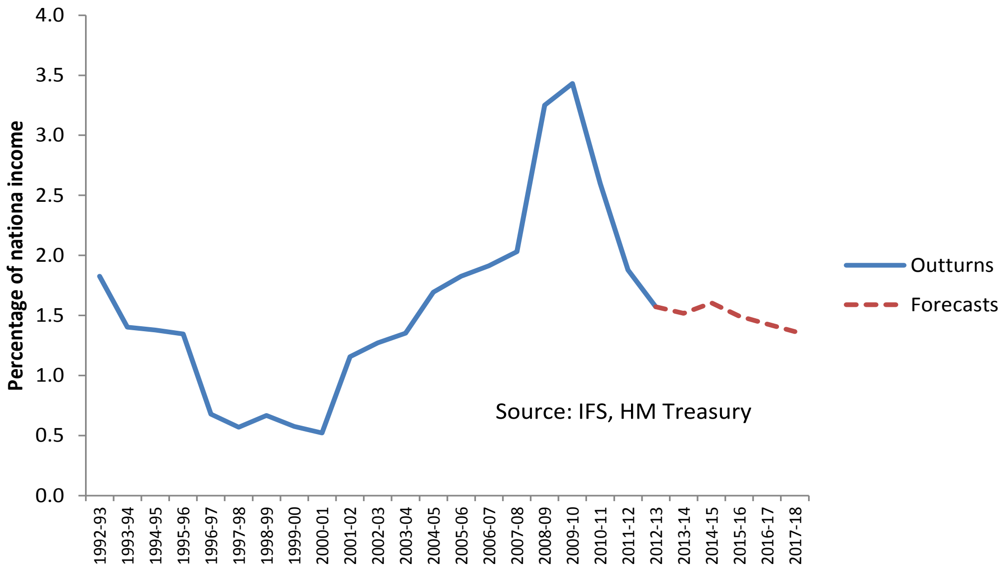
1.47. The UK's ability to spend on services and invest in capital projects is diminishing as a result of the reduction in available public finance. To meet its monetary targets, the UK government has embarked on a significant tightening of fiscal policy.[17] This impacts on public investment in London: on education, healthcare, public transport, housing, public security and other services which underpin the business environment. In particular, health, education and transport spending are important to businesses as they support the quality and quantity of London's labour force.

1.48. Over the period 2009/10 to 2017/18, public investment will average 1.7% of GDP, see Figure 1.6. In some areas public investment will be especially hard hit – for example the investment spending of the Department of Communities and Local Government is projected to fall by 35.6% in the year 2015/16. Such cuts could leave London short of the investment needed for a growing, dynamic city.

Figure 1.6: UK Public Sector Net investment

[16] London Business Demography Project, Michael Anyadike-Danes, Karen Bonner & Mark Hart, Aston Business School & Enterprise Research Centre, February 2013.

[17] The principal target is to achieve balance in the structural current deficit (i.e., adjusting for the cycle and excluding investment spending) by the end of the rolling, 5-year forecast period – i.e. by 2017-18. This is supplemented by the target of net debt falling as a share of GDP at a fixed date of 2015-16 (which the government has admitted will be missed).



Access to Finance

Key market failures

1.49. Academic literature highlights that market failures in terms of SMEs accessing external finance have worsened since the economic downturn. Although most attention has focused on the reduction in bank lending, the credit crunch has had an impact on all types of SME finance used for different stages of SME development. A recent review of SME's Access to External Finance produced by the Department for Business, Innovation and Skills (BIS) highlighted the issues relating to both the demand and supply of finance.[18]

1.50. On the supply side, market failures in terms of SMEs accessing external finance have worsened since the economic downturn. A lot of the attention has focused on the reduction in bank lending primarily because this is main source of SME finance.[19] However, the recession and credit crunch have had an impact on all types of SME finance used for different stages of SME development.

1.51. In terms of debt finance, there is perceived to be a financing gap for businesses that lack track record and collateral, which makes it difficult for the lender to accurately assess risk.[20] As a result, some young companies with good business ideas fail to secure the funding they require to grow.[21] The BIS review also highlights the existence of an 'equity gap' for high growth potential SMEs. For example, many SMEs with growth potential may only require relatively small investments but, due to the risk and due diligence costs, investors and risk capital fund managers tend to focus on fewer, larger investments in more established (lower risk) businesses.[22]

1.52. These underlying trends were also reflected in a study[23] commissioned by the LEP to review current supply and demand for different types of finance and then identify the size, scale and type of funding gaps. The data on both debt and equity finance clearly shows the reduction in supply in London over the last two to three years. Also, an analysis of the Small Business Survey suggests that demand for external finance amongst London SMEs has increased marginally over the last two years.

1.53. However, there is an important distinction to be made between market failures in financial markets and finance gaps (CEEDR, 2009).[24] Business surveys show that in some cases where a

[18] BIS (2012), SME Access to External Finance: BIS Economics Paper no.16.
[19] Fraser, S. (2009) Small Firms in the Credit Crisis: Evidence from the UK survey of SME finances.
[20] Stiglitz & Weiss (1981) Credit rationing in markets with imperfect information.
[21] Oakey (2003) Funding innovation and growth in UK new technology-based firms: some observations on contributions from the public and private sectors.
[22] Mason et al (2010) The City's Role in Providing for the Public Equity Financing Needs of UK SMEs.
[23] SQW and Middlesex University (2013), SME Finance in London.
[24] Middlesex University (2009), London Development Agency Access to Finance Scoping Study.

business is unsuccessful in applying for finance the owner manager acknowledges that the barrier to securing funding was down to the weaknesses of the business case or the viability of the business.

1.54. This does highlight the importance of 'investment readiness', to tackle such demand side issues, which is the ability of owner managers to present the case in ways that can sell their business effectively. The lack of investment readiness can be a barrier to implementing supply side schemes.

Finance gaps

1.55. Using feedback from the most recent 2012 Small Business Survey and data from the UK Business Angels Association and British Private Equity & Venture Capital Association, LEAP-commissioned study estimated the current and projected finance gaps in London between 2012 and 2016. It is estimated that there is currently a gap in debt finance of around £1 billion in London. The finance gap in relation to angel and venture capital funding is estimated to be around £343 million. Over the five year period, the aggregate SME finance gap in London is estimated to be over £7 billion as shown in Table 1.4 below.

Table 1.4: Estimating the finance gap up to 2016 (£m)

	2012	2013	2014	2015	2016	Total 2012-16
Debt finance gap	£1,087	£1,108	£1,131	£1,153	£1,176	£5,655
Angel/ VC finance gap	£343	£350	£357	£364	£372	£1,787
Total finance gap	£1,430	£1,459	£1,488	£1,517	£1,548	£7,441

Some sectors also more vulnerable to finance gaps

1.56. A number of researchers have highlighted the particular difficulties face by certain businesses.[25] They have found that during the recession lenders tended to focus on 'firm size' rather than 'growth potential'. This has resulted in small firms with potential to grow being prevented because of limitations in investment. Also, since the economic downturn it has become more difficult for innovative Technology Based Small Firms (TBSFs) to access external finance, particularly equity finance between £250,000 and £2 million.

1.57. It was also highlighted that innovative firms are more likely than other firms to apply for finance and this gap has widened since the recession. Based on analysis of the Small Business Survey (SBS) results from 2008, 2010 and 2012, the study found that 'innovative' firms now find it harder than all firms to access finance.

1.58. Research carried out by GLA investigated why the UK, and London specifically, has not been as successful as the USA in developing 'global' firms.[26] The research highlighted that there are equity gaps for start-ups and early stage companies, particularly in London because of the concentration of high tech sectors (e.g. social media, life sciences and software) which are more likely to be finance to fund growth. It is maintained that these sectors need more start-up funding to enable them to grow and stay in London.

Main areas of finance gaps in London

1.59. LEAP commissioned study identified five main areas in which London's SMEs face gaps in finance. The first two relate mainly to debt finance and have been exacerbated by the reduction in bank finance: (i) small scale debt finance to enable start-ups to begin to operate and (ii) re-financing to

[25] Cowling et al (2012), Small business financing in the UK before and during the current financial crisis; North et al (2013), Funding the growth of UK technology-based small firms since the financial crash: are there breakages in the finance escalator?; Lee et al (2013), Credit and the crisis: Access to finance for innovative small firms since the recession.
[26] GLA (2011), The UK equity gap: Why is there no Facebook or Google in the UK?

manage debt, where the company is judged to lack track record, and probably does not have high growth potential.

1.60. On the equity side, three main finance gaps were identified: angel investment for amounts of between £50k and £250k; early stage VC funding around the traditionally recognised £250k to £2m; and larger scale equity for large growth companies.

Rationale for using ESI funds to enhance the competitiveness of London SMEs

1.61. In order to maximise growth and employment potential, businesses must be supported to make the journey from start up to high growth; businesses often lack an appropriate 'ecosystem' to enable them to grow. Vital lifelines can be provided by local, regional or national support services that understand their markets and thus significantly increase the success rate of new businesses. Effective support consists of holistic programmes that integrate essential elements including management training, finance readiness, strategy formulation and export advice. Such comprehensive packages of business support will be flexible and tailored to meet the challenges and needs of London entrepreneurs, with emphasis on quality of outputs and results rather than quantity.

1.62. Eco-efficiency is also an important factor for SME competitiveness. It focuses on saving money for businesses, on minimising the environmental impacts of their activities and on accessing new eco-markets by improving their environmental performance and management. The key measures deal with resource management practices such as energy and water efficiency, waste management and green procurement, processing technologies, logistics, market conditions. Although resource-efficiency makes business sense, a range of barriers limit take-up such as a lack of time and capital to implement new practices, limited awareness and understanding of the benefits and how to realise them. ERDF will finance initiatives that will help SMEs overcome these barriers, with a focus on applying more efficient technology and integrating best practices to improve resource efficiency and productivity within the business.

1.63. Since closure of the Regional Development Agencies, Government funded business support resources have been administered centrally by BIS. BIS has launched various initiatives to support entrepreneurs to start their own businesses and for existing SMEs to expand, innovate and grow. However, many of these programmes have an England-wide focus. The LEP will engage with initiatives where EU funds can add value (for example Growth Accelerator, Manufacturing Advisory Service, UK Trade & Investment programmes) to maximise London's share of funding in a way that addresses London's particular challenges and opportunities.

1.64. As business support services in London remain fragmented, the LEP will consider the development of Growth Hubs to raise awareness of the various publicly-funded programmes that are available in the capital and signpost businesses in the right direction when looking for more specialised information. The LEP will seek to use existing established networks where they exist.

1.65. The Investment Priority and indicative activities for enhancing the competitiveness of London SMEs can be found on page 54. The associated outputs and results are listed in Chapter 2.

Innovation and science & technological development in London

1.66. London has one of the strongest and most productive science and technology sectors in Europe, but there are threats to London's position from existing and emerging global centres.

1.67. High-tech sectors have the greatest potential for knowledge 'spill over', driving innovation across the whole economy and increasing the capital's competitive advantage over other global cities. London's ability to innovate and adapt is critical to staying ahead in the global economy. The LEP's Jobs and Growth Plan puts science and technological innovation at the heart of making the capital an even better place to live, work and invest.

1.68. Innovation is transforming London's economy, driving productivity across multiple sectors, changing the way business is conducted and the way Londoners live. Evidence points towards significant amounts being invested in R&D in London by Government, universities and private sector. However, it is less clear how this investment leads to economic growth and increased competitiveness.

1.69. London innovation actors spend significant amounts on research and development. 13% of Government expenditure on R&D is spent in London, while the capital's Higher Education Institutions account for 24% of UK R&D expenditure, as shown in Table 1.5.

Table 1.5: Government Expenditure on R&D (GovERD), Higher Education spending on R&D (HERD), covers 2011[27]

Region	GovERD	HERD
London	317	1,746
Total UK	*2,349*	*7,127*
London's % to UK	13%	24%

Source: ONS

1.70. A good indicator of investment in innovation is the R&D tax credits. As seen in Table 1.6 below, London enterprises claim approximately 30% of the amount claimed under both SMEs and large companies' schemes at national level.

Table 1.6: Claimed R&D Tax Credits (by scheme, number, and value) - covers 2011-2012[28]

	SME R&D scheme		Large companies R&D scheme				All schemes	
			Large companies R&D scheme		SME sub-contractors			
Registered Office Location	N. of claims	Amount claimed	N. of claims	Amount claimed	N. of claims	Amount claimed	N. of claims	Amount claimed
London	1,650	100	420	253	60	2	2,135	355
Total UK	*9,875*	*420*	*2,080*	*758*	*500*	*11*	*12,535*	*1,174*
London's % to UK	17%	24%	20%	33%	12%	18%	17%	30%

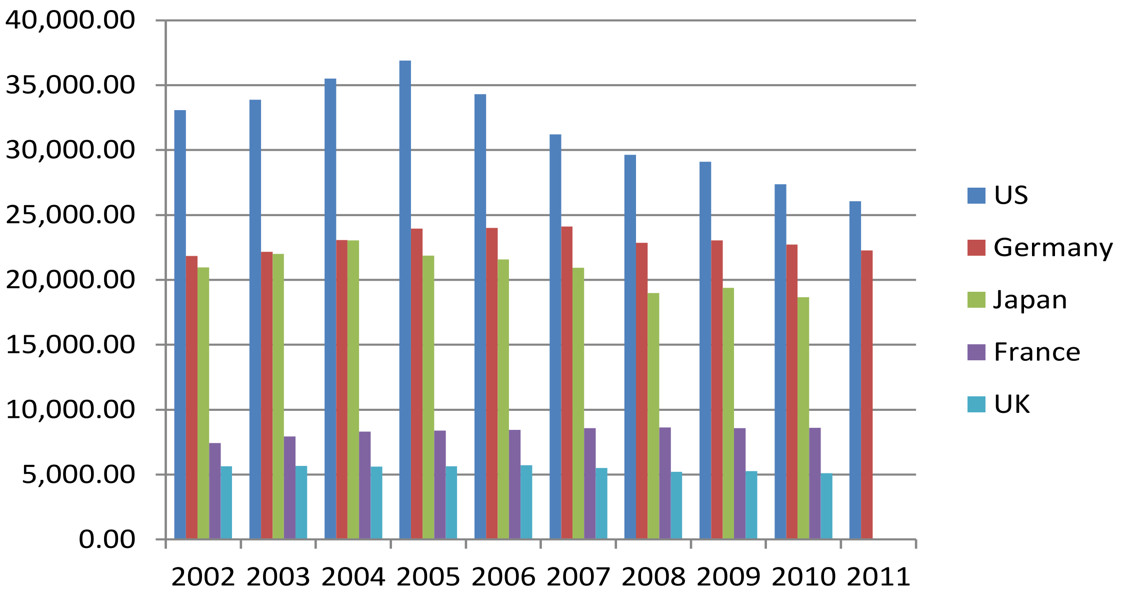
Source: HMRC

1.71. LEAP recognises that strengthened coordination is needed across the capital in order to maximise the benefits of existing R&D investment. It is critical to make it easier for different parts of London's innovation ecosystem (businesses, researchers or investors) to connect, exchange ideas, and collaborate. This is based on the idea that solving London's problems requires the creation of a more open and integrated innovation ecosystem, by joining up individuals and organisations with common goals and complementary expertise. Research partnerships combining academia and science with business practices can accelerate innovation and promote swift economic and commercial exploitation of R&I results.

1.72. Indicators of innovation activity include the levels of protecting and exploiting Intellectual Property rights (including copyrights, trademarks, design rights, and patents). Figure 1.7 considers the number of patents applied for by nationality of companies at the European Patent Office.

[27] Data is in current prices, £ million; figures are estimates.
[28] Data is not available at NUTS 2 for London. Regional allocation is based on the postcode of Company's registered address, which might not correspond to where R&D activity takes place. Figures exclude claims where Region is unknown.

Figure 1.7: Patents Applied for at European Patent Office



Source: Eurostat

1.73. Data is not available by region, so the number of patent applications originating in London cannot be identified. But Figure 1.7 shows that although applicants from the UK form the fourth largest national group, with some 5,000 applications per year, this has consistently been below applications from France and Germany. Measuring innovation is difficult but it is clearly important for London to maintain its competitiveness to ensure the pace of innovation in the UK in general - and London - matches that of European competitors.[29]

London's science strengths

1.74. London has a competitive advantage across the sciences, reflected in its world class research base which, for life sciences, is on a par with the best science cities globally (notably San Francisco and Boston), a first rate clinical training and education base, and excellent examples of partnership working. The London Molecular and Translational Imaging Centre, for example, comprises London's three AHSCs (Academic Health Science Centres: University College London, King's College London and Imperial College London[30]) and the MRC (Medical Research Council) which are focussing on creating new ways of diagnosing neurodegenerative diseases, cancer and other illnesses. In 2015 the Frances Crick Institute will be Europe's largest centre of biomedical research bringing together a consortium of six of the UK's most successful scientific and academic organisations — the MRC, Cancer Research UK, the Wellcome Trust, UCL, Imperial and King's to drive innovation in new technologies. This will be one of the most significant developments in UK biomedical science for a generation.

1.75. R&D expenditure in London in 2011 (the latest year for which data is available) was £3,321m which was 1.16% of London's GVA.[31] London benefits from being positioned within the wider Greater South East offer to attract greater international R&D investment. The strengths of London's research base can be undersold, and not always well understood - reflecting its depth and breadth across the sciences. London needs to champion its research strengths globally and promote opportunities for collaboration across the research, teaching and business/clinical base, with a stronger focus on translation and commercialisation.

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[29] See "Supporting London's Innovators", GLA Economics, October 2011 http://www.london.gov.uk/sites/default/files/wp-49.pdf.
[30] AHSCs align clinical research, training and education, and healthcare delivery with the needs of the population).
[31] Source www.ons.gov.uk/ons/rel/regional-trends/region-and-country-profiles/economy--june-2013/regional-profiles---economy--june-2013.xls.

Technology creating productivity advantages

1.76. Other cities may be vying for position, but London undoubtedly remains Europe's tech capital, with particular strengths in digital: 24,000 ICT and software companies are based in London, the highest of any European city.[32] The cluster of digital firms in Shoreditch, known as 'Tech City', has received the most attention, drawing on east London's creative and cultural vibe. London's tech strengths, however, run deeper and broader. As technology fuses across other business sectors – from manufacturing (such as the emergence of 3D printing), to financial technology, med tech and clean tech - technology is transforming London's economy, driving productivity across multiple sectors, changing the way we conduct business and the way we live.

1.77. London's high tech sector generates significant added value and has the potential to drive innovation and growth across the wider economy. Using data from the ONS Annual Business Survey (ABS), the GVA of London's High Technology sector was £30.1bn in 2011. This is 10.5% of workplace-based GVA in London, which was around £287bn in 2011 according to the ABS.[33]

1.78. As a global creative hub, London has considerable overlap with the technology sector. In 2011, 'high tech' industries accounted for around 309,000 jobs in London while creative industries[34] employed around 237,000 however 84,000 jobs are included in both categories.[35]

1.79. There is substantial overlap across further sectors. Of the 309,000 jobs classed as high tech, around 8,000 are in the manufacturing category (around 8% of London's manufacturing total), 275,000 are in the Information and Communication category (around 84% of the London total) and 26,000 are in the Professional, Scientific and Technical Activities category (around 5% of the total).

1.80. Despite London's huge potential there are significant barriers preventing London's science and technology sector from reaching its full potential, including:

- Coordination failure – e.g. the complexity of London's institutional environment (such as London's 45 universities)
- Government failure – e.g. regulation/tax can create perverse incentives (for example, the UK has one of the highest taxes on equity, which discourages investment in high growth SMEs)
- Information failure – e.g. young people unable to make informed choices about STEM (science, technology, engineering, maths) skills
- Risk/culture – e.g. lenders do not always have the information they need, pricing out risky investment
- Market monopoly – e.g. BT and Virgin Media in broadband provision
- Complexity of a mixed market economy - e.g. in healthcare
- The evidence suggests certain types of business are less successful in innovating and highlights particular challenges for some black and minority ethnic owned enterprises and for some smaller companies involved in environmental technology.

Broadband quality

1.81. The Broadband Quality Survey 2010[36] shows that UK broadband services enable users to "comfortably enjoy" the latest web applications but still lag some way behind the best in the world, such as those in South Korea, Hong Kong and Japan.

[32] http://www.london.gov.uk/sites/default/files/digital-economy-2012.pdf.
[33] This is total GVA not just the 2/3rds of GVA ("Business Economy") which is covered by the ABS.
[34] Based on definition of Creative Industries used by the Department for Culture, Media and Sport.
[35] It is worth noting that the definitions are compiled to different levels of detail – the Eurostat High Tech definition is done at the 2-digit level and takes a binary approach (a sector either is or is not high tech). The DCMS definition, however, is done at the 4-digit level and is continuous (for example 2.3% of employment in the computer programming code is classified as creative).
[36] Third Annual Broadband Quality Survey 2010, conducted for Cisco by the Said Business School and the University of Oviedo. Broadband quality was evaluated by scoring the combined download throughput, upload throughput, and latency capabilities of a connection, the key criteria for a connection's ability to handle specific Internet applications, from consumer telepresence to online video and social networking.

1.82. The survey placed the UK in a category of "Broadband Penetration leaders", with three-quarters of UK households already having broadband access. However, the study also found that Britain was not one of the 14 countries that is already prepared for the "applications of tomorrow", and added that many developing economies are leap-frogging established countries. For example, Latvia, Bulgaria and Portugal are already achieving the necessary 11mbps download and 5mps upload speeds. The worldwide average is currently 5.9mbps for download and 1.7mbps for upload; the UK compares favourably with a 6.4mbps download speed. Ofcom have since reported (May 2011) that average download speeds in the UK are 6.8mbps.

1.83. Where sample sizes are sufficiently large, the survey also included details at city level. London scored 30 on the broadband quality score, the same as Glasgow and one point higher than Birmingham. This compares with the winning city of Seoul, South Korea which has an overall score of 73.

Air pollution

1.84. London continues to face a significant air quality challenge with considerable impacts on the health and quality of life of Londoners, especially the old and young. The latest compliance report submitted to the European Commission by the Department for Environment, Food & Rural Affairs (DEFRA) concluded that while London is now meeting the daily and annual EU limit values for PM10 it is the only UK zone that does not meet the Stage 2 PM2.5 annual limit value (to be met by 2020). London is one of two UK zones (with South East [Oxford]) not to meet the hourly EU limit value for NO2 and one of 34 zones not to meet the annual EU limit value for NO2. The deadline for meeting NO2 limit values was 2010 and it is increasingly likely the European Commission will shortly commence infraction proceedings against the UK Government.

1.85. Given the health, environmental and broader benefits of addressing air pollution, the European Commission has highlighted the important of efforts to tackle emissions in urban areas, recognising this in a number of their thematic strategies. London is well positioned to address emissions through the promotion of low emission vehicles and ERDF is one mechanism to support the necessary trials and testing of new vehicles and supporting infrastructure.

Risks and opportunities from climate change

1.86. London faces a number of challenges if it is to maintain its position as a leading global centre over the next 20 years. One such challenge is climate change. Climate change represents a significant market failure – greenhouse gas emissions have been higher than would have been socially optimal. Although some degree of climate change is now inevitable, unless greenhouse gas emissions are reduced significantly, more dramatic changes to our climate may become unavoidable - with significant economic and social costs.

1.87. The fact that carbon emissions have been higher than socially optimal is a result of the price of carbon (and greenhouse gases in general) being either too low or not included in production. Establishing a price for carbon that reflects the full social cost of the production and consumption of carbon is important. The most pressing issue is for the international community to set a firm, binding target to limit the global average temperature rise resulting from climate change.

1.88. It is now widely anticipated that carbon and energy prices will be higher in the future. As a consequence, goods and services – particularly those involving high energy inputs – have already

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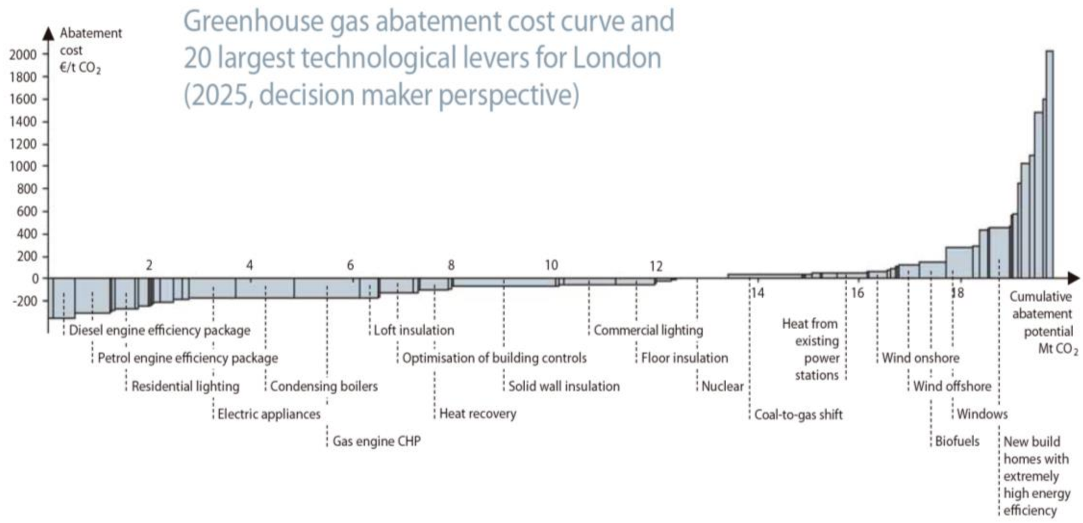
These criteria are expressed as a single 'Broadband Quality Score' for each country. Using the data from 40 million broadband quality tests conducted in May-June 2010 on the Internet speed testing site, speedtest.net the researchers were able to evaluate the broadband quality of 72 countries around the globe.

started to become more expensive, other things being equal. Economic activity needs to become more carbon efficient and there are likely to be economic opportunities in this transition.

1.89. London's Climate Change Action Plan sets a challenging target of reducing the capital's emissions of greenhouse gases by 60% on 1990 levels by 2025. In reducing the carbon intensity of economic activity, it makes both economic and environmental sense to concentrate on levers that deliver large reductions in carbon emissions at least cost (or even better with savings). Using all the technological levers identified, a report by the consultants EIU and McKinsey & Company finds that by 2025, London could deliver a 43.7% cut in carbon emissions (around 21 Mt CO_2); see Figure 1.8.

Figure 1.8: Greenhouse gases abatement cost curve for London – 2025 decision-maker perspective on 20 largest technological levers



Source: EIU/McKinsey & Co. (2008) [37]

1.90. Opportunities stemming from efforts to tackle climate change in London extend to potentially positive impacts on output and jobs. Unlocking the low carbon economy in London could drive growth in the market worth £3.8 billion per annum. In this perspective, the Mayor's own carbon mitigation programme around retrofitting, converting waste to energy and decentralised energy is relatively small but could act as a stepping stone in London's journey towards the greater economic prize and its mitigation of climate change.

1.91. Given that some degree of climate change is now inevitable, London also needs to adapt to increased risks from flooding, drought and overheating.

Wider public realm

1.92. London relies on high quality labour viewing it as an attractive place in which to live and work. High quality and creative individuals feel attracted to places where there are concentrations of other talented individuals but they also value a pleasant aesthetic environment and a beautiful physical setting.[38]

1.93. The concept of 'public realm' is notoriously difficult to define. A 2004 Central Government consultation with local authorities found that the majority did not have an operational definition

[37] Sustainable Urban Infrastructure: London edition – a view to 2025 https://www.cee.siemens.com/web/at/de/corporate/portal/Nachhaltigkeit/Documents/SustainableUrbanInfrastructure-StudyLondon.pdf.
[38] See Glaeser & Gottlieb (2006): Urban resurgence and the consumer city, Harvard Institute of Economic Research Discussion paper 2109.

of the public realm.[39] However it would include squares, parks, gardens, green spaces and public open spaces, streets, roads, footpaths, cycle paths, tow paths and rights of way.[40]

1.94. GLA Economics has undertaken work on valuing green space specifically within London.[41] In the study the amount of green space within ward boundaries was the fifth most significant indicator in explaining the variation in average house prices. The first four indicators were level of income support, travel time to Central London, average air quality and dwelling density. A 1% increase in green space in a typical ward can be associated with a 0.3 to 0.5% increase in average house price. However, homebuyers tend to have one of two preferences: Central London with its high density of dwellings or the open spaces of the Green Belt. Furthermore, there were also differences between flat and house prices adjacent to public open space which may be associated with fear of risk of crime.

