

OXFORDSHIRE EUROPEAN STRUCTURAL INVESTMENT FUND STRATEGY

This strategy sets out plans for the allocation of 22.7million Euros for business support, skills development and developing the rural economy in Oxfordshire

August 2018

1. Introduction

The Oxfordshire Local Enterprise Partnership was established in March 2011. As one of 38 LEPs in England, we are responsible for driving economic growth in Oxfordshire. We have been a company limited by guarantee since April 2015 and are governed by a Board of Directors from the public, private and academic sectors.

We continue to play a central role in championing Oxfordshire's economic potential by acting as a catalyst and convener to drive a dynamic, sustainable and growing economy. Highlight achievements since our launch include:

- £200 million-worth of central government funds for the Oxfordshire economy;
- the creation of around 40,000 new jobs over the past five years – representing close to 50% of a 2031 target of 85,600 new jobs;
- £142.5m through the Local Growth Funds;
- secured £55.5m through the City Deal Fund;
- the allocation of €22.7 million under the European Structural Investment Fund;
- progress in strengthening the county's economy by establishing robust and effective relationships between businesses, academia and the public sector, as demonstrated in our Strategic Economic Plan (SEP).

Our continued success has been recognised by government. Since our Strategic Economic Plan¹ was launched in March 2017 the Oxfordshire Growth Board has secured the Oxfordshire Growth Deal, a £215m package to enable housing and economic growth in line with ambitions to build 100,000 new homes by 2031 and create 86,500 new jobs.

We were invited by government to be one of three areas in England to pilot the development of a Local Industrial Strategy (the others being Manchester Combined Authority and the West Midland Combined Authority) that will act as a trailblazer for the UK economy by setting out an ambitious programme for long-term economic growth. We therefore have a unique opportunity to realise our Vision:

¹ <https://www.oxfordshirelep.com/about/our-strategies/our-strategic-economic-plan-sep>

“For Oxfordshire to be one of the top three global innovation ecosystems by 2040”

We are determined to make the most of this opportunity, and have outlined three principles that we want to bring out in the Oxfordshire Industrial Strategy:

- **Oxfordshire can deliver for the UK** – as one of three net contributors to the exchequer, economic growth in Oxfordshire will deliver growth for the UK;
- **Oxfordshire is a great place to invest** – Oxfordshire has a world-class innovation ecosystem with a concentration of global assets and strengths. This, along with our strengths in research and talented workforce make Oxfordshire a great place to invest;
- **Oxfordshire has international potential** - Many of Oxfordshire’s industries already compete on a global level. Investing in Oxfordshire will support us in reaching our international potential.

In July 2013 we were allocated €19.3 million European Structural Investment (ESI) Funds for the period 2014 to 2020. The ESI Fund is made up of two elements:

- European Regional Development Fund – for supporting small and medium sized enterprises to start up, grow and innovate;
- European Social Fund – for developing the skills of the local workforce, social inclusion and life-long learning.

We have also been allocated £2.7m million European Agricultural Fund for Rural Development (EAFRD) which we have directed to projects on rural tourism, business development and food production.

A breakdown of the funds is in Table 1 below.

Our second ESI Fund Plan, published in March 2017 is now out of date. Many of our ERDF and ESF project calls have been published and closed, and some have now started delivering. These projects are highlighted below.

We do however still have some project calls to publish in 2018 and this updated ESI Fund Strategy will help those wishing to apply for the remaining funds by providing a strategic overview of our ambitions for the Oxfordshire economy in terms of innovation, skills provision and social inclusion, so that applicants can be clear about what we want to see delivered for Oxfordshire.

Sections from the March 2017 ESI Fund Plan relating to technical aspects (for example, the Risk Register and Governance) will be retained in a separate document.

