

Evaluating the Impact of East Midlands Development Agency – Overall Assessment Report

A report prepared for *emda*

Ecotec

March 2009

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Evaluating the Impact of East Midlands Development Agency

Overall Assessment Report - Final Report

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Executive Summary

1 Introduction and Overview

This report sets out the findings of a study commissioned by *emda* in March 2005 with the primary aim of establishing the impacts of the Agency's activities since its establishment in 1999 until the end of 2006/07. The study has been built upon evaluations of the impacts of Agency activity against the 12 strands of the Regional Economic Strategy of 2003 and two of the major National Programmes which are implemented by *emda*.

The evaluation of impacts is primarily based upon a 'bottom up' microeconomic methodology which follows the range of national guidance on the evaluation of regional development interventions. It has involved the detailed assessment of a representative sample of some 250 Agency funded projects, supported by an extensive survey of the effects of different types of intervention on their beneficiaries. As well as a contextual review, the work has also involved extensive programmes of interviews and workshops with both *emda* personnel and external stakeholders to support the project level assessments and to inform the assessment of the Strategic Added Value of the Agency's activities as a whole.

The study finds that *emda* has had substantial positive impacts on the East Midlands economy. Its interventions since 1999 have created 23,570 jobs and generated £1.015bn per annum in GVA. This includes impacts associated with *emda* projects and National Programmes which have been delivered by the Agency. *emda* projects account for 13,075 of the jobs created and £565m per annum of the GVA generated. These impacts are expected to be an on-going contribution to the regional economy, raising employment and annual GVA by around 1.2% - 1.4%.

Agency interventions have also safeguarded over 11,700 jobs. A number of other impacts have been identified but these are either difficult to quantify (in the case of some social and environmental benefits) or have been short term in nature and will have already dissipated (as in the case of temporary construction work).

Agency interventions will also have a range of further impacts which lie to a large extent in the future. These will arise directly from the prospective effects on beneficiaries, from more diffused effects as changes in behaviour work through the Region's economy and from the role of projects in establishing the foundations for future growth.

Project activity will have achieved a good level of economy. Projects are overwhelmingly judged to have been effective and to have offered reasonable or good value for money. Effective delivery has been a cornerstone of this performance.

Strategic Added Value has become an increasingly important part of the Agency's activities in recent years. The Agency demonstrates strong engagement and leadership. It exerts an important influence on other organisations and levers in substantial resources both directly and through laying the foundation for future activity. The Agency builds effective strategic linkages and innovation is a prominent feature of its work.

2 The Policy Context and its Evolution

The developing European and UK policy context has played a major role in shaping the evolution of policies within the Region. At a European level the Lisbon and Gothenburg packages and the European Employment Strategy have set the framework for the development of national policies across a range of policy areas and shaped the development of the EU Structural Funds and the focus of their support to the Region. Reforms to the Common Agricultural Policy and Cohesion Policy have also been important influences which in both cases have reduced levels of support to the UK regions over the period since 1999.

Whilst there has been substantial continuity in UK policies over the period since 1999, a number of new themes and emphases which have helped to shape regional development policies in the East Midlands and elsewhere are evident, including:

- A renewed emphasis on innovation and the knowledge economy;
- 'Enterprise for all' and the emphasis on simplifying business support with a focus on regional needs;
- Promoting sustainable communities;
- Modernising rural policy and streamlining the delivery of service provision;
- Increased recognition of the links between transport and economic performance;
- The increasing emphasis on the climate change agenda.

The three editions of the Regional Economic Strategy for the East Midlands (from 2000, 2003 and 2006) share a strong emphasis on improving the Region's productivity and competitiveness but with a recognition of the importance of environmental and social issues. *emda* corporate policies have established a comprehensive framework of objectives and actions to support the delivery of RES objectives.

Notable developments over the period of the evaluation have included the progressive devolution of a range of National Programmes to the RDAs and the establishment by the Agency of the Sub-Regional Strategic Partnerships (SSPs) to act as delivery bodies and to improve responsiveness to sub-regional needs and opportunities.

3 The Economic Context and its Evolution

The East Midlands lags the UK average level of GVA per capita by around 9% and the performance gap relative to leading EU regions is substantially larger. However, the performance of the East Midlands is better than that of other UK Midland and Northern Regions.

The RES Evidence Base argues that the Region's economy is characterised by a "low wage, low skill, low productivity equilibrium". Along with skills, the potential explanatory factors limiting the Region's economic performance are identified as: low levels of investment, limited levels of R and D, and a below average – though relatively improving – level of enterprise.

The structure of the Region's economy is fairly similar to that of the UK, although manufacturing is relatively overrepresented and key service sectors are underrepresented.

Economic activity and employment rates within the Region are relatively high. Qualification levels and educational attainment are somewhat below average. Partly no doubt reflecting this, earnings are well below the national average, although unemployment is also relatively low.

Particularly away from the major urban centres and the M1 corridor, the end values from industrial and commercial development are limited, a problem compounded by the 'abnormal' costs associated with developments in many coalfield and urban areas.

The extent of progress against the 35 outcome targets of the RES 2003 – which set aspirations for the overall economic performance of the Region rather than for the contributions of *emda* to this performance – has been patchy. Some key targets have been met but there has been no measurable progress against others. In a substantial proportion of cases there is a lack of reasonably up-to-date evidence on which to assess progress because the original targets were based upon specific studies which have not been repeated. Performance against the RES 2006 targets which are based upon data sources for which consistent time series data can be secured has largely been positive.

4 Expenditure Activities and Output

emda expended some £1.125bn over the period to 2006/07. Expenditure on projects amounted to £537m, with a further £355m accounted for by the National Programmes which were transferred to the Agency, either on its establishment or subsequently.

Physical development related interventions and business support activities represent the largest areas of Single Programme expenditure. Around 40% of this spending relates to regional projects, with expenditure in coalfield areas and the cities accounting for the largest shares of expenditure on sub-regional interventions.

Whilst the majority of projects have been small, the bulk of expenditure has been accounted for by projects in the range of £100,000 - £5m. *emda* projects account for 65% of total expenditure with the balance represented by the SSPs.

Over the period as a whole Agency interventions are reported to have created or safeguarded some 75,360 jobs, with 4,793ha of brownfield land reclaimed. This job figure is not in itself a measure of the Agency's economic impact; this can only be estimated through detailed impact analysis. As such the current study considers the extent to which the Agency's interventions are generating net additional employment and GVA. This requires, for example, consideration of how far projects have changed the economic performance and behaviour of those affected and the extent of the potential offsetting effects elsewhere in the Region's economy.

Analysis of outputs for the three sub-periods for which consistent data is available indicate that the majority of the Agency's overall targets have been achieved, often with substantial overachievement. The shortfalls against targets which have occurred are mostly comparatively small.

5 Assessment of the Economy, Efficiency and Effectiveness of *emda* Funded Projects

The diversity of the Agency's activities typically means there are challenges in using standard benchmarks to judge the reasonableness of project costs. However, the project assessment found that the processes used to procure project inputs were robust and secured good economy.

The available evidence indicates that *emda* delivers its interventions efficiently. Projects are generally being delivered on time and to budget - exceptions in the case of the latter are largely confined to strands involving significant physical development activities where

issues which are difficult to anticipate frequently arise. Qualitative evidence from stakeholder interviews has indicated that *emda* is perceived to be highly competent in its delivery function.

The vast majority of the assessed projects are judged as having been successful and to have offered good or reasonable value for money:

- Interventions have a very good level of strategic fit with the RES and other related regional strategies.
- The rationale for intervention is clear in most cases with appraisals having given proper consideration to the question of whether public sector investment was justified on the basis of market failures, equity considerations or other economic or policy rationales.
- *emda* achieves a good level of project additionality, with its investment being vital in enabling projects to proceed in the majority of cases. In most other cases, there is strong evidence that *emda* funding has led to scaling-up and quality improvements. Intervention has also helped to bring initiatives forward in time.

There are many examples of successful longer-term outcomes from studies, partnership initiatives and other SAV-type investments.

The majority of the projects which were assessed demonstrate high quality of design, with implementation arrangements designed to ensure long-term sustainability when public sector funding ceases.

6 The Economic Impact of the Agency's Activities

In overall terms *emda* interventions are estimated to have so far created some 23,570 ongoing jobs and £1.015bn in annual GVA. Over 11,700 ongoing jobs and £505m in annual GVA are estimated to have been safeguarded. Future potential impacts are projected to comprise some 4,645 jobs created or saved, with £210m per annum in associated GVA. Furthermore, using scenarios that impacts endure for 5 or 10 years respectively, *emda* spending is estimated to have generated a present value¹ of GVA of between £4.8bn and £8.5bn, equating to £5.00 and £8.90 of GVA for every £1 of *emda* spending².

¹ Following public sector appraisal guidance, present values are estimated by applying progressively lower weights to benefits the further in the future they arise, using a discount rate of 3.5%.

² Based on the present value of *emda* expenditure

If *emda* expenditure on projects generating economic outputs only is considered, the 10 year figure rises to £14.70 for every £1 of *emda* spending³. As is often the case in economic impact evaluations, there is some uncertainty about the likely duration of the on-going impacts of activity. The 10 year persistence figures are reflective of average job tenure estimates and associated guidance⁴.

Around 55% of the estimated impacts to date and around 60% of the potential future impacts are associated with *emda* project expenditure, most importantly business support, employment and skills, inward investment and various physical development initiatives. The balance is accounted for by the National Programmes, most importantly the National Coalfields Programme and the Single Regeneration Budget.

emda interventions have also generated substantial short term impacts on construction related employment. Tourism marketing activities have also had substantial impacts which may be, at least largely, short term.

It needs to be recognised that, although presented as 'single value' estimates, all figures are subject to a margin of error – most importantly because of issues around how far beneficiaries are able to provide an accurate picture of the effects of the *emda* interventions on economic outcomes.

7 The Wider Benefits of *emda*'s Activities

emda interventions have led to a range of wider benefits. These include:

- Direct effects on the investment, productivity and competitiveness of the beneficiaries of projects which will not be captured in the quantified assessment of impacts on employment and GVA within Section 6. In addition, a range of interventions will have, often more diffused, longer term impacts on the Region's economic performance.
- Encouraging social inclusion. Target groups are well represented within the beneficiaries of employment learning and skills projects and over 30% of firms which have been supported under other strands report that the jobs which have been created are promoted to excluded groups. Projects have also generated a range of wider social benefits – for example, in terms of improving access to services, developing social capital and assets, tackling crime and anti-social behaviour, and provision of housing.
- Environmental benefits. As well as making a major contribution in terms of reclaiming more than 4,000 ha of brownfield land, Agency activities have made important contributions in terms of wider local environmental improvements, improving

³ Undiscounted values

⁴ 10 years is the figure suggested in the 'EGRUP' Guidance: 'A Framework for the Evaluation of Regeneration Projects and Programmes', HMT 1995.

environmental standards in physical development schemes, promoting resource efficiency and encouraging a mode shift in favour of public transport.

8 Value for Money

Net cost per additional job is probably the only practicable overall measure of value for money. It has evident limitations where projects have important 'joint outputs' such as environmental improvements, and it takes no account of the durability or 'quality' of the employment involvement.

The overall net cost per job of Agency project spend is estimated to be £38,550. There is a clear divide between:

- Physical interventions which tend to have high costs per job, reflecting in particular the abnormal costs of physical developments in coalfield and urban areas and the relatively limited job outputs of some types of community, training and sports project.
- Interventions focussed on people and businesses for which costs per net job are clustered around £10,000, although in this case the likely durability of the impacts involved is probably often less certain.

Comparisons should be treated with care but a broad benchmarking analysis indicates that:

- The costs per ha of the reclamation projects which were reviewed fall within the broad range quoted in English Partnerships guidance.
- The net cost per job of the physical interventions appear consistent with the average figures from evaluations of a number of area based urban regeneration initiatives.
- The net public sector costs per job of the business focussed interventions compare well with the figures from recent national evaluations.

9 Strategic Added Value

Approaches to measuring strategic added value are still emerging and there are no targets related to SAV contributions. This mainly qualitative assessment found that :

- *emda* has engaged effectively with stakeholders, both in areas where it is the key policy lead and in areas where it needs to work with others to achieve its ambitions for the Region.
- *emda* has demonstrated strong leadership, both in policy areas where it has formal responsibilities and in some other areas where responsibilities are more fragmented. It

has been decisive in driving forward changes in policy and delivery structures for business support and tourism, for example, and has led a range of successful thematic strategy and plan-making initiatives. The Agency is viewed as an effective advocate of regional interests.

- Influence on the policy and investment decisions of regional and national organisations is exerted through a variety of mechanisms, including a range of formal and informal partnerships and fora. There are good examples where *emda* has funded research and intelligence gathering to inform policy decisions and build the case for investment in particular initiatives.
- *emda* has used its influence and Single Programme resources effectively to generate significant leverage from partners, both initially to support interventions directly, and in the longer term in laying the ground for the subsequent investment of resources by other organisations and businesses. Immediate leverage amounting to nearly £360m was associated with the sampled projects.
- *emda* has often created good links between related areas of work at a strategic level in order to promote an integrated approach to regional development.
- Innovation has been a strong feature of *emda*'s work under a number of strands. A range of initiatives have attracted national attention, with some being replicated in other regions.

1.0 Introduction

1.1 Introduction

A consortium led by ECOTEC Research and Consulting Ltd with Faber Maunsell, GVA Grimley and Harris Interactive⁵ was commissioned in March 2005 to carry out a comprehensive study to evaluate the impact of the East Midlands Development Agency (*emda*).

The focus of the study was to provide an overall assessment of the economic impact of the *emda*'s activities and its Strategic Added Value (SAV) contribution to the delivery of East Midlands Regional Economic Strategies (RES) during the period 1999/00 to 2006/07.

This report presents the overall findings of the evaluation. This was built up through a suite of 'building block' evaluations which are focussed on the strands of the 2003 Regional Economic Strategy and certain National Programmes for which *emda* has been responsible as set out in Section 1.3.3 below.

The Steering Group for the work included representatives of *emda*, the East Midlands Regional Assembly, the Government Office for the East Midlands and DTI/BERR⁶.