Rationale for using ESI funds to strengthen innovation and science & technological development in London

1.95. There is a significant scope to support the London as a world class leading hub for science, technology and innovation. London should communicate its distinct competitive advantage to the global investment community, alongside opportunities for R&D collaboration.

1.96. London Higher Education Institutions are a major asset; they are a hotbed for innovation and technological advancements and will play a pivotal role in delivering local growth. To this end, ERDF in London will seek to harness the interface between London's university base and the rest of London's 'innovation ecosystem' (including entrepreneurs and investors). ERDF will help to increase the level, supply and exploitation of knowledge and innovation to SMEs by improving knowledge exchange mechanisms and business access to knowledge and technology transfer services. The LEP will also encourage the development of new business models that will enable emerging technologies to be more rapidly commercialised. This will enhance collaboration across the research, teaching and business/clinical base, with a stronger focus on translation of ideas into practice and commercialisation.

1.97. At the same time London needs to build and maintain a competitive business environment that meets the specific needs of science and tech firms and investors. LEAP will ensure London has the underpinning infrastructure to support growth in the sector. This includes investment in broadband where the market will not provide and increasing the supply of affordable workspace and grow-on space to retain London-born innovation. As these schemes require capital investment, they will be funded under the fourth priority of this strategy, which addresses London's infrastructure needs.

1.98. London's competitiveness is highly dependent on the availability and quality of knowledge communication and social infrastructure. ERDF will support the delivery of 'Smart London[42]', an initiative which aims to strengthen London's innovation systems through integrated urban development. The Mayor's Smart London Plan looks at the role digital technology can play in helping to address energy and transport challenges, to make London an even better city to live and work in. For example the use of smart approaches and the integration of intelligent systems and technologies both within and between the energy, transport and ICT sectors will help improve efficiencies and reduce carbon emissions both within their sectors and at a city level. This strategy will support activity related to the development and expansion of smart city and community activity.

1.99. 'Smart city' type projects will enable collaborations across London's innovation ecosystem through investment in demonstration projects which have the potential to address the capital's challenges.

[39] Office of the Deputy Prime Minister (ODPM) – Caring for quality (2004).
[40] Drawn from EMDA tender specification for ECOTEC – Economic impact of the public realm (2007).
[41] Valuing Greenness– green spaces, house prices and Londoners' priorities (GLA Economics, June 2003).
[42] Smart London Plan, GLA 2013. http://www.london.gov.uk/sites/default/files/smart_london_plan.pdf.

1.100. There is evidence that insufficient numbers of SMEs take advantage of digital technologies. This leads to missed opportunities to grow and increase productivity. This is sometimes due to a lack of awareness of the opportunities and the ability to exploit them; but sometimes also due to practical issues including an inability to access high speed communication networks with sufficient bandwidth to meet business needs. ERDF investment will help improve digital connectivity, which will be critical to supporting new growth, attracting international high tech investment and creating jobs.

1.101. LEAP will seek to ensure that EU funding will not displace private funding; LEAP will seek to leverage private finance for research and innovation and use financial instruments to ensure a resource-efficient way of deploying and recycling funds over the long term.

1.102. The Investment Priority and indicative activities for enhancing innovation and science & technological development can be found on page 59. The associated outputs and results are listed in Chapter 2.

Rationale for using ESI funds to enhance London's Infrastructure

1.103. Promoting innovation and growth is not only about assisting individual enterprises with their specific business needs, it is also about helping them to better connect with their localities. This can be done by transforming the physical environment in areas where there are currently barriers to economic performance as well as spreading regenerative benefits of investment in places of work to the wider area. The decay of the urban environmental infrastructure reduces the attractiveness of areas for much needed business investment; it deters new businesses from locating in those areas of London with the largest scope for increased job provision and related inward investment, which will benefit Londoners, including from deprived communities.

1.104. Investment in urban regeneration can unlock the growth potential of a locality. LEAP will seek to invest ERDF in projects which can deliver long-term benefits, through an integrated approach which combines the physical, economic and social regeneration of deprived areas in London. This will be informed by the London Plan, which provides the economic, environmental, transport and social framework for development in London to 2031.

1.105. Integration will ensure an interdependency of the Mayor's environmental, social and economic planning policies. It helps to tackle the complexity of urban problems by developing the capacities of local areas; ERDF alone cannot deliver smart, sustainable and inclusive growth: a more holistic and integrated approach is needed through a smart mix of different funds, including ESF and including national, regional, local and private financing.

1.106. Lack of adequate, accessible and affordable workspace constitutes a barrier to entrepreneurship and business growth in London. LEAP will identify and address specific market failures through ERDF capital investment. Co-ordinating and supporting the provision of affordable workspace in London will enable small businesses, including microbusinesses, to develop and grow.

1.107. The challenge London faces in reducing CO_2 emissions and becoming a world leading low carbon capital is significant, but achievable. London will achieve this by investing in the environmental infrastructure to support its businesses, to allow them to compete in the global low carbon, resource efficient economy; also having a vibrant multitude of businesses that are actively thriving in the low carbon and environmental goods and services sector.

1.108. To achieve this vision, LEAP will take advantage of the city's policy framework, scale of market and position as a leading global centre for carbon finance and invest ERDF in climate change mitigation and adaptation. Initiatives include building decentralised energy capacity and associated heat networks, retrofitting residential, commercial and public buildings, construction of energy from waste plants that connect to decentralised energy infrastructure, waste processing, reprocessing, recycling and remanufacturing facilities and green infrastructure to ensure London's climate resilience through the 21st century

Rationale for using ESI funds to finance Green Infrastructure

1.109. The magnitude of market failure raised by the phenomenon of climate change and the general case for public sector intervention to manage environmental issues is clear in economic theory. As a densely populated city, London's environment is under considerable pressure and it faces significant challenges going into the future, as projected economic and population growth exerts further pressure on already strained resources.

1.110. London's homes and workspaces are estimated to emit around 79%[43] of the Capital's CO_2 emissions. By 2050 it is estimated that 80% of buildings in London today will still be in use: retrofitting these buildings with energy efficiency and energy supply measures is therefore an essential component of the Mayor's strategy to meet the 2025 CO_2 emissions target.

1.111. Smart energy and smart grids play an important part in this process and make a clear and important link between the energy supply and the energy efficiency strands of work; they bring together energy systems not only at building level but at the scale of neighbourhoods, district and city level.

1.112. The London Plan sets targets to increase the amount of commercial and industrial waste managed within London from 60% to 85% by 2020. This is a significant challenge given that, over this period, commercial and industrial waste is set to grow by 50% from 6.6 million to 9.9 million tonnes.[44] The London Plan estimates that over 300 new facilities are needed to manage London's municipal and commercial and industrial waste by 2020. The Plan also sets targets requiring a significant increase in recycling and advanced conversion technologies to recover energy from the resultant output (i.e. anaerobic digestion, gasification or pyrolysis) within the commercial and industrial waste stream, to reduce the amount of waste exported to surrounding regions.

1.113. The Mayor has set a target of 25% of London's energy being generated through decentralised energy by 2025. The GLA has already undertaken the first ever decentralised energy masterplanning exercise across London and is now supporting the commercialisation of large-scale decentralised energy projects can heat and power London's existing and new buildings more carbon-efficiently.

1.114. It is estimated that to deliver the target of reducing CO_2 emissions by 60% of 1990 levels by 2025 will require £40 billion of investment and to deliver the Mayor's contribution will require £14 billion[45]. These levels of funding are not something that can, or should, be delivered by the public sector alone; hence public sector funding streams being used to attract and unlock private sector investment.

1.115. This approach is no different from any other infrastructure investment challenge facing the UK, and London, as one of the world's premier financial centres, is in an ideal position to grasp this opportunity. This model has been successfully pioneered under the 2007-13 ERDF programme through London Green Fund (JESSICA initiative), which has used £50m ERDF to leverage £325m from other sources for investment in green infrastructure.

1.116. While the London Green Fund has made good progress, it provides only a tiny fraction of the level of investment required. Securing finance for green infrastructure will continue to be challenging particularly as financial markets face constraints where risks are difficult to assess due to novelty and where players face constraints to scale up balance sheets. Some of the market failures affecting the funding of green infrastructure manifest themselves in the following[46]:

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[43] LEGGI 2006.
[44] London Plan Further Alterations.
[45] Ernst & Young, Prospectus for London, the Low Carbon Capital (2009) (2009 prices).
[46] The economics of the Green Investment Bank: costs and benefits and value for money, October 2011.

- Temporary restrictions in company and bank balance sheets resulting from the cost of raising new capital;
- Long-term bank lending via structured finance products will be further affected by new regulations, such as Basel III;
- Risk aversion due to imperfect information and information asymmetries e.g., due to novel technologies and novel business models; and
- High financing transaction costs.

1.117. For 2014-20 LEAP will build on the legacy of the London Green Fund, to help address these market failures, to achieve London's low carbon strategic ambition 60% reduction in CO_2 emissions by 2025.

1.118. The Investment Priority and indicative activities for enhancing London's infrastructure can be found on page 64. The associated outputs and results are listed in Chapter 2.

London's People

London's attractiveness to people

1.119. People are attracted to London because it a great place to live, open to international communities and home to world-leading educational opportunities.[47] London is powered by more people than any other city in Europe. There has been a significantly faster growth in job creation in London over the last five years and since the 1990s. In March 2013, the total number of workforce jobs in London stood at 5.14 million, an increase of 108,000 on a year earlier.

1.120. As early as 2016, there will be 8.6 million people living in the capital with many more choosing to commute in for work from across the wider south east and further afield. In an international context, the capital will grow at a faster rate than New York between now and 2020, increasing by almost one million people.

1.121. For highly skilled people London is attractive as it offers good career opportunities and higher wages, has one of the most diverse populations of any international city, has a significant cultural and entertainment offer and is a relatively green city in terms of space.

1.122. As well as a world class labour force London also offers business access to world class higher education and research facilities. London has four universities in the 'top 100', more than any other city in the world[48] (Imperial College, University College, LSE, King's College). 25% of all UK researchers are employed in London and the city has five of the UK's top ten research universities (Imperial College, University College London, LSE, King's College and St George's Hospital Medical School).

1.123. London is known globally for its business education, with the London Business School rated as the top business school in Europe by Business Week. Cass Business School - the business school of City University London (Europe's largest finance school) - is also highly rated. The UK is the world's second most popular destination for foreign students. According to Study London[49] there are more than 100,000 overseas students at London's 42 universities and higher education institutions, from over 200 different countries – more than any other city in the world.

1.124. International students not only add to the diversity and culture of London's universities, they provide additional highly skilled workers to London's workforce, and have a significant positive impact on the economy through their spending on UK goods and services. In addition, students that go on to stay in London and move into the work force tend to generate a net benefit for the Exchequer as they generate more tax revenue than is required to pay for the public services they use.[50]

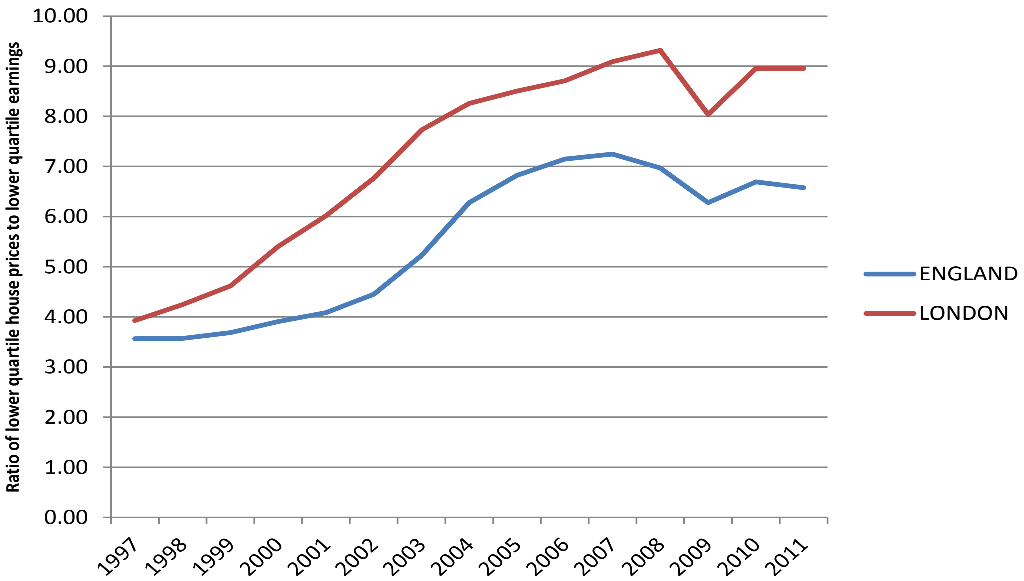
Risks to London's attractiveness to people

Cost of living

1.125. London is an expensive city. One of the most challenging obstacles to living in London is the ability to buy a home. Figure 1.9 shows that in London the ratio of lower quartile house prices to lower quartile earnings rose from 4.0 in 1997 to over 9.0 in 2007 and 2008. In 2009 it fell slightly but was back to 9.0 in 2010 and 2011.[51] Although the economic downturn kept house prices in check (as shown in Figure 1.9), most recently house prices in London have resumed their rise and this seems likely to continue in the longer term.

Figure 1.9 Affordability of housing over time (ratio of lower quartile house prices to lower quarter earnings)

[47] Livingston, I., Sharp, R., Booz & Co (October 2009), London: World Capital of Business.
[48] http://www.timeshighereducation.co.uk/world-university-rankings/2012-13/world-ranking.
[49] Study London 2013, http://www.studylondon.ac.uk/why-study-in-london/.
[50] Vickers, P. and Bekhradhia, B., 2007, 'The economic costs and benefits of international students' Higher Education Policy Institute, July; and LSE 2007 'The impact of recent immigration on the London economy.' City of London Corporation London.
[51] Data from www.communities.gov.uk; live tables on housing market and house prices, table 576, August 2013.



Source: DCLG, Live tables on housing market and house prices, Table 576

Crime

1.126. In the 2011 Annual London Survey the number of respondents citing "fear of crime" as a problem fell to 25% from 35% in 2010.[52] It is important for London's ongoing attractiveness that residents feel safe. Combatting crime is a social good and as such is suitable for intervention. There are a number of valid ways in which public sector intervention can help to combat crime. These include promoting social inclusion and health equality (both of which the Mayor has a mandate to do) and investing in education and skills in order to reduce unemployment.

Employment and Skills issues

1.127. London has a polarised income distribution. As well as containing a high share of the UK's richest people, it is also home to a high share of the poorest. After housing costs, 27% of Londoners are ranked in the top quintile nationally, whilst 26% are ranked in the bottom quintile. This is only the case when measured net of housing costs. The 'before housing costs' figure is 19% – meaning that the level of incomes received via wages or benefits towards the bottom of the income scale is no worse in London than elsewhere.

1.128. 17% of London's children are living in families in poverty (before housing costs are taken into account) and as many as 36% after taking account of housing costs (comparative UK-wide data are 18% and 28% respectively).

1.129. Another reason why London has a significant proportion of its population towards the bottom of the income distribution is that it has a higher level of worklessness than the rest of the UK. The next section looks at these issues in more detail.

Workforce Jobs

1.130. The volume of workforce jobs in London has been steadily increasing since 2009 when the number fell to 4.75m in the recession. As of September 2013, there were over 5.22m workforce jobs in London exceeding the pre-recession peak of 4.97m jobs.

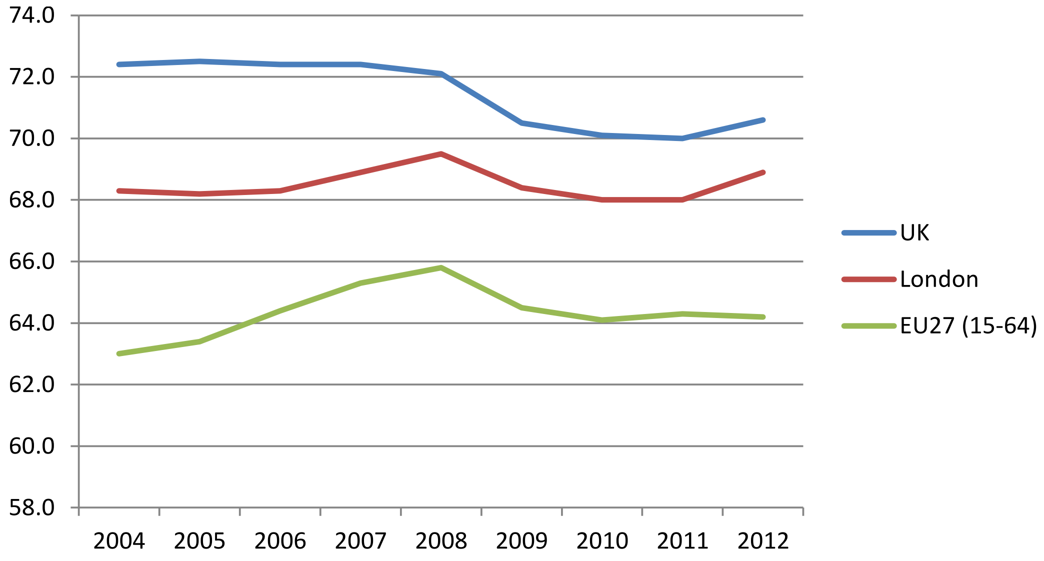
Employment

1.131. London's labour market is unusual. Demand for labour is high and employment levels were growing until the onset of the recent recession. However, over the last decade or so, the gap

[52] GLA, 2011, London Annual Survey.

between London's employment rate and that of the country as a whole has not closed (see Figure 1.10).

Figure 1.10: Employment Rates Compared



Source: Annual Population Survey, Eurostat

1.132. There is also substantial under-employment in London, as illustrated below in Table 1.7:

Table 1.7 Under-employment in London

Workers wishing to work more hours	Thousands	Percentage
Inner London – West	40	7.3
Inner London – East	99	11
Outer London - East and North East	71	9.7
Outer London – South	58	10
Outer London - West and North West	76	8.7

Source: Office for National Statistics

1.133. One of the reasons for under-employment – but not the only one – is the lack of qualifications of some Londoners. 19% of workless London residents have no qualifications compared to just 5% of those employed. There is a cycle: low paid people find it hard to acquire skills and therefore move up the labour market and increase their pay.

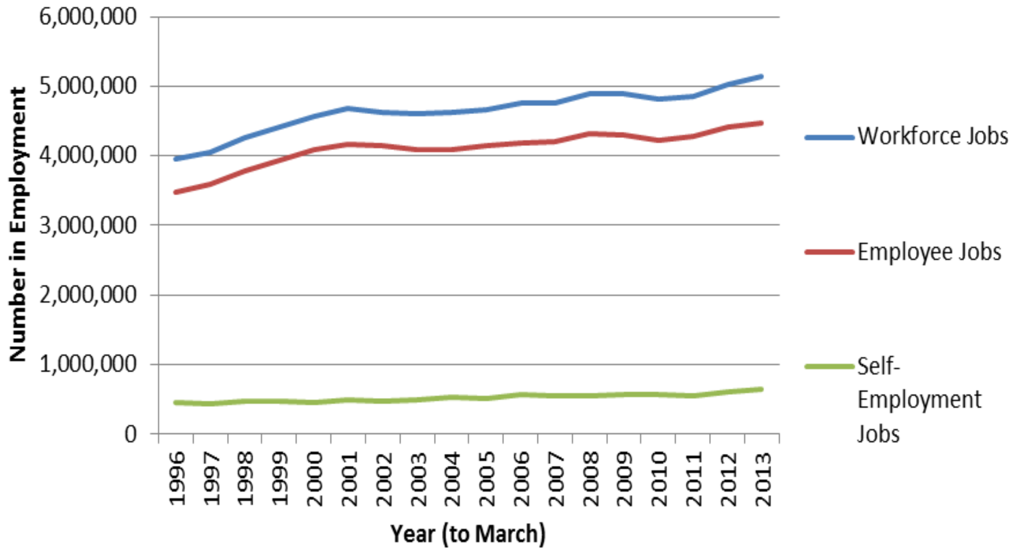
1.134. However, qualifications are not the only factor impacting on worklessness. There is a greater concentration of groups who experience lower employment rates (wherever they are located) in the capital, the higher costs of living in London and the interaction with social housing tenure all play a part.

Self-employment

1.135. In the year to March 2013, there were 677,900 people who were in self-employment, including freelancers, (age 16+), 17.5% of total employment. The proportion of self-employed in London is 3.4% higher in London than for the UK as a whole. Using Labour Force Survey data as part of the Workforce Jobs series, self-employment has risen by 36,000 over the last year, by 101,000 since March 2008, and 150,000 since March 2003, see figure 1.11.[53]

[53] Annual Population Survey, ONS.

Figure 1.11 Levels of employee jobs, self-employment and total workforce jobs over time:



Source: Annual Population Survey, Workforce Jobs

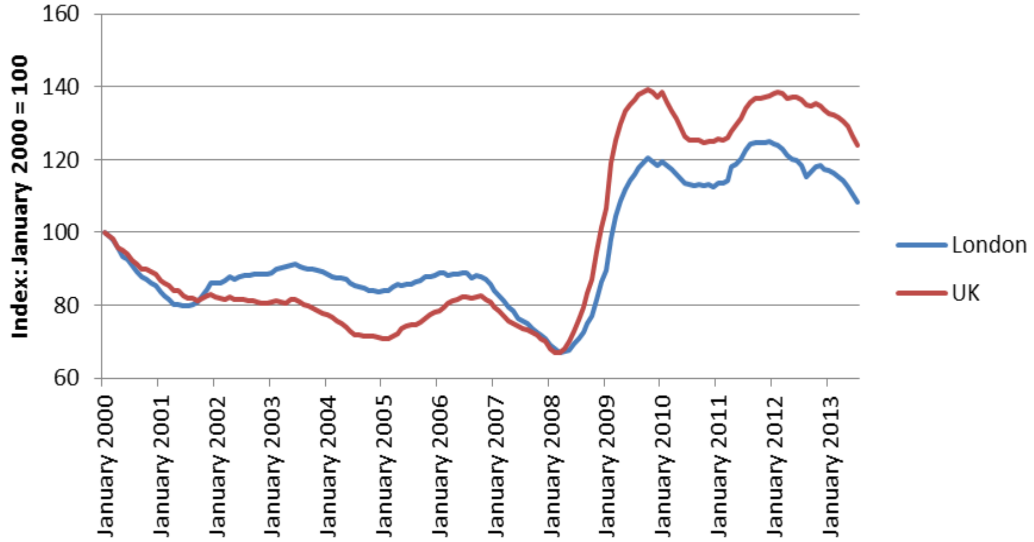
Unemployment

1.136. London's unemployment rate is above that of the UK but the gap is closing (see Figure 1.12). As of July 2013, there were 205,000 people claiming Jobseekers Allowance (JSA) in London, a fall of 19,300 on the year. For the UK as a whole there were 1.44 million claimants, a fall of a 145,400 on the year. The claimant count rate in London stood at 3.9%, 0.4% lower than for the UK as a whole. Figure 1.13 shows the trends in the claimant count rate for London and the UK.

Figure 1.12 London's Unemployment Rate

Source: Office for National Statistics

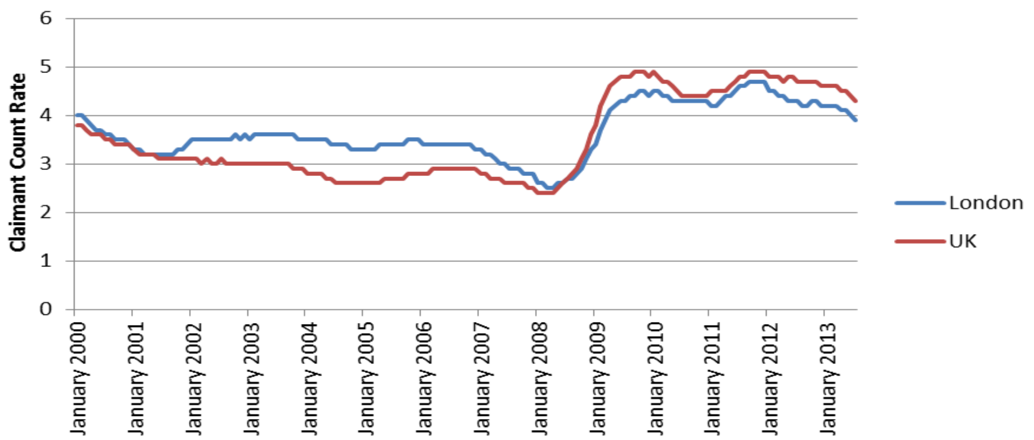
Figure 1.13 Claimant Count Level for London and the UK



Source: Jobcentre Plus; seasonally adjusted.

1.137. Indexed to January 2000, there has been a significant rise in the claimant count level for London and the UK as a whole, however the increase in the period to July 2013 for London has been less than for the UK as a whole, see Figure 1.14.

Figure 1.14 Seasonally Adjusted Total Claimants



Source: Jobcentre Plus, seasonally adjusted, total claimants. Index based on January 2000 figures.

1.138. Borough level data shows that claimant count rates in Inner London were 0.8% higher than Outer London boroughs in July 2012. The highest rates were in Barking and Dagenham (5.4%), Hackney and Tower Hamlets (both 5.0%). The lowest rates were in Richmond upon Thames (1.5%) and Kingston upon Thames (1.6%). With the exception of Greenwich (4.0%), the remaining growth boroughs were amongst the eight boroughs that had the highest claimant count unemployment rates in July 2013.

Economic Inactivity

1.139. To the end of May 2013, there were 1.3 million economically inactive people in London comprising 23.4% of the working age population compared with 22.5% in the UK as a whole. Students make up the greatest proportion of the economically inactive group (30.3%), followed by those looking after the family or home (30.1%), long-term sick (16.9%), other (11.2%) and retired (8.9%).[54]

[54] London Data Store, March 2013.

Employment and unemployment rates by socio-economic groups

Young People:

1.140. Significant numbers of young people in London are not in employment, education or training (NEET). In 2012 there were 127,822 NEETs aged 16-24, 19% of whom had a degree. This is set out in Table 1.8 below.

Table 1.8: Number and proportion of NEETs aged 16-24 resident in London by highest educational qualification, 2012

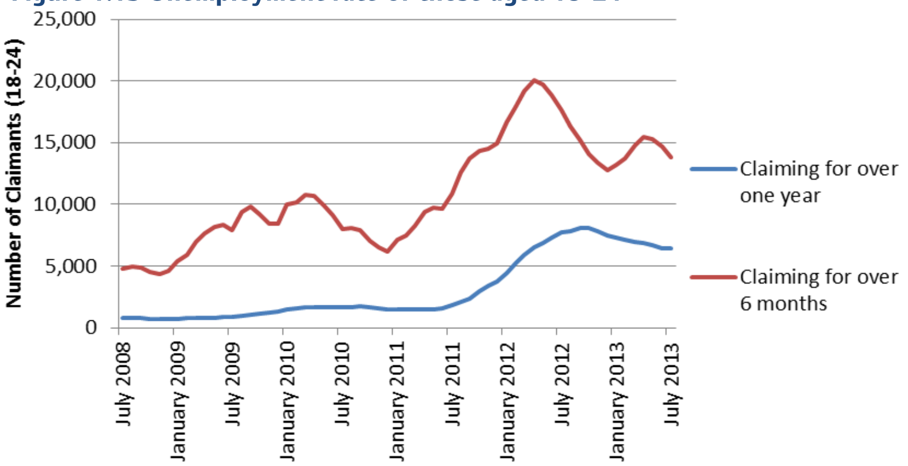
Highest educational qualification	Number of NEETs	Proportion of NEETs %
Degree or equivalent	24,352	19
Higher education	4,972	4
GCE, A-level or equivalent	31,546	25
GCSE grades A*-C or equivalent	32,771	26
Other qualifications	16,049	13
No qualification	18,132	14

Source: Annual Population Survey, Office for National Statistics

1.141. To the end of June 2013, 13.4% of Londoners aged 16-24s were NEET, compared with 15.5% nationally. At the end of 2012, 4,830 aged 16 and 17 were NEET (around 3% of the 16-24 population).[55]

1.142. As at July 2013, in the 18-24 age group, there were 40,750 claimants, of which 13,800 had been claiming for over 6 months; and 6,430 who had been claiming for over 12 months. Figure 1.15 shows that there has been a sharp rise in the number of young people (age 18-24) claiming JSA in London over the last five years:

Figure 1.15 Unemployment rate of those aged 18-24



Source: Jobcentre Plus, Claimant Count – age and duration with proportions, sourced from NOMIS.