2. Our ESI Fund Programme 2014 to 2020

| | | |
|--|-------|------------|
| Overall allocation of ESI Funds | ERDF | €9,912,483 |
| | ESF | €9,385,644 |
| | EAFRD | £2,793,000 |

Table 1: ESI Funds by Priority Axis (PA)²

| PA | Activity | Allocation |
|---|--|-------------------------------|
| European Regional Development Fund (ERDF) | | |
| PA1 | Innovation and research | €4,052,369 |
| PA3 | SME competitiveness | €3,495,763 |
| PA4 | Low Carbon | €2,364,351 |
| Total | | €9,912,483 |
| European Social Fund (ESF) | | |
| PA1 | Labour mobility and access to employment | €3,096,617 |
| PA1 | Social inclusion | €2,165,885 |
| PA2 | Education, skills and lifelong learning | €4,123,141 |
| Total | | 9,385,644 |
| European Agricultural Fund for Rural Development | | |
| Measure 6.4 | Business development | £872,780 |
| Measure 4.2 & 6.4 | Food production | £872,779 |
| Measure 6.4 & 7.5 | Tourism | £1,047,666 |
| Total | | £2,793,225³ |

² We are required by the EU to publish the allocations for ERDF and ESF in Euros.

³ The amount of EAFRD in this table differs from *the Overall allocation of ESI Funds* table due to an amount be held back in reserve by Defra

3. Project calls published and projects launched as at June 2018, and funds remaining

Table 2: Project calls published and projects launched, June 2018

| PA Activity | Project name | £ | Status (assessment or launched) | Delivery organisation | Project timescale |
|--|--|-------|---------------------------------------|--------------------------|----------------------|
| European Regional Development Fund (ERDF) | | | | | |
| PA1 Innovation | Innovation Support for Business | £2.6m | Launched | OxLEP | 2017 to 2020 |
| PA3 SME Competitiveness | Business Start-up and Growth | £1m | Launched | OxLEP | 2016 to 2019 |
| | Social Enterprise/Access to Finance | £1.3 | At full application stage | OxLEP | 2019 to 2021 |
| PA4 Low Carbon | Growing Oxfordshire's Low Carbon Economy | £1.6 | Launched | Low Carbon Hub | 2017 to 2020 |
| European Social Fund | | | | | |
| PA1 Social inclusion | Building Better Opportunities | £1.2m | Launched | Activate Learning | 2016 to 2019 |
| PA1 Social inclusion | Oxfordshire Community Grants | £0.5m | Launched | Oxford City Council | 2016 to 2018 |
| PA1 Social inclusion | Support for young people who are NEET | £0.7m | Launched | Activate Learning | 2017 to 2020 |
| PA1 Social inclusion | Support for young people who are at risk of NEET | £0.7m | Launched | Oxford City Council | 2017 to 2020 |

Table 3: Remaining ERDF and ESF funds

| PA | Activity | Allocation |
|--|--|-----------------|
| European Regional Development Fund (ERDF) | | |
| PA1 | Innovation | £581,298 |
| PA3 | SME Competitiveness | £0 |
| PA4 | Low Carbon | £244,388 |
| Total | | £825,686 |
| European Social Fund (ESF) | | |
| PA1 | Labour mobility and access to employment | £1m |
| PA2 | Education, skills and lifelong learning | £2.1m |
| Total ESI | | £3.1m |

4. A profile of Oxfordshire's economy today

The economic headlines

Oxfordshire is home to 678,550 people of which 430,200 (63.4%) are of working age – aged 16-64. Economic activity is high with 377,400 (84.7%) classed as economically active.

Oxfordshire is a globally-renowned region with one of the strongest economies in the UK, and a successful record in securing investment to promote growth. For example:

- Oxfordshire is one of three net contributors to the national exchequer, generating approximately £22 billion Gross Value Added (GVA) to the UK economy;
- Oxfordshire is one of the most competitive Local Enterprise Partnerships in the country as well as the fastest growing, with over 40,000 new private sector jobs created since 2011;
- Oxford University is the 2018 Times Higher Education number-one ranked university in the world. The university contributes £5.8 billion to the UK economy and generates more technology spin-outs than any other UK university;
- Oxfordshire is home to 1,500 high tech firms;
- Science Vale UK has the highest concentration of science research facilities and development activity in western Europe;
- Harwell Campus is home to the largest space cluster in Europe;
- Oxfordshire has been designated as a scale-up 'Creative Industries Hot Spot';
- Oxfordshire is at the heart of one of the largest and most successful life sciences clusters in Europe;
- Oxfordshire is a centre for Formula 1 innovation;
- Oxfordshire attracts around seven million people each year, including a significant number of international visitors.