1.2 *emda* and its Evolving Role

1.2.1 Background and Purpose

The East Midlands Development Agency became operational on the 1st April 1999⁷. RDAs emerged from a review of regional policy in 1997 which found aspects of policy implementation in the English Regions to be fragmented and insufficiently distinctive with reference to the variation in regional conditions⁸. The rationale for RDAs was therefore to address conditions affecting variable productivity, including skills and enterprise, through policy intervention at the regional level⁹ and provide an effective and efficient response to market failures and other weaknesses in regional performance.

RDAs have five main statutory purposes¹⁰:

⁵ Formerly Wirthlin Europe.

⁶ Department of Trade and Industry/Business, Enterprise and Regulatory Reform

⁷ RDAs were established in the Regional Development Agency Act 1998

⁸ RDA White Paper Building Partnerships for Prosperity 1997

⁹ HM Treasury/ODPM/DTI: A Modern Regional Policy for the UK: 2003.

¹⁰ Regional Development Agency Act 1998

- To further economic development and regeneration.
- To promote business efficiency, investment and competitiveness.
- To promote employment.
- To enhance the development and application of skills relevant to employment.
- To contribute to the achievement of sustainable development in the UK where it is relevant [to the East Midlands] to do so.

At the outset RDAs were charged with carrying out regional development interventions under delegated authority, including providing financial assistance and acquiring and disposing of assets. Inherited functions included the regeneration arms of the Rural Development Commission, English Partnerships and the Government Office for the East Midlands (the team responsible for Single Regeneration Budget), as well responsibilities for coordinating inward investment services and marketing the regions.

RDAs were charged with a range of strategic functions, in particular the preparation of the Regional Economic Strategy in consultation and partnership with other regional organisations. RDAs were also accorded a special consultative role in respect of wider policies for planning, housing and tourism which remained the responsibility of Central Government.

Throughout the last seven years *emda* has seen its responsibilities and annual budgets enhanced as Central Government has pursued a strategy of increased devolution to the regions, and latterly to the sub-regional level. In 2002, *emda* acquired greater discretion in the use of its budget as the new Single Programme budget replaced the ring-fenced allocations of the early years of the Agency's life. Enhanced responsibilities in the areas of business support, innovation and rural development flowed from the 2004 spending review. More recently, the Agency has acquired responsibility for delivering European funding and the Sub-National Review has strengthened the case for RDAs playing a stronger strategic role in regional planning. The evolution in *emda's* responsibilities is considered further in Section 2.4, which reviews the Agency's Corporate Policies and responsibilities for delivering the Regional Economic Strategy.

1.2.2 Overview of Budget and Key Activities

emda's Single Programme budget – which is one of the smaller RDA budgets - is determined predominantly through a funding formula intended to reflect regional needs. Allocations relating to new responsibilities acquired since 1999 have been based on historic spending patterns (e.g. Business Link resources), measures of need (e.g. in the case of the Modernising Rural Delivery resources) or opportunity.

During the seven years to 2006/07 *emda* has defrayed expenditure totalling some £1.125bn, with annual expenditure rising from £59.0 million in 1999/00 and peaking at £216.2m in 2005/06. Expenditure on National Programmes such as Business Link, which are being treated separately for the purpose of this evaluation account for some £355m of the total expenditure figure. Using the broad intervention categories outlined in the RDA Impact Evaluation Framework¹¹ the largest proportion of *emda*'s Single Programme expenditure has been directed towards activities falling within the category Places (40 per cent), with expenditure on Business accounting for another 23 per cent of expenditure and People 6 per cent¹². Expenditure on national programmes accounts for a further 12 percent of *emda* spending, while other costs (including administrative, non-cash, and ERDF expenses) account for the remaining 17 percent. Section 4 provides a more detailed analysis.

1.3 Evaluation Study Terms of Reference

The evaluation study terms of reference were set out in the Invitation to Tender "*Evaluating the Impact of the East Midlands Development Agency Invitation to Submit a Priced Bid*" issued in October 2004. The terms of reference outlined the intention of *emda* to embark upon a comprehensive programme of research to provide evidence relating to the overall economic impact of the Agency on the East Midlands economy since its inception in 1999.

1.3.1 Evaluation Aim and Objectives

The overall Aim and Objectives for the evaluation are outlined below.

Evaluation Aim

To assess the impact of East Midlands Development Agency (*emda*) activity since 1999 against the objectives specified in the East Midlands Regional Economic Strategy (RES) 2003.

Evaluation Objectives

- i. To provide evidence as to the extent to which programme activities under each strand of the RES have been effective and efficient and to what extent expected outputs and

¹¹ Evaluating the Impact of England's Regional Development Agencies : Developing a Methodology and Evaluation Framework : DTI, February 2006

¹² The expenditure figures for these categories of expenditure are taken from work completed by *emda* as input to a national exercise to review RDA evaluation evidence in March 2008.

outcomes have been achieved and to identify the secondary and tertiary impacts of those interventions.

- ii. To provide evidence of how and why particular activities and interventions pursued by *emda* under each strand are working, or failing to work, to inform the development of future policy and programmes.
- iii. To articulate, examine and assess the 'Strategic Added Value' of *emda*.

1.3.2 Guiding Principles for the Evaluation

During the scoping stage for the evaluation *emda* provided a clear steer on its priorities for the evaluation as summarised in Box 1.1¹³.

Box 1.1: Priorities for the Evaluation

- i. The primary objective of the evaluation is to provide an overall or sum assessment of the economic impact of *emda* from 1999 to date.
- ii. The evaluation must be organised to provide evidence concerning the impact of activity under the 12 strands of the 2003 RES and assess the relative contribution of different types of interventions to Regional outcomes.
- iii. The evaluation should provide an assessment of two key inherited/legacy programmes – SRB and Coalfields – since there is interest in understanding how far the effectiveness of these programmes has developed since 1999 and *emda*'s specific Strategic Added Value contribution to their effectiveness.
- iv. The evaluation must provide lessons concerning what interventions work and in what circumstances and why. The evaluation has been commissioned to improve understanding of how different interventions contribute to RES objectives and evidence from the evaluation will be used to inform future planning and delivery. The evaluation should be conducted in a spirit of learning.
- v. A general assessment of distributional effects (on different groups and geographical areas) is not a priority for this evaluation and should not distract from the main emphasis on an overall assessment of the Agency's economic impact. Examination of evidence on distributional effects may be relevant for activities that involve specific priorities for geographical areas and/or communities.
- vi. It is recognised that in addressing questions concerning in what circumstances particular interventions have worked and why and in assessing *emda*'s Strategic Added Value it will necessary to examine *emda*'s strategic and delivery mechanisms and processes. However, it is not an explicit objective of the evaluation to assess organisational effectiveness. This is a matter for wider performance management processes (including the Interim Performance Assessment (IPA)) process.

¹³ Summary taken from Evaluating the Impact of *emda* Work Package 1 Overall Inception Report , August 2005

1.3.3 Structure of the Evaluation

As noted, the evaluation research was structured in line with the 12 strands of the 2003 RES. It was organised into a number of work packages (Box 1.2). The Work Package 3 strand evaluations were based on data on expenditure only up to 2004-05; the Work Package 4 evaluations included data up to the third quarter of 2006-07. The Work Package 5 evaluations used data for the whole period 1999–2000 to the end of 2006-07.

Box 1.2: The Strands of the 2003 RES	
Work Package 3 <ul style="list-style-type: none">• Site Provision and Development;• Transport;• Urban• Economic Growth and Environment;	Work Page 4 <ul style="list-style-type: none">• Enterprise;• Innovation• Employment and Skills• Information and Communication Technologies;
Work Package 5 <ul style="list-style-type: none">• International Trade and Inward Investment• Rural Regeneration;• Enterprising Communities• Tourism, Culture and Sport.	

Additionally, separate reviews were conducted for the National Coalfields Programme and Single Regeneration Budget (SRB) interventions. Brief assessments were also made of the impacts of the National Enterprise Programmes (Manufacturing Advisory Service (MAS), Special Finance Initiative for England (SFIE), Research and Development Grants (R&D) and Business Link).

1.3.4 Evaluation Questions

Key questions which the study has sought to address are set out below (Box 1.3).

Box 1.3: The Overall Evaluation Questions
Economy <ul style="list-style-type: none">iv. How far has expenditure by <i>emda</i> and its delivery bodies been delivered in accordance with RES priorities and <i>emda</i>'s Corporate Plans?v. Are <i>emda</i> inputs being achieved at optimal cost?vi. How do unit costs compare with relevant benchmark figures?

Efficiency

- vii. What are the gross outputs of *emda* (by strand, type of intervention and project) and are these commensurate with inputs?
- viii. How do gross outputs compare with targets?
- ix. How efficient are *emda*'s activities under these strands?

Effectiveness

- x. What are the net outputs of *emda* interventions and how do these compare with gross outputs?

Sustainability /Durability

- xi. Are the benefits of *emda* investments expected to last into the medium and longer term?
- xii. To what extent have interventions led to a process of change that is progressive in its effects?

Strategic Added Value

Engagement:

- xiii. How effectively does *emda* engage with partners in the Region to develop policy under the RES strands and to develop associated work programmes?
- xiv. How has the level and effectiveness of this engagement changed over time?
- xv. Do *emda*'s partners have a good level of understanding and ownership of RES objectives and how far has the RES and work in particular with *emda* influenced their policy/priorities?

Strategic leadership and catalyst:

- xvi. How effectively has *emda* communicated its perspectives on the respective roles of the public and private sector in implementing the RES.
- xvii. How effectively does *emda* coordinate strategy and delivery processes to promote realisation of Regional development goals.
- xviii. xviii. How does the SSP structure enhance the effectiveness of *emda*'s interventions in the particular areas (through this is not to become an assessment of the SSP model)?

Strategic influence:

- xix. How effectively does *emda* form productive relationships with partners to achieve commitment to shared goals?
- xx. How effectively has *emda* influenced the policies and investment plans of partners so that they are focused on addressing RES priorities?

Leverage:

- xxi. How effectively does *emda* use financial and other incentives (case-making studies) to mobilise stakeholder resources (public, businesses and community)?
- xxii. How effectively does *emda* use pilots and seed-funding to demonstrate the benefits of investment in specific interventions?
- xxiii. How effectively does *emda* use its programme resources to pump-prime investment from wider public and private sector partners?

Synergy:

xxiv. How effectively does *emda* use its organisational capacity and expertise to improve integration of action across the public and private sector?

xxv. To what extent do *emda* activities complement wider Regional initiatives?

xxvi. How far does *emda* succeed in encouraging consistency in spatial and sectoral targeting and the scaling-up of effective projects and programmes to achieve critical mass?

1.4 Method of Approach to the Impact Analysis

The analytical framework for the assessment of economic impacts follows the guidance on the evaluation of public sector interventions set out in the 'Green Book'¹⁴ and relevant 'daughter' documents, in particular '3Rs'¹⁵. It also complies with the Impact Evaluation Framework for RDAs¹⁶ prepared under the auspices of BERR¹⁷, although the study was already well underway when this was developed.

1.4.1 The Analytical Framework

Overview

The study is principally based upon a micro or 'bottom up' approach in which the impacts on the East Midlands economy of a representative sample of projects under each strand are traced through and quantified. The samples are structured by 'intervention type' in each case, largely reflecting differences in the mechanisms (logic chains) through which different types of project can be expected to generate economic changes. The overall impacts of each strand are then estimated through 'grossing up' the estimated impacts of the samples based upon the proportions which they represent of the total expenditure on the relevant 'intervention type' within the strand concerned.

Consideration is given to patterns of socio-economic change within the East Midlands since the establishment of the Agency and to how the Region's absolute and relative performance has differed from what would have been expected. However, the activities of *emda* have clearly been just one of the influences on this performance – and, given the scale of the Agency's expenditure relative to that of the Region's economy, almost

¹⁴ Green Book, Appraisal and Evaluation in Central Government, HM Treasury, January 2003

¹⁵ Assessing the Impacts of Spatial Interventions: Regeneration, Renewal and Regional Development 'The 3Rs guidance', Department for Communities, May 2004

¹⁶ Evaluating the Impact of England's Regional Development Agencies: Developing a Methodology and Evaluation Framework, Department for Business, Enterprise and Regulatory Reform, February 2006

¹⁷ Business Enterprise and Regulatory Reform, the Central Government Department responsible for the RDAs

certainly not a dominant one¹⁸. The analysis of overall economic trends is important in understanding the context for *emda's* interventions and as a cross-check on the plausibility of the results of the micro analysis. Nevertheless, it does not provide a realistic basis for estimating the impacts of *emda*.

For most 'intervention types' the micro analysis focuses in the first instance on estimating the net impacts of *emda's* activities on levels of employment within the Region¹⁹. Effects on GVA are estimated based upon the overall relationships between employment and GVA within the East Midlands. Consideration is given both to wider economic effects on factors such as firm competitiveness and innovation, as well as to environmental and social aspects, including social inclusion, although in practice these aspects are much less amenable to quantification.

As indicated, the strand level analyses were completed at different times and on the basis of data covering different periods. As part of the final analysis all impacts have been projected up to the end of 2006/7. Because of the importance of expenditure on large projects which will generate their impacts only with substantial lags, the estimated impacts include projections of the likely future employment effects of major capital projects which were underway at the time of the relevant strand evaluation²⁰.

Details of all aspects of the method of approach are contained in Annex 1.

The Microeconomic Model

The assessment of the impacts of individual projects typically involves the following analytical steps:

- *Assessment of project additionality* – how far *emda* funding was essential to the project going ahead in its eventual form;

¹⁸ To put this aspect into perspective, *emda's* annual spend is equivalent to around 0.3% of the Region's GVA

¹⁹ The exception relates to projects to improve the skills of those in work where impacts on GVA are calculated directly based upon the estimated effects of the interventions in raising the earnings of their beneficiaries – reflecting economic theory that in a competitive labour market payments to individuals should reflect their marginal productivity

²⁰ This applies in particular to several projects under the Sites and Premises Strand and the Coalfields Programme where the need for large scale reclamation and servicing means that expenditure is typically incurred over several years before any major tangible ongoing impacts on the economy emerge. Care is required in relation to the interpretation of projected future impacts, partly because they are necessarily less certain and partly because substantial further expenditure on the part of the Agency will sometimes be required before they can be realised

- *Assessment of the 'gross additional' employment which has been generated* – typically the observed employment outputs of the project less any associated *deadweight* employment which would have arisen even its absence.
- *Assessment of the 'net additional' employment impact taking account of:*
 - ▶ *Leakage* – the extent to which the employment has been taken up by people living outside the East Midlands;
 - ▶ *Substitution* – where people who have secured employment as a result of *emda* funded support have filled jobs which would otherwise have been taken up by others;
 - ▶ *Displacement* – typically where firms which have expanded as a result of the intervention have done so by taking market share from competitors elsewhere in the Region;
 - ▶ *Multiplier Effects* – as the initial economic impacts generate ripple effects down the supply chain (indirect effects) and lead to increased local expenditure by those who benefit from the direct and indirect impacts of the intervention (induced effects).