1.143. 8.8% of 16-24 year olds in London are JSA claimants compared with 5.3% of the whole London population. This amounts to 40,860 young people. Moreover young people are significantly under-represented in the self-employed in London, illustrated by Table 1.9:

Table 1.9: Young people's share of employment

Proportions	2004	2007	2011
Proportion of self-employed aged 16-29	15%	13%	15%
Proportion of employed aged 16-29	27%	27%	25%

Source: GLA Economics analysis using Annual Population Survey data

[55] Department for Education, 2013.

1.144. The youth unemployment rate remains high in London compared with the UK average; see Table 1.10:

Table 1.10: Unemployment rate, 16-24

	2004	2009	2010	2011	2012
North East	15	22.9	22.3	23.6	25.2
London	18.9	22.2	22.2	24.7	24.5
Yorkshire	11.7	19.2	19.6	24.4	24.2
Wales	13.3	19.8	22.6	22.7	23.6
West Midlands	13.9	22.1	21.3	25.3	21.9
North West	13.1	21.3	21	22.3	21.6
East Midlands	10.5	17.9	18.6	21.3	21.4
UK	12.4	18.8	19.3	21	20.9
Scotland	12.6	16.8	18.6	21.5	20.7
Northern Ireland	12.6	16.8	18.5	18.6	19.1
East	9.9	16.3	17.2	17.6	18.3
South East	9.6	16.2	16.7	16.6	16.9
South West	8.6	15.1	16.2	15.7	16.6

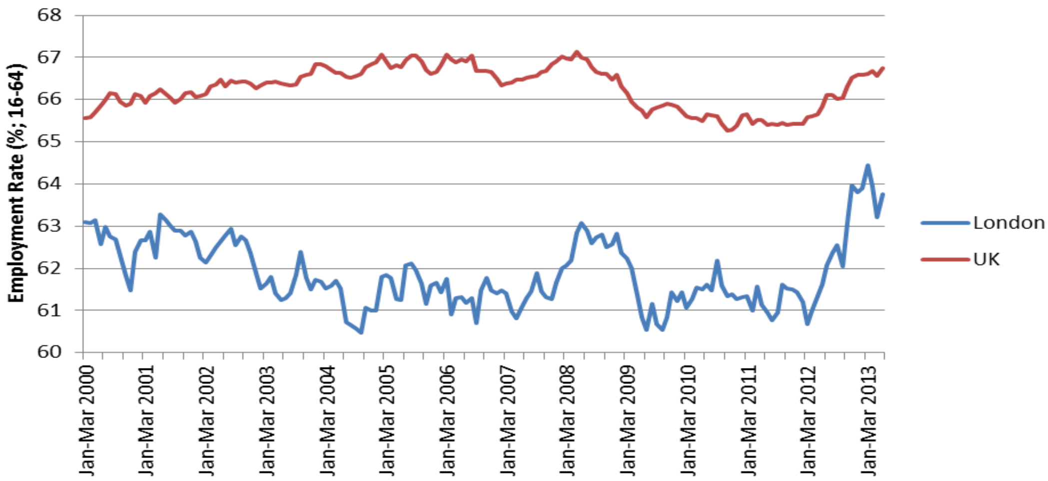
Source: Annual Population Survey

Women

1.145. The employment rate of women in London is well below that of men and the UK average, see Figure 1.16. In the UK overall there is a similar "gender gap" in employment levels, but it is smaller. Research suggests that the single largest contributor to London's employment rate gap is the difference between female employment in London and the UK.[56]

Figure 1.16: Employment of Women in London and the UK

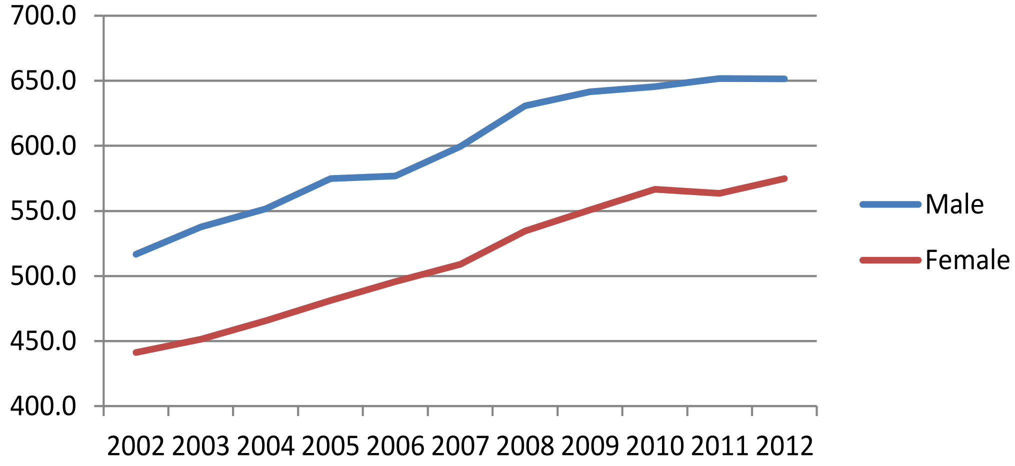
1.146. In addition, those women who are employed in London are paid significantly less than employed men; see Figure 1.17:



Source: Annual Population Survey

[56] Centre for Economic and Social Inclusion (2012), Driving up part-time employment in London.

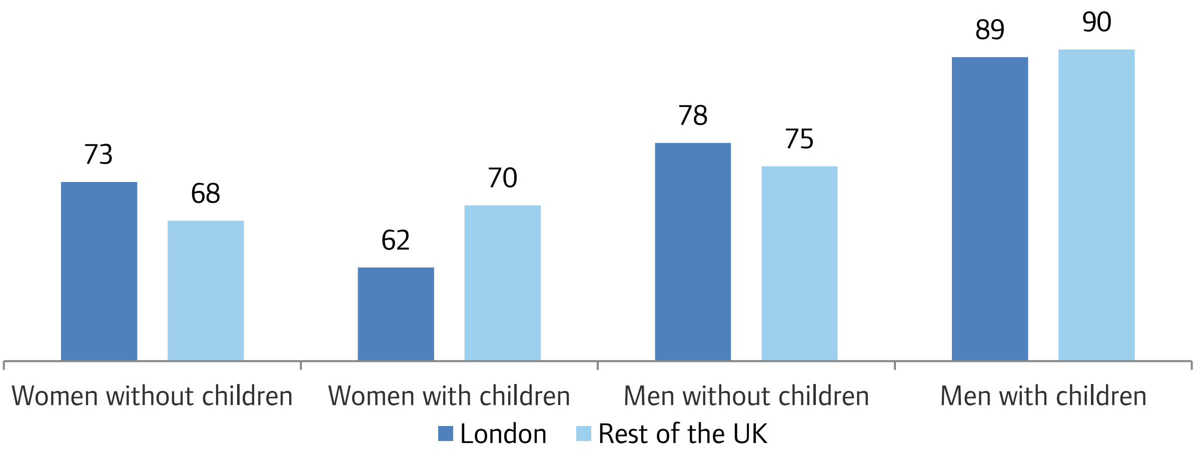
Figure 1.17 Median weekly pay, London



Source: Annual Survey of Hours and Earnings

1.147. Being a parent makes a large difference to the employment rates of women and there is a bigger impact in London than in the rest of the UK. In 2012, the employment rate for women without dependent children was higher in London (70%) than in the rest of the UK (68%), while for women with children, the rate was much lower in London at 62% compared with 70% in the rest of the UK. There is a similar, but far less marked, pattern for men in London as compared with the rest of the UK.

Figure 1.18: Employment rates of women and men (%), by whether or not they have dependent children, London and the rest of the UK, 2012



Source: Annual Population Survey

1.148. The Labour Force Survey shows there was a large increase in the employment rate of lone parents in London in 2012, continuing an increasing trend since 2007.Employment rates of lone parents, the great majority of whom are women, are lower than those of women in couples with dependent children. The gap between London and the rest of the UK reduced from 15% in 2007 to just 3% in 2012.

1.149. The employment rates for single parents (women and men) in London are well below that of the rest of the UK (Table 1.11). In both London and the rest of the UK, employment rates for single parents are below those for parents in couples and non-parents.

Table 1.11: Employment rates of residents aged 16-64 by parental status, 2011 (%)

Family type	Total of all working age people		Lone parents		Parents in couples		Non-parents	
Sex of parent	female	male	female	male	female	male	female	male
London	61.8	73.1	48.8	60.8	60.4	88.9	64.6	67.7
Rest of UK (exc. London)	66.4	75.1	57.1	68.3	72.1	89.9	65.1	69.2
UK	65.8	74.8	55.8	67.3	70.7	89.7	65.1	69

Source: Annual Population Survey (household dataset) 2011

1.150. Relatively high childcare costs in London are a deterrent to single parents working as illustrated by Table 1.12

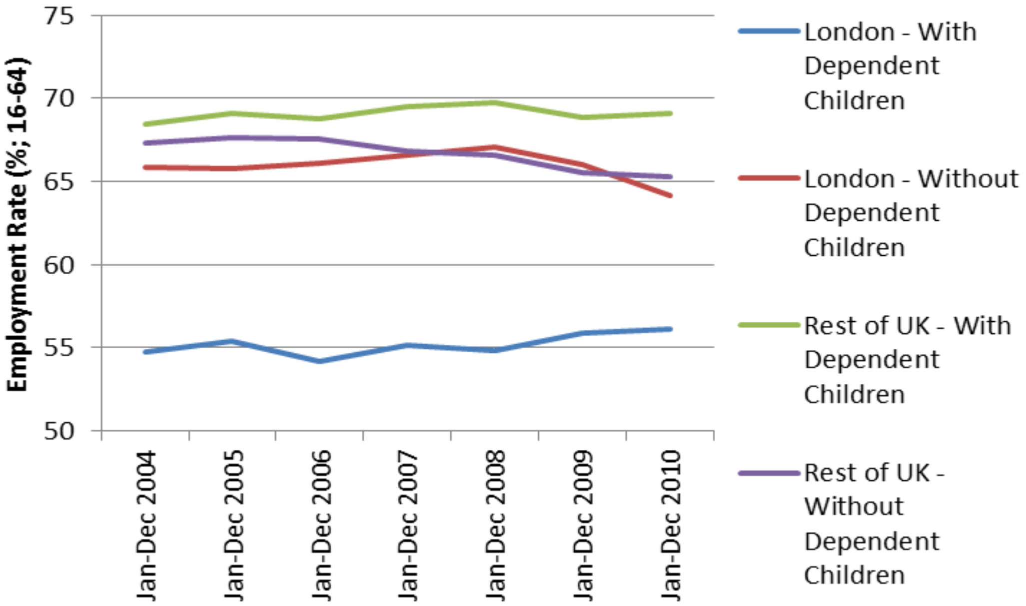
Table 1.12: Childcare costs

Geography	Nursery 25 hours (<2)	Nursery 25 hours (2 and over)	Childminder 25 hours (<2)	Childminder (2 and over)
London	133.17	124.73	131.08	128.34
England	108.51	106.52	98.98	97.27
Britain	106.38	103.96	98.15	96.67

Source: Daycare Trust

1.151. But they may also contribute to the lower employment rate for women with dependent children in London versus the rest of the UK, see Figure 1.19.

Figure 1.19: Women's employment rates



Source: Annual Population Survey

1.152. Constraints on the availability and take up of part-time work in London have partly contributed to the difference in female employment rates in London and the UK.

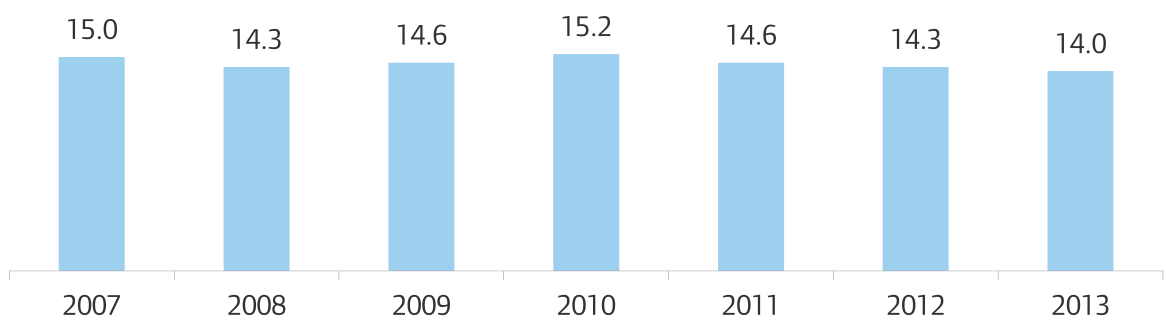
1.153. In the year to March 2013, there were 882,000 part time workers in London (one in five employees), of which 597,000 were women. The number of part time workers in London has increased by 23,000 over the last year (or 2.7%). The proportion of the total working age population working part time stood at 21.6% in London in the year to March 2013. For workers over the age of 50, this proportion was 31%; and for working age women, this proportion was 33.4% according to the Annual Population Survey, ONS.

1.154. The Mayor is seeking to create 20,000 additional part-time jobs in London between now and 2016. LEAP's Skills and Employment Working Group is supporting the Mayor's part-time jobs campaign; this will be promoted as part of the 2014-20 ESIF programme.

Black, Asian and Minority Ethnic (BAME) people

1.155. London is home to a large and diverse population, with around 3.3m people living in London who are from a BAME background. Furthermore, 42.5% of all people from BAME groups living in England reside in the capital.[57] The employment rate of BAME groups in London remains below that of the white population; see Figure 1.20:

Figure 1.20: Gap in employment rates (%) between all white groups and all BAME groups, London, 2007 to 2012



Source: Annual Population Survey

1.156. Data from the Annual Population Survey shows that in 2013 there was a 14% difference between the employment rate of all white groups and all BAME groups with 74.8% of those from all white groups in employment compared to 60.8% of all BAME groups. This marks a continuation of a declining trend since 2007 with the exception of 2010 of the employment gap slowly closing.

1.157. Whilst the employment gap between all BAME groups and all white groups has continued to close, the headline figures do not reveal the significant differences between the ethnic groups and especially between the employment rates of men and women.

1.158. The employment gap between men and women within certain BAME groups continues to be significant and is thus a cause for concern. The gender gap between Bangladeshi men and women is greatest with 70.5% of men in employment but only 27.4% of women. Arab and Pakistani women too have very low employment rates with 28.4% and 37.5% respectively. This is in stark contrast to White British women where the gap between male and female unemployment is 10.4%.

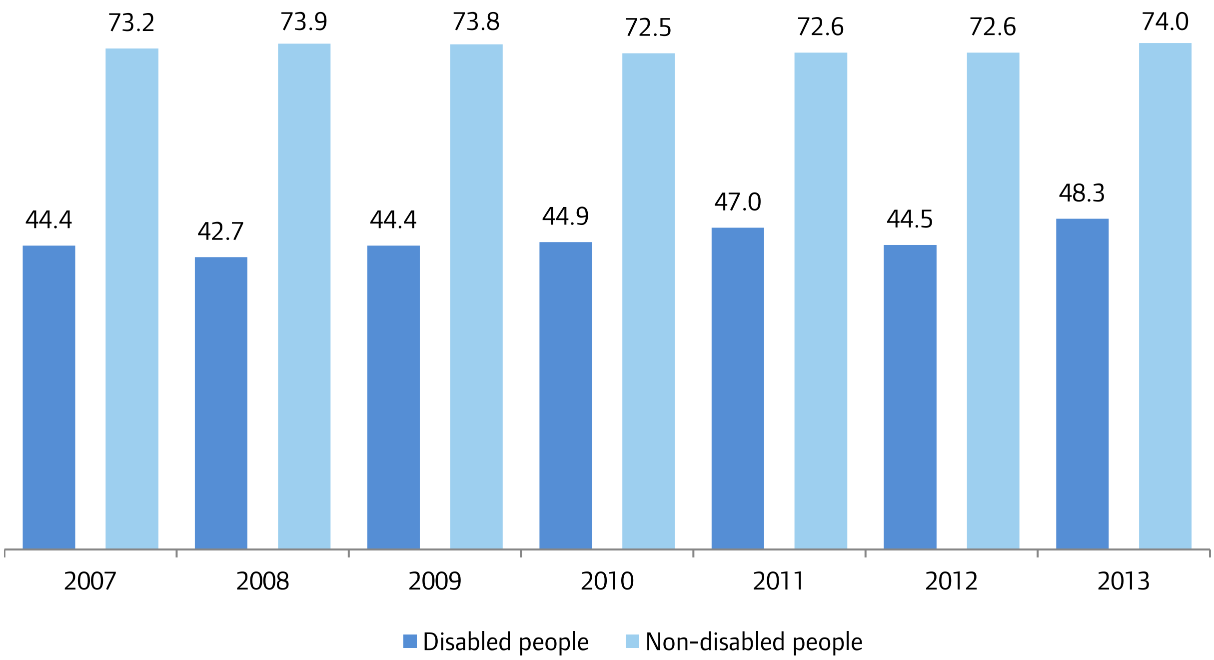
Disabled people

1.159. Disabled peoples' employment prospects are poorer than both the average population in London and the disabled in the UK overall, though the gap versus the UK overall has closed

[57] 2011 Census.

significantly in recent years, the Annual Population Survey shows that the gap had closed to 1% in 2012 compared to 4% in 2004.

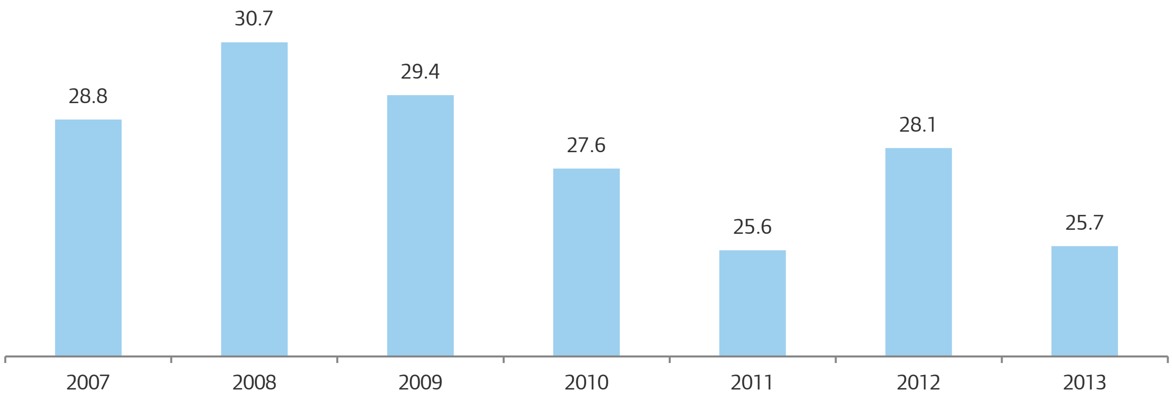
Figure 1.21: Employment rates of disabled and non-disabled people in London, 2007 to 2011 (%)



Source: Annual Population Survey

1.160. The employment rate of disabled people in London was 48.3% in the year to March 2013, compared with 74% for non-disabled people (see Figure 1.22). The gap has closed to 25.7%, compared with 30.7% in 2008.

Figure 1.22: Gap between employment rates of disabled and non-disabled people in London aged 16 to 64, 2007 to 2013



Source: Annual Population Survey

1.161. The wide gap in labour productivity between non-disabled and disabled people will have a substantial negative impact on a country's GDP.[58] It has been estimated that resolving this gap would boost GDP by £13 billion.[59]

Older People

1.162. Older people are under-represented in employment. In both London and the UK only around 10% of the over-65s are employed. Due to the progressive impact of less generous pensions and the abolition of compulsory retirement ages, this rate is expected to rise over time.

[58] "The Price of Exclusion: the economic consequences of excluding people with disabilities from the world of work" 2009 ILO.
[59] Disability Skills and Work London: Social Market Foundation 2007.

1.163. Adults aged 50+ who are made redundant find it appreciably more difficult than younger adults to find another job, and in particular a job at a comparable level. The BIS/DWP (2010), Second Survey of Employers Policies, Practices and Preferences Relating to Age identified how age played a role in all areas of employment (recruitment, pay and other benefits, development and leaving).

1.164. In October 2013 the Mayor published a report by GLA Economics on "The Economic Contribution of Older Londoners" quantifying the economic contribution of both Londoners aged 50-64 and older Londoners aged 65+ not only in employment but also as volunteers, informal carers and grandparents providing childcare. The report identifies that those aged 65+ contribute £6.3 billion per year to London's economy. Survey data suggests that 54,000 Londoners aged 50-69 have looked for a job in the last four weeks and a further 91,000 would like a job.

Offenders

1.165. Offenders face significant disadvantage when entering the workforce. This can be due to the 'stigma' of having a criminal record when coupled with additional barriers presented by reduced levels of numeracy, literacy and communication skills, substance misuse history, weak ties with local community or lack of a well-developed family support network and attitudinal and behavioural issues that need addressing.

1.166. In November 2013, there were 18,310 London offenders aged 18 and over in prisons in England, representing 21.6% of the total prison population (84,573). Of the 18,310, 96% are male, 26% are aged 18-24 and 69% are from an ethnic minority group, 28% are white British and the remaining 3% are unknown. Just over 10,000 of the prisoners are held in prisons outside of London (making resettlement incredibly challenging) with the remainder inside London's prisons[60]. A key driver of the Government's new Transforming Rehabilitation (TR) programme[61] which will come into effect from 2014, is to ensure the majority of offenders are held in a prison designated to their area for at least three months before release.

1.167. There are also around 363 young people from London aged 15-17 in custody located in prisons across England[62] who often have distinct and complex needs – 96% are male.

1.168. The Police and Crime Plan 2013-16 includes as a priority the need to help London's vulnerable young people and in particular to reduce re-offending by children and young people leaving custody in London by 20%. The effective resettlement of children and young people who offend both in custody and in the community is paramount to ensuring that future offending behaviour is prevented.[63] The numbers of children and young people reoffending following release from custody remains high at almost 70%.

1.169. This group of young people are increasingly complex, requiring significant resources to turn lives around. In addition, a vast number of children and young people who offend serve sentences in the community and need support to deter them away from a life of crime. The Transforming Youth Custody Programme (TYC) is designed to help young people both in custody and when returning to the community. The TYC agenda is extensive, with a primary focus on delivering a new approach to youth custody while also significantly enhancing the education offer and wider resettlement services delivered in existing young people's custodial establishments. This will help to ensure that London is safer, with fewer crimes committed and fewer victims. Crime has a significant cost attached to it – both to the Criminal Justice System, but also much wider for other services and for London as a whole.

[60] National Offender Management Service, 26th November 2013.
[61] http://www.justice.gov.uk/transforming-rehabilitation.
[62] Youth Justice Board, November 2013.
[63] Evaluation for the London Youth Reducing Re-offending Programme (Daedalus), November 2012.

1.170. In addition to this, is the aim to tackle gang violence and gang-related activity, the subject of considerable public and political concern. In July 2013, 3309 gang nominals were identified on the 32 Borough gang Matrices across the Metropolitan Police Service (MPS). Of these 3309, 2091 are currently shown as Live and 1218 are shown in Custody (36%). Of the 3309 gang nominals on the Matrix, 2826 are aged between 15 and 24. This is 85% of all gang nominals.[64]

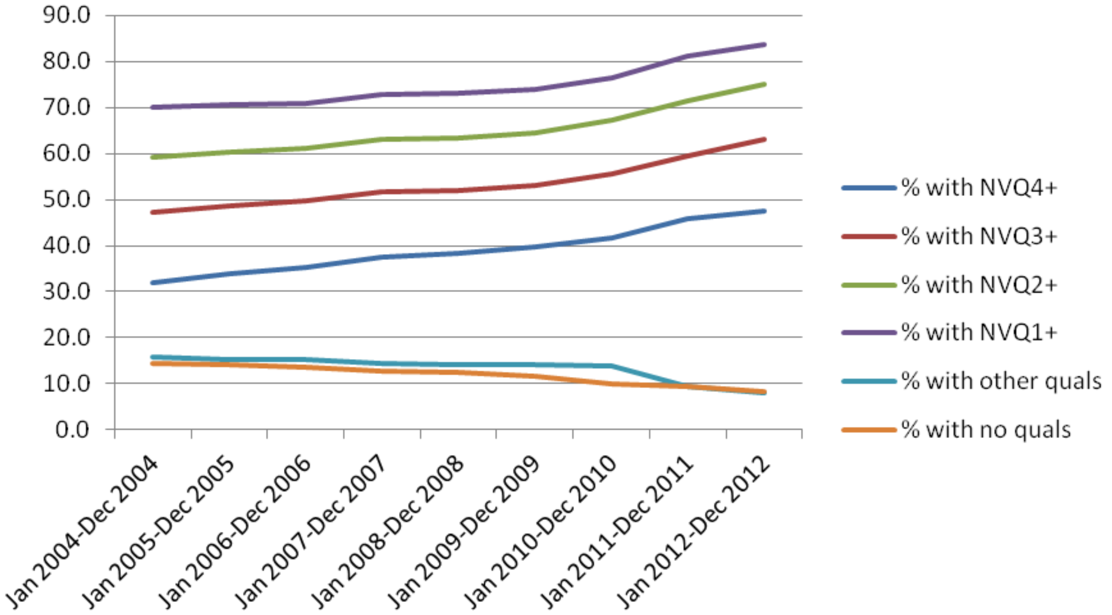
Skills

1.171. London's economy is based on relatively high skill requirements. More than half of jobs in the capital require level 4 qualifications as a minimum, compared to below 40% across the United Kingdom as a whole. GLA Economics' employment projections show an increase of 800,000 jobs requiring at least an ordinary degree over the projection period (2011 to 2036). Figure 1.23 demonstrates that around 47.6% of London's working age residents are qualified at NVQ Level 4 and above, however it is estimated that at present 55% of jobs require high level skills.[65]

1.172. Skills levels have improved with more people having NVQ level 3 and above at the end of 2012 (3.3m individuals) compared with 2008 (2.6m). However around 455,800 working age Londoners have no qualifications and, although this has improved since 2008 (664,600), represents 8.4% of the population. Around 279,500 of those with no qualifications are workless people (61.3%).[66]

1.173. Data from the National Employer Skills Survey 2010 reveals that the greatest skills gaps are found in managerial occupations (30.5%), administrative and clerical staff (26.8%), sales and customer services staff (26.2%) followed by elementary staff (20.5%). The greatest impact of these skills shortages is increased workload for other staff, difficulties meeting quality standards and increases in operating costs.

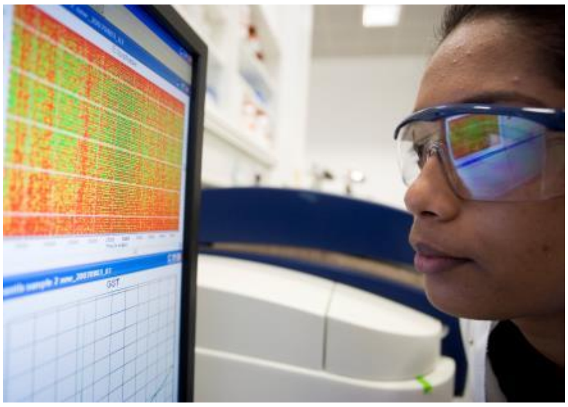
Figure 1.23 Qualifications Level of Londoners aged 16-64



London Data Store, December 2012

[64] Trident Gang Crime Command, August 2013.
[65] compared with a UK average of 34.2% in 2012.
[66] London Data Store, July 2013.