According to the 2017 IDBR there are 31,130 enterprises in Oxfordshire, 88% of which are micro businesses, i.e. they employ 0-9 employees. Key sectors are:

- Wholesale and retail, repair of motor vehicles – 14.3%
- Professional, scientific and technical activities – 11.8%
- Education – 16%
- Human health and social work activities – 11.6%

50.7% of individuals in the county have an NVQ Level 4 or above, whilst 3.8% have no qualifications.

At May 2018 4,260 people were receiving out of work benefits, representing an unemployment rate of 1%. However, 26,860 people were claiming some type of benefit, including ESA, at November 2016.

Oxfordshire has relatively low levels of deprivation, according to the 2015 Indices of Multiple Deprivation: it is the 11th least deprived of 152 upper-tier local authorities in England (up from 12th in 2010). That puts the county well within the top 10% least deprived. Compared with other upper tier local authorities in England, Oxfordshire is less deprived than average across six of the seven domains of deprivation:

- Employment Deprivation – Oxfordshire is the 9th least deprived upper tier local authority in England out of 152
- Income Deprivation – Oxfordshire is the 10th least deprived
- Health Deprivation and Disability – Oxfordshire is the 16th least deprived
- Crime – Oxfordshire is the 16th least deprived
- Education, Skills and Training – Oxfordshire is the 34th least deprived
- Living Environment – Oxfordshire is the 39th least deprived

Oxfordshire is slightly more deprived than average in one of the seven domains of deprivation:

- Barriers to Housing and Services – Oxfordshire is the 64th most deprived upper tier local authority in England

Two additional indicators of deprivation are produced alongside the seven 'core' IMD domains. These are:

- Income Deprivation affecting Children (IDACHI) – Oxfordshire is the 14th least deprived upper tier local authority in England
- Income Deprivation Affecting Older People (IDAOPI) – Oxfordshire is the 9th least deprived

Oxfordshire is relatively undeprived, but there is considerable variation across the county. On one hand, 193 out of 407 small areas in Oxfordshire are among the 20% least deprived in the whole of England. 46% of the county's population lives in areas among the 20% least deprived nationally, and 82% live in areas less deprived than the national average. On the other hand, two small areas in Oxfordshire are among the 10% most deprived nationally (up from one in 2010). A further 13 areas are among the 10-20% most deprived nationally (down from 17 in 2010).

The 15 small areas in Oxfordshire that are among the 20% most deprived nationally include:

- In Oxford City, parts of Rose Hill and Iffley, Northfield Brook, Barton and Sandhills, and Blackbird Leys
- In Banbury, parts of Grimsbury and Castle, and Ruscote
- In Abingdon, part of Abingdon Caldecott.

Brexit

One of the key changes since our first strategy was published in 2014, is that the UK is leaving the EU. As the UK continues to negotiate its withdrawal from the EU, we as a Local Enterprise Partnership continue to reassure Oxfordshire businesses about our resilient economy and potential opportunities for the future⁴.

⁴ <https://www.oxfordshirelep.com/news/article/brexit-one-year-go-whats-horizon-oxfordshire>

5. European Regional Development Fund – Innovation

Remaining funds:

PA1 Innovation: £581.298

PA4 Low Carbon: £244,388

Innovation

Oxfordshire is remarkable for the range of business sectors and scientific disciplines in which there is real strength and depth.

The county has some outstanding success stories in business formation and growth – particularly in science and technology-based sectors. It has globally significant strengths in five areas, all of which have huge growth potential - automotive & motorsport, creative & digital, electronics & sensors, life sciences and space technologies, and these have been a particular focus for inward investment. Oxfordshire also has an internationally renowned grouping of universities and research institutions which are increasingly focused on local commercialisation of their R&D, and on building links with Oxfordshire businesses.

Our Innovation Strategy⁵ focusses on 10 themes:

- Understanding the ecosystem
- Strengthening our networks
- Building innovation spaces
- Reinforcing the science and research base for innovation
- Innovation for all
- Innovation for social good
- Nurturing talent and developing skills
- Attracting significant business
- Attracting capital
- Embedding innovation in the ecosystem.