Formally the net impact can be expressed as:

$$Pa [(GI.(1-L)(1-S)(1-D)(1+M) - GI^* . (1^*-L(1-S)^*(1-D)^*(1+M)^*)]$$

Where:

Pa is the probability – or extent to which – the project would have gone ahead in the absence of *emda* funding;

GI is gross additionality;

L is leakage;

S is the substitution effect;

D is displacement;

M is the combined multiplier; and,

* values refer to what would have occurred in the absence of the *emda* supported project – ie the counterfactual or deadweight.

1.4.2 Key Tasks

The typical, key elements in the approach to each strand assessment and their contributions to the analysis are summarised in Table 1.1.

In all cases the Strand evaluations included a review of relevant aspects of the socio-economic and policy contexts and a range of primary research. The scale and coverage of the latter are summarised in Table 1.2.

Table 1.1 Strand Level Primary Research Tasks and their Key Roles

Task	Key Roles
<ul style="list-style-type: none"> • Consultations with Key <i>emda</i> Personnel • Consultations with Key External Stakeholders • Workshops with SSP Representatives 	<ul style="list-style-type: none"> • Understanding aspects of context and its evolution • Understanding organisational and delivery arrangements and their evolution • Perspectives on relevance, rationale and effectiveness of different types of intervention – and the factors contributing to this • SAV assessment
<ul style="list-style-type: none"> • Analysis of PD and other Management Information 	<ul style="list-style-type: none"> • Analysis of expenditure and output data • Assessment of performance relative to original financial and output projections • Assessment of contributions to overall <i>emda</i> performance/Agency targets
<ul style="list-style-type: none"> • Project Assessments 	<ul style="list-style-type: none"> • Testing/confirmation of PD data on expenditure and outputs • Assessment of economy – plus contribution to assessment of efficiency and effectiveness aspects • Assessment of project additionality • Assessments of rationale, appraisal process, quality, sustainability, management and monitoring, etc. • Assessment of wider-unrecorded outputs and impacts • Assessment of 'success factors'
<ul style="list-style-type: none"> • Beneficiary Surveys 	<ul style="list-style-type: none"> • Data relating to 'additionality factors'
<ul style="list-style-type: none"> • SAV Workshops with key <i>emda</i> personnel 	<ul style="list-style-type: none"> • SAV assessment

Source: Study and PD data

Table 1.2 Scope and Coverage of Strand Level Primary Research

Strand	<i>emda</i> Consultations	External Stakeholder Consultations	No. of Project Reviews	% of Relevant Expenditure Covered by Specific Project Reviews at time of Research	% of Relevant Expenditure Covered by Specific Project Reviews for Period to end 2006/7	SAV Workshop Y/N
Economic Growth, Energy & the Environment	4	8	23	14	11	Y
Employment, Learning & Skills	3	9	25	16	13	Y
Enterprise and Business Support	11	39	43	14	12	Y
Enterprising Communities	4	11	21	39	39	N
Information & Comms Technology	2	8	7	40	39	Y
Innovation	5	12	15	26	17	Y
International Trade/Inward Inv	5	12	8	24	24	N
Rural Development	5	17	23	16	16	N
Site Provision & Development	4	12	32	23	19	Y
Transport & Planning	2	5	7	22	22	Y
Tourism, Culture and Sport	4	11	17	56	26	N
Urban Regeneration	4	9	22	32	18	Y
National Coalfield Programme	4	11	5	80	74	Y
Total	57	164	248	32	28	-

Source: Study and PD data

Beneficiary surveys were undertaken over the course of the Strand level work for all those projects for which contact details for a reasonable number of beneficiaries were available or could be collected. In addition, towards the end of the study a 'booster' survey was

undertaken on all business support projects securing more than 70 job creation outputs and all property projects generating more than 20 job creation outputs for which contact details could be secured. The beneficiary surveys were primarily focussed on identifying 'additionality factors' for the broad individual 'intervention types'. These types are typically found under several different strands but the number of beneficiaries available for survey under individual strands proved small in several instances. To deal with this, the general approach has therefore been to 'pool' results by 'intervention type' across all strands. Table 1.3 summarises the number of beneficiaries surveyed successfully by broad 'intervention type'.

Table 1.3 Numbers of Beneficiaries Successfully Surveyed by Broad Intervention Type

Intervention Type	Beneficiaries Surveyed
Projects designed to directly influence firm performance – business support	710
Projects designed to directly influence firm performance – trade support	11
Projects designed to directly influence firm performance – tourism support	33
Projects based on improving the employability and skills of individuals including facilitating their access to employment	126
Projects designed to attract inward investment	33
Physical development projects providing business floorspace	100
Total	1,013

Source: Study Data

Four other aspects of the approach should be noted:

- No account is taken of expenditure on the 2000-06 ERDF programme since the role of *emda* was essentially just an administrative one of channelling resources to scheme promoters;
- The analysis of the National Programmes which have been progressively devolved to *emda* – which fall under the Enterprise Strand – is largely based upon evidence from national evaluations for DTI/BERR, with East Midlands specific evidence from these studies used where it is available;

- The analysis of SRB is primarily based upon a meta-evaluation of existing studies relating to the East Midlands or England as a whole;
- Project related expenditure which cannot be allocated to 'intervention types' is assumed to have similar impacts to that which can be allocated²¹.

1.5 Structure of the Report

The remainder of this report is structured as follows:

- Chapter 2 examines the policy context for *emda* activities since 1999;
- Chapter 3 reviews the economic context with which the Agency has operated;
- Chapter 4 provides an analysis of *emda* expenditure, activities and gross outputs since 1999;
- Chapter 5 presents the assessment of economy, efficiency and effectiveness of *emda* funded projects;
- Chapter 6 examines evidence of the economic impact of the Agency's activities since 1999;
- Chapter 7 considers the wider benefits of *emda* activities;
- Chapter 8 provides a summary value for money assessment;
- Chapter 9 assesses *emda*'s Strategic Added Value.
- Chapter 10 draws conclusions from the evaluation and outlines key implications for the future.

Two sets of supplementary papers are appended :

Annex 1 – Technical Annex

Annex 2 – Supplementary Material

²¹ This includes both Single Programme expenditure which has not been classified by strand and strand related expenditure which could not be allocated by 'intervention type'

2.0 The Policy Context and its Evolution

2.1 Introduction

This section reviews the policy drivers and targets which provide the context for *emda's* interventions since 1999.

- First, it highlights the features of key relevant European and UK policies and how these have evolved since 1999 (Section 2.2).
- Second, it examines the overall objectives and targets for regional development in the East Midlands, as outlined in the Regional Economic Strategy (RES) documents produced in 1999, 2003 and 2006 (Section 2.3).
- Finally, *emda's* specific intended role in delivering the RES is briefly commented upon, with reference to the Agency's corporate objectives and policy and delivery responsibilities (Section 2.4).

The developing European and UK policy context has played a major role in shaping the evolution of policies within the Region. Annex 2A shows the timeline for the development of UK and East Midlands' strategies and highlights the frequency with which national policy developments have been rapidly followed by regional strategies to take forward these new directions. Specific examples of the linkages involved are highlighted in Section 2.2 below.

2.2 Key Aspects of the European and National Policy Context

2.2.1 European Policy

A steady stream of policy initiatives at European level has provided a wider backdrop for UK policies for regional development since 1999. The Lisbon and Gothenburg package and the European Employment Strategy are the key policy statements which provide a framework for more detailed policies in the fields of enterprise, innovation, ICT and skills. These statements have informed domestic policies and are a major influence on priorities for the use of EU structural funds which have played an important role in augmenting RDA Single Programme investments.

- The **Lisbon and Gothenburg strategies**²² set the vision of establishing Europe as "*the most competitive knowledge-based economy*" in the world by 2010²³. A review and re-launch of the Lisbon strategy in 2005²⁴ saw it focus more sharply on supply-side policies. *Jobs and Growth* emphasised knowledge and innovation as key drivers of enhanced productivity, economic growth and increased levels of employment.
- The **European Employment Strategy** promotes active labour market policies which, allied to a focus on skills development and lifelong learning, have the objective of securing increases in better quality employment throughout the EU. The latest edition covering the period 2005-2008 refocused efforts on two goals: delivering stronger and lasting growth and more and better jobs.

Partly in response to the financial implications of enlargement of the EU, the period under consideration has seen reforms of the Common Agricultural Policy (CAP) and the Cohesion policies which set the framework for the EU structural funds. In both cases, the trend is towards reduced financial support for the UK.

- The fundamental reform of the **Common Agricultural Policy** in 2003 led to a significant shift in the approach to intervention in the agricultural sector and rural areas more generally. Most of the links between payments and production were removed (decoupling), with a shift away from agricultural support mechanisms towards investment in wider rural development - a direction subsequently reflected in the current EU-funded Rural Development Programme for England.
- The on-going reform of the **EU's cohesion policy** has influenced the scale and priorities of the EU's regional development funds in the East Midlands. The current programming period (2007-2013) has seen the Structural Funds Programmes in the East Midlands focus on the Lisbon and European Employment Strategy priorities, with less emphasis on regeneration- orientated measures than previously. Reflecting efforts to streamline delivery arrangements, there is now a more explicit relationship with relevant priorities of the Regional Economic Strategy. Responsibility for managing and dispersing funds transferred to *emda* in late 2007.

²² Comprising the Lisbon Strategy agreed at the Lisbon Council of Ministers in March 2000 and the Sustainable Development Strategy agreed at the Gothenburg Council of Ministers in June 2001

²³ Presidency Conclusions of the Lisbon European Council, 23 and 24 March 2000

²⁴ Facing the challenge - the Lisbon Strategy for growth and employment ,CEC, 2004

2.2.2 National Policy

There has been a reasonable level of continuity in the key policies influencing regional development investment priorities in the UK since 1999, although a number of new themes and shifts in emphasis are evident.

- **Innovation and the knowledge economy** – Promoting innovation and the development of the knowledge economy has emerged as a strong feature of national policy since 1999 with the role of the RDAs in this area being progressively strengthened. The Department of Trade and Industry (DTI) White Paper *Our Competitive Future: Building the Knowledge Driven Economy* (1998) provided an initial framework for improving competitiveness and, amongst other things, stimulated the focus on clusters initiatives which appeared in the first round of Regional Economic Strategies. The content of the Competitiveness White Paper was expanded upon throughout the period in a series of related White Papers and policy initiatives²⁵. In essence, these stressed the importance of investment in the science base and as a facilitator for innovation, the need to increase overall levels of R&D expenditure as a proportion of GDP, the role of collaborative research and the importance of networks through which to transfer knowledge and experience.
- **Enterprise for all and more efficient organisation of business support services** - The key theme of enterprise policy since 1999 has been "*enterprise for all*", reflecting a consolidation of earlier policies which first emphasised the importance of stimulating start-ups (during the 1980s) before shifting the focus to growing existing businesses (the 1990s). By 2002²⁶, the case for a more comprehensive suite of interventions including supporting start-ups, improving the performance of the small business sector, extending access to finance and provision of tailored support for disadvantaged groups and areas was well-established. Later in the period under review there was a transformation in business service provision associated with the simplification agenda. Since 2005, *emda* has acquired responsibility for Business Link and other national enterprise programmes and been charged with rationalising business support and aligning services more closely with regional needs.
- **Promoting Sustainable Communities** – Urban issues have been high on the national agenda throughout the period under review. The Urban White Paper, *Our Towns and Cities: The Future - Delivering an Urban Renaissance* (2000) which emerged from the

²⁵ Science and Innovation White Paper, DTI, 2000; Enterprise, Skills and Innovation White Paper; DfEE and DTI 2001; The Manufacturing Strategy, DTI 2002 and 2004; Competing in the Global Economy – the Innovation Challenge, DTI 2003; Succeeding through Innovation, Science and Innovation Investment Framework 2004-2014, DTI 2004

²⁶ Small Business and Government - The Way Forward, Department for Trade and Industry, 2002

Urban Task Force describes a 'new vision of urban living' and was a precursor for ODPM's Sustainable Communities: Building for the Future (2003). The latter called for renewed effort to bring empty properties back into use, remediate derelict and contaminated land and protect the countryside, including greenfield land, by concentrating development on brownfield sites. *emda* has been active in a range of related initiatives such as Milton Keynes South Midlands (MKSM) growth area, the Midlands Way initiative and Urban Regeneration Companies. These partnership structures are designed to: support the delivery of national and regional housing targets, promote economic development and embed planning and design standards, improve local environments, help to reduce crime and the fear of crime, raise quality of life and ultimately promote urban renaissance. Paradoxically, at a time when policy was emphasising the importance of re-using previously developed land, the tools available were limited when EU state aid rules effectively ended the use of approaches such as the Partnership Investment Programme (PIP) which *emda* inherited from English Partnerships. The establishment of Blueprint has subsequently provided the Agency with an alternative mechanism for securing private investment in development schemes.

- **Modernising rural policy** – The 2001 Rural White Paper²⁷ highlighted the need for targeted rural priorities. The Haskins Review was commissioned in response to perceived weaknesses in the response to foot and mouth disease. This led to a new Rural Strategy in 2004 which re-articulated and re-focused priorities outlined in the earlier White Paper and significantly called for the streamlining of delivery arrangements. This has led to an enhanced role and budget for RDAs to promote the social and economic development in lagging rural areas, a function previously carried out by the Countryside Agency. In 2007 a significant part of the responsibility for the EU-funded rural development programme also passed to the RDAs.
- **The economic development case for transport investment** – Transport policy over most of the evaluation period was based upon Transport 2010, the Government's 'long-term strategy for delivering a quicker, safer and more punctual and environmentally friendly transport system'. This was superseded by the 2004 White Paper The Future of Transport²⁸ which committed the Government to increased investment over the period to 2014-15. As well as recognising the need to balance the benefits of mobility with the environmental costs, this highlighted the relationship between transport and the economy, a theme which is picked up strongly in the subsequent Regional Economic

²⁷ Our Countryside – the Future – a New Deal for Rural England, Department for Environment, Transport and the Regions, 2000

²⁸ The Future of Transport, Department for Transport, July 2004.