1.174. The CBI education and skills survey for 2012 reports that 73% of employers selected the need to provide businesses with the skills they need as the single most important reason to raise education standards; 71% believed that schools should be prioritising the development of employability among the 14-19 age group. The CBI report also states that 81% of employers are committed to maintaining or increasing their investment in training, despite current economic uncertainty, which highlights the importance of employees having the right skills for the right job.



Poverty and Deprivation

1.175. Due to a mixture of low pay, worklessness, and high housing and childcare costs, many Londoners live in poverty. Higher crime rates and poorer health outcomes characterise many low-income areas of London, and a disproportionately high number of London's children (36%) live in low-income families (after housing costs). 15,445 households in London are defined as 'homeless'.[67]

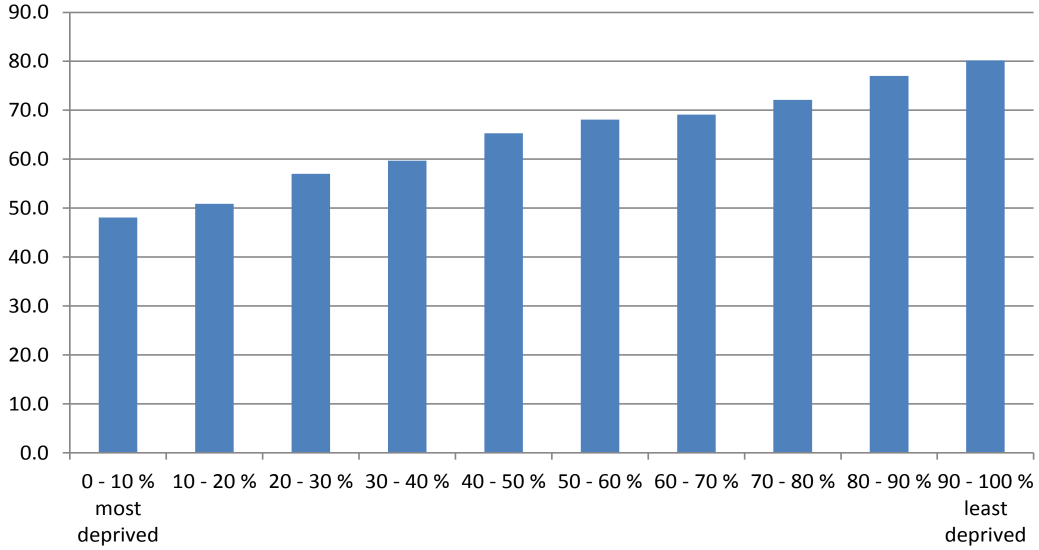
1.176. Housing problems that are disproportionately experienced in London, including overcrowding and homelessness, can compound the challenge Londoners experience with developing their skills and securing and sustaining employment. Homelessness in particular can both be a symptom and contribute to difficulties accessing the labour market. Those who are out of work or on a low income are more likely to live in insecure accommodation or fall into rent arrears and thus end up facing homelessness. The number of households in London experiencing homelessness has increased in recent years: in 2012/13, just over 16,000 households were accepted as statutorily homeless by Local Authorities, compared to just under 9,500 two years previously. Temporary accommodation will have been provided to most of these households. A further 28,150 households sought assistance from local authorities when they found themselves facing homelessness; authorities were able to prevent them from becoming homeless or find alternatives to private rented accommodation. For many, the stress and uncertainty of experiencing homelessness can be a barrier to improving skills or seeking work.

1.177. Rough sleeping is the most acute manifestation of homelessness. Despite a reduction in the number of people sleeping on London's streets in recent years, 6,437 were reported in 2012/13, a 13% increase on the previous year. While the causes of rough sleeping are multiple and complex, many of this group have significant support needs regarding their physical and/or mental health or substance use; they are some way from the labour market. However, there is also a significant and growing phenomenon of European and particularly Central and Eastern European nationals coming to London in search of work ending up sleeping rough. Where they are not entitled to welfare benefits, they require distinct forms of assistance. For some, help to secure employment can deliver a sustainable solution.

1.178. As well as being detrimental in itself, child poverty can also impact on an individual's future. People who experienced poverty in childhood are more likely to have low incomes and worse employment prospects than those who did not have poor childhoods. Figure 1.24 illustrates this issue. It shows that educational attainment amongst children is strongly correlated to parental incomes.

[67] Source DCLG P1E returns – exclude rough sleepers and single people.

Figure 1.24: Achievements at GCSE by Income Deprivation Affecting Children Index – Numbers in London (2009/10) achieving 5+ A*-C GCSE grades including English and Maths



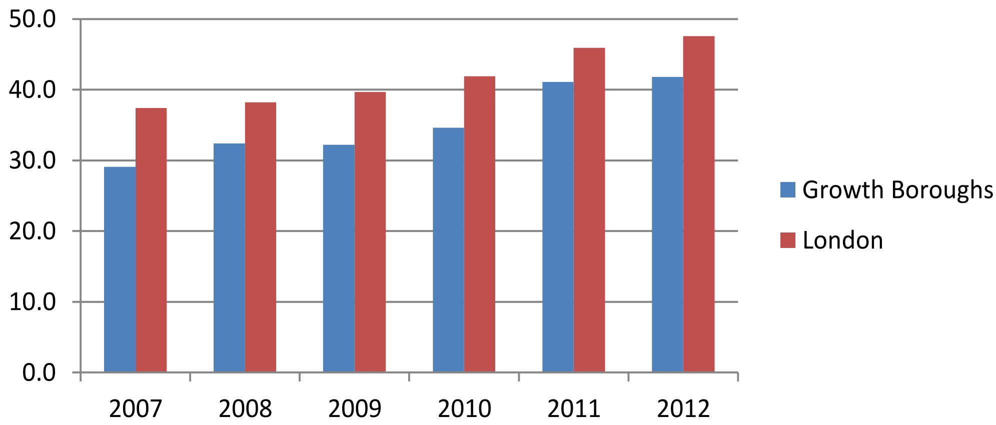
1.179. Where London employers are unable to find sufficient skills among local residents, economic migrants will benefit from jobs. Employers may even locate elsewhere. As such, the need to raise educational attainment amongst London's young people, and particularly those from low-income backgrounds is clear, both for the economy and to alleviate some of the social problems in some deprived neighbourhoods.

1.180. Many of the poor socio-economic outcomes covered in this chapter are frequently concentrated in certain parts of London – in particular areas in North and East London. Over the last 40 years or so many policy interventions have been made in these areas. However, there is a lot of evidence to suggest that over this period spatial inequality has hardly reduced. A National Equality Panel report suggests that spatial differences are more pronounced today than ever before.[68]

1.181. In an attempt to reduce and eventually eliminate these differences, six Boroughs hosting the 2012 Olympic and Paralympic Games (Barking and Dagenham, Greenwich, Hackney, Newham, Tower Hamlets and Waltham Forest) set 20-year convergence targets[69]. These include educational attainment (raising results at GCSE Key Stage Four and improving results at Key Stage Two (11 year olds); increasing employment rates; increased mean incomes in the bottom two fifths of earners; reducing the number of families in receipt of benefits; reducing crime; and increasing life expectancy. Figures 1.25 and 1.26 demonstrate the gap between skills and employment levels in these 'growth boroughs' and London overall:

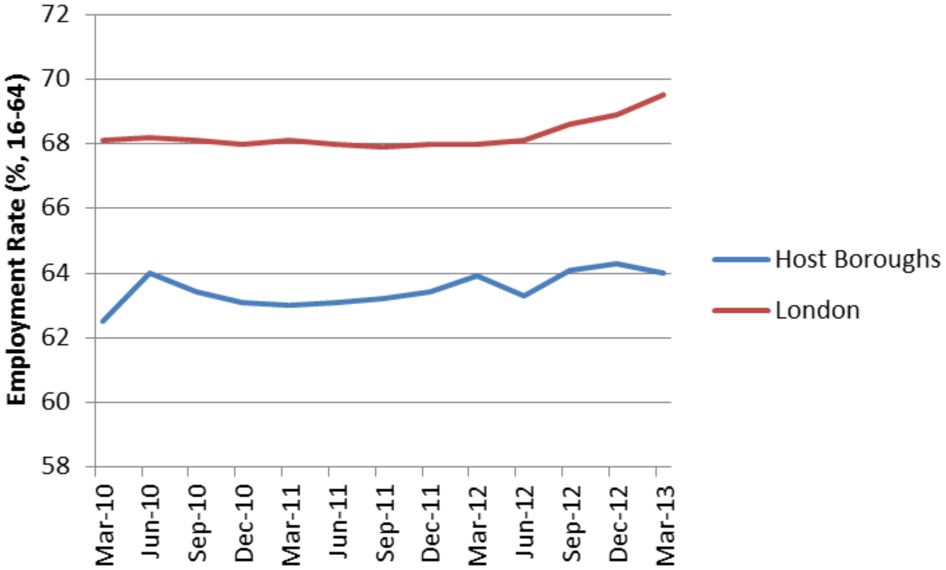
[68] National Equality Panel Report (2010) 'An anatomy of economic inequality in the UK'.
[69] Strategic Regeneration Framework: An Olympic legacy for the host boroughs http://www.gamesmonitor.org.uk/files/strategic-regeneration-framework-report.pdf.

Figure 1.25: Skills levels in the growth boroughs versus London as a whole



Source: London Datastore

Figure 1.26: Employment Rate (%, 16-64) in the Growth Boroughs and London



Source: Annual Population Survey, Office for National Statistics

Digital Exclusion

1.182. Digital exclusion is a particular issue for certain disadvantaged groups including: disabled people of whom over a third have never used the internet, and older people with one in two aged 65 to 75 not online.[70] Indeed, 15.9% of women in London have never used the internet. [71] BAME groups are also particular at risk from digital marginalisation with 13.3% of London's BAME population having never accessed the internet.[72] Out of those Londoners earning less than £15,000 per annum, around 86,000 have never used the internet.[73]

Rationale for investing ESI funds in skills and employment

1.183. As the earlier sections of this Chapter highlighted, London is a leading global city competing internationally, drawing in global talent and driving productivity, economic growth and individual wealth and prosperity. However, London's gains and successes have not been evenly shared across the city or its population. The capital suffers from expensive housing, significant

[70] *Manifesto for a networked nation Raceonline 2012.*
[71] Datastore, 2011.
[72] Datastore, based on LFS 2011.
[73] Smart London Plan, GLA, 2013.

pockets of deprivation and worklessness. The residents of many boroughs do not have the skills or opportunities to share in the successes of markets adjacent to them.

1.184. As illustrated, the vast majority of out of work Londoners, 80%, are classified as economically inactive. This includes students, people looking after the family/home, the long-term sick and retired people. Of the 1.3m 'inactive' people in London, over 350,000 want to work (APS/ONS, Oct 13).

1.185. Although the Government's Work Programme is focused on tackling long term unemployment, the results so far have shown that it has been a less effective intervention for certain groups, particularly inactive groups, including people on Employment Support Allowance (ESA), those in receipt of Income Support (IS) and Incapacity Benefit (IB).

1.186. Looking at the data to July 2012, disabled people on the Work Programme were half as likely to achieve a job outcome as people without a disability. In most areas lone parents were also slightly less likely to have a job outcome than others. Job outcomes were most likely for the 25-34 age group, whereas in many other regions, the 18-24 age group had the highest job outcome rate, though the differences were not particularly large. It is estimated that half of Work Programme leavers will fail to find work at the end of two years on the programme.

1.187. Universal Credit is being introduced in 2013 to help claimants and their families to become more independent and will simplify the benefits system by bringing together a range of working-age benefits (including in-work support for the low paid) into a single payment. It will also include a greater emphasis on moving people into work and increasing earnings.

1.188. Around 81.3% of Londoners earn more than the London Living Wage (LLW) which in 2013 is £8.80 per hour, however 12.5% still earn below the poverty threshold wage. Linked to this, a third of new benefit claims are repeat claims. This suggests a significant number of people are 'cycling' in and out of work, or in work but likely to be on 'in work' benefits.

1.189. The 2012 London Living Wage report indicates that paying the LLW makes economic sense and can help improve staff retention rates. The number of employers committed to paying the LLW has almost reached 200 in London, but the LEP recognises the need to promote more widely the LLW to help reduce the risk of poverty.

1.190. LEAP will use ESF for schemes that will support long term unemployed and inactive groups most likely to be impacted by welfare changes, particularly those who are not accessing or have left the Work Programme or not on any other mainstream provision. It will bring them closer to the labour market by helping them with social issues such as those relating to budgeting and housing, and move them into sustained employment opportunities. LEAP will also use ESF to support low paid and low skilled individuals to develop the skills needed to enter or progress into job opportunities that pay the LLW. Funding will support groups with particularly high levels of worklessness including disabled people, women, BAME groups, lone parents and disadvantaged families or workless households.

1.191. High levels of unemployment disproportionately affect young people in London. Almost 128,000 people aged 16-24 are not in employment, education or training in London. The main government support for young people is the Youth Contract. For 16 and 17 year olds, it is targeted at those with no GCSEs at A-C and aims to support their progression onto an Apprenticeship or into a job with training. Data to the end of March 2013 revealed that in London only 28% of participants engaged were supported into a job or training. This is worrying, as this group are more likely to be long term unemployed than young people with A-C GCSE grades.

1.192. LEAP will work closely with local authorities to provide the necessary support to ensure better transition from school into work through good quality careers advice. Every young person aged 16 and 17 at risk of NEET in London should receive suitable support to remain in education and/or have access to sustainable training and employment opportunities.

1.193. For those aged 18-24 the Youth Contract is available to those claiming benefit and not yet eligible for the Work Programme. The Contract offers voluntary work experience or a sector based work academy place (where the claimant has been on JSA for 3 months) before they enter the Work Programme. Early findings reveal widespread support for additional adviser contact to better identify needs and target support more effectively and work experience opportunities to aid progression into employment. At the time of writing, data on performance was not available, however LEAP will build on some of these early findings and ensure good quality work experience is available to young people to give the exposure to the world of work early on and help them to compete in the labour market.

1.194. LEAP will support more tailored and dedicated programmes for the most disengaged young people including effective interventions which focus on reducing participation in gangs and gang related activities through education and employment in an integrated way. In response to the 2011 summer riots and since 2012, Jobcentre Plus in London has introduced gang advisers into the London boroughs most affected by gang violence. More than 600 young people have been helped into a job, or supported into skills or training. LEAP supports the Mayor's aim to reduce youth violence and using ESF to widen investment to support young people associated with gangs. Activities will complement and add value to provision delivered by the National Offender Management Service, local authorities, resettlement and probation services.

1.195. Over 26% of London falls within the most deprived 20% of England. The employment rate in the Olympic Growth Boroughs is the lowest of all London sub regions at 63.9%. The area hosts 62% of the highest levels of deprivation in London. 25.5% of London's unemployed, 24.5% of 18-24 year old Job Seekers Allowance (JSA) claimants and 24% of lone parents claiming benefits live in the Growth Boroughs. The Work Programme is working less well in the Growth Boroughs than elsewhere both nationally and in London. Data released in July 2013 on the first two years of delivery of the Work Programme shows 10% of people referred to the Work Programme in the six Growth Boroughs went on to trigger a job outcome payment, compared to an average of 11% across London . There is a 6% gap between the Growth Boroughs and the London average performance of the Work Programme for 18-24 year olds. There is an 8.5% gap with the rest of the UK. Whilst there has been relatively fast employment growth and increasing skills levels in the area, there still remains a body of lower skilled, potentially disadvantaged and disenfranchised people across the boroughs.

1.196. As illustrated earlier, London's skills base is polarised with around one-third of London's population who have low level skills (below NVQ2), including almost half a million who have no accredited qualifications. The increasing demand for high level skills also make finding employment ever more difficult for young people who do not possess such skills, particularly with the on-going influx of highly skilled labour from elsewhere in the UK and internationally. Many of the newcomers have higher levels of qualification than local young people, as the opportunities available within London inevitably attract the best and brightest talent, while ever-increasing globalisation ensures the potential talent pool is much wider. With employment projections showing an increase in the number of jobs requiring degree level or higher qualifications, LEAP will invest ESF to support the low-skilled to meet the needs of London's labour market through progression in learning onto higher level skills and higher level apprenticeships.

1.197. LEAP's expectation is to focus ESF investment to help tackle London's worklessness and skills gap by supporting the most disadvantaged groups to develop the skills they need to succeed and to ensure job opportunities are accessed in the most deprived areas in particular the Growth Boroughs to narrow the employment gap with the rest of the London. LEAP will use a more flexible, tailored and localised approach to address needs not fully met by mainstream provision.

1.198. This will be achieved by working closely with ESF match-funders to ensure that they work together and with other partners such as local businesses, colleges, civil society and local authorities in designing provision and determining consistent outcome definitions. The objective is to meet local needs most effectively by minimising duplication through integrated commissioning between match-funders across skills and employment interventions.

1.199. The Investment Priority and indicative activities for supporting Londoners' skills and employment can be found on page 50. The associated outputs and results are listed in Chapter 2.

The ERDF funded EUREKA project at the University of East London offered environmental expertise to businesses, helping them to implement sustainable processes, develop innovative clean technologies and access new markets. Photo: Blue Skies Media

SWOT Analysis

1.200. The challenges facing London are summarised in the Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis below. The analysis identifies the main internal strengths and weaknesses of the labour market, trade, the environment; and the external opportunities and threats.

1.201. On the basis of this analysis, and the earlier narrative, conclusions are drawn for ESF and ERDF investment in the skills and employment, SME competitiveness, science and technology and infrastructure priorities outlined in Chapter 2. This strategy will seek to build on the strengths and address the weaknesses, by capitalising on the opportunities and seeking to minimise the threats.

Strengths

- The powerhouse of the UK with GVA more than six times larger than Wales; London contributes 22% of UK GVA, progressively up from under 19% in 1997;
- Global leading financial and business services sectors;
- Europe's financial centre;
- World class higher education institutions;
- World-class research and development at UCL, King's College, Imperial and the LSE, with Oxford and Cambridge close-by;
- Rising attainment levels for young people including at degree level;
- A city where people choose to live and work; GLA projections indicate that Greater London's population will reach ten million soon after 2031, marking a 22% increase from 2011, pushed up by immigration, rising birth rates and lower domestic out-migration;
- Location, language, political and legal structure makes it an attractive location for international businesses, leading to a proliferation of new and existing business clusters looking to profit from the wide and diverse occupier base;
- Openness to trade and investment and strong international trading links;
- Highly skilled labour force contributes to London being almost 30% more productive than the UK average;
- High rate of business start-up. When London is compared to the UK on the basis of resident population, London supports more businesses per head of population;
- Leading centre for global carbon trading.

Weaknesses

- Higher proportion of its population out of work than the UK as a whole;
- Highest rate of child poverty in the country;
- Significant pockets of deprivation, worklessness and economic underperformance are juxtaposed with highly successful, agile and profitable labour markets;
- Five Boroughs (Tower Hamlets, Islington, Haringey, Newham and Hackney) in the top twenty most deprived areas in England;
- Housing is very expensive;
- High cost of living relative to London/UK wage levels;
- Residents of many boroughs often do not have the skills or opportunities to share in the successes of areas adjacent to them;
- Over 26% of London falls within the most deprived 20% of England;
- London is among the most expensive cities in the world;
- Although higher wages make London an attractive place for highly skilled workers, higher staffing costs can be a deterrent for businesses;
- Crowding and congestion on transport;
- Air quality has improved but the levels of two pollutants – particulate matter (PM10) and nitrogen dioxide (NO2) – still do not meet EU limits.

Opportunities

- A global city, where businesses across the planet choose to make their home;
- City's reputation for liberal markets and light-touch regulation will continue to be attractive to international groups; Euromarkets began in London and China chose London as first offshore Renminbi trading centre outside Asia;
- London's businesses are intensive in High Technology activities. £30 billion of London's GVA is High Tech - or over 10%;
- Over £3.3 billion of R&D expenditure is spent in London (2011 data);
- Over 800,000 private sector businesses are located within London's 33 boroughs, accounting for 15.8% of all jobs in the UK (5.1million July-Aug 2012);
- In 2015 the Frances Crick Institute will be Europe's largest centre of biomedical research;
- London's higher education sector spends nearly £2 billion annually on R&D (2011 data);
- Communications advances have helped London's higher education sector to use its franchise to open campuses abroad e.g. in Asia; London has four universities in the global top 100;
- The employment projections show an increase in the number of jobs requiring degree level or higher qualifications of 800,000 between 2011 and 2036;
- Capacity to attract new industries due to its international reputation;
- Strong carbon market. London is central to the EU Emissions Trading Scheme (EU ETS) as European Climate Exchange contracts, traded on the ICE Futures Europe exchange in London, made up 91% of futures trading on the EU ETS in 2008;
- The development of Enterprise Zone at the Royal Docks in East London has the ability to create significant numbers of new jobs.
- Proposed Assisted Areas status for some areas of London, where regional aid may be granted under EU legislation. Enables the encouragement of employment in an area that has consistently high unemployment.
- Regeneration e.g. the Olympic Park is bringing new industry, jobs and cultural life to London.

Threats

- Risk of 'gold plating' new capital adequacy and regulatory provisions for banks: important that UK banks not disadvantaged relative to competitors in other jurisdictions;
- European Banking Union (from which UK has opted out) could operate against the interests of London's financial sector and could represent 'shift of gravity' away from London;
- Over-regulation, with some EU members keen to impose tighter controls;
- New Eurozone crisis would have adverse repercussions for London: UK banks exposed to Eurozone;
- London's banking sector remains at competitive risk from emerging Asian markets, particularly Hong Kong and Singapore;
- Inward migration controls: UK government closed Tier 1 General Route for non-EU migrants, also reduced number of non-EU students permitted to enter via the Tier 4 student visa entry route;
- Disconnect between skills provision for adults and skills demands from employers. Mayor has no legislative powers over skills and employment provision;
- Due to past greenhouse gas emissions some level of climate change is inevitable;
- Social dislocation due, for example, to high unemployment rate among young: In the 16-24 age group in London, 127,800 people are not in employment, education or training; 19% of these young people have a university degree.
- Vicious cycle of children born in poverty underachieving at school and facing poor employment prospects;
- High cost of living in particular for housing;
- Costs of doing business: London scores poorly on costs of staff, value for money of office space and the cost of living may be an inhibiting factor on business location;
- Fear of crime has fallen but remains significant: in the 2011 London Survey 25% of respondents cited "fear of crime" as a problem.

Conclusion

1.202. This Chapter has described the issues and indicators which evidence London's socio-economic position. It is clear that London is a polarised city of real success and real challenge. Whilst ESI funds cannot address every market failure in its entirety, it can seek to tackle some of the key challenges, as described in the next Chapter.

Ravensbourne College relocated to Greenwich Peninsula in September 2010. Situated next to the O2, the building simulates the environment and working practices of creative professionals. Through two ERDF projects, Ravensbourne has provided support for aspiring small firms looking to innovate in digital technologies. The projects supported London SMEs by providing access to specialised spaces, knowledge, technologies, and media and design facilities.

2. Operational Programme Links

The tables below outline how the activities listed under the themes in the ESIF Strategy relate to the objectives of the English ESF and ERDF Operational Programmes.

European Social Fund	
London ESIF Strategy	**England Operational Programme**
Investment Priority: Skills and Employment	**Priority Axis 1 Inclusive Labour Markets**
	Priority Axis Financial Allocation €419,121,868 (ESF)
Theme 1: Freedoms Flexibilities and Funding Incentives • Targeted employability programmes for long-term and disadvantaged workless groups • Job-readiness and pre-apprenticeship support • Support for jobless households/families • Tailored support for parents and carers returning to work • Basic skills including ESOL training **Theme 2: Informed Customers** • Brokering progression opportunities and jobs mapping including entrepreneurship for young people and other workless groups with local employers. **Theme 3: Employer Engagement** • Promote opportunities leading to entrepreneurship, business start-up and self-employment skills training including leadership and management	**Investment Priority 1.1: Access To Employment For Job-Seekers And Inactive People (€138,056,688ESF)** The investment priority will focus on providing extra support for long-term unemployed people, including those who have completed the Work Programme. When a person is still unemployed after many efforts to help them, innovative solutions are required, including new approaches to work experience and training, intermediate labour market activity and volunteering opportunities. The investment priority will focus on giving extra support to specific target groups, whose circumstances mean they face particular challenges in getting back to work. Indicative activities can be found on pp. 41 - 52 of the ESF Operational Programme
	Investment Priority Level Outputs Targets Participants -143,033 *(Male 74,233/Female 68,801)* Unemployed, including long-term unemployed – 88,667 Inactive – 47,215 Participants over 50 years of age – 19,454 Participants from ethnic minorities – 37,116 Participants with disabilities – 26,183 Participants without basic skills – 20,269

	Participants who live in a single adult household with dependent children – 17,887 **Investment Priority Level Results Targets** Unemployed participants into employment (including self-employment) on leaving - 22% Inactive participants into employment, or job search on leaving – 33% Participants gaining basic skills - 4% Participants with childcare needs receiving childcare support - 36% Participants in employment, including self-employment, 6 months after leaving - 34% *targets include match funding
Theme 1: Freedoms Flexibilities and Funding Incentives • Tailored support for the most disadvantaged NEETs and young people at risk of NEET • Equipping NEETs with more relevant and higher level skills to improve their employability • Brokering opportunities for young people and supporting the transition from education to work **Theme 2: Informed Customers** • Brokering progression opportunities and jobs mapping including entrepreneurship for young people and other workless groups with local employers. **Theme 3: Employer Engagement** • Business support for SMEs to take on apprentices, provide good quality work placements and employment opportunities	**Investment Priority 1.2: Sustainable Integration Of Young People (€110,507,913 ESF)** ESF will be used to support additional and complementary measures to increase the number of young people who are in education, employment and training, and to reduce the number who are NEET or at risk of being NEET. This investment priority will not support activities that duplicate or replace existing provision. It will broker opportunities with local employers to take on young people who are NEET (including those with complex barriers) e.g. through traineeships, apprenticeships, work experience, supported internships for young people with learning difficulties, and support for employers to take on young people NEET. Indicative activities can be found on pp. 53 - 61 of the ESF Operational Programme
	Investment Priority Level Outputs Targets Participants (below 25 years of age) who are unemployed or inactive – 112,305 *(Male 58,978/Female 53,327)* Unemployed, including long-term unemployed – 71,432 Inactive – 35,258 Participants from ethnic minorities – 22,894

	Participants with disabilities – 10,548 Participants without Basic Skills – 14,179 Participants who live in a single adult household with dependent children – 7,851 **Investment Priority Level Results Targets** Participants gaining basic skills - 4% Participants (below 25 years of age) in employment, including self-employment, or education/ training upon leaving - 43% Participants in employment, including self-employment, 6 months after leaving - 34% *targets include match funding
Theme 1: Freedoms Flexibilities and Funding Incentives • Targeted employability programmes for long-term and disadvantaged workless groups • Job-readiness and pre-apprenticeship support • Support for jobless households/families • Tailored support for parents and carers returning to work • Basic skills including ESOL training **Theme 2: Informed Customers** • Brokering progression opportunities and jobs mapping including entrepreneurship for young people and other workless groups with local employers. **Theme 3: Employer Engagement** • Promote opportunities leading to entrepreneurship, business start-up and self-employment skills training including leadership and management	**Investment Priority 1.4: Active Inclusion (€170,557,267 ESF)** Instead of simply treating the symptoms, ESF will help to address the root causes of poverty that are barriers to work, and so help more people move closer or into employment. The nature of the issues faced by the most disadvantaged means that barriers to work have to be tackled in a holistic and integrated way, including through supporting early action before problems become entrenched. Outreach activities will be particularly important since some of this group are, by definition, disconnected from existing Government services. Active inclusion, including with a view to promoting equal opportunities and active participation, and improving employability Indicative activities can be found on pp. 71 - 81 of the ESF Operational Programme
	Investment Priority Level Outputs Targets Participants – 92,151 *(Male 55,635/Female 36,517)* Unemployed, including long-term unemployed – 43,946 Inactive – 43,598 Participants over 50 years of age – 9,697