The Oxfordshire Transformative Technologies Alliance Science and Innovative Audit focusses on 4 large scale, disruptive, inevitable, digital technologies, for which the UK has great need and world class strength, particularly in Oxfordshire. These are:

⁵ <https://www.oxfordshirelep.com/about/our-strategies/innovation-strategy>

- Digital Health
- Space-led data applications
- Autonomous vehicles
- Technologies underpinning Quantum computing

There is considerable consensus that business sectors and workforces globally will be significantly disrupted by the development and impact of these technologies. We have sought to think beyond 'business as usual' to identify opportunities and strategies to secure the UK's position in a global context as these technologies increase their market share, and their relevance and influence in policy, society and economies.

The technologies are fast-moving and competitive, and offer opportunities which require strategy and cohesive leadership and prioritisation if the UK is to maintain and develop a global position in the science and innovation and markets.

We consider maximising the value of investments through co-location and connectivity between complementary technologies, and delivery mechanisms and connectivity into the supply chain. The national purpose is to maintain and capitalise on the UK's narrow, and otherwise fragile, early mover advantage.

We will therefore be seeking ERDF projects under this call that look for ways to move from 'potential' to 'actual' innovation, encouraging adoption by existing companies while also attracting, growing, or creating new companies that are hungry for innovation. A challenging aspiration for the future will be to look at innovation beyond academia – engaging more readily with the business base in Oxfordshire will enable innovation to be transferred to the commercial framework and allow value to be extracted, thus working our way to our vision of an innovation-led economy.

Low Carbon

We also have a thriving local energy sector where real innovation is being applied to developing local renewable energy schemes. Our Oxfordshire Energy Strategy⁶ seeks to maximise opportunities for new innovation in local energy, which we know will create new jobs.

Our Vision for the Energy Strategy is:

For Oxfordshire to be at the forefront of energy innovation to foster clean growth

⁶ <https://www.oxfordshirelep.com/energystrategy>

Our Objectives are to:

- 1. Secure a smart, modern, clean energy infrastructure – including increased electricity grid capacity - which supports our planned housing, industrial and commercial growth, and changing energy requirements;**
- 2. Lead nationally and internationally to reduce countywide emissions by 50% compared with 2008 levels by 2030 and set a pathway to achieve zero carbon growth by 2050. We will realise the economic benefits of this low carbon transition by supporting:**
 - **ambitious and innovative clean generation projects across the county, both in urban and rural areas, and in growth locations;**
 - **projects that reduce energy demand and increase energy efficiency for domestic, industrial, commercial buildings and transport energy**
- 3. Enhance energy networking and partnership working to date to focus on the low carbon energy challenges and funding opportunities arising from the Industrial Strategy and Clean Growth Strategy.**

6. European Social Fund – skills provision in Oxfordshire

Remaining funds:

- **PA 1.1 – Access to employment for job seekers and inactive people - £1m**
- **PA 2.1 - Increase the skills levels of employed people from the existing level to the next level up, to encourage progress in employment**

As noted above, we have an unemployment rate of just 1%, however this rises to 6% when other benefits, such as ESA, are taken into account. Oxfordshire has particular areas which are quite deprived and these should be the focus of continued activity to allow people who have been out of work for 6 months or more, to access training and job opportunities.

Our strategy needs to be mindful of the potential of significant employment generating development on the short to mid-term horizon and ensure that the benefits of jobs growth are shared by all in our communities, particularly those most marginalised from the workforce, and ensure they have the skills required to become economically active. It must also support growth through innovation, and ensure provision of skills is matched with existing and even more importantly evolving skills demand at all levels in the labour market.

The Community Grants Scheme has been particularly successful in helping people find suitable training and work opportunities. It has funded small-scale community organisations who know their area well, and the challenges faced by those who find it hard to access and sustain paid employment. Through our PA1.1 project call, we would like to see more of this type of activity.

Oxfordshire has a highly qualified and highly skilled workforce and yet balancing the labour market remains a challenge. A short supply of skilled workers, compounded by a low unemployment and inactivity rates, make it particularly difficult for Oxfordshire's employers to recruit suitably qualified staff. Skills are potentially the county's scarcest resource relative to the opportunity. It is a buyers-market for those with specialist skills, with technology start-ups and spinouts vying for the existing talent pool and some businesses may have to look outside of Oxfordshire for the best talent if we cannot find ways to retain it.