Strategy (RES) and the Regional Transport Strategy (RTS). In 2006, the Eddington Review looked in detail at the long-term impact of transport investment decisions on productivity, stability and growth. The Review was notable for focussing its consultation process through the RDAs.

- **Climate change agenda** –Environmental issues have increased in significance during the period of this evaluation with a range of EU directives and UK policy statements. The emerging response to the issue of climate change has included the Energy White Paper Our Energy Future - Creating a Low Carbon Economy (2003) which highlighted the need to decouple economic growth from energy use - and the targets for reducing greenhouse emissions linked to the Kyoto commitments, as well as the UK's more stretching domestic targets for 2050. The implications for regional policy are wide-ranging, encompassing the promotion of energy efficiency and support for adaptation in the land and property sector, promoting higher standards of resource efficiency amongst businesses and growing the environmental economy.

2.3 RES and RES Targets

2.3.1 RES Priorities

RDAs are tasked with producing a Regional Economic Strategy (RES) every three years, developing a strong evidence base to support the policy choices made, reflecting the national and European policy drivers outlined above, and consulting widely with regional partners to ensure support for associated RES implementation plans. *emda* has overseen the preparation of three editions of the RES to date, in 2000, 2003 and 2006.

The overall vision for regional economic development remained consistent between 2000 and 2003:

“by 2010, the East Midlands will be one of Europe’s top 20 Regions. It will be a place where people want to live, work and invest, because of our vibrant economy; our healthy, safe, diverse and inclusive communities; our quality environment”.

The 2000 RES *Prosperity Through People* was structured around four key drivers:

1. Learning and Skills
2. Enterprise and Innovation
3. An Information and Communications Technology (ICT) Revolution
4. A Climate for Investment

These four key drivers embrace the five drivers of productivity that DTI established in national policy in 2000, namely: Investment, Innovation, Skills, Enterprise and Competitive Markets. The four drivers, together with 'Developing Sustainable Communities', were presented as the Strategic Objectives of the first edition of the RES.

In *Destination 2010*, the second edition of the RES published in 2003, strategic objectives were consolidated and the four key drivers/five objectives of success became three drivers:

1. Employment, learning and skills
2. Enterprise and Innovation
3. Climate for Investment

The 2003 RES, which provided the structure for this evaluation, organised activities in 12 thematic strands, covering the main the areas of activity that were considered necessary to achieve the East Midlands regional outcome targets (Box 1.2 above).

The latest RES produced in 2006 sets out a renewed policy framework with an extended time horizon of 2020. The overall vision for the Region has evolved from a focus on making the East Midlands a top 20 European Region by 2010 to a 'flourishing Region' by 2020. Many of the activities under the 2003 RES are incorporated into the new policy framework. The main adjustments to the strategic priorities reflected in the current RES are:

- The more balanced weighting attached to raising productivity, ensuring sustainability and achieving equality implied by the grouping of strategic priorities under these three overall policy themes.
- A reorganisation of strategic priorities and a reduction in number from 12 to 10. The 2003 spatial themes of urban and rural development are mainstreamed in the current edition of the RES and enterprise, innovation and ICT combined to form a single strategic priority. Additionally, aspects of the former enterprising communities and urban and rural development strands are restructured to provide three complementary strategic priorities under the equalities theme - cohesive communities, economic renewal and economic inclusion.
- A more detailed specification of activities falling within strategic priorities (compared with the 2002 and 2003 editions of the RES) and the inclusion of new priority activities such as promotion of green infrastructure under the transport and logistics strategic priority and demand management under the transport strategic priority.

Further details of the structure of each RES are provided in Annex 3B.

2.3.2 RES Targets

Whilst the 2000 RES established a range of indicators for measuring the performance of the East Midlands economy it contained just one target - the ambition to move the East Midlands into the Top 20 Regions in Europe based on GDP per head and unemployment by 2010. The 2003 RES outlined comprehensive set of 35 specific targets, generally covering the period 2006-09 (where feasible, progress against these targets is examined in Chapter 3). For the 2006 RES, the list of targets was consolidated and rolled forward. In contrast with the absolute targets provided in 2003, the RES 2006 targets focus to a greater extent on the relative performance of the East Midlands. Key areas for which targets have been established and their treatment in the 2003 and 2006 RES are considered briefly below.

- Headline targets for the 2003 RES targets expand on the first edition of the RES with a longer term vision of moving the region into the top 20 EU regions on the basis of the 'Top 20 Index' covering the region's performance on GDP per head, employment, unemployment, equality (based on regional disparities in GDP per head), and the environment (energy consumption and waste). The RES also outlined desirable improvements in GDP and GVA²⁹ per capita (2.5% per annum on average growth by 2010) and productivity - GVA per hour worked (0.7% per annum average growth). The 2006 RES introduces a new suite of headline targets related to the Index of Sustainable Wellbeing, as well as focusing on productivity (GDP per hour worked) and the employment rate of the working age population. These targets are established with reference to the UK average, with the Region striving to meet the UK average for productivity and surpass the national average employment rate for the working age population by one percentage point by 2020.
- In the skills and employment domain there is a striking shift in emphasis between the 2003 and 2006 RES targets. The former has a wide-ranging ambition to improve skills at NVQ Level 2 through to Level 4. In a move reflecting the distinctive skills challenges facing the East Midlands, the targets in the 2006 RES focus on the need to support people to acquire higher level skills at NVQ Level 4 and above. It also places a stronger emphasis on realigning the Region's employment profile towards knowledge intensive sectors.
- In the area of innovation, the target relating to investment in research and development (R and D) has been retained in the 2006 RES (although it is based on a different indicator) and a new target is introduced relating to the proportion of business turnover

²⁹ Alternative, closely related, measures of the output of goods and services.

attributed to new products and processes. This reflects the particular concern that the East Midlands should capitalise on investments made in R&D through commercialisation.

2.4 **emda Corporate Policy and Responsibilities**

2.4.1 *emda's* Corporate Policy

emda's stated priorities in relation to the delivery of RES objectives are set out in the Agency's corporate documents.

Annex 2C draws out the objectives in relation to individual strands in successive corporate plans. Particularly from 2003 when the strands became the focus of the RES, there is an extensive framework of objectives and planned actions for each of the strands. The extent of the coverage of individual strands varies through time, reflecting changing policy priorities and evolving Agency responsibilities. For example, whilst there is a consistent emphasis on some areas, such as rural and urban, transport and tourism only figure strongly in more recent corporate plans – reflecting, respectively, the increased perceived economic significance of congestion and the Agency's relatively recent takeover of major responsibilities in relation to the delivery of tourism interventions. Equally, the evolution of national and regional policy priorities in the areas covered by individual strands is clearly followed through in the details of the actions that were planned.

Overall, *emda's* activities are designed to achieve the objectives of the Regional Economic Performance Public Service Agreement (REP PSA) set by Government for all RDAs '*to improve the economic performance of all English Regions and reduce the gap in economic growth rates between Regions*'. This is reflected in particular in a strong emphasis on improving competitiveness and raising GVA.

2.4.2 Responsibilities in relation to delivery of the RES

As noted, during the period covered by this evaluation, *emda's* responsibilities for regional policies and programmes and resources have expanded. *emda* has also acquired greater flexibility in how it uses available funds to pursue regional development objectives. Broadly, there are three main phases in the timeline of the Agency's development:

1. **Pre Single-Programme (1999/00 to 2001/02).** During its first year of operation the majority of *emda's* budget was committed to a series of inherited or legacy programmes with limited funding flexibility. Strategically, the focus was on fulfilling its duty to produce a new RES and organising teams and people brought together from across other organisations to establish the new Agency. Operational activity was

focused on the delivery of programmes including: Venture Capital Fund, Partnership Investment Programme (PIP), Single Regeneration Budget (SRB), Land Asset Portfolio: Buildings Asset Portfolio, Land Reclamation Programme (LRP), Rural Development Programmes and the Community Investment Fund. By 2000/01 *emda* was provided with greater resources and was able to finance new activities. The Agency also developed its strategic leadership role and began to seek to influence the plans of bodies which remained responsible for large regional budgets, such as the Learning and Skills Council and the Heart of England Tourist Board. During this early period *emda* monitored and reported outputs through the performance management frameworks established for the legacy programmes.

2. **Introduction of the Single Programme (2002/03 to 2004/05).** In 2002/03, *emda* entered a new phase with the introduction of the Single Programme. This fund pools resources allocated to RDAs by contributing Government Departments (currently BERR, CLG, DIUS, DEFRA, DCMS and UKTI). The Single Programme facilitated greater flexibility in how *emda* used available funds to pursue regional development priorities, with national priorities at that time established through the RDA targetry framework consisting of a series of outputs (Tier 3 targets) and regional outcomes (Tier 2 targets) (discussed further in Chapter 3). Throughout this period, *emda's* policy and delivery responsibilities continued to expand. Notably, in 2004/05 *emda* acquired responsibility for regional tourism development and established East Midlands Tourism (EMT) to carry out a range of destination marketing and management, quality improvement and research and intelligence functions which were formerly the responsibility of the English Tourism Council (ETC) and the Heart of England (regional) Tourist Board (HETB).

3. **New responsibilities emerging from the 2004 Devolved Decision Making Review (2005/06 to date).** In April 2005, a new Tasking Framework³⁰ was introduced for RDAs. In the Corporate Plan produced for that year *emda* was required to show how in support of its statutory role and responsibilities it would deliver against the priorities outlined in the Regional Economic Strategy and contribute to national Public Service Agreements³¹. 2005/06 also saw an increasing emphasis placed on the Strategic Added Value (SAV) potential of RDAs, recognising that their contribution to improving regional performance and reducing disparities would come from influencing the

³⁰ England's Regional Development Agencies Corporate Plans for 2005-2008 Tasking Framework, Department for Trade and Industry, 2004

³¹ Public Service Agreements are agreements and targets made between the Treasury and Central Government departments and agencies. Each RDA is required to address priorities identified in their Regional Economic Strategies for the Region and contribute to the delivery of the Government's PSA targets in relation to regional economic performance.

behaviour and investment of partners as well as through their direct investments. The Tasking Framework did not prescribe how RDAs should carry out their SAV function but it confirmed that the strategic role was " *to mobilise the actions of key regional and sub-regional partners in the public and private sector, and also in the voluntary and community sector, to support the achievement of regional economic development priorities as agreed in the RES for their region*". From 2005/06, *emda* continued to receive its budget allocation through the Single Programme and new responsibilities and funding were agreed for Business Links, Research and Development Grants, Modernising Rural Delivery (to implement the recommendations of the Haskins Review) and the Business Resource and Efficiency and Waste Programme (BREW).

In June 2007, the Government published the review of sub-national economic development and regeneration (SNR) which has wide-ranging implications for the role of RDAs and for local authorities. At the time of writing the Government is consulting on proposals for taking forward the recommendations of the review. The key implications of the SNR are:

- Greater emphasis on the strategic role of RDAs. Responsibility for regional planning likely to be passed to the RDAs which will be responsible for the production of a Single Integrated Regional Strategy (SIRS) to replace and enhance the existing Regional Economic and Spatial Strategies.
- New partnership working arrangements between RDAs and local authorities to improve economic outcomes.
- Greater delegation of some delivery activities to local authorities.

2.4.3 Sub-regional Delivery Structures

A proportion of *emda* funding is directed to seven Sub-Regional Strategic Partnerships (SSPs) which were developed and established by the Agency as a mechanism for improving responsiveness to sub-regional development needs and opportunities. The SSPs are charged with articulating the interests of the public sector, the voluntary sector and key community groups across the Region. Full coverage of SSPs was achieved across the Region in 2002/03.

Following the terms of Local Area Agreements, SSP responsibilities for managing project activities will be transferred to local authorities in April 2009 and future changes to delivery structures are likely. In line with the Terms of Reference, this evaluation of *emda*'s performance does not provide an assessment of existing delivery arrangements or distinguish between *emda* and SSP-led delivery, although consideration is given to the spatial distribution of the Agency's activities.

2.5 Overview

The developing European and UK policy context has played a major role in shaping the evolution of policies within the Region. At a European level the Lisbon and Gothenburg packages and the European Employment Strategy have set the framework for the development of national policies across a range of policy areas and shaped the development of the EU Structural Funds and the focus of their support to the Region. Reforms to the Common Agricultural Policy and Cohesion Policy have also been important influences which in both cases have reduced levels of support to the UK regions over the period since 1999.

Whilst there has been substantial continuity in UK policies over the period since 1999, a number of new themes and emphases which have helped to shape regional development policies in the East Midlands and elsewhere are evident, including:

- A renewed emphasis on innovation and the knowledge economy;
- 'Enterprise for all' and the emphasis on simplifying business support with a focus on regional needs;
- Promoting sustainable communities;
- Modernising rural policy and streamlining the delivery of service provision;
- Increased recognition of the links between transport and economic performance;
- The increasing emphasis on the climate change agenda.

The three editions of the Regional Economic Strategy for the East Midlands (from 2000, 2003 and 2006) share a strong emphasis on improving the Region's productivity and competitiveness but with a recognition of the importance of environmental and social issues. *emda* corporate policies have established a comprehensive framework of objectives and actions to support the delivery of RES objectives.

Notable developments over the period of the evaluation have included the progressive devolution of a range of National Programmes to the RDAs and the establishment by the Agency of the Sub-Regional Strategic Partnerships (SSPs) to act as delivery bodies and improve responsiveness to sub-regional needs and opportunities.