	Participants from ethnic minorities – 23,392 Participants with disabilities – 14,614 Participants who are offenders or ex-offenders – N/A (NOMS only) **Investment Priority Level Results Targets** Participants in education or training on leaving - 17% Unemployed participants into employment, including self-employment on leaving - 14% Inactive participants into employment, or jobsearch on leaving - 27% Participants with childcare needs receiving childcare support - 36% *targets include match funding
Investment Priority: Skills and Employment	**Priority Axis 2 Skills for Growth**
	Priority Axis Financial Allocation €79,438,740 ESF
Theme 1: Freedoms, Flexibilities and Funding Incentives • Basic skills including ESOL training • Progression onto intermediate ad higher level skills • Equipping NEETs with more relevant and higher level skills to improve their employability **Theme 2: Informed Customers** • Brokering progression opportunities and jobs mapping including entrepreneurship for young people and other workless groups with local employers. **Theme 3: Employer Engagement** • Sector-specific business focused skills programmes aimed at equipping SMEs, micro businesses and sole trader with the skills they need to grow a business.	**Investment Priority 2.1: Enhancing Equal Access To Lifelong Learning (€55,672,450 ESF)** ESF will be used to tackle the need to improve skills in England at all levels including basic, intermediate and higher levels according to the needs of the local area, to drive and support productivity and growth. This Investment Priority focuses on improving the skills of individuals to meet their goals and the needs of the local economy, primarily training, advising or supporting individuals, including those in work but at risk due to skills deficiencies or facing redundancy Indicative activities can be found on pp. 102 - 111 of the ESF Operational Programme
	Investment Priority Level Outputs Targets Participants – 49,455 *(Male 25,589/Female 23,866)* Participants over 50 years of age – 11,035 Participants from ethnic minorities – 22,938

	Participants with disabilities – 6,829 Participants without basic skills – 12,880 Participants who live in a single adult household with dependent children – 2,473 **Investment Priority Level Results Targets** Participants gaining basic skills - 11% Participants gaining level 2 or below or a unit of a level 2 or below qualification (excluding basic skills) - 25% Participants gaining level 3 or above or a unit of a level 3 or above qualification - 8% Employed females gaining improved labour market status - 35% *targets include match funding
Theme 2: Informed Customers • Bringing together schools, further education (FE) and Higher Education (HE) institutions and employers to develop better and more consistent links between the educators and business sectors **Theme 3: Employer Engagement** • Help schools improve links with businesses and HE, improving the information available on post-16 career pathways in London schools to ensure school leavers are better informed of local employment opportunities • Promote opportunities leading to entrepreneurship, business start-up and self-employment skills training including leadership and management.	**Investment Priority 2.2: Improving The Labour Market Relevance Of Education And Training System (€23,766,290 ESF)** To maximise its contribution to smart, sustainable and inclusive growth, ESF will support projects that make education and training provision more responsive to the needs of the economy, so that employers' skills needs are more quickly and more effectively met, and individuals receive better designed skills provision which equips them for the world of work. Indicative activities can be found on pp. 112 – 116 of the ESF Operational Programme.
	Investment Priority Level Outputs Targets Number of supported micro, small and medium-sized enterprises (including cooperative enterprises, enterprises of the social economy) – 2,438 **Investment Priority Level Results Targets** Small and Medium Enterprises successfully completing projects (which increase employer engagement; and/or the number of people progressing into or within skills provision) - 75% *targets include match funding

European Regional Development Fund	
London ESIF Strategy	**England Operational Programme**
Investment Priority: Strengthening Science & Technological Development and Fostering Innovation in London Enterprises	**Priority Axis 1 Promoting Research and Innovations**
	Priority Axis Financial Allocation **€34,090,023**
Theme 2: Research and Innovation Infrastructure (from investing in London's infrastructure)	**Investment Priority 1a:** Enhancing Research and Innovation (R&I) Infrastructure and capacities to develop R&I excellence, and promoting centres in particular those of European Interest
For indicative activities under Theme 2, please see page 86.	Specific Objective 1.1: Increase investment in research and innovation infrastructure that catalyses collaboration with the research community especially in sectors identified through smart specialisation.
	Indicative activities:
	• Specialist infrastructure /facilities /centres linked to smart specialisation including enhancements to science parks and to improve access to these facilities through digital and physical links • Investment in the development and upgrading of innovation space, with capability to serve as a platform or host for innovation and innovative relationships • Improved incubation space to enable research and development and innovation • Shared use research laboratories and facilities, particularly targeted at the Eight Great Technologies as set out in the "Smart Specialisation in England" • Development and upgrading of appropriate test facilities and deployment infrastructure
	Investment Priority level Outputs **C25** No. of researchers working in improved research infrastructure facilities - 32 **P2** Public or commercial buildings built or renovated – 1,632 sqm.
Theme 1: Connect London: Developing links and synergies between businesses, research institutions & public institutions	**Investment Priority 1b:** Promoting business investment in R&I; - developing links and synergies between enterprises , research and development centres and the higher education sector, in particular promoting investment in product and service development , technology transfer, social innovation, eco-innovation, public service applications, demand

	stimulation, networking, clusters and open innovation through smart specialisation; - and supporting technological and applied research, pilot lines, early product validation actions, advance manufacturing capabilities, and first production, in particular in key enabling technologies and diffusion of general purpose
For indicative activities under Theme 1, please see page 79.	Specific Objective 1.2 : Increase investment in research and innovation by SMEs ins sectors and technologies identified through smart specialisation
	Specific Objective 1.3: Increase the number of SMEs engaged in knowledge exchange, collaborative and contract research and innovation with research institutions, public institutions or large enterprises in order to help them bring new products and processes to market.
	Indicative activities:
The London programme will not fund projects that seek to establish a loan or equity fund	• Support for smart specialisation collaborative and contract research and development including initiatives stimulating and facilitating productive innovation partnerships • Support for the commercialisation of new products and business processes and initiatives, particularly targeted to aid innovation in the Great Eight technologies as set out in "Smart Specialisation in England" • Collaborative and contract research and development programmes • Applied research programmes, particularly targeted at sectors and technologies set out in smart specialisation in England • Innovation vouchers for small and medium sized enterprises • Innovation support programmes for product design and development and systems integration • Initiatives simulating the demand for new or improved services, processes and products including business-led and public procurement programmes • Schemes providing practical, financial and material support for the innovation process within businesses • Schemes stimulating and enabling graduate start-up and spin out from universities, colleges and research institutions • Technology support programmes and demonstrator projects and programmes for current and future technologies

	• Knowledge transfer programmes, particularly linked to priority growth sectors and the technologies set out in Smart Specialisation in England • Support to engage more businesses in knowledge transfer and innovation, develop links to wider Higher Education institutions and research institutions and demonstrate the benefits of working with knowledge base partners • support for innovation ecosystems including business-led networks and open innovation ecosystems that reduce the complexity of interaction within and between organisations • Activities promoting a smart specialisation approach and initiatives that develop the supportive environment for innovation in Small and Medium Enterprises including the promotion of networks and industry groups in key sectors • Grants, loans and equity stakes to support businesses to develop prototypes and prove concepts to assist tech start-ups with early stage development work and the exploitation of intellectual property. • Grants, loans and equity stakes to promote the use of social innovation to bring new products and processes to the market.
	Investment Priority Level Outputs **P2** Public or commercial buildings built or renovated - 431sqm **C1** No. of enterprises receiving support - 999 **C2** No. of enterprises receiving grants - 700 **C3** No. of enterprises receiving financial support other than grants -18 **C4** No. of enterprises receiving non-financial support – 244 **C5** No. of new enterprises supported - 85 **C6** Private investment matching public support to enterprises (grants) - €846,194 **C7** Private investment matching public support to enterprises (non-grant) - €1,183,782 **C8** Employment increase in supported enterprises - 79 **C26** No. of enterprises cooperating with research institutions - 539 **C28** No. of enterprises supported to introduce new to the market products- 79 **C29** No. of enterprises supported to introduce new to the firm products - 159

London ESIF Strategy	England Operational Programme
Investment Priority : Strengthening Science & Technological Development and Fostering Innovation in London Enterprises	**Priority Axis 2: Enhancing Access to, and use of quality ICT**
	Priority Axis financial Allocation €2,974,250
Theme 4: Promoting the development and exploitation by SMEs of digital technologies	**Investment Priority 2b:** developing ICT products and services, e-commerce, and enhancing demand for ICT.
For indicative activities under Theme 4, please see page 82.	Specific Objective 2b : Developing ICT products and services , e-commerce and enhancing demand for ICT
	Indicative activities:
	• Support SMEs to update or introduce new ICT business model which will drive business performance • Provision of coaching , advice, consultancy, mentoring and support for SMEs to access new markets through improved ICT connections • Provision of coaching , advice , consultancy, mentoring and support for SMEs to implement productivity improvements from use of ICT • Demand –side voucher schemes • Demonstration and pilot projects , showcasing how SMEs can stimulate innovation through smart use of ICT • Support for diffusion of results from demonstration and pilot projects • Support for the integration of Small and Medium size enterprises in digital supply chains through the smart use of ICT
	Investment Priority Level Outputs **P4** Additional businesses taking up broadband with speeds of at least 30Mbps - 2,676 **C1** No. of enterprises receiving support - 699 **C5** No. new enterprises supported - 490 **C29** no. of new enterprises supported to introduce new to the firm products - 112

London ESIF Strategy	England Operational Programme
Investment Priority: Enhancing the competitiveness of SMEs	**Priority Axis 3: Enhancing the Competitiveness of SMEs**
	Priority Axis Financial Allocation € 94,105,538
Theme 4: Entrepreneurship Theme 3: Business workspaces addressing geographical , sectorial or other gaps in the provision if workspace including incubators, accelerators, follow on space, co working and support services (investment priority: Investing in London's infrastructure)	**Investment Priority 3a:** Promoting entrepreneurship, in particular by facilitating the economic exploitation of new ideas and fostering the creation of new firms including through business incubators.
For indicative activities under Theme 4, please see page 76. For activities under Theme 3, please see page 87.	Specific Objective 3.1: Increase entrepreneurship, in particular by facilitating the economic exploitation of new ideas and fostering the creation of new firms, including through business incubators.
	Indicative activities: • Targeted engagement, outreach and mentoring to strengthen entrepreneurial and enterprise culture • Provision of advice and support for new businesses start-ups to survive and grow • Support to address market failures in the provision of start –up finance, e.g. seed finance , start up loans • Outreach , coaching , mentoring networking and consultancy support to promote business start-up , survival and growth • Grants to support productive investment • Provision of land and premises for employment sites including incubator space, managed workspace, or grow-on space
	Investment Priority Level Outputs **P2** Public or commercial buildings built or renovated -128 **P11** No. of potential entrepreneurs assisted to be enterprise ready - 3,279 **C1** No. of enterprises receiving support - 1,037 **C2** No. of enterprises receiving grants - 684 **C3** No. of enterprises receiving financial support other than grants - 94 **C4** No. of enterprises receiving non-financial support - 266 **C5** No. of new enterprises supported- 803 **C6** Private investment matching public support to enterprises (grants) - €3,605,112 **C7** Private investment matching public support to enterprises (non-grants) - €116,397 **C8** Employment increase in supported enterprises - 420

	C28 no. of enterprises supported to introduce new to the market products – 80
Theme 1: Boosting London SMEs capacity to grow Theme 2: Facilitating access to SME finance	**Investment Priority 3c:** Supporting the creation and the extension of advanced capacities for products, services and development
For indicative activities under Theme 1, please see page 73. For indicative activities under Theme 2, please see page 74.	Specific objective 3.2: Increase growth capacity of SMEs
	Indicative activities: • Provision of advice to develop new business models or higher quality products, processes or services • Advice and support for businesses to implement productivity improvements including through the provision of resource efficiency advice • Advice to improve business processes and workforce development • Advice and support for supply chain interventions to strengthen and grow the domestic supplier base • Attracting new foreign direct investment into England through, for example, promotion of business collaborations (SME to prime/Original Equipment Manufacturers, SME to SME), Supply chains initiatives, sectorial and research and innovation propositions linked to smart specialisation and "soft landings[74]" • Ensuring SMEs have access to sufficient levels of finance to implement their growth plans, including appropriate capital investment for premises and equipment to help build capacity • Provision of advice, consultancy support, mentoring, peer to peer support, and support for collaborative projects • Grant finance for business to invest for product, process and service improvements • Provision of land and premises for employment sides, including incubation space, managed workspace, or grow-on space

[74] The terminology is widely used in FDI contexts. "Soft landings" are outlined here- http://www.know-hub.eu/knowledge-base/videos/soft-landing-scheme.html

	Investment Priority Level Outputs **P2** Public or commercial buildings built or renovated - 331 **P13** No. of enterprises receiving information, diagnostic and brokerage - 266 **C1** No. of enterprises receiving support - 2,648 **C2** No. of enterprises receiving grants - 1,772 **C3** No. of enterprises receiving financial support other than grants - 243 **C4** No. of enterprises receiving non-financial support - 689 **C5** No. of new enterprises supported - 831 **C6** Private investment matching public support to enterprises (grants) - €11,215,336 **C7** Private investment matching public support to enterprises (non-grants) - €3,616,173 **C8** Employment increase in supported enterprises - 1,087 **C29** no. of enterprises supported to introduce new to the firm products - 416
Theme 2: Facilitating access to SME finance Theme 3: SME trade and Export	**Investment Priority 3d:** supporting the capacity of Small and Medium Sized enterprises to grow in regional, national and international markets and to engage in innovation processes.
For indicative activities under Theme 2, please see page 74. For indicative activities under Theme 3, please see page 75.	Specific Objective 3.3: Increase growth capability of SMEs.
	Indicative activities: • Provision of efficient local referral routes to ensure that Small and Medium Enterprises are able to identify and access the most appropriate and tailored support for their specific growth needs • Support SMEs to develop focused growth strategies and update or introduce new business models which will drive business performance • Attracting new business investments to England, including through, for example, cluster and sector initiatives, collaborations with trade associations an inward missions • Advice and support for SMEs to enter establish and expand in new domestic and international markets. • Advice and support for businesses to become investment ready • Provision of advice, consultancy, mentoring and peer-to-peer support to indigenous businesses and inward investors (SMEs from outside the European Union who will move to England)

	• Leadership and management coaching where connected to the development and implementation of a business growth plan • Support events, trade fairs and missions to enable Small and Medium Enter-prises to enter, establish and expand in new domestic and international markets • Targeted grant schemes to support productive investment • Provision of advice and consultancy on access to finance
	Investment Priority Level Outputs **P2** Public or commercial buildings built or renovated - 184 **P13** No. of enterprises receiving information, diagnostic and brokerage - 148 **C1** No. of enterprises receiving support - 1,481 **C2** No. of enterprises receiving grants - 988 **C3** No. of enterprises receiving financial support other than grants - 140 **C4** No. of enterprises receiving non-financial support - 384 **C5** No. of new enterprises supported - 471 **C6** Private investment matching public support to enterprises (grants) - €6,874,336 **C7** Private investment matching public support to enterprises (non-grants) - €2,306,138 **C8** Employment increase in supported enterprises- 616 **C29** no. of enterprises supported to introduce new to the firm products - 236

London ESIF Strategy	England Operational Programme
Investing in London's infrastructure; enhancing the competitiveness of London's SMEs and; Strengthening Science and Technology development by fostering innovation in London enterprises	**Priority Axis 4: Supporting the shift towards a low carbon economy in all sectors**
	Priority Axis Financial Allocation €72,836,872
Theme 5: Low carbon , environmental and green infrastructure (Investment Priority: Investing in London's infrastructure)	**Investment Priority 4a:** Promoting the production and distribution of energy derived from renewable sources.
For indicative activities under Theme 5, please see page 88.	Specific Objective 4.1: To increase the number of small scale renewable energy schemes in England

	Indicative Activities: • Measures to support increased production of renewable fuels and energy, in particular wind energy, solar and biomass • Support to build capability and capacity for supply chains in renewable energy • Demonstration and deployment of renewable energy technologies • Measures to support the wider deployment of renewable heat, including micro-generation, geothermal, renewable heat networks or district heating, ground source and air source heat pumps, and biomass systems with associated heat off-take and heat distribution networks along with recycling processing reprocessing and remanufacturing facilities. • Anaerobic digestion plants and other biomass or landfill gas schemes
	Investment Priority Level Outputs **C1** No. of enterprises receiving support -102 **C5** No. of new enterprises supported -28 **C30** Additional capacity of renewable energy production - 17MW **C34** Estimated annual decrease of GHG - 10,256 Tonnes of CO2
Theme 5: SME Resource efficiency (Investment Priority : Enhancing the competitiveness of London SMEs)	**Investment Priority 4b**: Promoting energy efficiency and renewable energy in enterprises
For indicative activities under Theme 5, please see page 76.	Specific Objective 4.2 : Promoting energy efficiency and renewable use in enterprises
	Indicative activities: • Enhanced advice, support, information and action to promote innovation in businesses and how they operate, in order to deliver best practice in energy management. This will include innovation in energy efficiency and energy cost reduction to improve businesses' competitiveness and resilience. • Support to businesses to undertake 'green' diagnostics or audits of energy efficiency and potential for renewable generation and energy use, which will be followed by provision of energy efficiency information and guidance, tailored energy action plans and of support to implement them. • Investing in energy efficiency measures, processes and renewable generation capacity to improve a business' or building's environmental performance or its resilience to the impacts of climate change.

	• Investing in measures to stimulate cost-effective deep renovations of buildings, including staged deep renovations. • Supporting an increase in energy efficiency in enterprises including an emphasis on 'whole place' especially through improving industrial processes, de-signing out waste, recovery of 'waste' heat energy and CHP. • Supporting increased Small and Medium Enterprise access to national and local government procured contracts for energy efficient goods and services. • Developing low carbon innovation in relation to energy efficiency within enterprises, including through technologies and engagement practices. • Building retrofit and energy efficiency measures, especially whole building solutions to exemplify, and support the commercialisation of, next phase technologies which are near to market and low carbon
	Investment Priority Level Outputs **C1** No. of enterprises receiving support - 768 **C34** Estimated annual decrease of GHG - 8,527 tonnes of CO2
Theme 5: low carbon, environmental and green infrastructure (investment priority : Investing in London's infrastructure)	**Investment Priority 4c:** supporting energy efficiency, smart energy management and renewable energy use in public infrastructure, including public buildings and in the housing sector.
For indicative activities under Theme 5, please see page 88.	Specific Objective 4.3: increase energy efficiency in homes and buildings including through the implementation of low carbon technologies
	Indicative activities: • Provision of advice and support to increase the use and take up of low carbon technologies, energy efficiency measures, renewable energy technologies and smart energy systems in housing stock and public buildings • Supporting low carbon innovation in relation to integrated 'whole place' energy management approach including energy waste and re-use • Investing in building retrofit , energy efficiency measure , renewable and smart energy systems deployment , especially whole building or place solutions

	exemplifying next phase technologies which are near to market • Investing in domestic energy efficiency , renewable energy and smart construction techniques • Investment in the development and wider use of Energy Performance Contracting in public buildings and housing sector.
	Investment Priority Level Outputs **C31** No. of households with improved energy consumption classification - 774 **C32** Decrease of annual primary energy consumption of public buildings - 747,191 KWH/year **C34** Estimated annual decrease of GHG - 12,361 tonnes of CO_2
Theme 5: Low carbon , environmental and green infrastructure (Investment Priority: Investing in London's infrastructure)	**Investment Priority 4e :** Promoting low-carbon strategies for all types of territories, in particular for urban areas, including the promotion of sustainable multimodal urban mobility and mitigation-relevant adaptation measures
For indicative activities under theme 5, please see page 88.	Specific objective: 4.4 Increase implementation of whole place low carbon solutions and decentralised energy measures
	Indicative activities: • investments in actions aimed at improving the capacity at local level to develop and implement integrated and sustainable transport strategies and plans (including for example actions related to modelling data collection, integrated transport management, operations and services, public consultation etc) to reduce transport related air pollution, in particular retrofit or replacement programmes for bus fleets, incentive schemes for cleaner transport, improved public transport infrastructure and alternative forms of transport; • investments in actions aimed at introducing innovative environmentally-friendly and low-carbon technologies (for example, alternative fuel stations or charging points); • investments in actions aimed at developing innovative and multi-modal transport services (for example, intelligent transport systems for travel information and planning, traffic and demand management, smart

	ticketing, multimodal integrated datasets or cooperative systems); • innovative transport pricing and user charging systems; • cycle paths, walkways and waterways only where part of an integrated approach to GHG reductions.
	Investment Priority Level Outputs C1 No. of enterprises receiving support C34 Estimated annual decrease of GHG
Theme 3: Innovation and adoption of low carbon and resource efficiency technologies (investment priority : strengthening science & technology development by fostering innovation in London Enterprises)	**Investment Priority 4f:** Promoting research and innovation in, and adoption of, low carbon technologies
For indicative activities under theme 3, please see page 81.	Specific Objective 4.5: Increase innovation in , and adoption of low carbon technologies
	Indicative activities: • R&D, innovation and supply chain work for low carbon technologies and materials, including wave and wind energy, smart grids, distributed generation solar and photovoltaic, heat networks, heat pumps and low carbon heat for energy intensive industries • Research underpinning carbon capture and storage, taking into account of the restrictions laid down in art. 3.3.b of the ERDF regulations • Technology centres of excellence and test facilities, including relevant catapults centres • Renewable technologies in the United Kingdom renewable energy roadmap • Research and development, demonstration and adoption of technologies and systems that support low energy transport and accelerate the establishment of new technologies such as low emissions vehicles (electric, hybrid and hydrogen) • Knowledge transfer with higher education /further education institutions and businesses • Supporting low carbon tech start-ups and greater commercialisation of low carbon products and processes • Developing financing methods that encourage the adoption of proven low carbon technologies and generate long term financial savings • Demonstration and deployment of decentralised renewable energy technologies

	Research, development and innovation and supply chain development for low carbon and resource efficient technologies and materials (including small scale pilot programmes that test the market with new low carbon solutions and the use of secondary material.
	Investment Priority Level Outputs C1 No. of enterprises receiving support - 202 C5 No. of new enterprises supported - 74 C26 No. of enterprises cooperating with research institutions- 36 C29 No. of enterprises supported to introduce new to the firm products - 59 C34 estimated annual decrease of GHG - 5,603 tonnes of CO_2

London ESIF Strategy	England Operational Programme
Theme 5: Low carbon , environmental and green infrastructure (Investment Priority: Investing in London's infrastructure)	**Priority Axis 6: Preserving and Protecting the Environment and Promoting Resource Efficiency**
	Priority Axis Financial Allocation €0
For indicative activities under Theme 5 please see page 88. In the London LEP area, activities in Theme 5 will be delivered through Financial Instruments (London Green Fund) London does not have a financial allocation for PA6.	Investment Priority 6f: Promoting innovative technologies to improve environmental protection and resource efficiency in the waste sector, water sector and with regard to soil, or to reduce air pollution
	Specific objective 6.2 : Investment to promote the development and uptake of innovative technologies, in particular in resource efficiency, in order to increase the resilience and environmental and economic performance of businesses and communities
	Indicative activities: • Provision of support and advice for businesses in the adoption of innovative technologies and processes for the management and reuse of energy, materials , water and waste (including recycling and recovery) • Provision of support for the piloting and demonstration of innovative technologies to promote resource efficiency in order to encourage their greater take-up.

	Investment Priority Level Outputs **C1** No. of enterprises receiving support **C5** No. of new enterprises supported **C29** No. of enterprises supported to introduce new to the firm products

The indicative activities in the table below don't read across to the 2014 -20 England Operational Programme:

Investing in London's infrastructure	Indicative activities:
Theme 1: unlocking growth potential in disadvantaged urban areas	• Improve accessibility through existing public spaces to ensure that places of work are accessible and well connected to neighbouring employment sites • Physical enhancements of employment sites and premises and surrounding areas including high streets and town centres • Improve connectivity and quality of the local environment as well as links to and between green infrastructure • Conversion /refurbishment of vacant/derelict premises with commercial potential
Theme 4: Ultra-fast broad band provision – enhance the quality and use of London's high speed communication networks	• Extend the roll out of superfast broadband services where the market is failing particularly where this is proving a barrier to SME growth

3. ESIF & Sustainable Urban Development (SUD) Investment Priorities

Introduction

3.1. ESI funds will directly support LEAP's Jobs and Growth Plan. The ESIF Investment Priorities are:

1. Skills and Employment
2. Enhancing the competitiveness of London's small and medium sized enterprises
3. Strengthening science & technological development and fostering innovation
4. Investing in London's Infrastructure

3.2. Chapter 1 described key current and forecast socio-economic conditions for London's businesses and people; and the rationale for investing ESI funds in specific investment priorities

3.3. This Chapter provides greater detail on how LEAP proposes to invest the ESI funds to meet these Investment Priorities. Chapter 2 presents the financial breakdown for each of the proposed Priorities, the Output targets and Results indicators that will be delivered. The figures may be subject to change in due course following (i) the Government's discussions with the European Commission on the Operational Programmes; and (ii) operationalising this strategy; this includes to the proposed JESSICA financial instrument (which will be in part dependent on the outcome of the European Investment Bank's ex-ante evaluation currently in its early stages).

3.4. 74% of the ESIF allocation will support investment under ESF to tackle the high levels of worklessness faced by young people and adults in the capital; this will help to narrow the employment gap with the UK average. 26% of the ESIF allocation is proposed to support the objectives of the ERDF. Expenditure levels are cautious in the early years of the programme; as English Operational Programmes seem unlikely to be finalised until later in 2014. Final expenditure will be incurred in 2023.

3.5. Each of the Investment Priorities is described in this chapter and broken down into a number of Themes. The Indicative Activities proposed for each Theme describe the types of intervention that will be supported with ESI funds. All activity will be compliant with European Commission and national requirements, including those relating to procurement, publicity, state aid and the key principle of additionality. Ultimately, the activity will need to align with the requirements of the EU's Thematic Objectives and England's Operational Programmes.

Value for Money

3.6 Value for money considerations will be taken into account when deciding which projects to support. LEAP will seek to base VFM judgements on the proportion of outputs and results that will be delivered, and the qualitative, value added and strategic-fit aspects of activity. Investments will be considered on a case-by-case basis. Initial guidance on output definitions was issued by Government in December 2013; formal guidance on definitions, measurements and evidence requirements is expected in due course. This may affect the choice and levels of outputs and results indicated in Chapter 2. VFM justifications will likely evolve as the programme is implemented and as the London economy emerges from the economic downturn.

'Opt-in' match funding

3.7 The Government has proposed national delivery partners/match funders for the England Operational Programme, into which LEPs can 'opt-in'. In drafting this strategy, discussions have taken place with each of the opt-in match funders: UK Trade & Investment, Manufacturing Advisory Service, Growth Accelerator, European Investment Bank, Big Lottery Fund, the Education & Skills Funding Agency and Department for Work and Pensions. Whilst the mechanics of opt-in participation are currently being defined by the Government, particularly for ERDF, including the levels of available funding; LEAP will make use of available sources of match funding where they meet the aims of the ESIF strategy. Good progress is being made with the ESF providers in particular. Until Government has determined how the ERDF opt-ins will work (i.e. who is the applicant) progress will inevitably be slow, and could impact on the final level of match funding agreed by LEAP.

3.8 Significant local match funding is also envisaged – primarily from Boroughs, the Greater London Authority, LEAP itself, further & higher education and the voluntary and community sectors. Commitment of match funding from local partners will be secured during implementation.

3.9 Private sector match funding currently accounts for 34% of the total match funding (in comparison to the forecast 19% for the 2007-13 London ERDF programme (the original 2007-13 target was 6%). This includes match funding from the European Investment Bank. LEAP will seek to identify additional private sector match funding during the delivery of the strategy. Further information on match funding is included in the narrative below.