In the year to June 2016, there were a reported 128,400 vacancies advertised throughout Oxfordshire⁷ demonstrating significant movement in our labour market. A third of vacancies were in the professional occupations such as scientists and engineers, IT specialists, healthcare professionals, teachers, lawyers and accountants and these specialist roles are becoming

⁷ Burning Glass Technologies: Labour Insight June 2015-June 2016.

increasingly hard-to-fill. About 25,000 vacancies were in associate professional and technical roles such as technicians, officers, artists and designers. These high skill roles together represent over half of all advertised vacancies in that period. However this is not unique to Oxfordshire – a similar picture is found at a national level.

UKCES forecasts indicate 159,000 jobs in Oxfordshire will become available as people leave the labour market due to retirement, occupation mobility, migration or mortality. There is a corresponding increase in demand for higher level skills whilst the proportion of jobs requiring no or low qualifications is forecast to decline⁸. Across the broad sectors the largest expansion of growth is predicted in professional services, accommodation and food and support services. Replacement growth will unsurprisingly hit our largest sectors most: education, wholesale and retail, professional services and health and care.

Occupations that will see net decreases to 2024 are secretarial, administrative, sales and some manufacturing roles. Those that will increase are business professionals, managers, directors and those in science and research.

The social care sector, especially care workers, will see significant replacement demand since nearly a quarter of its workforce are currently 55 years old or over. This sector is already facing challenges with large staff turnover and staff shortages which impact on the quality of service.

Anecdotal evidence suggests that recent changes to applications for highly skilled migrant workers may be restricting the number eligible to work in the UK; with implications for our science base community which Oxfordshire firms have traditionally drawn on.

Skills gaps and labour shortages are key barriers to our growth potential, particularly at technical skills levels. Although some of our skills and provision from EU funds will target disadvantaged and lower skilled people, our core intention is always to link labour market supply and demand, with a priority placed on meeting the skills and capacity needs of growing and innovating businesses.

Broad analysis of our economy suggests a mismatch between the quantum of skills and training provision, especially at vocational level; and the skills and training requirement of some of Oxfordshire's business sectors – particularly in vocational and technical level STEM industries, health and social care, catering and hospitality and retail. We will use a significant proportion of our ESF allocation (c£3.1m) to directly address skills barriers to innovation and growth.

In order for Oxfordshire to develop its growth aspirations we require a workforce suitably qualified to support our ambition. Specifically, we must look to address the areas of:

- Current skills and labour needs and gaps – particularly in the key sectors identified

⁸ Ambition 2020: World Class Skills and Jobs for the UK, July 2009, UK CES: Working Futures, UK CES 2011.

- Our future skills needs for the area
- Ensuring that growth benefits all so that individuals are not 'left behind'- improving employability skills of local people – especially young people – focused primarily on sectors of current labour shortage
- Better matching local skills provision to the needs of our businesses and supporting business to understand local needs
- Tackling skills gaps and inhibitors to growth in rural areas, and overcoming poor access from some rural areas to a full range of skills and learning opportunities

It is important to note the alignment between our broad Oxfordshire Skills Strategy, launched in 2017 and an intrinsic part of our Strategic Economic Plan, and the measures we are proposing for use of EU funds.

The priorities for our remaining ESF are aligned to the Strategic Priorities of the Oxfordshire Skill Strategy:

1. To meet the needs of local employers through a more integrated and responsive approach to education and training: developed in partnership with our provider network, to encourage more training provision in identified priority sectors – both current and projected;
2. To ensure that young people are prepared for the work of work through delivery of high quality CEIAG, by well-informed careers leaders in schools supported by qualified careers advisors. This will include multiple encounters with employers and use of up to date local labour market information;
3. To address Oxfordshire's tight labour market and skills shortage areas by:
 - ensuring those marginalised or disadvantaged from work are moved closer to the labour market;
 - supporting and encouraging older workers to consider vacancies in areas of skills shortages.
4. To support the government's agenda to increase the number of apprenticeships offered, and apprenticeship uptake, particularly with small to medium sized enterprises
5. To investigate how Oxfordshire as a place of employment is promoted to graduates in our HE organisations and how more graduates can be retained to meet the demand our businesses have for higher level skills.