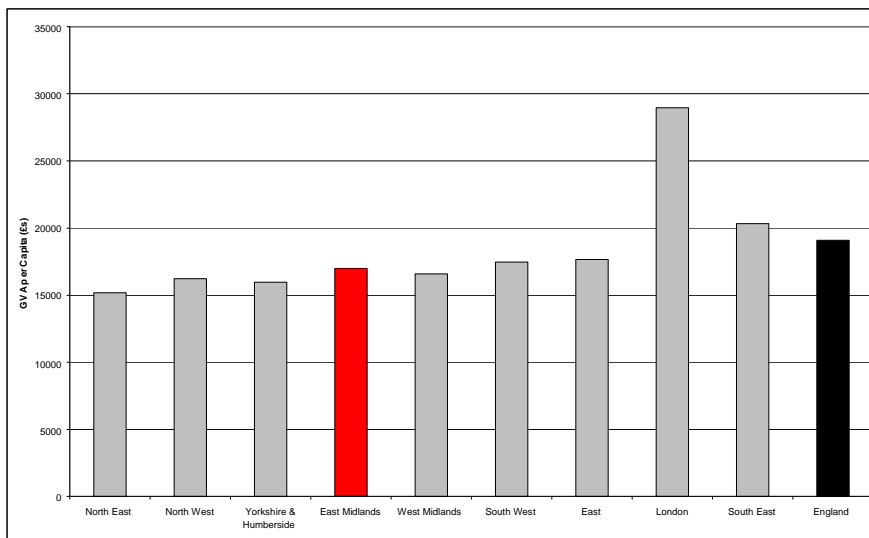
3.0 The Economic Context and its Evolution: an Overview

3.1 Introduction

In many respects the structure of the East Midlands economy and its performance reflect those of the UK as a whole. On the key indicator of GVA per capita the Region lags the UK average by around 11%³² and its relative performance has fallen back somewhat compared with 1998. However, its performance is better than that of other Midlands and Northern regions. In a wider EU context the GVA per capita of the East Midlands substantially lags behind that of the leading regions but this is true to varying degrees of virtually all parts of the UK, including London.

The RES Evidence Base³³ argues that the economy is characterised by a 'low wage, low skill, low productivity equilibrium', a diagnosis that has also been made in relation to the UK as a whole³⁴. Firms focus on production processes and products with limited skill requirements which in turn limits the demand for higher level skills and the incentives for firms and individuals to invest in skills formation.

Figure 3.1 GVA per Capita by Region, 2006



Source: Smoothed GVA per head at basic prices, Regional Accounts less industry detail, National Statistics 2006

³² 9 percent when extra-regional income is excluded.

³³ The East Midlands in 2006, Evidence Base for the East Midlands Regional Economic Strategy 2006-2020, *emda*.

³⁴ For example, Feingold and Soskice, D "The Failure of Training in Britain – Analysis and Prescription", Oxford Review of Economic Policy, Autumn 1988

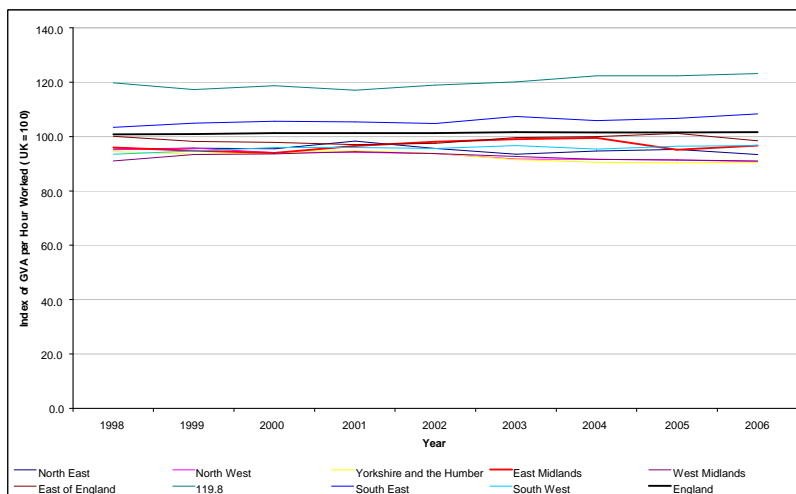
Internally the Region is characterised by high levels of diversity with a rich mix of urban and rural areas. Areas facing strong pressures for growth co-exist alongside others seeking to combat problems of restructuring and decline.

3.2 Population and Demography

Like the UK as a whole, the Region has a growing but ageing population. Between 2001 and 2006 the East Midlands population increased by 4.2% compared with the England average of 2.7%³⁵, mostly as a result of inward migration. Population growth has been strongest in the South and East of the Region and has generally been weakest pressure in the main urban areas. Leicester and Derby experienced growth of only 2.4%, although Nottingham saw an increase of 6.5% over the period.

The age structure of the population is very similar to the national average. Some 9% belong to an ethnic minority group compared with the England average of 13%.³⁶

Figure 3.2 GVA per Hour Worked by Region, 1998-2006



Source: BERR, *Regional Competitiveness and State of the Regions 2008*

³⁵ Mid-year Population Estimates, ONS

³⁶ Ethnicity drawn from Census 2001, ONS

3.3 The Economy

3.3.1 Output and Productivity

Output per hour worked in the East Midlands is some 98.5% of the UK average and the gap has been closing since 1999, as shown in Figure 3.2 above and discussed further in Section 6. The structure of the East Midlands economy has strong similarities to that of the UK. The main differences are the relatively large manufacturing sector (23.2% of output compared with the UK average of 15.9%)³⁷ and the corresponding under-representation of parts of the service sector, including financial and business services.

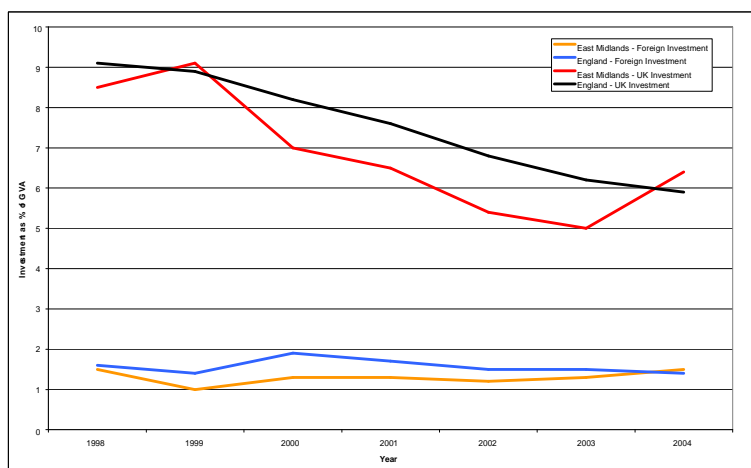
Along with the issue of skills and following the framework of 'drivers' set out by Treasury/DTI³⁸, the analysis within the RES Evidence Base focuses on four further potential explanatory factors:

3.3.1.1 Investment

Overall levels of *investment* are relatively low and have been falling (Figure 3.3). UK owned businesses in the Region invest less than their foreign owned counterparts and less than their domestically owned counterparts in other regions. Whilst overall investment by manufacturing businesses in the Region is above average, levels of investment in the service sector are relatively low.

More positively, the number of new inward investment projects and the number of associated jobs have been rising.³⁹

Figure 3.3 Investment by UK and Foreign Owned Businesses as a % of Regional GVA



Source: BERR, *Regional Competitiveness and State of the Regions 2008*

³⁷ The East Midlands in 2006, Evidence Base for the East Midlands Regional Economic Strategy 2006-2020, *emda*

³⁸ Productivity in the UK 5 : Benchmarking Productivity Performance. HM Treasury and DTI. March 2004

³⁹ Committee on Overseas Promotion (COP) data

3.3.1.2 Innovation

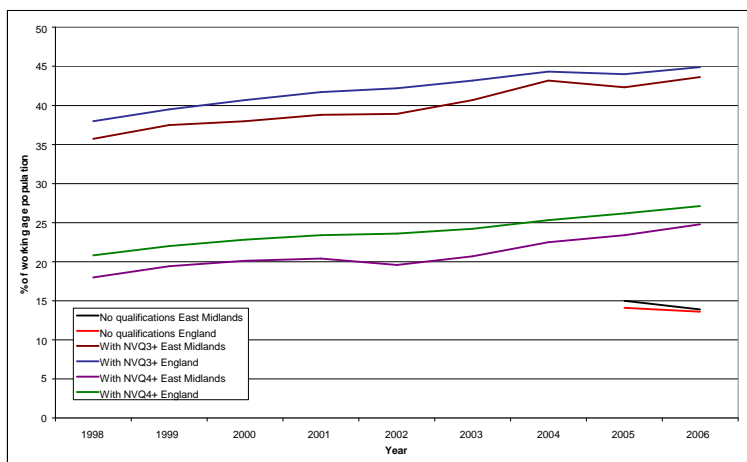
Investment in research and development (R and D) is limited. Business enterprise research and development in the Region has been consistently higher than the UK average⁴⁰. However, the RES Evidence Base argues that this investment is concentrated in a small number of large global R and D intensive companies, with most East Midlands companies undertaking little such investment. Levels of public/higher education funded research are also low.

3.3.1.3 Skills

The *demand for high level skills* is low. The region has seen an expansion in the percentage of its employment in knowledge intensive industries,⁴¹ although not to the extent seen elsewhere in the country.

The *supply of high level skills* is lower than average. Although again improving, the percentage of residents with NVQ level 3 and 4 and above qualifications lags behind the national average. The proportion with no qualifications is slightly above average (Figure 3.4)

Figure 3.4 Qualifications of the Working Age Population – East Midlands and England, 1998-2005



Source: Labour Force Survey / Annual Population Survey, ONS

⁴⁰ The East Midlands in 2006, Evidence Base for the East Midlands Regional Economic Strategy 2006-2020, *emda*

⁴¹ Eurostat, 2006

3.3.1.4 *Enterprise*

Although relatively improving, the level of *enterprise* as reflected in VAT business registration rates and the indicator Total Entrepreneurial Activity⁴² is below average. However, relatively strong *business survival rates* indicate that the enterprise that does exist in the region is relatively competitive.

3.3.1.5 *Competition*

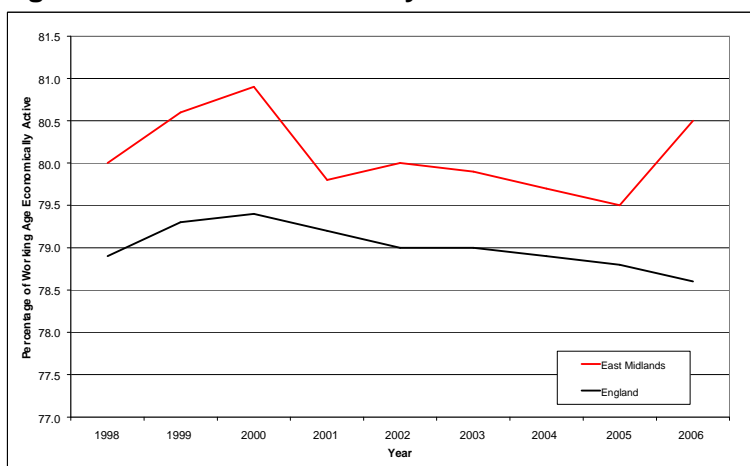
The Region is characterised by a relative openness to *competition*, reflecting the structure of the economy, as discussed below, which should have positive effects on performance. However, in common with other UK Regions, exports - although rising in value terms - have been falling as a proportion of GVA⁴³.

3.3.2 The Labour Market

Economic Activity and Employment

Economic activity rates in the Region have remained above the national average between 1998 and 2006 (Figure 3.5) by between 1 and 2 percentage points. Employment levels have grown but less rapidly than the national average in overall terms, essentially reflecting the fall between 1998 and 1999 (Figure 3.6).

Figure 3.5 Economic Activity in the East Midlands and England, 1998-2006

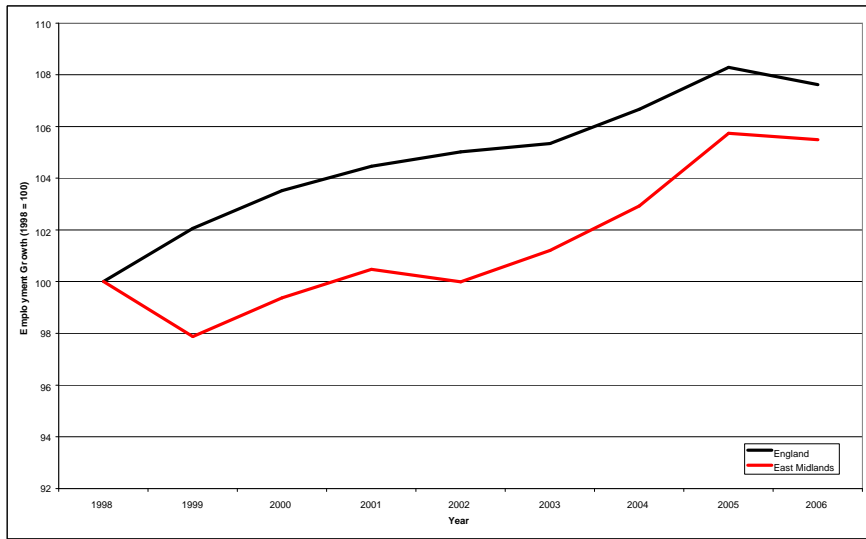


Source: Labour Force Survey / Annual Population Survey, ONS

⁴² The Total Entrepreneurial Activity (TEA) Index measures the numbers of people engaged in entrepreneurial activity, including numbers of people setting up businesses by themselves and through their work, and businesses that have not been paying salaries for more than 42 months.