Skills and Employment

Objective

3.10 The Europe 2020 goal is to raise the employment rate of women and men aged 20-64 to 75%. In support of this goal, investment under this priority will aim to support Londoners to take part in London's economic success.

3.11 The London Economic Action Partnership's three skills and employment Themes are promoting sustainable employment and progression outcomes through greater freedoms, flexibilities and better funding incentives, ensuring individuals and employers are better informed to drive the skills and employment system and engaging with London's businesses to help drive growth in the Capital. These will form the basis of ESF investment. A detailed breakdown of the allocation, spend, outputs and outcome targets for the proposed interventions can be found at Chapter 2.

Themes and Indicative Activities

3.12 Three LEAP skills and employment Themes have been identified for ESF investment to support people into sustainable employment opportunities, career progression and progression in learning:

- Freedoms, flexibilities and funding incentives
- Informed customers
- Employer engagement

Each of these Themes is described below.

Theme 1: Freedoms, flexibilities and funding incentives

3.13 LEAP's investment will be focused on incentivising providers to respond to the needs of the economy by delivering job outcomes, sustainability, career progression and, given the requirement for higher level skills over the next decade, progression in learning. Funding will be targeted at the most hard to reach and disadvantaged groups, including young people (aged 15-24), disabled people, women, BAME groups, older people, lone parents and disadvantaged families or workless households. In particular long term workless groups, those with low level or no qualifications, the low paid and those earning less than the London Living Wage, those in part time work to progress into full time and/ or better paid work and off benefits. Some activity will be pan-London, other activity better suited to a ward or estate.

Indicative activities include:

- **Targeted employability programmes for long-term and disadvantaged workless groups** particularly those that are not accessing or who have left the Work Programme or any other mainstream provision using a more personalised approach, tailored to individual circumstances. Intermediate Labour Market approaches may be adopted for the most disadvantaged groups.
- **Job-readiness and pre-apprenticeship support** including work experience, volunteering and traineeships to aid progression onto quality apprenticeships for all age groups and sustainable employment opportunities;
- **Support for jobless households/ families** furthest from the labour market to reduce child poverty through improving employability, particularly those affected by the benefit cap with problems of homelessness, rent arrears and housing overcrowding. Projects should link to the local authority troubled families programme where appropriate;
- **Tailored support and advice for parents and carers returning to work** on flexible and affordable childcare, benefits, debt, housing, skills, access to quality part-time and flexible jobs. In particular, lone parents who have not accessed the Work Programme, lone parents with children under the age of 5 claiming inactive benefits and non-working partners in low income working families ;
- **Basic skills** development particularly for those in need of Literacy, Numeracy and ESOL training through additional or innovative approaches to training in a vocational context, to support them in finding work or progressing in work;
- **Progression onto intermediate and higher level/advanced skills training** and qualifications at level 2, 3, 4 or above, including apprenticeships to meet labour market needs of new and existing industries aimed at low skilled, low pay and disadvantaged groups.

3.14 Working with London Councils' Young Peoples Employment and Skills group, LEAP will also support interventions focused on moving young people aged 15-24 not in education employment or training (NEET) or at risk of NEET using ESF to progress into sustainable employment and/or education/training (EET).

ESF investment will complement and align with mainstream initiatives, working with boroughs and others to deliver:

- **Tailored support for young people NEET and at risk of NEET** in a holistic integrated way to progress into EET including basic skills support, progression onto high quality traineeships and apprenticeships. Intermediate Labour Market approaches may be adopted for the most disadvantaged groups.
- **Intensive support for the most disadvantaged and disengaged young people** to help them overcome social and economic barriers to become job ready using mentoring and other tailored interventions, with a focus on children in care/care leavers, those with care responsibilities, homeless young people, travellers, children and young people that offend in custody and community particularly those involved in gang-related activity or who have committed gang-related offences, refugee/migrant children, young people who have been excluded from school, young people with mental health, drugs/ alcohol abuse or other disabilities;
- **Equipping NEETs with more relevant and higher level skills** to improve their employability;

- **Brokering opportunities for young people** and supporting the transition from education to work. Working with local employers to take on young people not participating in education, employment or training to progress into work or to secure good quality work placements, graduate placements and/ or internships.

Theme 2: Informed Customers

3.15 Within this Theme LEAP will promote a much stronger London-wide and locally driven careers/information, advice and guidance (IAG) offer which responds more effectively to the needs of Londoners and employers. Funding will enhance and align to existing IAG services offered in schools and by the National Careers Service.

Indicative activities include:

- **Bringing together schools, further education (FE) and higher education (HE) institutions and employers** to develop better and more consistent links between the education and business sectors, ensuring that training given to young people helps meet London's current and future skills needs. This will include developing new ways to increase the supply of high-quality work placements and improve access into apprenticeships;
- Helping schools improve links with business and HE, **improving the information available on post-16 career pathways** in London schools to ensure school leavers are better informed of local employment opportunities;
- **Extending the National Careers Service** face to face service and other elements as appropriate;
- **Brokering progression opportunities and jobs mapping** including entrepreneurship for young people and other workless groups with local employers. This could be through extending outreach and face to face engagement.

3.16 The above activities will be delivered using ESF across London.

Theme 3: Employer Engagement

3.17 LEAP will support London's business economy to help tackle the skills and employment challenges faced. This Theme will also support opportunities to provide skills training in business start-up, self-employment and business growth linking across to LEAP's Investment Priority for enhancing the competitiveness of SMEs.

Indicative activities include:

- **Business support for SMEs** to take on apprentices, provide good quality work placements and employment opportunities;
- Promote opportunities leading to **entrepreneurship, business start-up and self-employment skills training** including leadership and management. Activities will be linked with ERDF funded projects that help boost creative hubs and grow-on spaces, mentoring between businesses and knowledge transfer networks;
- **Developing better links between business and schools, Further Education providers and other education partners** to equip students with the skills to start and grow a business;
- **Sector specific business focused skills programmes** aimed at equipping SMEs, micro business and sole traders with the skills they need to grow their business; and
- **Helping grow the social economy** through a range of measures to support social enterprises

Complementarity and coordination with other EU programmes

3.18 LEAP will encourage delivery partners to complement ESIF implementation with selective bidding for other thematic European funding programmes.

3.19 The largest EU programme supporting skills and employment is undoubtedly ESF. However, the European Commission runs EU-wide competitive calls for proposals that can add to the London ESF programme. The programme for Employment and Social Innovation (EaSI), for example, will spend over €100m supporting innovative projects and the roll-out of new successful practices on topics such as youth employment.

3.20 Regarding ESIF's activities targeting improved employability and improved links between HEIs and businesses, delivery partners will be encouraged to apply to the ERASMUS+ programme, which will allocate some of its €300m+ budget in the next 7 years to support structured partnerships between HEIs and businesses, as well as between education and training providers and institutions promoting employability. Other EU programmes to be considered include the Health for Growth programme, which will address health inequalities, and the Asylum and Migration Fund, which will support the integration of non-EU migrants.

3.21 Annex 1 sets out the EU thematic programmes complementary to the ESI funding.

Potential delivery partners and match-funders

3.22 The Skills Funding Agency, Department for Work and Pensions and Big Lottery Fund are expected to be the key match-funders of the London ESF programme. London Councils and the Greater London Authority will also match fund a share of the London ESF allocation.

3.23 Government has reserved 2.2% of the national allocation to fund the work of Her Majesty's Prison & Probation Service (HMPPS) in supporting the reintegration of prisoners back into the workforce. This will bring an additional investment of ESF in London and LEAP will work with HMPPS and Mayor's Office for Policing and Crime (MOPAC) to ensure London's priorities for reducing crime and offending are incorporated into the design and delivery of HMPPS' 2014-20 ESF Programme.

3.24 Opt-in organisations will be subject to regular performance review by LEAP and respective allocations will be considered at the mid-point of the programme in 2017.

3.25 In order to ensure that the ESF funding in London is co-ordinated and delivering what LEAP wants, it has developed a set of requirements which will act as key guiding principles against which ESF match funders will be expected to operate when delivering ESF in London. The Requirements can be found at Annex 3 of the strategy and cover areas such as project development and alignment, contract models, outputs and management information reporting.

3.26 Other models of delivery including direct bidding will be considered by LEAP. Delivery partners and match funders are expected to be from across the voluntary, civil society, sub-regional, public and private sectors.

Enhancing the Competitiveness of London SMEs

Objective

3.27 This Investment Priority will seek to reduce London small and medium sized enterprises' (SMEs) barriers to growth by helping them to access finance, seek new market opportunities and improve productivity in a sustainable way.

Themes and Indicative Activities

3.28 LEAP has identified five investment Themes where ERDF resources can be invested to support London's SMEs:

- Boosting London SMEs capacity to grow
- Facilitating access to finance
- SME Trade and Export (Internationalisation)
- Entrepreneurship
- SME Resource efficiency

3.29 Each of these Themes is described below.

Theme 1: Boosting London SMEs capacity to grow

3.30 Growth-oriented SMEs will contribute significantly to creating new jobs. LEAP aims to ensure that businesses are equipped with the knowledge and skills needed to successfully develop and grow in London's highly competitive environment. Without the necessary skills, many viable businesses with good product offers never reach their potential.

3.31 ERDF will fund capacity-building projects that will help businesses overcome barriers to growth by providing tailored advice and guidance, mentoring and bespoke development planning. As activities will put emphasis on growth and development, only SMEs already established will be eligible to participate in this activity.

Indicative activities include:

- **Business coaching and mentoring**: help SMEs increase productivity and develop focused growth strategies which drive performance
- **Building management capacity for growth:** assist business owners to develop their management and leadership skills, people management, strategy formulation and execution.
- **Developing local networks of growth firms** to collaborate and support to achieve growth
- **Delivering tailored, specialist, strategic and technical support** to SMEs with the capacity and ambition to develop advanced manufacturing capabilities
- **Supporting supply chain interventions** to strengthen and grow the domestic supplier base in key advanced manufacturing sectors
- **Signposting SMEs to other business support opportunities** such as growth hubs

Theme 2: Facilitating access to SME Finance

3.32 In London, there is a strong and diverse investment community and, generally, businesses are able to obtain the finance they need. However, as set out in Chapter 1, there are a number of persistent market failures and barriers affecting the supply of both debt and equity finance to SMEs. This leads to some potentially viable businesses being refused finance, which is sub-optimal for economic growth.

3.33 The study commissioned by LEAP identified the size and types of finance gaps that exist in London. Businesses will not be able to capture the benefits of innovation and growth if they are unable to access finance. ERDF resources will therefore be channelled towards the development and implementation of financial instruments that will provide a flexible mix of finance for businesses of different stages and sectors.

3.34 The GLA has commissioned work to inform the development of financial instruments to identify, for instance, options for implementing, financial products to be offered, and financial recipients targeted. This has examined support for businesses in all sectors in the social economy, which can deliver social and environmental benefits through.

3.35 Options for implementation will examine deployment through delivery models utilised under the 2007-2013 ERDF programme. This will enable alignment with any investment strategy for using the returns from the 2007-13 funds as well as the £25m from the Growing Places Fund for SME finance, recently approved by LEAP.

3.36 Another barrier to finance, identified in the analysis in Chapter 1, is the need to tackle demand side issues such as lack of information of appropriate types of finance available; and ineffective presentation of the merits of business propositions.

3.37 Both business start-ups and established SMEs will be eligible under this Theme.

Indicative activities include:

- **Supporting finance and investment readiness** advice and support for businesses
- **Promoting different types of finance** available to businesses
- **Providing finance to address market failures** and gaps faced by SMEs

Theme 3: SME Trade and Export

3.38 Strong global competitiveness pressures and rapidly changing markets have increased the need for businesses to maximise trade opportunities, in both domestic and international markets. In order to maximise growth and employment potential for the capital, businesses must also maximise opportunities to trade and boost exports by exploring new markets opportunities.

3.39 As seen in Chapter 1, London is a major exporter, accounting for between a fifth and a quarter of the UK's total exports. SMEs cite lack of skills, time and resources as barriers to trade and therefore they would benefit from publically funded support to access international markets, such as that offered through UKTI. The most widely experienced barriers to trade relate to the bureaucracy of doing business overseas e.g. customs procedures or different legal and tax structures.[75] In practice, businesses report risk, cultural and financial barriers to trading. There are support services on offer to help overcome all of these as well as export guarantees.

3.40 Regarding domestic trade, LEAP recognises that many London SMEs are not aware, or understand, procurement opportunities, policies and process. Support will be provided to initiatives that open up supply chain opportunities – working both with SME suppliers and buyers. This will help London SMEs to become fit to supply, win new contracts, grow and create jobs.

3.41 There is a strong case for ERDF to help SMEs to increase the sales of their products and services in new markets. LEAP, in partnership with London & Partners and UKTI, can play a significant role supporting SMEs that are considering exporting abroad. LEAP has supported this activity already

[75] New Markets, New Ideas UKTI, 2011.

by supporting the Mayor's Export Programme, co-financed with ERDF and the Growing Places Fund under the 2007-13 programme. Going forward, LEAP will enhance the trade offer currently available to London SMEs (through UKTI) by creating additionality and developing new initiatives to encourage trade. LEAP also expects to be involved in the development and deployment of a UKTI Innovation in Services Fund, to create new local services complementary to the UKTI offer, enhancing and localising support.

3.42 Activity funded under this Theme will provide tailored advice that responds to the needs already-established SMEs, according to their stage of development. Experience from past funding programmes show that that a 'one size fits all' approach does not work effectively because no business is the same. ESI-funded projects will be expected to localise and intensify their support. One-to-one support, mentoring and trade missions will be the preferred option although workshops and seminars can be suitable depending on SME needs and requirements.

Indicative activities include:

- **Providing SMEs with expertise and support to start and/or increase trading** in new markets; helping SMEs to overcome barriers (legal, regulatory, cultural and financial); supporting SMEs to connect with contacts in remote markets
- **Connecting local companies, clusters, networks** or other multi-business partnerships to national and international partners
- **Providing direct service brokering and signposting** support to local businesses
- **Promoting public sector procurement opportunities**, including contracts for low carbon, resource efficient sectors;
- **Promoting the internationalisation agenda** at a local level
- **Encouraging more innovative** (R&D intensive) and high growth SMEs to export

Theme 4: Entrepreneurship

3.43 Entrepreneurship is a powerful driver of economic growth and job creation in London: it creates new businesses and jobs, opens up new markets, and nurtures new skills and capabilities.

3.44 The economic analysis in Chapter 1 showed that London has proportionally more self-employed individuals than the UK as a whole, a result of the numerous business opportunities that the capital has to offer. However, a disappointing characteristic of enterprise in London is the high turnover of failing businesses. Approximately 60% of new businesses fail during their first five years. If London's entrepreneurs are to deliver the growth expected, greater resources should be devoted to supporting this initial set-up period, whilst managing associated risks.

3.45 LEAP will work to ensure that being an entrepreneur is an attractive economic prospect for Londoners. This includes social entrepreneurs whose potential is often underestimated: they generate sustainable jobs, are innovators and drive social inclusion.

3.46 ESF will be specifically used to promote opportunities leading to self-employment and business start-ups through skills training with a focus on disadvantaged and under-represented groups. This is in response to socio-economic challenges identified in Chapter 1.

3.47 Creating the right conditions for entrepreneurs to flourish will enable links with potential projects under Themes 2 and 3.

Indicative activities include:

- **Developing entrepreneurial skills and attitudes**, especially among new entrepreneurs, young people, older people, women and disabled people. This can link with ERDF projects which help to boost creative hubs and grow-on spaces, mentoring between businesses and knowledge transfer networks, for example.

Theme 5: SME Resource Efficiency

3.48 This Theme will support London's SMEs to improve their environmental performance and management by using innovative measures, products, processes and approaches and best practice in environmental management. This will be done in areas such as waste reduction, energy and water efficiency, procurement and transport in order to make financial savings and increase SME productivity. This will ensure that businesses are well adapted and resilient to the impacts of climate change, and can also mitigate the impacts.

3.49 Londoners use fewer resources than the rest of the UK on a per-head basis, but there is more to do. The Mayor has set a target to reduce London's 1990 emissions by 60% by 2025. This is ahead of the Europe 2020 targets. Total waste must be reduced, and the waste generated must be turned into new materials and low carbon energy. The amount of water used must be reduced; better use of London's rainfall should be made which, in turn, will also reduce flood risk and the pressure on London's sewers. Fuel efficiency of businesses, minimising waste generation and water consumption, and increasing re-use and recycling can deliver these cost savings to businesses.

3.50 ERDF will also be used to make energy efficiency and renewable energy technologies more accessible to SMEs, helping smaller businesses to improve their environmental performance without the need for large-scale investment. Unlike activities funded under the science & technology Investment Priority of this strategy, the focus will be on the application of new technologies by SMEs rather than their development.

Indicative activities include:

- **Advice, support, information** and action to promote innovation in businesses and how they operate to reduce costs and improve competitiveness and resilience through delivering best practice environmental management and environmental processes, in areas including waste, energy ,water, materials, transport and procurement.
- **Support to undertake 'green' diagnostics** or audits, including energy efficiency surveys, accompanied by tailored environmental action plans and support to implement them
- **Investing in resource and energy efficiency measures** and processes that improve a business' or building's environmental performance or its resilience to the impacts of climate change
- **Supporting SMEs to increase access national and local government procured contracts** for low carbon, resource efficient goods and services
- **Supporting SMEs to improve the quality of their environmental management and performance** in order to successfully compete for sustainable and green procurement contracts

Complementarity and coordination with other national and EU programmes

3.51 ESIF in London will add value to initiatives such as the Growth Accelerator, Manufacturing Advisory Service and UKTI services, subject to the Government's approach to their availability. The support provided will be tailored to London SMEs' needs and market failures.

3.52 Actions under this objective can complement actions financed under thematic EU programmes, in particular the EU Programme for the Competitiveness of Enterprises and SMEs (COSME); this which will focus spend of €2 billion over 7 years on financial instruments, improved access to finance for SMEs, support for the internationalisation of enterprises, measures to improve entrepreneurial skills and attitudes (especially among new entrepreneurs, young people and women). Specifically for the cultural and creative industries, the Creative Europe programme will also facilitate access to finance specifically to operators in this sector.

3.53 Annex 1 sets out the EU thematic programmes complementary to the ESIF.

Indicative financial allocation and targets

3.54 £35m ERDF and £14m ESF has been earmarked to deliver activities under this Priority. ERDF will be the primary source of funding for this Investment Priority and will finance up to 50% of the total eligible project costs. ESF will be used for delivering the entrepreneurship activities.

3.55 Provisional ERDF targets include 6000 SMEs receiving support, 2000 new enterprises supported and 1000 jobs created. Targets are based on broad forecasts taking into account financial allocations, and pending Government's and the European Commission's agreement of the choice of activities. Details about the exact definitions of indicators have not been yet issued by Government but calculations are based on the assumption that intensive and quality support will be preferred to high, unrealistic target levels. Where available, the 2007-2013 ERDF programme baselines have been used for calculating the targets.

Potential delivery partners and match-funders

- National Government
- Greater London Authority
- Local Authorities
- Private sector: Companies limited by guarantee
- Civil Society

3.56 The LEP wishes to opt-in to the UKTI International Trade Offer, Growth Accelerator, and Manufacturing Advice Service. A provisional allocation of £7m ERDF has been earmarked for each of the three Opt-in programmes. However, the Government has not yet finalised how this will work in practice. Until the Government's work is concluded, the LEP is not able to confirm its commitment.

3.57 If LEAP opts-in, the provider organisations will be subject to regular performance review by LEAP and respective allocations will be considered at the mid-point of the programme. LEAP will also consider sourcing match funding from The Prince's Trust for eligible activity, noting the Government's information note to LEPs of January 2014 cites the Trust as a valuable strategic partner.

Strengthening Science & Technological Development and Fostering Innovation in London Enterprises

Objective

3.58 The objective of this Investment Priority is to realise the potential of London's world class science and technology community to drive innovation and growth. ERDF investment will promote business investment in Research, Development and Innovation (R&D&I) and assist London's businesses to make the most of London's extensive knowledge base. This will create new commercial opportunities and will enable the effective exploitation of new ideas.

Themes and Indicative Activities

3.59 Four main investment Themes have been identified to support this objective:

- Connect London
- Commercialising innovation
- Innovation and adoption of low carbon/resource efficiency technologies
- Promoting the development and exploitation by SMEs of digital technologies

3.60 Each Theme will support specific initiatives that address the market failures and barriers to innovation outlined above. Each Theme is described below.

Theme 1: Connect London: Developing links and synergies between businesses, research institutions & public institutions

3.61 The aim of this Theme is to build collaborative research and support business investment in Research & Development & Innovation (R&D&I) by encouraging more clustering and cooperation between complementary sectors and between research and economic institutions. This will help London businesses to develop innovative products, processes, marketing and services; and diversify the London economy through new high-growth activities.

3.62 ERDF will contribute to the creation of a more 'connected London'– where businesses and investors can navigate the knowledge base and increase investment in, and interaction with, London's research strengths. This will ensure that technology cuts across business sectors, from manufacturing to financial technology, med tech and clean tech, creating and funding new business opportunities. Furthermore, activities will support the Smart London initiative and co-fund projects which boost local intelligence capacity by engaging with entrepreneurs through intelligent management and integrated ICT.

Indicative activities include:

- **Promote innovation in businesses** by building innovation collaborations between businesses of different types and across sectors; creating new linkages and developing capacity in and across clusters, value chains, knowledge transfer networks;
- **Promote cooperative partnerships** between research, education and innovation institutions;
- **Champion London's knowledge base globally**, and use this strength to attract global R&D investment; increase collaboration within London and with other centres with complementary strengths;
- **Promote entrepreneurship and business creation** among students/graduates: combination of training and business experience, start-ups. This could include graduate schemes, support for Higher Education Institution spin-outs delivering innovation including social enterprises;
- **Establish pilots and demonstration activities** that contribute to, and progress, the Smart London agenda.

Theme 2: Commercialising innovation

3.63 London's research base is a strength that must be used to create an innovation-friendly business environment, matching R&D&I business demand with supply. Translating knowledge into new market products and intellectual capital is a key challenge that LEAP will address through ERDF investment. SMEs should be better engaged in the innovation process, leading to the internationalisation and exploitation of knowledge-intensive services. Addressing this market failure will enable businesses to leverage the high levels of R&D&I undertaken by London's higher education institutions to support the development of new products and processes. This Theme seeks to facilitate the transfer, exchange and exploitation of knowledge that helps drive the capacity of SMEs to innovate.

3.64 This Theme will aim to bridge the gap between fundamental research and commercial application by supporting applied research and development projects to a stage where they are attractive to a follow-on funders, such as venture capital firms, industry and public-private partnerships.

3.65 It is also important to increase the quality and financial returns of start-up projects. Financial support for testing, demonstrating and piloting new technologies, incubators for high growth potential SMEs are some of the areas where action is possible. Entrepreneurs need funds to commercialise research and development and test innovative business models.

Indicative activities include:

- **Support to bring new products to market**, especially those linked to 'key enabling'[76], the 'eight great'[77] and health science technologies. This can include stimulating the demand for new services and products, and public procurement programmes designed to drive innovation;
- **Advice and support to help research and prove the feasibility** of an idea including protecting, obtaining and exploiting intellectual property rights. Direct support to undertake applied research and product development, potentially including prototypes, for SMEs;
- **Translating basic research into technological and applied research**, pilot lines, early product validation actions, advanced manufacturing capabilities
- **Promoting R&D&I business advisory services**, also in the field of services, creative hubs, cultural and creative industries and social innovation, pilots and demonstration activities;
- **Fostering the take-up of new forms of innovation beyond technology**, such as co-creation, design innovation and crowd-sourcing, in particular in traditional sectors
- **Encouraging the development of new business models** that will enable emerging technologies to be more rapidly commercialised.

Theme 3: Innovation and adoption of low carbon and resource efficiency technologies

3.66 Ensuring a competitive environment for science and technology firms and investors is a key LEAP priority. The low carbon and environmental goods and services sector is a prime example of how this can be achieved. The global low carbon and environmental goods and services sector was worth £3.4 trillion in 2011/12 and London is already a leading player in this global market. In 2011/12 it had over 9,200 businesses, employed over 163,000 people and was worth over £25.4 billion. London's low carbon and environmental goods and services sector has grown by over 5% in each of the last two years and is expected to continue to grow through to 2020 at over 5%.

3.67 The main sectors in London are carbon finance, wind, geothermal, photovoltaics, building technologies, alternative fuels, alternative fuel vehicles, water supply & waste water treatment, waste management, recovery and recycling. There are rewards to be gained by cementing and building on London's strengths as the global concentration of carbon dioxide in the atmosphere (the primary driver of recent climate change) has reached 400 parts per million (ppm) for the first time in recorded history; the world has to make an increasingly rapid transition to a low carbon, resource efficient economy if we are to avoid catastrophic climate change.

3.68 Technological innovation is key to both seizing these opportunities and to meeting the Mayor's target to reduce London's 1990 emissions by 60% by 2025. LEAP will seek to invest ERDF in activities that support innovation and create market demand for the low carbon and environmental goods and services sector. This will include projects that accelerate market development, drive technological innovation and support the adoption, deployment and cost reduction of low carbon goods and services across all sectors as London makes its transition into a low carbon, resource efficient world city.

Indicative activities include:

[76] Including nanotechnology, micro- and nanoelectronics including semiconductors, advanced materials, biotechnology and photonics http://ec.europa.eu/enterprise/sectors/ict/key_technologies/.
[77] Big data, space, robotics and autonomous systems, synthetic biology, regenerative medicine, agri-science, advanced materials and energy https://www.gov.uk/government/speeches/eight-great-technologies.

- **R&D&I and supply chain development** for low carbon and resource efficient technologies and materials (including small scale pilot programmes that test the market with new low carbon solutions and the use of secondary materials);
- **Supporting innovative technologies** that improve environmental protection and resource efficiency including the waste and water sectors, land protection and remediation, flood protection and air pollution;
- **Supporting low carbon tech start-ups** and greater commercialisation of low carbon products and processes;
- **Developing financing methods** that encourage the adoption of proven low carbon technologies and generate long-term financial savings;
- **Research, development, demonstration and adoption of technologies** and systems that support low-energy transport and accelerate the establishment of new technologies such as low emissions vehicles (electric, hybrid and hydrogen);
- **Demonstration and deployment of decentralised, low carbon and renewable energy technologies**;
- **Development of climate change adaptation technologies** that provide resilience for London from related challenges, such as flooding, and reduced water resources.

Theme 4: Promoting the development and exploitation by SMEs of digital technologies

3.69 Positioning London as a world-leading hub for science, technology and innovation is a key LEAP ambition. This includes ensuring that the everyday experience of SMEs utilising digital technology is taken into account. LEAP will help entrepreneurs and SMEs to fully exploit the potential of Information and Communication Technologies (ICT), both in terms of supply of new digital products and services, and in terms of demand and smart use of these technologies.

3.70 Almost a quarter of all the computer-related and telecoms-based jobs in the UK are based in the capital, and London ICT services now account for a quarter of the country's overall exports.[78] This resurgence of London's technology business is best evidenced by the rapid expansion of Tech City, a cluster of local digital start-ups located in East London, in particular the area radiating around the inner districts of Shoreditch and Clerkenwell. The LEP will aim to build on the success of Tech City across London through initiatives aimed to address identified market failures such as lack of adequate skills, workspace and capital. Such measures will also be supported by other Themes in this strategy.

3.71 However, London's buoyant offer of digital technologies and products is not always met by demand. The majority of London's SMEs fail to take advantage of the opportunities presented by existing and emerging digital technologies. Businesses can nowadays only be competitive when they embrace the digital world. This poses opportunities and challenges, in particular for SMEs, since they are often less equipped to deal with the increased sophistication of new business models. ERDF will promote the uptake of digital technologies and connect London SMEs to the digital economy. For example, support will be provided to entrepreneurs to fully exploit digital products and services, including "cloud computing", to reinvent their business models and sharpen their competitiveness.

Indicative activities include:

- **Supporting SMEs and social enterprises in the development of ICT products** and services to improve their ability to exploit e-commerce opportunities and the online presence;
- **Mentoring programmes for SMEs**, particularly around digital capabilities

[78] The Tech City Futures Report – GFK. http://www.techcityinsider.net/skills-and-cash-gaps-limit-tech-city-growth/.

- **Enhancing demand for high-speed communication networks**;
- **Investing in ICT applications** that contribute to meeting urban challenges and opportunities such as reducing carbon emissions, resource-efficiency, integrated ICT solutions for 'smart cities'.

Complementarity and coordination with other national and EU programmes

3.72 ERDF support in relation to this Investment Priority will only form a small fraction of the overall investment being made by Government, the private sector and universities. Much larger sums may be accessed via the new €70bn EU R&D programme, Horizon 2020. Activities can complement some of the activities funded under this Priority, helping to exploit the international dimension of London's scientific community. For example, ERDF will be used to develop local R&I players' capacity to participate in Horizon 2020 projects. This can include international partner search and information campaigns in firms and technology centres to stimulate and facilitate participation in Horizon 2020. Furthermore, ERDF will fund projects which provide the means to exploit and disseminate R&D&I results stemming from Horizon 2020 into the market, with particular attention at creating an innovation-friendly business environment for SMEs and regional industry. There are also opportunities to use ERDF to start dedicated networks, and develop projects in universities to support the first-time access of regional SMEs to European programmes such as Horizon 2020.

3.73 Other EU programmes will be considered, in particular LIFE (environment) as it will dedicate €864m to the shift towards a resource-efficient, low-carbon and climate-resilient economy, including supporting public authorities, NGOs and SMEs in implementing small-scale low carbon and adaptation technologies and new approaches and methodologies.

3.74 Most of the activities will be delivered by ERDF, but synergies with ESF will be sought to ensure that Londoners have the STEM (science, technology, engineering, and maths) skills that businesses require; and increase the number of science and tech apprenticeships on offer. More specifically, ESF will fund intermediate, technical and higher level workforce and management skills in support of this Priority. ERASMUS+ will also be considered to help close this gap between education and training providers and employers.

3.75 At national level, LEAP will seek to augment national initiatives delivered locally by organisations such as Technology Strategy Board (TSB) and the Academic Health Science Networks (AHSNs).

3.76 There is alignment between TSB aims and the structural funds' ability to invest in the higher level skills that support innovation. Some programmes such as Catapults, Demonstrators and the Launchpad cluster projects offer complementarity. For example, there are opportunities to link with the TSB Future Cities Catapult, in order to harness the capital's creative energy and technical expertise to address the capital's core challenges such as population growth, congestion, ageing infrastructure and reduced energy use.

3.77 Similarly, ERDF will support AHSN projects that develop and spread solutions to healthcare problems, contributing to economic growth.

3.78 Annex 1 sets out the EU thematic programmes complementary to the ESIF.

Indicative financial allocation and targets

3.79 £38.5m ERDF has been earmarked to deliver activities under this Priority, financing up to 50% of the total eligible project costs.

3.80 Provisional ERDF targets include 1850 enterprises receiving support, 1000 enterprises cooperating with research institutions and 550 enterprises supported to introduce new to the market/to the firm products and services. Targets are based on broad forecasts taking into account financial allocations, and pending Government's and the European Commission's agreement of the choice of activities. Details about the exact definition of indicators have not been yet issued by

Government but calculations are based on the assumption that intensive and quality support will be preferred to high, unrealistic target levels. Where available, the 2007-2013 ERDF programme baselines have been used for calculating the targets.

Potential delivery partners and match-funders:

- Higher and Further Education Institutions
- Local Authorities
- Research bodies
- Private sector: Companies limited by guarantee

Investing in London's Infrastructure

Objective

3.81 The aim of this Investment Priority is to ensure that London has the underpinning technological, business and low carbon infrastructure to support sustainable growth and support London's evolution into a smart city.

Context and Rationale

3.82 London's infrastructure investment needs are vast and any ERDF available for capital investment will be appropriately targeted where the LEP identifies that most demand arises and where most growth potential exists.

3.83 There are five key Themes where ERDF investment will be targeted:

- unlocking growth potential in disadvantaged urban areas
- research and innovation infrastructure
- business workspaces
- ultra-fast broadband provision
- low carbon infrastructure

3.84 LEAP aims to build on the strengths of London's research and technological landscape by ensuring there is adequate infrastructure that facilitates knowledge spill-overs and market exploitation of innovative products and services. To this end ERDF will support workspace models like incubation, follow-on and co-working space as well as research infrastructure which will lead to the delivery of LEAP's innovation and technology agenda.

3.85 Similarly, LEAP will assess the case for investing in ultrafast broadband. In order to develop world-renowned clusters in its dynamic ICT-intensive sectors, London needs to address physical infrastructure deficiencies, particularly with respect to ultrafast broadband provision. Access to advanced ICT infrastructure is necessary to increase the quality and efficiency of research and innovation; this will also support delivery of the Smart London Plan. Such infrastructure is indispensable for the formation of innovation clusters and multidisciplinary collaboration. ERDF will support investment in London's high speed communication networks where there is robust evidence of market failure.

3.86 The general case for Government intervention to manage environmental issues is clear in economic theory. In the context of environmental sustainability, there is a general issue of market failure where individuals and businesses do not prioritise the full environmental costs of their actions.

3.87 To ensure a holistic approach, projects funded under this Investment Priority will support and complement activities funded under the other Priorities in this strategy. Synergies will be considered between actions in identified geographical localities under this Priority with actions enhancing the competitiveness of SMEs by supporting new businesses and activities in low-carbon sector, strengthening research, technological development and innovation in energy efficiency and low carbon and renewable energy, and promoting employment and labour mobility.

3.88 Capital investments in building and infrastructure will be expected to at least achieve the following nationally recognised standards: BREEAM Excellent for new build; BREEAM[79] Very Good for refurbishment and CEEQUAL[80] Very Good for infrastructure projects.

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[79] See for more information: http://www.breeam.org/.
[80] See for more information: http://www.ceequal.com/.

Themes and Indicative Activities

Theme 1: Unlocking growth potential in disadvantaged urban areas

3.89 This Theme will provide integrated place-based solutions to unlock growth potential in disadvantaged urban areas and increase urban cohesion. LEAP will identify the areas for intervention by taking into account evidence on localities with greatest transformation potential and strategic documents such as the London Plan. The focus of intervention will be high streets, town centres and related employment clusters.

3.90 Developing transport infrastructure is a key component of unlocking growth potential by improving links and connectivity. LEAP will draw synergies between the existing investment programme in London's transport network to maximise the impact of any European funding.

3.91 The reasons for social exclusion are complex and tackling them requires locally sensitive action, often across a broad front of economic, education and training, social, transport and environmental measures dealt with in other parts of this strategy.

3.92 SMEs are central to economic recovery in the UK. In London they represent 50% of all employment opportunities. Small firms, (employing fewer than 50 people) that need to be near local consumers, are spread across London matching the geography of their customer base, and echoing the geography of London's high streets.[81] As a result high streets rapidly respond to urban and demographic change, the goods and activities on display, revealing relationships with both the immediate hinterland and wider world. Significant differences in the geography and business mix of localities mean it is critical that public investment is targeted and place based.

3.93 ERDF will focus on urban regeneration of deprived areas with growth potential, by taking a sustainable, participative and integrated approach. LEAP will aim to invest ERDF in area-based interventions in which the place-based approach is combined with a people-based approach, where both ERDF and ESF is deployed. In deprived urban areas, it is a slower process to change social conditions than to renovate the physical environment. Therefore physical regeneration will not be the sole goal but only a driver for more comprehensive and integrated approaches to rethinking the future of an area. The cross-financing option of including ESF-type actions in ERDF-funded projects will offer the chance to ensure synergy among different measures and deploy longer-term support mechanisms to ensure that the social side of integrated interventions does not collapse when funding ceases.

Indicative activities include:

- **Improve accessibility through existing public space** to ensure that places of work are accessible and well connected to neighbouring employment sites, residential areas and the wider community, town centres and public transport hubs
- **Physical enhancements of employment sites** and premises and surrounding areas including high streets and town centres
- **Improve connectivity and quality of the local environment** as well as links to and between green infrastructure
- **Conversion/refurbishment of vacant/derelict premises** with commercial potential

Theme 2: Research and innovation infrastructure

3.94 Investing in the long-term development of science and innovation infrastructure will ensure London's scientific research capability remains among the best in the world. This will in turn attract both foreign investment and leading scientists from across the globe.

[81] Rachel Smith, Dmitry Sivaev and Paul Swinney. 2012. *Size matters: The importance of small firms in London's economy*, Centre for Cities.

3.95 This Theme will aim to enhance London's capacity for R&I excellence and technological change. This includes support for research facilities and technology centres, with a clear focus on enhancing applied research, through reinforced cooperation with industry to leverage private R&I investment.

Indicative Activity:

- **Investment in facilities used by the scientific community** to conduct top-level research in their respective fields, ranging from health sciences to genomics and nanotechnologies.

Theme 3: Business workspaces - address geographical, sectorial or other gaps in the provision of workspace including incubators, accelerators, follow-on space, co-working and support services

3.96 London is a highly attractive location for businesses. As described in Chapter 1, Cushman and Wakefield consistently rank London as the most attractive city in Europe in which to locate a business. However, this also leads to high costs for commercial and business premises - London being one of the most expensive cities in the world for renting office space - and additional pressure on employment land for release to support the related need for (non-ESI funded) mixed use housing sites.

3.97 The objective of this Theme is to ensure that London SMEs have access to an adequate supply of workspace, especially for start-ups and high growth potential firms, follow-on space and support services in places where there are barriers and opportunities to unlock grow.

3.98 While there is no agreed definition of a business incubator, or accelerator or co-working space, the general consensus is that these are spaces that supply a joint location, services, business support and networks to early stage enterprises or those with good potential to grow. One of the well-recognised benefits of these shared workspaces is the opportunity for SMEs to network with each other. This networking allows the exchange of ideas and experiences, allowing many of them to develop innovative concepts, supporting and informally mentoring each other.

3.99 Adequate workspace is essential for London SMEs actively engaged in innovation. Working areas that facilitate networking and knowledge transfer are necessary so that innovative ideas are considered, piloted, analysed and made market-ready. There will therefore be scope for ERDF to fund gaps in provision of workspace including follow-on, environmentally exemplar incubation and co-working space and other technological equipment which leads directly to commercialisation of new products and services. There is also scope to invest in ensuring that these places of work are accessible and attractive contributors to the wider context and the benefits of investment are spread adequately.

3.100 LEAP will seek to leverage private investment to meet this objective. Value for money will be sought by ensuring that ERDF is invested in sustainable projects, with a clear regenerative impact on the wider area. The aim is to avoid situations where the space is closed after withdrawal of public money.

3.101 Any ERDF subsidised workspaces will be expected to provide SMEs with a comprehensive range of services such as mentoring, networking and access to finance advice and support. These services can be funded through activities outlined elsewhere in this strategy.

3.102 In addition to addressing access to start-up workspace there is a shortage of self-contained units for young businesses to graduate onto including hybrid workspace options where desk based space is combined with more flexible space to prototype innovative new products. The aim is to address gaps in the market for the provision of follow on space with a focus on outer London industrial areas where there is space for start-up workspace to be clustered with larger size flexible space.

3.103 Funding under this Theme will be allocated by taking into account market research findings as commissioned by LEAP.

Indicative activities include:
- **Provision of start-up incubator facilities and grow-on space**
- **Provision of affordable workspace and business guidance** including mentoring and access to finance
- **Ensuring good access to appealing environments** and maximising regeneration potential of these places of work

Theme 4: Ultra-fast broadband provision - enhance the quality and use of London's high speed communication networks

3.104 London's ultrafast broadband is insufficiently competitive with other global cities. This can significantly hamper the capital's ambitions to become a prime location for high technology businesses.

3.105 The London Plan is the Mayor's strategic development plan for London, which aims to facilitate the delivery of ICT and competitive broadband access to meet the needs of enterprise and individuals.[82] More specifically, it promotes the expansion of superfast broadband to support the growth of high tech businesses, and identifies white areas (where the private sector will not invest) that need to be addressed. ERDF will be invested where the market is failing (particularly where this is proving a barrier to business growth).

Indicative activity includes:
- **Extend the roll-out of superfast broadband services** where the market is failing particularly where this is proving a barrier to SME growth

3.106 In pursuing these activities LEAP will pay particular attention to constraints imposed by state aid rules for broadband investments.

Theme 5: Low carbon, environmental and green infrastructure

3.107 The investment under this Theme will support activities that will address the impact and realising the economic opportunities of mitigating and adapting to climate change highlighted in Chapter 1.

3.108 Financial instruments will be utilised where this is the most suitable way to address the market failures identified in Chapter 1, and particularly where the potential for leveraging private investment or making cost savings are significant. However, in some cases, particularly where the activities are not commercial viable, grants would be used for such investments.

3.109 London has a good record of investment in low carbon infrastructure by successfully leveraging significant private and public funding through innovative financial instruments such as the London Green Fund (JESSICA financial instrument). The GLA, working with the European Investment Bank and London Waste and Recycling Board, has commissioned work to determine

82 The London Plan is the overall strategic plan for London, and it sets out a fully integrated economic, environmental, transport and social framework for the development of the capital to 2031.

how this fund can be extended during the 2014-20 period. Further information on financial instruments can be found in Chapter 4.

3.110 However, the development of a pipeline of projects that will absorb this investment is also critical for its successful implementation. As such, this Theme will also provide project development funding that will enable a pipeline of commercially viable projects to be developed and taken to market for investment.

Indicative activities include:
The activities below will be delivered by a combination of grants and repayable investments (in the form of loans, equity and/or guarantees).

- **Develop "whole place" low carbon initiatives** through approaches such as smart cities and communities that include low carbon transport infrastructure, energy efficiency, low carbon energy supply and smart meter/smart grid programmes and related ICT platforms, technologies and applications.
- **Support the development of energy and water efficiency retrofit activity** and low carbon energy (power and heat) generation, distribution and supply measures in residential, public and commercial buildings.
- **Invest in the development of high-efficiency, low carbon co-generation district heat and power networks** capable of supplying both local homes and businesses to create low carbon districts in London.
- **Support the establishment of sustainable infrastructure for waste management**, including recycling processing reprocessing and remanufacturing facilities along with waste to energy systems with associated heat off-take and heat distribution networks.
- **Provide project development funding** to support the capacity and activity required to effectively work with the range of development and delivery organisations to bring forward projects and take them to market in areas including energy efficiency, decentralised energy, waste management and green infrastructure
- **Develop green infrastructure and other climate change adaptation activities** that will help ensure that London is resilient to the future impacts of climate change, including overheating, flooding and water resources.
- **Low carbon modal shift/ smarter choices**, smart systems, electric/ultra-low carbon/hydrogen vehicle infrastructure, electric vehicle charging infrastructure and supply chain development.

Complementarity and coordination with other national and EU programmes

3.111 When investing in innovation and research infrastructure LEAP will seek coordination with the HEFCE's UK Research Partnership Investment Fund or similar UK-based initiatives.[83]

3.112 In developing a low carbon economy, ERDF activities will cross sectors and link to training initiatives funded through ESF. Opportunities will be sought for combining ERDF with ESF to facilitate the transition towards a low-carbon society, by increasing investment in green skills training while simultaneously building demand for energy efficiency retrofit and the installation of renewable energy technologies.

3.113 The European Commission's proposals for cohesion policy 2014-2020 aim to foster integrated urban policies to enhance sustainable urban development to strengthen the role of cities. Innovative Urban Actions aim to foster new and innovative solutions in sustainable urban

[83] The UK Research Partnership Investment Fund is designed to support investment in higher education research facilities. The fund was set up in 2012 to run for three years until 2015. The Government announced further funding as part of the spending review for 2015-16 http://www.hefce.ac.uk/whatwedo/rsrch/howfundr/ukrpif201215/.

development; these are studies and pilot projects on new solutions to issues relating to sustainable urban development

3.114 ESI funding under this Priority can be coordinated with support from other initiatives such as the EU's NER300 Programme,[84] which uses revenue from auctioning allowances under the European Emissions Trading Scheme to finance demonstration projects for innovative renewable energy technologies. Horizon 2020 could also provide strategic funding in developing and rolling-out new technologies, in particular through its "Smart Cities" funding stream.

3.115 Complementarity and coordination with LIFE, in particular with integrated projects in the areas of climate change mitigation could also be pursued. Annex 1 sets out the EU thematic programmes complementary to the ESIF.

Indicative financial allocation and targets

3.116 £101.7m ERDF has been earmarked to deliver activities under this Priority, financing up to 50% of the total eligible project costs.

3.117 Provisional ERDF targets include an estimated annual decrease of greenhouse gas emissions of 78,000 tonnes CO_2eq, 1.5 hectares of refurbished built space and £85m private investment leveraged. Targets are based on broad forecasts taking into account financial allocations, and pending Government's and the European Commission's agreement of the choice of activities. Details about the exact definition of indicators have not been yet issued by Government. Where available, the 2007-2013 ERDF programme baselines have been used for calculating the targets.

Potential delivery partners and match-funders:

- National Government (BIS)
- European Investment Bank
- Greater London Authority
- Transport for London
- Local Authorities
- London Waste and Recycling Board
- Private sector: Companies limited by guarantee

[84] http://www.ner300.com/.

4. Partnership and Delivery

Introduction

4.1 In London, the ESIF & Sustainable Urban Development (SUD) strategy is delivered by the GLA, as Intermediate Body, on behalf of the London Economic Action Partnership.

4.2 The London Economic Action Partnership's role is unlike the other 38 Local Enterprise Partnerships because of the governance arrangements in London. LEAP has an advisory role to the Mayor of London, its Chair. It works within its Local Assurance Framework, its Constitution, the London Plan and statutory Mayoral strategies. LEAP makes recommendations to the Mayor regarding funding and policy decisions. The GLA Acts of 1999 and 2007 give the Mayor of London citywide powers beyond other English cities or regions.

4.3 LEAP has established two formal sub-committees: LEAP Investment Committee and the Royal Docks Enterprise Zone Programme Board. Further details are set out in LEAP Constitution. The LEAP Secretariat provides Secretariat to the London ESIF Committee (LEC).

Governance and delivery arrangements

GLA Intermediate Body

4.4 The GLA has been designated an Intermediate Body (IB) for the 2014-20 ERDF and ESF programmes; this is similar to its role for the 2007-13 programmes.

4.5 The GLA as IB leads the implementation, management and delivery of the 2014-20 programmes in London on behalf of the Managing Authorities. The IB advises the LEC and LEAP on the implementation of the ESIF & SUD strategy and, to ensure transparency, seek its views and advice on applications for funding where it is required. The IB ensures that the London programmes help deliver the England Operational Programmes which were formally agreed by the English Managing Authorities and the European Commission.

4.6 The IB undertakes project pipeline development, ensures that routeways into the programme are timeously launched and managed; undertakes appraisal including strategic and technical compliance checks; manages Opt-in delivery; undertakes project & contract management; carries out performance monitoring and reporting. The GLA as IB monitors progress towards meeting 'N+3' expenditure and output and result targets.

4.7 The Managing Authorities monitor the performance of the IB. The IB function is supported by ERDF 'Technical Assistance' funding, with match funding from Government.

Partnership working: governance and roles of ESI Funds Growth Programme Board, its national and local sub-committees, Managing Authorities and local partners

4.8 A national ESI Funds Programme Monitoring Committee (PMC) has been established in England. It is the PMC for the Operational Programmes for the ERDF and the ESF in England and is known as the ESI Funds Growth Programme Board (GPB).

4.9 The GPB is chaired by a representative of the Managing Authorities, who also provide its Secretariat. The membership of the GPB is drawn from representatives of a wide range of partners across the public, private, business, social, voluntary and environmental sectors. The GLA is a member of the Board.

4.10 The GPB is supported by a number of sub-committees advising it on relevant policy and operational matters. These sub-committees, which provide supporting advice in specific policy areas such as innovation, skills and aspects of implementation, bring in leading experts from their fields and provide an important resource for the GPB and ESI Funds Growth Programme.

4.11 All sub-committees report to the GPB, to ensure transparency of proceedings. The GPB does not delegate decisions to these national sub-committees though their advice is important in informing the GPB's perspective, advice and decisions.

4.12 The Managing Authorities work in partnership with economic, environmental, equality, social and civil society partners at national, regional and local levels throughout the programme cycle, consisting of preparation, implementation, monitoring and evaluation.

4.13 At the local level, ESI Funds sub-committees have been set up in each Local Enterprise Partnership area. In London the local ESI Funds sub-committee is known as the London ESIF Committee (LEC). These local sub-committees in each Local Enterprise Partnership area operate as sub-committees of the GPB, to whom they will report. Local promotion of ESI Funds projects and their impact is a priority, as is local leadership of this amongst partners. This complements the functions of the Managing Authority but does not substitute for them.

4.14 Each Local ESI Funds sub-committee is therefore chaired by local partners who, along with other members drawn from business, public, environmental, voluntary and civil society sectors, are advocates for the opportunities and impact of the ESI Funds. Membership of these sub-committees is inclusive and in line with EU regulations and the wide scope of ESI Funds priorities. The GLA Intermediate Body is the Deputy Chair of the London ESIF Committee.

4.15 The role and purpose of these Local ESI Funds sub-committees is clearly defined in Terms of Reference published on GOV.UK[85]. They are not responsible for any tasks set out in EU regulations for which Managing Authorities are responsible in relation to management of the ESI Funds.

The local sub-committees:

- Provide advice to the Managing Authorities on local development needs and opportunities to inform Operational Programmes and ESI Funds Strategies;

- Work with sectors and organisations they represent so that they engage with and understand the opportunities provided by the ESI Funds to support Operational Programme objectives and local economic growth;

[85] The Terms of Reference for the Growth Programme Board can be found on the following web page: https://www.gov.uk/government/groups/growth-programme-board

- Promote active participation amongst local economic, environmental and social partners to help bring forward activities which meets local needs in line with the Operational Programmes and local ESI Funds strategies and Implementation plans;

- Provide practical advice and information to the Managing Authorities to assist in the preparation of local plans that contribute towards Operational Programme priorities and targets. Similarly, provide local intelligence to the Managing Authorities in the development of project calls decided by the Managing Authorities that reflect Operational Programme and local development needs as well as match funding opportunities;

- Provide advice on local economic growth conditions and opportunities within the context of Operational Programmes and the local ESI Funds Strategy to aid the managing authority's assessment at outline and full application stage;

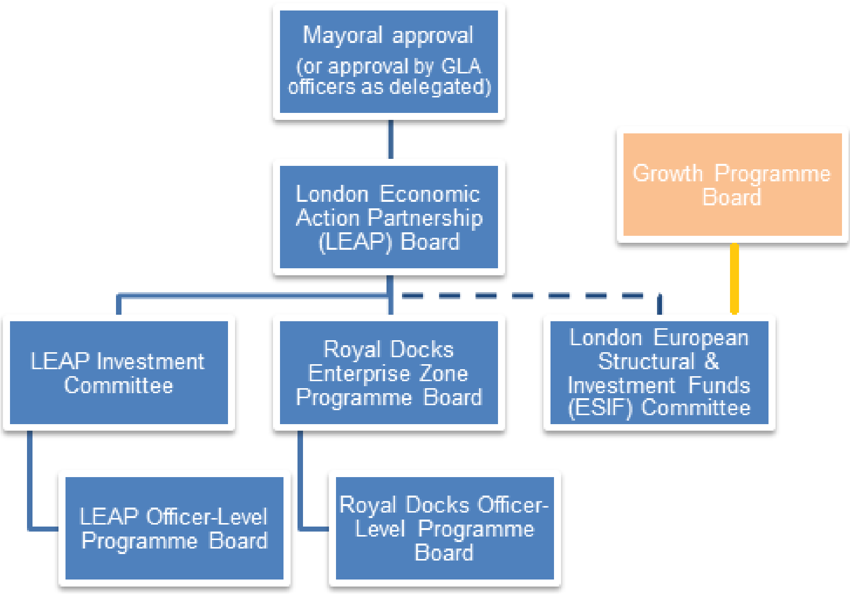
- Contribute advice, local knowledge and understanding to the Managing Authority to aid good delivery against spend, milestones, cross-cutting themes, outputs and results set out in the Operational Programme and local ESI Funds strategies.

4.16 In this way partners at local level play the important role foreseen in the Common Provisions Regulation and the main principles and good practices set out in the European Code of Conduct on Partnership. Managing Authorities ensure that partner roles and responsibilities are clearly set out at all levels and that conflicts of interest are avoided.

4.17 Where specific Managing Authority functions are designated to an Intermediate Body, that body seeks advice from the relevant LEP area ESI Funds sub-committee in the same way as the Managing Authority does. The LEP area ESI Funds sub-committee therefore provides advice to the Intermediate Body and/or the Managing Authorities as appropriate and as set out in the written agreement with the Intermediate Body.

4.18 Figure 3.1 sets out the high level ESIF governance structure.

Figure 3.1 High–level London ESIF Governance Structure

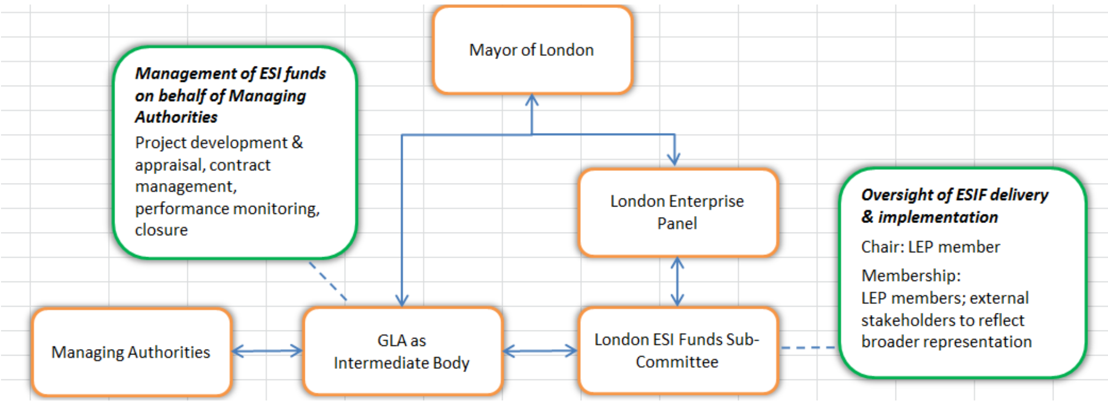


Note: The London European Structural & Investment Funds (ESIF) Committee is a sub-committee of HM Government's Growth Programme Board for the 2014-20 ESIF programme. LEAP has responsibility for providing ongoing strategic oversight of the Funds.

Decision-making flow

4.19 The decision-making flow is detailed in Figure 3.2. Reporting lines are two-way, with the Mayor of London holding overall responsibility.

Figure 3.2



Managing possible conflict of interest

4.20 The Mayor of London has a dual role; the Mayor chairs the LEAP and also holds responsibility for IB activity.

4.21 The ESIF governance structure, as described above, provides sufficient checks and balances to ensure that any conflict of interest can be managed; specifically, the inclusion of external stakeholders in the LEC to help to ensure transparency.

4.22 GLA IB officers hold responsibility for managing any conflict of interest that may arise with strategic or project level investment decisions. The LEC Secretariat ensures that any conflicts of interest are managed at its meetings and in any correspondence with LEC members.

Managing compliance and risk

4.23 For the 2007-13 ERDF programmes, a protocol was agreed to refer any conflict of interest issue that could not be resolved locally to DCLG. This has been renewed for 2014-20; also for ESF. To date, neither DCLG (now Ministry for Housing and Communities and Local Government MHCLG) nor the GLA have had to enact this protocol.

4.24 The GLA as IB is aware of the challenges of delivering an audit-compliant ESIF programme. Within the GLA, the European Programmes Management Unit (EPMU) undertakes the IB role. EPMU has a track record of delivering compliant programmes that withstand scrutiny; several of the team have over 10 years' experience of managing European funds in London. Recent external audits and evaluations provide assurance of this.