⁴³ The East Midlands in 2006, Evidence Base for the East Midlands Regional Economic Strategy 2006-2020, *emda*

Figure 3.6 Employment in the East Midlands and England, 1998 to 2006 (1998 = 100)

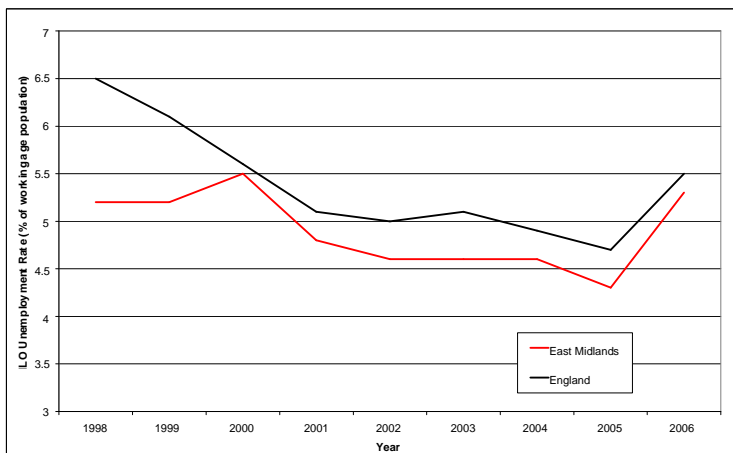


Source: Annual Business Inquiry, National Statistics

xxvii. Unemployment and earnings

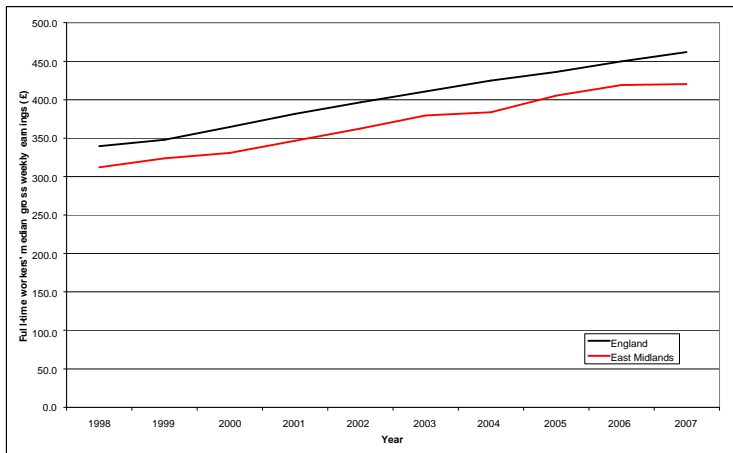
Unemployment fell over the period 1998 to 2005 but has subsequently been rising. Whilst unemployment in the East Midlands has remained consistently below average, the difference is now lower than in the late 1990s (Figure 3.7). Earnings in the Region are somewhat below the England average and have been increasingly marginally more slowly (Figure 3.8). Relatively low weekly earnings can be seen to a large extent as a corollary of the Region's limited skill base and below average productivity.

Figure 3.7 ILO Unemployment as % of Working Age Population in East Midlands and England, 1998-2005)



Source: Labour Force Survey / Annual Population Survey, ONS

Figure 3.8 Full-Time Median Gross Weekly Earnings (£) – East Midlands and England 1998-2007

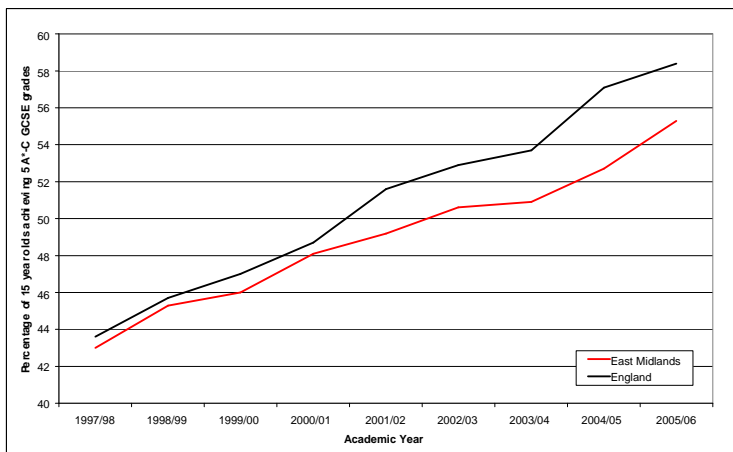


Source: ASHE workplace analysis, ONS

3.4 Education

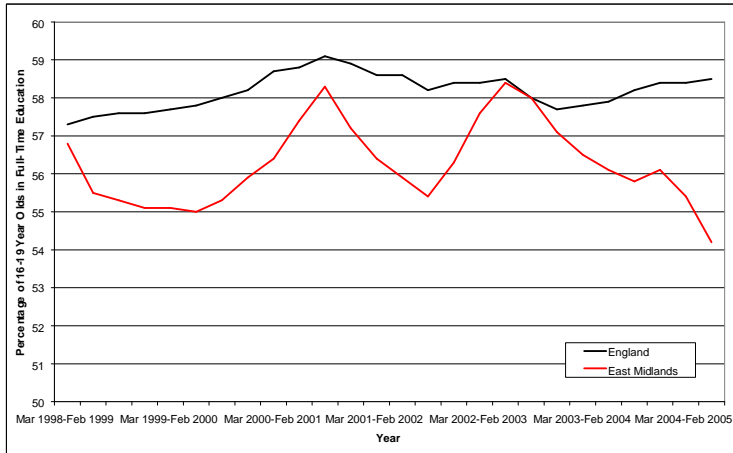
Educational attainment in the Region is somewhat below average and, although improving steadily, has increased slightly less rapidly than average (Figure 3.9). Levels of participation in post-16 full-time education have generally been below average and have fallen back according to recent data (Figure 3.10).

Figure 3.9 % of 15 Year Olds Achieving 5 A*-C GCSE Passes, 1998/99 – 2005/06



Source: DfES

Figure 3.10 Participation in Post-16 Education, 1999/2000 to 2004/05



Source: Labour Force Survey, ONS

3.4.1 The Visitor Economy and Culture

The RES Evidence Base reports that the visitor economy supports 150,000 jobs in the Region, a high proportion of which are in SMEs. It identifies challenges in relation to raising standards of product and service quality, the need for innovation in relation to sales and distribution channels, and the need to target marketing to attract higher value customers. It also quotes DCMS estimates that the cultural and creative industries account for 7.9% of UK GDP and argues that distinctive destinations, a thriving cultural life and a 'sense of place' are crucial to the economic success of the East Midlands.

3.5 The Property Market

Industrial land values vary widely across the Region, reflecting a mixture of supply and demand factors. However, values are generally well below the national average and have been rising less rapidly (Table 3.1). Although rentals have been increasing in most areas speculative development is often not viable, or is only marginally viable, particularly when account is taken of the abnormal development costs which are often present, particularly in coalfield and urban locations.

Table 3.1 Typical Industrial Land Values (£ per ha) 2001 and 2008

Area	Spring 2001	January 2008	% change
Lincoln	250,000	325,000	30.0
Mansfield	260,000	275,000	5.8
Nottingham	525,000	550,000	4.8
Derby	200,000	450,000	125.0

Area	Spring 2001	January 2008	% change
Leicester	555,000	600,000	8.1
Northampton	550,000	500,000	-9.1
East Midlands	414,000	450,000	8.7
England & Wales	508,000	735,000	44.7

Source: Property Market Report, January 2008, VOA

Table 3.2 shows current retail sector rentals in the Region's main urban centres and Table 3.3 shows current office rentals. In both cases rentals in the East Midlands tend to be below levels in nearby centres in surrounding regions which is likely to be limiting development interest.

Table 3.2 Retail Sector Rental Values, 2008

Location	Type 1 £/m ² /ann ZP1	Type 2 £/m ² /ann ZP1	Type 3 £/m ² /ann GIA
Lincoln	1,500	600	170
Mansfield	1,250	375	150
Nottingham	2,300	1,100	275
Derby	1,500	750	175
Leicester	2,350	900	200
Northampton	1,500	900	225
Coventry	1,600	670	250
Liverpool	3,425	2,100	225
Manchester	3,050	2,300	300
Sheffield	2,500	850	185

Source: Property Market Report, January 2008, VOA

Note : Type 1: Prime position in principal shopping centre. Type 2: Good secondary off-peak positions in principal shopping centre. Type 3: Modern purpose built, non food, warehouse location on edge of town with car parking.

Table 3.3 Office Sector Rental Values, 2008

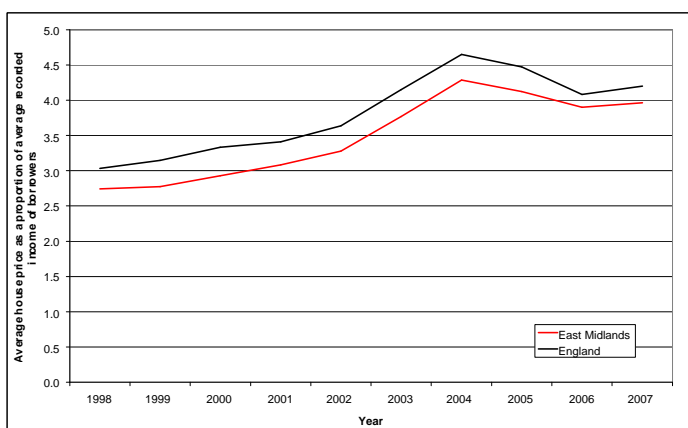
Location	Type 1 £/m ² /ann	Type 2 £/m ² /ann	Type 3 £/m ² /ann
Lincoln	110	120	85
Mansfield	n/k	100	90
Nottingham	150	160	140
Derby	95	105	110
Leicester	145	160	115
Northampton (type 1 and 2 edge of town)	160	145	155
Coventry	125	130	100
Liverpool	170	180	150
Manchester	300	300	180
Sheffield	165	155	120

Source: Property Market Report, January 2008, VOA

Note : Type 1: Self contained town centre suites with over 1,000 square metres of floorspace, erected in the last 10 years with a good finish. Type 2: as Type 1, with 150 – 400 square metres. Type 3: Converted former house usually just off town centre with best quality finish.

One of the most striking trends since 1999 has been rising house prices and the implications this has had for housing affordability and potentially for labour mobility. However, this has clearly been a national phenomenon (Figure 3.11). Owing to restrictions on the availability of credit from late 2007 onwards, as well as general uncertainties around the economic outlook, the East Midlands like many other parts of the UK has seen a drop in average house prices during 2008. Average transaction values were down to February 2007 levels in June 2008.

Figure 3.11 Average House Price as a Proportion of the Average Recorded Income of Borrowers, 1998-2007

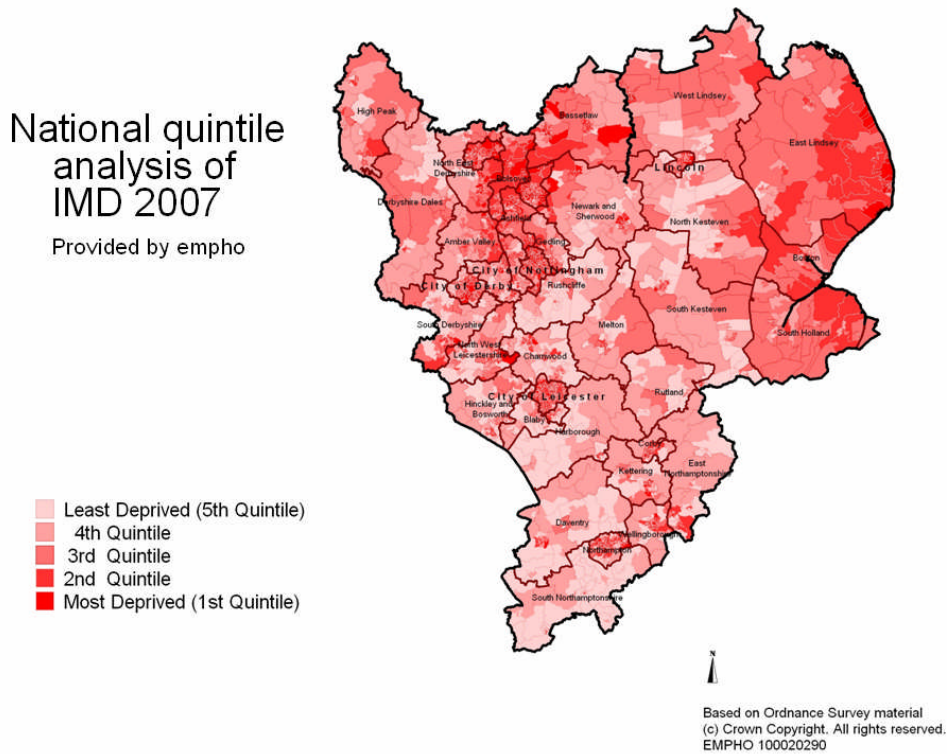


Source: Communities and Local Government Live Tables

3.6 Intra-Regional Disparities

Figure 3.12 provides an overview of patterns of deprivation within the Region based upon the Index of Multiple Deprivation (IMD) 2007. Deprivation is clearly concentrated in the principal urban areas, the coalfield areas and in the far east of the Region. Levels of deprivation tend to be lower in the south of the Region and in the smaller towns and more accessible rural areas.

Figure 3.12 National Quintile Analysis of IMD 2007



Source: Intelligence East Midlands

i. The Urban Areas⁴⁴

Whilst the major urban areas have levels of GVA per capita which exceed the regional average such figures are distorted by commuting⁴⁵. Northampton, Nottingham and Derby – though not Corby and Leicester – have levels of earnings above the regional average, although many of the best paid jobs may well be held by commuters. Activity rates are lower in the major cities and unemployment tends to be higher. As indicated, the populations of the principal urban areas have tended to grow more slowly than average. Problems of poor environments, crime and educational disadvantage represent barriers to economic development.

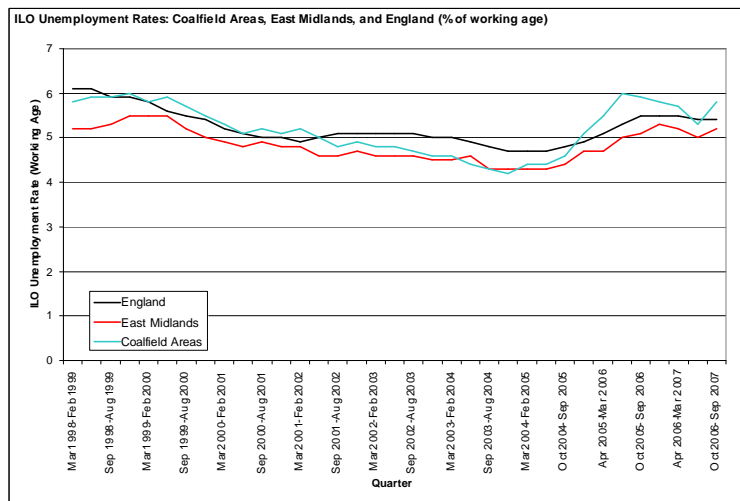
⁴⁴ Based on *emda's* Priority Urban Areas as set out in the Urban Action Plan – Corby, Derby, Leicester, Lincoln, Northampton, Nottingham.