4.25 An October 2013 end-to-end systems audit by DWP of EPMU's management of the ESF programme awarded the highest level of assurance, stating 'We are satisfied that overall the GLA, as an IB, meets the…key requirements of the Management and Control System, as laid down by the Commission.' The report commented that 'we are satisfied that the members of the team are suitably skilled and experienced and have received the necessary training to perform their duties adequately.'

4.26 In March 2015, an end to end systems audit by the Government Internal Audit Agency was undertaken to provide an independent opinion on the level of assurance of management controls on the London ERDF programme. An 'Unqualified Opinion' was given. In 2019 Unqualified Opinions were again awarded for the GLA's management of ESF and ERDF.

4.27 Regeneris conducted an interim evaluation of the London ERDF 2007-13 programme in 2012 and found that management by EPMU has been strong, stating, 'The EPMU team is widely regarded by external stakeholders as a 'safe pair of hands' and they have often gone beyond requirements set by DCLG and the European Commission.' Regeneris stated that 'this is particularly evident in the Programme's progress towards its spend targets and the low error rate. There have been far fewer criticisms of delays in the appraisal and approval process than in most other ERDF programmes reviewed by the evaluators.'

4.28 The GLA has embedded the business processes (forms and templates) devised by the Managing Authorities for 2014-20, with exceptions where agreed.

4.29 The GLA's approach mirrors the sound implementation and partnership approach of the 2007-13 ERDF programme. Regeneris noted that 'EPMU has ensured that London has been closely involved in the [2012] standardisation process being led by DCLG (despite this not being a requirement) to ensure that there is consistency of systems and processes and to ensure that thorough systems are in place.' The GLA seeks to ensure these standards are maintained for the 2014-20 programme.

Partners and Consultation

4.30 This strategy has been developed through consultation with partners, both internally within the GLA, and externally.

4.31 The London LEP's 2013 sub-regional 'road shows' presented the key drivers for the ESIF strategy. Consultation events have been held with further and higher education stakeholders, social partners, London boroughs via London Councils, the voluntary sector and London's neighbouring LEPs. LEAP participated in a SELEP-organised consultation event, and participates in the London Stansted Corridor Consortium.

4.32 In autumn 2013 LEAP launched a one-month online consultation on the draft ESIF strategy. A list of respondees to the consultation can be found in Annex 4. Comments received have – where appropriate – been reflected in the strategy. Overall, responses were in favour of the direction of the strategy. More broadly, Annex 4 also lists all ESIF consultees with whom LEAP and GLA as IB have engaged in the drafting of this strategy. A Consultation Report, which summarises the ESIF consultation process, is available on the LEAP website.

4.33 LEAP maintains partner representation throughout the delivery of the programme via LEAP itself and its working groups. Current LEAP and LEAP working group members are listed at Annex 5.

4.34 The GLA balances the expectations of partners with those of the Managing Authorities, Audit Authorities and European Commission. Lessons learnt and good practice from delivery of the 2007-13 ERDF and ESF programmes were taken forward to 2014-20 as part of the GLA's preparation for managing the ESIF programme. The GLA engages with stakeholders throughout the delivery of the programme, including with projects, to ensure best practice is shared; this includes ensuring consistent information is timeously disseminated in part through facilitated networking.

4.35 Continuous evaluation is a key EU requirement for 2014-20, more so than the 2007-13 ERDF and ESF programmes. The GLA as IB supports the Managing Authorities in their monitoring & evaluation plans.

4.36 The GLA's office in Brussels will help ensure that complementary sources of funding are identified. While these funds cannot be used as match funding, they can support the broader implementation of ESIF priorities. Similarly, the GLA's membership of Eurocities provides a valuable source of information and guidance.

Financial Instruments (FIs)

4.37 As at 2016, LEAP has earmarked £75m from ESIF to be deployed through FIs, subject to *ex ante* assessments. This includes both SME 'Access to Finance' and low carbon infrastructure 'Urban Development Funds (UDFs), which will invest through equity and loan to help deliver the priorities identified by LEAP.

4.38 Work is nearing completion for two *ex ante* assessments, which during the first stages, have identified funding gaps of at least £120m per year for SMEs and about £2.8bn for low carbon infrastructure. The second stage of these assessments will set out an investment strategy, including delivery arrangements, for addressing these gaps.

4.39 Based on the market analysis for SME finance, a £100m 'fund of funds' is being proposed to cover debt and equity finance, for SMEs at different stage of development. £25m ERDF will be allocated to this fund and the manager of the fund of funds would then secure an additional £75m from other sources. Discussions are on-going with the European Investment Bank (EIB) about providing £50m of this amount, which would mean the manager would only need to secure £25m. The £100m would then be allocated to smaller sub-funds, targeting different segments of the identified finance gap.

4.40 LEAP plans to launch a next-generation London Green Fund (LGF II), successfully pioneered under the 2007-13 ERDF programme. As at September 2015, the London Green Fund (LGF) has committed 79% (c£97m) of its resources to projects through the three UDFs.

4.41 For LGF II, the market analysis recommended continued support for the activities currently financed under the LGF - waste infrastructure, energy efficiency (EE) and decentralised energy (DE). Two funds are proposed with £50m ERDF earmarked for both: one will focus on waste infrastructure and the other on EE and DE.

4.42 Discussions with the European Investment Bank are already well underway in relation to the provision of match funding and technical support. Preliminary discussions have taken place with the Government's Green Investment Bank regarding the process for aligning ESI funds with its objectives.

4.43 The GLA will adhere to the Government's business process for setting-up, implementing and monitoring FIs adapting where appropriate to reflect the GLA IB and the Mayor of London's roles.

4.44 Once the investment strategies are completed the funds will be selected through either formal public procurement with a notice public in OJEU or through an 'open call'.

4.45 As at November 2019, the 'Greater London Investment Fund' and the 'Mayor of London's Energy Efficiency Fund' have both launched.

Integrated Territorial Investment (ITI)

4.46 This strategy constitutes an Integrated Territorial Investment.

Collaboration with other LEPs

4.47 The functional economic area of London operates on a different scale and with a different dynamic to those of the other UK City Regions; London being the dominant economy within the very large region of the Greater South East (GSE)[86]; see the diagram below.

4.48 The geographical coverage of LEAP exactly matches that of the Greater London regional boundary.

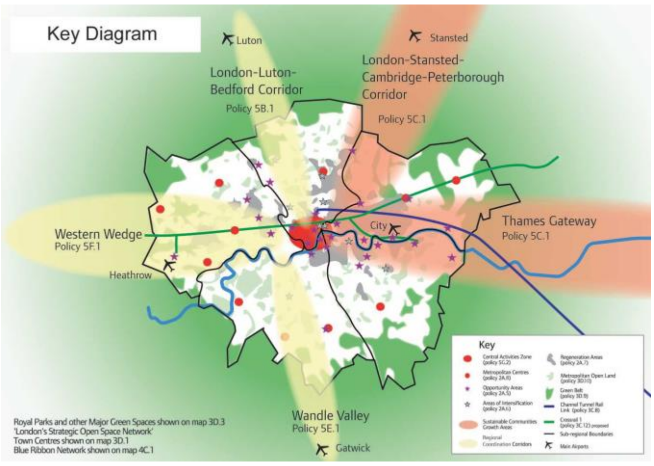
[86] Hertfordshire, South East LEP, Coast to Capital, Enterprise M3, Thames Valley Berkshire and Buckinghamshire Thames Valley.

4.49 LEAP is keen to deliver activity in conjunction with other LEPs where this supports both the London ESIF and England Operational Programmes. However, cross-working with other LEPs will only be undertaken where it is of mutual benefit and administratively viable. Collaboration is two-way and will only be effective where all parties are signed-up to it.

4.50 LEAP will build on existing relationships with local authorities, which have functional economic linkages to London and will work with the six LEPs bordering Greater London to coordinate activities across the Greater South East where this is to mutual advantage. LEAP will maximise opportunities for cross boundary working along the main growth corridors out of London and join up with opportunities in the wider South East, especially the Thames Gateway.

4.51 The Western Wedge, an economic corridor with historical specialisation in information technology, stretches from Central London through Heathrow and into the Thames Valley, is the biggest employment centre within the Outer Metropolitan Area. The area is significantly influenced by Heathrow Airport with the area of the Wedge within London containing much employment integral to the airport's supply chain and logistical network. To the west of Heathrow the Thames Valley has become a key centre of international headquarters. LEAP is in discussion with Heathrow Airport to explore the opportunity of investing ESF to support the Heathrow Academy project funded under the 2007-13 ESF Programme. The proposal for investment is being considered jointly with Thames Valley Berkshire and Enterprise M3 LEPs to extend delivery of the project within their respective areas.

4.52 LEAP also has existing links with the London-Stansted-Cambridge Corridor (LSCC) Consortium (which straddles four LEPs) and covers the area north from Kings Cross, Shoreditch, The City and the Olympic Park, up the Lee Valley, A10, M11 up to Stansted and through to Cambridge. The LSCC works with local government, the private sector, Further & Higher Education sectors to influence decision-makers and contribute to the development of policy. The GLA as IB has engaged with the LSCC during Autumn 2013.



4.53 The GLA is aware of the regulatory, audit and management information requirements that may be expected by Government, where cross-boundary projects are supported.

5. Cross cutting themes

5.1. The ESIF aims to make a positive difference to the lives of people living and working in London. Two cross cutting themes are being addressed as part of the strategy development and implementation: sustainable development and equalities. They will contribute to the ESIF strategy aim of driving forward sustainable economic growth in London.

Sustainable development

Context and rationale

5.2. LEAP is committed to ensuring that ESI funding contributes to the quality of the everyday environment for Londoners and, in so doing, promotes economically, socially, physically and environmentally sustainable forms of development and growth. This underpins all objectives outlined in this strategy. At the same time LEAP recognises that social, economic and environmental issues are interdependent and that activity in one of these areas should not be pursued in isolation but should also have consideration for the others.

5.3. LEAP endorses the principles set out by Government in its strategy for sustainable development, *Securing the Future*, which puts social progress, the environment and the economy at the heart of policy-making.[87] The guiding principles state that the goals of the strategy are: 'living within environmental limits', 'ensuring a strong, healthy and just society' and that they will be delivered by: 'achieving a sustainable economy', 'promoting good governance' and 'using sound science responsibly'. The strategy identifies overarching principles that will be used to guide policy and aid progress towards sustainable development.

[87] http://sd.defra.gov.uk/what/principles/.

5.4. At a local level LEAP will engage with the London Sustainable Development Commission (LSDC), which was set up by the Mayor in 2002 to produce London's Sustainable Development Framework and to advise on sustainable development issues in the capital.[88] The Framework sets out a vision for London and has four overarching principles and 13 objectives to help integrate sustainable development into policy development and the decision-making process. The four principles are: taking responsibility, developing respect, managing resources and getting results. The London Sustainable Development Framework's principles are taken into account within activities supported under all four Investment Priorities.

5.5. The investments made with ESI funding will take into account the Mayoral strategies that generate the integrated framework for London's sustainable development, addressing spatial and economic development, the management of municipal waste, transport, biodiversity, air quality, culture, ambient noise, energy and food.

5.6. Although LEAP is not proposing to invest ESI funds in Thematic Objectives (TOs) 5, 6 and 7, SME and infrastructure activity delivered under the other TOs will seek to promote climate change adaptation (TO5), protect the environment and promote resource efficiency (TO6), and promote sustainable transport (TO7).

Implementation

5.7. Projects funded with ERDF and ESF will aim to deliver positive environmental impacts and minimise negative effects. To this end, key environmental protection requirements have been promoted in the identification of priorities. Key areas which the strategy will aim to address include:

- **Climate change and energy:** to mitigate the effects of climate change by reducing London's emissions of greenhouse gases and adapting to its impact. Activities such as promoting energy efficiency, developing and deploying renewable and alternative energy technology will be supported where these can contribute towards a more dynamic environmental business sector in London;

- **Natural resources and waste management**: to address the unsustainably high levels of natural resources used to drive economic development and manage the waste that is produced as a result. Activities such as supporting resource efficiency, encouraging sustainable consumption and production, addressing all aspects of waste management and pursuing environmentally sustainable procurement and commissioning will be supported;

- **Environmental quality including built and open spaces:** to ensure physical support for sustainable and high quality business development, with a focus on areas of London that have the greatest opportunity and need for regeneration. This is principally addressed through the Infrastructure investment priority, which will adopt the principles of sustainable design and construction to ensure that buildings have high environmental specifications; also that the surrounding natural environment is protected and enhanced to enable it to deliver its full range of social, economic and environmental functions. Activities addressing issues of low quality urban space, or contributing to sustainable connectivity between and within communities, will be supported. Capital investments in building and infrastructure will be expected to achieve nationally recognised standards: BREEAM Excellent[89] for new build; BREEAM Very Good for refurbishment; and CEEQUAL Very Good[90] for infrastructure projects;

- **Environmental awareness:** to improve awareness and understanding of how good environmental management and performance can provide financial benefits and competitive

[88] http://www.londonsdc.org/.
[89] See for more information: http://www.breeam.org/.
[90] See for more information: http://www.ceequal.com/.

advantage in all business sectors. Activity to support SMEs in integrating environmental management into business activity is principally addressed in the SME Competitiveness investment priority;

- **Market development and support for the environmental sector:** to ensure that the full economic potential of the environmental sector is realised and that London is a national, European and global leader in the high-value low-carbon technology and innovation. Activities such as work with the low-carbon sector to make it more competitive and innovative in the national and global market will be supported; and

- **The Polluter Pays principle will apply to all activities:** the ESIF will not be used to rectify environmental damage where a polluter can be identified or where legislation requires remedial action to be undertaken.[91]

Equality and anti-discrimination

Context and rationale

5.8. LEAP is committed to promoting equality for everyone, particularly as London benefits from the richness of a range of cultures and ways of living. London is a great world city and its strength continues to be its dynamism and the diversity of its constantly changing population. While it is a prosperous city and an economic gateway, the city continues to be divided by huge inequalities in income, employment and quality of life. Poverty in London is linked to inequality and geography: most inner London wards show higher levels of deprivation, but there are serious areas of deprivation in outer London too, and most equality groups experience higher levels of poverty, poorer employment and social opportunities, and higher levels of ill health.

5.9. Life expectancy continues to increase in London and the proportion of children living in poverty is on the decline. However, LEAP recognises that much remains to be done to achieve real equality. The ESIF Strategy sets out LEAP's commitment to promoting fairness and tackling discrimination in London. This includes working to improve sustainable employment and career progression opportunities for all Londoners by removing the barriers that stop individuals from reaching their full potential.

5.10. The Equality Act 2010 requires the promotion of equality to the following protected characteristics:

- age
- disability
- gender reassignment
- pregnancy and maternity
- race
- religion or belief
- sex
- sexual orientation
- marriage and civil partnership (applicable only to the first point of the duty below)

5.11. GLA has due regard, in the exercise of its functions, to the need to:

1. Eliminate unlawful discrimination, harassment and victimisation and any other conduct which is unlawful under the Equality Act 2010.

2. Advance equality of opportunity between people who share a protected characteristic, and those who don't have that characteristic. This means in particular:
    a. Removing or minimising disadvantages suffered by people who share a protected characteristic that are connected to that characteristic;

[91] Set out in article 192 of the Treaty on the functioning of the European Union.

b. Taking steps to meet the needs of people who share a protected characteristic that are different from the needs of people who don't have that characteristic;
c. Encouraging people who share a protected characteristic to participate in public life or in any other activity in which their participation is disproportionately low

3. Foster good relations between people who share a protected characteristic, and those who don't have that characteristic. This means, in particular:

    a. Tackling prejudice
    b. Promoting understanding

5.12. Of particular relevance to the ESIF strategy are tackling inequality relating to gender, race, disability and age. Gender monitoring is also a specific European Commission requirement.

Implementation

5.13. Chapter 1 sets out the rationale for supporting disadvantaged economic groups in London including women, disabled people, Black and Minority Ethnic, young people, older people and offenders. Chapters 2 and 3 explain the types of activities that can support these groups.

5.14. An overarching aspect is ensuring the digital inclusion of disadvantaged groups. It is a key issue for ensuring that disadvantaged groups are able to access opportunities and benefit from the London's economic growth. Yet the issue is more than individuals not having access to a computer. Between those who are connected online there are large disparities in terms of quality and availability of services. There are a number of existing initiatives to address digital exclusion, both locally and nationally, but this effort is not yet well co-ordinated for London.[92]

5.15. Digital inclusion must not be thought of in a silo but rather recognised as part of wider social and economic exclusion; thus tackling this digital deprivation must be wider in scope. LEAP is committed to ensuring that all Londoners have access to quality digital services. To this extent, ESF and ERDF will be harnessed to tackle digital inclusion in recognition that it goes hand in hand with reducing social exclusion and promoting greater equality.

5.16. LEAP awaits guidance from the Managing Authorities on the types of indicators and target levels that may be appropriate.

5.17. LEAP will seek to ensure that equality of opportunity is advanced for individuals in these groups. This means in particular:

a. Removing or minimising disadvantages suffered by people who share a protected characteristic that are connected to that characteristic
b. Taking steps to meet the needs of people who share a protected characteristic that are different from the needs of people who don't have that characteristic
c. Encouraging people who share a protected characteristic to participate in public life or in any other activity in which their participation is disproportionately low

5.18. The GLA as IB on behalf of LEAP will work with Opt-in organisations, project applicants, and partners to ensure that the programmes are designed to ensure that barriers to equality are addressed. In practice, this means:

- Adhering to the Managing Authorities project application requirements which are expected to include a requirement that applicants demonstrate there will be no unlawful discrimination in the selection of participants (individuals or SMEs, for example.)

- Ensuring that the needs of individuals who share a protected characteristic are met by providing appropriate support.

[92] Smart London Plan, GLA, (2013), p. 21.

- Promoting opportunities to ensure that under-represented groups are encouraged to access provision. This may mean, for example, that provision is targeted at a particular characteristic.

- In line with the Managing Authorities requirements, to undertake monitoring of the participation rates of protected characteristic groups and take remedial action where this is identified.

5.19. Recognising and utilising the skills that exist within communities increases the potential of not only the individual but also London's economy. Investment within the Skills and Employment Investment Priority will focus support on the most disadvantaged groups, more likely to be workless or in low pay such as lone parents, women, those with caring responsibilities, with disabilities, offenders, ethnic minorities and young people. These groups are all also under represented within London's business community and it is envisaged activities within the Skills and Employment and SME Competitiveness Investment Priorities will help to tackle this.

Annexes

Annex 1	EU thematic programmes complementary to ESIF
Annex 2	London's ESIF Performance Framework and Investment Output Targets for 2018
Annex 3	London Economic Action Partnership Requirements for ESF match funders
Annex 4	Stakeholders consulted
Annex 5	London Economic Action Partnership – Members and Co-optees

Annex 1

EU thematic programmes complementary to the London ESIF

Programme (focus)	Priorities	Budget (TBC)
Horizon 2020 (R&D & Innovation)	- support to researchers - support to SMEs - addressing societal challenges (e.g. health, energy, transport, environment)	€70bn
Erasmus + (Education and learning)	- mobility of individuals in EU - cooperation for innovation (incl. HEIs with businesses) - EU policy coordination	€13bn
COSME (Competitiveness and SMEs)	- access to finance for SMEs - SMEs' competitiveness - promote entrepreneurship - access to markets	€2.3bn
LIFE (Environment and climate change)	- protection of the environment and biodiversity - climate change mitigation and adaptation	€3bn
Creative Europe (Culture and creative industries)	- support to cultural/heritage operators and artists - support audio-visual sector - access to finance for small operators	€1.8bn
EaSI (Employment and social innovation)	- supporting social innovation - EU mobility of job seekers - support to micro-credit	€815m
Health for Growth (Public Health)	- innovative and sustainable health systems - good health and preventing disease (e.g. obesity, alcohol) - cross border health threats	€446m
Asylum and Migration Fund	- develop the Common European Asylum System - support legal migration to the EU - integration of third-country nationals, incl. asylum seekers	€3.8bn
Innovative Urban Actions (Urban development)	- studies and pilot projects on new solutions to issues relating to sustainable urban development	€350m

Annex 2

London's ERDF Performance Framework and Investment Outputs Targets

Priority Axis 1: Promoting research and innovation	Milestone for 2018	Final targets 2023
C1 : No. of enterprises receiving support	250	999
Expenditure	€17,435,053	€68,180,046
Priority Axis 2 : Enhancing access to, and use of quality ICT		
Expenditure	€1,543,959	€5,948,500
Priority Axis 3: Enhancing the competitiveness of SMEs		
C1: No. of enterprises receiving support	1,333	5166
Expenditure	€41,261,270	€188,211,076
Priority Axis 4: Supporting the shift towards a low carbon economy in all sectors		
C1: No. of enterprises receiving support	419	1072
Expenditure	€40,556,044	€145,673,744

Annex 3

London Economic Action Partnership Requirements for ESF Match Funders

Project development & alignment

1. The London Economic Action Partnership (LEAP) requires Opt-in organisations to operate under the principles of integrated commissioning through inter-agency working to align services and, where possible, processes. LEAP would like to work with Opt-ins to influence and align procurement processes, communication activities, output definitions and evidence requirements. Opt-ins will be expected to commit to working through any strategic partnership structures established to facilitate integrated commissioning.

2. All Opt-in organisation ESIF project specifications should be co-designed with LEAP. Where specifications are not LEAP led, consultation with LEAP should begin at the initial development stage.

Contract models

3. Opt-in funding models should be designed to reflect LEAP's skills and employment priorities of sustained employment, career progression and progression in learning, with the right funding incentives in place to reward providers for progression or job sustainability.

4. Job outcome unit costs and conversion rates should be informed by the benchmarking research being commissioned through the City Skills Technical Assistance project.

5. Contract size and geographic coverage should be agreed with LEAP and determined on a case-by-case basis. LEAP would expect contract geographies to be based on a configuration that will permit the most effective delivery of the activity.

6. Opt-in innovation pot – allocation of funding to test new approaches and/or where we don't know much about what works e.g. in-work progression. These programmes could be funded on the basis of actual costs or contract costs with a higher weighting on the delivery side.

Output/results & MI reporting

7. Where provision is focused on delivering employment related results, these results should measure sustained employment for a minimum of six months.

8. For provision aimed at young people (15-18 years old) results should measure sustained education, training or employment for a minimum of six months.

9. Where provision is focused on delivering support to people in-work, results should measure in-work progression.

10. Opt-ins should adopt the job outcome definitions agreed by LEAP for job entry and sustained employment.

11. Opt-in organisations should adopt the Employability Performance Rating for all London ESF contracts.

12. Opt-in organisations will be required to provide LEAP with quarterly updates on performance at both programme and project level and broken down by borough.

Annex 4

Stakeholders consulted on 2014-2020 European Structural and Investment Funds in London

Discussions have taken place with the following:

- Association of Colleges, London
- Child Poverty Action Group
- European Investment Bank
- Further Education sector: College of North West London, Newham College of Further Education, Ealing Hammersmith & West London College, Westminster Kingsway College, Hackney Community College, Tower Hamlets College, City & Islington College
- Greater London Authority

- Growth Boroughs (former Olympic host boroughs)
- Heathrow Airport Ltd
- Hertfordshire LEP, Thames Valley Berkshire, Enterprise M3, Coast to Capital and South East LEP
- Higher Education sector: University of East London, Brunel University, Lancaster University, University of West London, Queen Mary University London, University of the Arts, University College London, Greenwich University
- Inclusion
- Jobcentre Plus (London and Home Counties)
- London & Partners
- London Councils
- London ERDF Local Management Committee 2007-13
- London ESF Committee 2007-13
- London Higher Europe Group
- London sub-regional groups (West London Alliance, Central London Forward, North London Strategic Alliance, South London Partnership).
- London Voluntary Service Council
- Mayor's Fund for London
- Mayor's Office for Policing and Crime (MOPAC)
- Metropolitan Police Service's Trident Unit
- National Apprenticeships Service
- National Council for Voluntary Organisations
- National Offender Management Service
- NHS European Office
- Technology Strategy Board
- Trades Union Congress, unions, social partners and businesses
- Transport for London
- Young People's Education and Skills (London Councils)
- Youth Justice Board
- Opt-in match funders:
    - Big Lottery Fund

- Department for Work and Pensions
- European Investment Bank
- Growth Accelerator
- Manufacturing Advisory Service
- Education & Skills Funding Agency
- UK Trade & Investment

Respondees to the LEP's online consultation on the ESIF during from 15th October – 15th November 2013:

Age UK London, Greater London Forum for Older People, Positive Ageing in London
Association of Colleges, London Region
Barking & Dagenham College
Camden Town Unlimited
Capital Enterprise
Chair of South West cluster external funding group (comprising London Boroughs of Kingston, Richmond, Merton, Sutton, Wandsworth and Croydon)
City and Islington College
Cross River Partnership
East London Small Business Centre Ltd
Enfield Council
Europa
Inclusion London (and representing Deaf and Disabled people's user-led organisations in London)
6 Growth Boroughs (representing the London Boroughs of: Barking & Dagenham, Hackney, Newham, Tower Hamlets, Waltham Forest and the Royal Borough of Greenwich
London Borough of Havering
London Higher
London Unemployed Strategies
London Voluntary Service Council (LVSC)
Newham College London
North East London Foundation Trust
North London Chamber of Commerce
North London Strategic Alliance & London Stansted Cambridge Consortium
Royal Borough of Greenwich
SPACE
St Mungo's
The Future Generation
The Prince's Trust
UCLPartners, Health Innovation Network, Imperial College Health Partners
University of the Arts, London

Annex 5

London Local Enterprise Panel, currently known as London Economic Action Partnership (LEAP)

Members (as at November 2019)

LEAP Board

Chair:
Sadiq Khan, Mayor of London

Deputy Chairs:
Rajesh Agrawal, Deputy Mayor for Business
Cllr Peter John OBE, London Councils' nominee
Angus Knowles-Cutler, Business Member

Members:
Natalie Campbell, Business Member
Dr Celia Caulcott, Business Member
James Cronin, Business Member
Greg Clark CBE, Business Member
Alexandra Depledge MBE, Business Member
Rokhsana Fiaz OBE, Mayor of Newham
Katharine Glass, Business Member
Cllr Georgia Gould, London Councils' nominee
Sam Gurney, Trades Union Representative
Jamie Mitchell, Business Member
John Newbigin OBE, Business Member
Colette O'Shea, Business Member

Nita Patel, Business Member
Jules Pipe CBE, Deputy Mayor for Planning, Regeneration and Skills
Simon Pitkeathley, Business Member

Observers:
Dick Sorabji - Corporate Director Policy and Public Affairs, London Councils (Dianna Neal - London Councils as alternate)

London ESIF Committee (LEC) as at November 2019

Chair:
Simon Pitkeathley, CEO, Camden Town Unlimited & LEAP Business Member

Vice Chair:
Alex Conway, Assistant Director - Brexit and European Programmes, Greater London Authority (GLA)

Members:
Jeanette Bain-Burnett, Assistant Director - Communities and Social Policy, GLA
Andrew Croft, Treasurer, Social Enterprise UK
Cllr David Gardner, London Councils' nominee
Sam Gurney, Regional Secretary, Trades Union Congress - Southern and Eastern
Tony Haines, Senior Manager, Education Funding Agency
Professor Paul Ivey, Deputy Vice-Chancellor and Chief Business Officer, London South Bank University
Debbie Jackson, Interim Executive Director - Development, Enterprise & Environment, GLA
Emma Kirkpatrick, Head of the European Social Fund Managing Authority, Department of Work and Pensions (Managing Authority)
Simon Moody, Area Director, Environment Agency
Kenroy Quellennec-Reid, Director of Strategic Delivery, Funding London
Parveen Thornhill, Head of London & Devolved Administrations, Department for International Trade
Jenny Tooth OBE, Chief Executive, UK Business Angel Association
Mary Vine-Morris, Area Director (London) and National Lead - Employment, Association of Colleges
Steve Warwick, London Regional Chairman, Federation of Small Businesses
Cllr Claudia Webbe, Commissioner, London Sustainable Development Commission
Garry White, Senior European Adviser - ERDF Policy and Partnerships, Ministry of Housing, Communities & Local Government

Observers:
Joanne Knight - European Commission
Dianna Neal - London Councils