⁴⁵ Source ONS. The GVA of incommuters counts in the area in which they work whereas they form part of the denominator of the area in which they live

ii. The Coalfields⁴⁶

The coalfield areas suffered severely from the collapse of the mining industry in the late 1980s and early 1990s. Economic activity rates in these areas are marginally below the regional average; their rates of population growth have been somewhat below average; unemployment is above the regional average - there was a trend towards convergence but this has been reversed in recent years (Figure 3.13). Despite their improving performance, the mining legacy means that these areas still present a range of underlying economic, social and environmental problems, with development constraints and weak industrial and commercial property markets away from the M1 corridor.

Figure 3.13 ILO Unemployment Rates: Coalfield Areas East Midlands and England (% of working age)



Source: Labour Force Survey / Annual Population Survey, ONS

iii. The Rural Areas⁴⁷

In many respects the Region's rural areas appear relatively prosperous. Economic activity rates tend to be relatively high with unemployment low. However, their dependence on the urban areas for employment has been growing and, as shown in Figure 3.11 above, this picture of relative prosperity is by no means uniform. Rural areas also experience some of

⁴⁶ The Coalfield areas are defined by the Department for Communities in the study 'Updating Coalfield Areas' undertaken by Sheffield Hallam University in 2004, and contain much of the northern part of the East Midlands, including North Derbyshire, North Nottinghamshire and North West Leicestershire.

⁴⁷ Based on DEFRA's classification of LADs to Urban and Rural categories.

the most acute problems of housing affordability and access to services and economic opportunities is a particular issue in many cases.

3.7 Progress Towards RES Targets

There are substantial challenges in assessing the extent to which the 35 targets within the RES 2003 and the 25 targets of the RES 2006 have been achieved or, in the cases of targets to 2009 or beyond, are being achieved. Annex 2D provides the latest available information and highlights that in a substantial proportion of cases the necessary information to measure progress is not readily available. There are particular issues in relation the RES 2003 targets, many of which were based on specific studies which have not been updated.

Areas where at least a reasonable degree of progress in relation to the RES 2003 targets is evident include:

- Enterprise, except in relation to the target to reduce the disparity in VAT Registration Rates between the most and least deprived areas;
- Employment;
- Innovation and ICT;
- Environment – although the progress here has been modest relative to the targets; and,
- Urban Regeneration – although not in relation to the target to close the earnings 'gap' relative to the national average.

Some progress has also been made against the skills target for NVQ Level 4, but not the target for Level 3.

Areas where no progress is evident, or in which the Region has fallen back, include: people considering business starts, households receiving income support and, travel to work by public transport.

A fuller picture can be built up of progress in relation to the RES 2006 targets, which are based upon indicators for which consistent time series data are available, although it is clearly 'early days' in this case:

- Significant progress has been made towards 10 of the 25 targets (some have already been attained), with some progress against two others. Areas of strong performance include employment and activity rates, NVQ Level 4+ skills, business survival rates, travel to work by public transport and the environment;
- Performance against the innovation targets has been mixed;

- Areas where performance has apparently stalled or been reversed are productivity, VAT registration rates, rates of employment floorspace development and volunteering – although, as always, care should be taken in interpreting short term movements, especially for indicators based on small sample sizes or subject to variability for other reasons.

In interpreting this generally positive performance it is worth reiterating the point that the RES 2006 targets are expressed, to a greater extent, in terms of improving the performance of the Region relative to that of other regions or the national average. This probably, of course, provides a better indication of the effectiveness of local interventions, although external factors will also influence relative performance.

3.8 Overview

The East Midlands lags the UK average level of GVA per capita by around 11% and the performance gap relative to leading EU regions is substantially larger. However, the performance of the East Midlands is better than that of other UK Midland and Northern regions.

The RES Evidence Base argues that the Region's economy is characterised by a "low wage, low skill, low productivity equilibrium". Along with skills, the potential explanatory factors involved are identified as: low levels of investment, limited levels of R and D and a below average – though relatively improving – level of enterprise.

The structure of the Region's economy is fairly similar to that of the UK, although manufacturing is relatively overrepresented and key service sectors are underrepresented.

Economic activity rates within the Region are relatively high. Qualification levels and educational attainment are somewhat below average. Partly no doubt reflecting this, earnings are well below the national average, although unemployment is also relatively low.

Particularly away from the major urban centres and the M1 corridor the end values from industrial and commercial development are limited, a problem compounded by the 'abnormal' costs associated with development in many coalfield and urban areas.

The extent of progress against the 35 targets of the RES 2003 is patchy. Some key targets have been met but there has been no measurable progress against others. In a substantial proportion of cases there is a lack of reasonably up-to-date evidence on which to assess performance because the studies on which the targets were based have not

been updated. Performance against the RES 2006 on which better evidence is available, albeit for only a limited period, has largely been positive.

4.0 Expenditure, Activities and Outputs

4.1 Introduction

This section provides an analysis of the Agency's expenditure, activities and outputs by year for the period of the evaluation (1999/2000 to the end of 2006/07). Successive sub-sections consider:

- Overall expenditure and expenditure by programme, strand and 'intervention type' (Section 4.2).
- Expenditure by sub-region, delivery partner and project size (Section 4.3)
- Outputs achieved under the Agency's original reporting framework, the frameworks for the legacy programmes, Tier 3 and the Tasking Framework. This section also assesses performance relative to Agency's targets where these were established (Section 4.4).

4.2 Overall Expenditure and Expenditure by Strand and 'Intervention Type'

4.2.1 Overall Expenditure

Table 4.1 provides a broad breakdown of the total expenditure by *emda* of £1.125bn over the period covered by the evaluation. There has been a strong underlying upward trend in annual expenditure. Of the overall total, £157m is accounted for the administrative costs of *emda* and by non-cash costs such as potential environmental liabilities in relation to *emda* owned sites, as well by spending on European programmes where the role of the Agency is to a large extent just one of disbursing funds to project sponsors. The impact of these latter elements of expenditure falls outside the scope of the study.

Table 4.1 Expenditure by Year

Year	Total expenditure (£000s) ¹	Administrative, non-cash costs, and European Spending (£000s) ²	Project Expenditure Recorded on PD (£000s) ³	National Programme Expenditure (£000s) ⁴	Project Expenditure not on PD (£000s) ⁵
1999/00	58,980	6,910	5,900	44,544	1,626
2000/01	83,900	11,750	12,298	45,289	14,563
2001/02	123,700	35,260	23,247	47,521	17,672
2002/03	113,960	8,070	56,523	49,807	0
2003/04	186,150	17,790	72,417	50,115	0
2004/05	153,230	19,430	85,688	34,730	0
2005/06	216,220	31,430	124,302	38,412	0
2006/07	188,230	26,880	122,503	44,516	0
Total	1,124,370	157,520	502,878	354,934	33,861

Source: Annual Accounts and PD, emda

Notes :

- 1 Total expenditure as recorded in the Annual Accounts
- 2 Administrative, non-cash costs, and European spending as estimated by emda finance team. Fluctuations are mainly due to non-cash costs (such as environmental provision)
- 3 Project expenditure as recorded on Portfolio Director (PD), excluding National Programme project expenditure
- 4 National Programme expenditure comprises PD records of expenditure on National Programme plus SRB spending from Annual Accounts for 1999/00, 2000/01 and 2001/02 which is not captured on PD
- 5 Residual expenditure: Estimated project expenditure between 1999/00 and 2001/02 that is not captured on PD. This comprises Total spending + Admin, Non cash costs+ Project Expenditure on PD +SRB spending from Annual Accounts.

Project expenditure– which represents the main focus of the evaluation - as recorded on Portfolio Director (PD, the Agency's management information system) amounts to just under £503m. In addition, there was further expenditure on projects of some £34m in the first three years of the Agency's life which is not recorded on PD. This clearly falls within the scope of the evaluation and, as indicated in Section 1, is taken into account on an assumption that its impacts are similar to those of the project expenditure for which details are available.

Some £355m has also been expended on various National Programmes. These comprise both the 'legacy' programmes, such as Single Regeneration Budget, which were taken

over by *emda* on its establishment and the DTI/BERR programmes which have been progressively devolved to *emda* in recent years, as described in Section 2 above. These are included in the evaluation but are treated separately, partly because the discretion which *emda* has had to shape their implementation – though increasing over time – has been much more limited than in the case of Single Programme expenditure, and partly because of the different information base which is available for their assessment.

Table 4.2 provides a breakdown of the expenditure on National Programme and shows that SRB and the National Coalfields Programme, which *emda* delivers on behalf of English Partnerships, are the dominant elements in terms of spending.

Table 4.2 Expenditure on National Programmes

Year	National Coalfields Programme (£000s)	Business Link (£000s)	Grants for R&D (£000s)	MAS (£000s)	RSA/SFIE (£000s)	SRB (£000s)	Total
1999/00	11,014	0	0	0	0	33,530	44544
2000/01	10,109	0	0	0	0	35,180	45289
2001/02	10,044	0	0	382	175	36,920	47521
2002/03	15,087	0	0	996	2,509	31,215	49807
2003/04	17,475	0	0	998	3,077	28,565	50115
2004/05	12,314	0	0	767	3,463	18,186	34730
2005/06	10,137	10,752	1,983	591	3,637	11,312	38412
2006/07	17,843	11,610	2,289	1,311	5,314	6,149	44516
Total	104,023	22,362	4,272	5,045	18,175	201,057	354,934
% of total	29	6	1	1	5	57	100

Source: Annual Accounts and PD, *emda*

National programme expenditure comprises PD records of expenditure on National Programme plus SRB spending from Annual Accounts in 1999/00, 2000/01, 2001/02 which is not captured on PD

4.2.2 Expenditure by Strand

As indicated, the evaluation has been structured largely around the strands of the RES 2003. Table 4.3 provides a breakdown of expenditure by strand. Site provision and development and enterprise and business support respectively account for much the largest proportions of the Agency's expenditure, together representing 38% of the total spend which can be broken down in this way.

Table 4.3 Single Programme Expenditure by Strand

Strand	Total Expenditure	% of total
Economic Growth, Energy & the Environment	45,174	9
Employment, Learning & Skills	47,679	9
Enterprise and Business Support	74,829	15
Enterprising Communities	30,907	6
Innovation	48,469	10
International Trade and Inward Investment	20,333	4
Rural Development	24,299	5
Site Provision & Development	117,879	23
Tourism, Culture and Sport	35,291	7
Transport & Planning	4,643	1
Urban Regeneration	38,711	8
Information & Communications Technology	10,657	2
Strategic Programme Activity	4,007	1
Total	502,878	100

Source: PD, emda

Note : Only expenditure that is recorded on PD can be broken down by strand

4.2.3 Expenditure by 'Intervention Type'

Table 4.4 provides a breakdown of the Agency's expenditure by 'intervention type' – the analytical building blocks which were established by ECOTEC for the purposes of the impact analysis. This provides a better guide to the pattern of activities which the Agency has funded since, in many cases, essentially similar activities (such as business support) appear within the expenditure under several of the strands. As would be expected, a range of activities related to physical development appear relatively significant but, at this level, no 'intervention type' - other than policy development initiatives and studies - accounts for more than 7% of total expenditure.

Table 4.4 Single Programme Expenditure by 'Intervention Type'

Intervention Type	Expenditure	% of total
Property	-	-
Acquisition	25,348	5
Acquisition plus	7,380	1
Centres of Excellence / CoVEs	10,689	2
Disposal	12,428	2
Reclamation	8,449	2
Reclamation plus	8,064	2
Site Development - Commercial	33,320	7
Site Development - Industrial	16,370	3
Site Development - Mixed	4,500	1
Site Development - Housing	11,266	2
Site Development - Crime Reduction Initiative	2,757	1
Site Development - Public Realm Improvement	22,953	5
Site Development - Tourist Attractions, Accommodation, and Cultural Infrastructure	24,623	5
Site Development - Community, Sports, and Training Facilities	34,386	7
Site Servicing	3,836	1
Technology Centre	13,719	3
Business Support	-	-
Business Support - Cluster Support	10,791	2
Business Support - Farm Diversification	470	0
Business Support - Financial and Grant Support	7,591	2
Business Support - General	8,093	2
Business Support - Initiatives to Reduce Energy Consumption and Minimise Waste	4,608	1
Business Support - Equalities and Diversity and Innovative Approaches to Public Sector Procurement	667	0
Business Support - Other Support Initiatives	3,056	1
Business Support - Quality Assurance	796	0
Business Support - Responding to Specific Challenges	358	0
Business Support - Social and Micro Businesses	5,456	1
Business Support - Promoting Entrepreneurship and Start up Advice and Access to Finance	12,855	3
Business Support - Trade Support	566	0
Business Support - Workforce Development	1,568	0
Technology Transfer	6,920	1

Intervention Type	Expenditure	% of total
Inward Investment and Trade Promotion	-	-
Marketing the East Midlands Abroad	13,131	3
Sub-regional Inward Investment Marketing and Development	3,809	1
Promoting Trade Opportunities for East Midlands Businesses through Events and Trade Missions	726	0
Encouraging Joint Ventures between East Midlands and Overseas Businesses	50	0
Employment, Learning and Skills	-	-
Job brokerage, work placements, and IAG	9,379	2
Skills Development	11,622	2
Training Programme Development	1,364	0
Tourism Marketing	-	-
Tourism Marketing and Destination Management	11,303	2
Rural Development	-	-
Boosting Demand for the Region's Agricultural Products	244	0
Rural Service Delivery	3,215	1
Capacity Building	-	-
Capacity Building	18,890	4
ICT	-	-
ICT Adoption and Connectivity	12,572	3
Economic Growth and the Environment	-	-
Initiative to Develop Renewables	1,848	0
Initiatives to Reduce Energy Consumption and Minimise Waste	1,707	0
Transport	-	-
Transport Infrastructure Investment	4,252	1
Others	-	-
Policy Development Initiatives and Studies	44,589	9
Administration, Marketing and Events	27,299	5
Unknown and Others ⁴⁸	32,995	7
Total	502,878	100

Source: ECOTEC analysis PD, emda

Note: Only expenditure that is recorded on PD has been classified by ECOTEC.

⁴⁸ Projects that could not be classified on the basis of the project name, project description and outputs as recorded on PD.

4.3 Expenditure by Sub-Region, Implementing Organisation, Delivery Partner and Project Size

4.3.1 Expenditure by Sub-Region

Table 4.5 provides a breakdown of *emda* expenditure by SSP area. Nearly 39% of expenditure comprises overall regional projects, or at least projects relating to more than one SSP area. The area specific projects show particular concentrations within the Alliance area, Leicestershire and Greater Nottingham – in the first case reflecting the problems of the main coalfield area and in the latter two cases the issues and opportunities presented by two of the Region's major cities.

Table 4.5 Single Programme Expenditure by Sub-Region (as defined by SSP area)

SSP Area	Total Expenditure (£000s)	% of total
Alliance	80,409	16
Derbyshire	36,747	7
Greater Nottingham	49,959	10
Leicestershire	63,661	13
Lincolnshire	34,516	7
Northamptonshire	32,936	7
Welland	10,976	2
Regional	193,674	39
Total	502,878	100

Source: PD, *emda*

Note: Only expenditure that is recorded on PD can be broken down by sub-region

4.3.2 Expenditure by Delivery Partner

Table 4.6 shows expenditure by category of delivery partner. *emda* projects represent 65% of total spend with SSP projects accounting for the balance. There was a strong upward trend in the proportion of spend accounted for by the SSPs until 2006/07 when this was reversed following a review and a Board decision to focus on larger, more strategic projects.

Table 4.6 Expenditure by Implementing Organisation, 1999/00 to 2006/07

Year	<i>emda</i>	SSP
1999/00	5,900	0
2000/01	12,272	26
2001/02	22,582	665
2002/03	48,887	7,636

Year	<i>emda</i>	SSP
2003/04	51,615	20,802
2004/05	40,996	44,692
2005/06	66,099	58,203
2006/07	76,210	46,293
Total	324,561	178,317

Source: PD, *emda*

4.3.3 Expenditure by Project Size

Table 4.7 shows the numbers of projects which *emda* has funded and total project expenditure by size of project. Numerically, there is a predominance of projects involving less than £250,000 of *emda* expenditure, with over a third of projects below £25,000. However, the bulk of expenditure is accounted for by projects involving expenditure in the range £100,000 - £5m.

Table 4.7 Number of Projects by Expenditure

Expenditure	Number of Projects	% of Total Projects	Total <i>emda</i> Expenditure	% of Total Expenditure
£0-25k	1,294	36	14,787	3
£25-50k	690	19	23,746	5
£50-100k	626	18	43,498	9
£100-250k	535	15	83,038	17
£250-500k	181	5	62,195	12
£500k-£1m	124	3	85,553	17
£1-5m	94	3	161,216	32
£5-10m	3	0	18,181	4
£10m or more	1	0	10,785	2
Payment Received / Clawback	7	0	-121	0
Total	3555	100	502,878	100

Source: PD, *emda*

4.4 Outputs

Reflecting changing Central Government requirements, outputs have been reported under a series of different frameworks over the period of the evaluation, with changes both in the outputs which are reported and the way outputs are combined, which limits the extent to which consistent figures can be secured.

Table 4.8 summarises the outputs achieved by *emda* funded projects as stated in the Annual Report and Accounts between 1999/00 and 2006/07, excluding SRB. Over 53,000 jobs were created or safeguarded over the period with around 1,400 hectares of brownfield land remediated. The majority of jobs created or safeguarded were achieved by projects under the broad 'Business' category of the RDA Impact Evaluation Framework, while projects under the 'Place' category contributed the greatest amount of land remediated.

Table 4.8 Outputs Achieved by *emda* by Year, 1999/00 to 2006/07

Outputs	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	Total
1: Number of Jobs Created or Safeguarded	3,068	4,622	4,407	5,888	7,201	10,612	7,544	9,803	53,145
2: Number of people assisted to get a job	-	-	-	-	-	-	4,260	5,786	10,046
3: Business creation (No. of Businesses)	-	-	-	225	623	889	2,208	2,382	6,327
4: Business support	-	-	-	-	-	-	7,869	21,022	28,891
5: Public and private regeneration levered (£m)	-	-	-	-	-	-	88	135	223
5a: Hectares of brownfield land remediated	376	142	152	186	136	151	107	117	1,367
6: Number of people assisted with skills development	-	-	-	8,146	10,652	12,868	14,562	17,710	63,938

Source: *emda* Annual Reports, '-' = not reported

Notes on the table:

1. Number of jobs created includes those jobs created or safeguarded through FDI and through all national programmes apart from SRB.
2. SRB outputs were not reported separately in the Annual Reports between 2002/03 and 2006/07. Jobs created or safeguarded and hectares remediated by SRB schemes have been removed from the figures in the Annual Accounts in these years using outputs achieved by SRB schemes against the SRB monitoring framework as recorded on PD.
3. Reporting frameworks changed in 2002/03 and again in 2005/06, so it is difficult to build a consistent record of *emda*'s outputs over time – reporting here is based on the RDA Tasking Framework outputs.

Table 4.9 below shows the outputs achieved by SRB schemes funded by *emda*. SRB schemes contributed some further 22,215 gross jobs created or safeguarded with 3,426 hectares of brownfield land remediated.

Table 4.9 SRB Outputs Achieved

Outputs	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07	Total
1: Number of Jobs Created or Safeguarded	7,024	6,621	4,914	995	1,092	919	649	0	22,214
5a: Hectares of brownfield land remediated	173	3,225	6	2	15	5	0	0	3,426

Source: *emda* Annual Reports, PD

Notes on the table:

1. Outputs between 1999/00 and 2001/02 are based on the Annual Accounts. SRB outputs were not reported separately between 2002/03 and 2006/07, so information on the outputs reported against the SRB monitoring framework as recorded on PD are reported in these years.

A more detailed analysis by sub-period shows that the reported outputs met or exceeded – often by substantial margins - the Agency's targets in the vast majority of cases. Where shortfalls against targets have occurred these have mostly been small.

It needs to be stressed that the job outputs as reported here cannot be directly equated with economic impacts as assessed in Section 6 below. For example, under the Central Government reporting protocol for RDAs the employment in industrial units is counted as job creation. However, the impact assessment considers a much wider range of issues, including: how far the development concerned represents a net addition to the stock of floorspace taking account of possible impacts on private sector development activity; how far the floorspace was crucial to the formation, growth or survival in the East Midlands of the firms and jobs involved; and, how far the activity which is accommodated is offset or amplified by changes elsewhere in the Region's economy⁴⁹.

4.5 Overview

emda expended some £1.125bn over the period to 2006/07. Expenditure on projects amounted to £537m, with a further £355m accounted for by the National Programmes which were transferred to the Agency, either on its establishment or subsequently. The remaining £200m was spent on administrative and non cash costs, and on ERDF projects.

Physical development related interventions and business support activities represent the largest areas of expenditure. Around 40% of expenditure relates to regional projects, with expenditure in coalfield areas and the cities accounting for the largest shares of expenditure on sub-regional interventions.

Whilst the majority of projects have been small, the bulk of expenditure has been accounted for by projects in the range of £100,000 - £5m. *emda* projects represent 65% of total project spend.

Over the period as a whole Agency interventions are reported to have created or safeguarded some 75,360 jobs, with 4,793ha of brownfield land reclaimed. This job figure is not in itself a measure of the Agency's economic impact which can only be estimated through the detailed impact analysis in Section 6.

⁴⁹ Technically by displacement or multiplier effects – See Sections 1 and 6.

Analysis of outputs for the three sub-periods for which consistent data is available indicates that the majority of targets have been achieved, often with substantial overachievement. Where shortfalls against targets have occurred these are mostly comparatively small.

5.0 Assessment of the Economy, Efficiency and Effectiveness of *emda* Funded Projects

5.1 Introduction

This section presents the assessment of the economy, efficiency and effectiveness of *emda* funded projects. It draws in particular on evidence obtained from the assessment of the 248 sampled projects carried out for the strand-level evaluations. Relevant evidence obtained from consultation interviews and workshops with *emda* and external stakeholders and relevant literature is also examined. The section is structured as follows:

- Section 5.2 contains the analysis of evidence relating to economy – how far inputs are being achieved at minimal cost;
- Section 5.3 examines evidence relating to efficiency – focusing on performance against planned budgets, timetables and output targets;
- Section 5.4 presents evidence relating to the effectiveness of *emda*'s projects. The focus here is on a qualitative assessment against criteria such as rationale, strategic fit and sustainability, as well as overall effectiveness. The quantified economic impacts of *emda*'s funded activities and the analysis of wider and longer-term impacts are presented in Sections 6 and 7.

Annex 3 contains more details on strand-level breakdown of the findings of the project assessment presented in the tables in this section.

5.2 Economy

Individuals responsible for project appraisal and project delivery are guided to refer to suitable benchmarks for the costs of project inputs (such as cost per day of staff time, unit cost for training outputs and cost per square metre of land remediated) where available and to adopt appropriate and transparent procurement methods to secure value for money in purchasing inputs. The assessments found that standard cost per input benchmarks are not used routinely. It is clear that the diversity in projects is such that relevant benchmarks are unlikely to be available - or helpful - for many projects. In addition to the wide range of local contexts within which *emda* projects operate, there is variation in the types of wider and longer-term benefits that projects are seeking to achieve, which

naturally influences the sorts of inputs sought and their associated costs. Examples where costs tended to be higher than average included :

- Physical development projects with abnormal site remediation requirements and/or high environmental or design standards (such as BREEAM and ECOhomes). Such projects were typically found under the site provision and development strand and within the National Coalfields Programme site portfolio.
- Skills and employment initiatives targeted at harder to reach groups which require highly intensive support to individuals and/or advisers with specialist skills.
- Business support projects targeting client groups which fall outside the core categories for National Programmes and who require a range of interventions in addition to standard business advice. This would typically involve tailored support (e.g. for women) and services for individuals requiring earlier and/or longer term support to establish or grow their business.
- Some rural projects which involve a cost premium because of their small scale and/or to overcome accessibility issues (e.g. mobile or multiple site-based provision).

Looking across the range of work that *emda* has funded there are also a large number of 'one-off' projects where it is doubtful that *emda* or partners would be able to identify relevant cost data on which to base value for money assessments. Examples identified through strand-level evaluation work include the Land Use Transport Interaction (LUTI) Model which has been developed for the Three Cities Sub-Region.

Where benchmarks are used they are typically used only as a guide and tend to involve comparison with the costs of broadly similar projects funded by *emda*. Project appraisers frequently based the judgements of economy on their own previous experience of similar projects, the experience of their colleagues and in some areas refer to cost assumptions used by other agencies (for example, English Partnerships in the case of land and property projects). The extent to which appraisals focussed upon the cost aspects of projects varied considerably, as would be expected given proportionality principles. Major infrastructure projects, including those supported through the National Coalfields Programme, are funded after detailed appraisal (and re-appraisal if schemes are adjusted). Appraisals for smaller projects tend to look at economy aspects in less detail. Whilst the judgements were typically found to be reasonable, the written justification provided in project appraisal documentation could have been more extensive in some cases.

In the case of inward investment provision it was highlighted that project costs are largely made up of *emda* and SSP staffing costs, with budgets based on relevant pay scales. This sort of approach to securing economy will apply to projects under other strands which are

delivered by *emda* and public sector partners. The project assessments suggest that salaries were set at appropriate levels given the type of skills and experience involved.

As noted, good procurement strategies are a key mechanism for achieving economy. The project assessments typically found that the approaches were appropriate, taking into account the circumstances of individual projects. A range of methods are adopted:

- Competitive tendering was frequently used to identify and select service providers and contractors, ranging from very structured processes for larger projects to obtaining a number of quotations for smaller contracts. Processes complied with the usual rules relating to procurement in the public sector. It is apparent that *emda* practice in relation to tendering has been developed over time and the introduction of the shared resource centre in 2007 should provide for a more consistent approach across the Region.
- In some cases the project assessments found that project managers chose to continue using existing delivery partners with a proven track record in delivering linked or similar projects (e.g. the North Nottinghamshire Wheels to Work initiative, where North Nottinghamshire Rural Community Council had already run the project successfully for one year).
- In a smaller number of cases, individual suppliers were identified due to their specialist skills. For example, the Armytage Road Industrial Site project required complex remediation work owing to the presence of toxic waste on site; specialist contractors were identified to tender for the reclamation works.
- In many cases *emda* has worked with public sector delivery partners such as the Arts Council the National Park Authority and local authorities to deliver elements within projects. These partners hold a good track record in project delivery, and provide *emda* with the added benefit of utilising well developed procurement processes to ensure effective delivery.
- Finally, in a substantial proportion of cases the interventions involved had one or more regional partners and *emda* had only a secondary, if any, role in the procurement process and the associated assessment of project costs. For example, in relation to sampled projects organisations - including the Highways Agency, the Arts Council and local authorities - have overseen procurement processes and they were probably better equipped with the technical know-how needed to assess proposed costs.

Taking into account the challenges in using formal benchmarks in many areas, the assessment found that the processes used to purchase project inputs were robust and should have secured good economy.

5.3 Efficiency

This section considers the extent to which *emda* has delivered projects efficiently with respect to planned outputs, expenditure and timescales, based on findings from the project assessments, stakeholder interviews and desk research.

5.3.1 Delivery against budgets and timetables

Table 5.1 shows the performance of assessed projects against their planned budgets. This shows that around three-quarters of assessed projects were delivered on budget (187 projects). Generally, those strands supporting a high proportion of physical development activities (site provision and development, urban regeneration, economic growth and the environment, Coalfields programme) involved more projects with variation from planned budgets. This also applied to the enterprise strand projects.

Most cases of variation involved underspend (40 projects or 16 per cent). Reasons for projects requiring smaller budgets were varied and included reduced scale of activity, delays, difficulties in recruiting project staff, cost savings achieved through tendering and the loss of other funding sources. For overspending projects the main factors cited were an increase in the scale and/or scope of the project and unforeseen cost increases. In the case of major physical development projects, risks and contingencies have typically been given adequate treatment in project appraisals and there appear to be relatively few examples of cost over-runs that could not be absorbed by development partners

Table 5.1 Project Performance Against Financial Targets

Performance Against Financial Targets	No of Projects	% of total
On Budget	187	75
Over Budget	17	7
Under Budget	40	16
Unknown ⁵⁰	4	2
Total	248	100

Source: ECOTEC project assessments

As Table 5.2 shows, the majority of assessed projects were delivered on schedule against their time plan (71 per cent or 156 projects). A small number of assessed projects were delivered ahead of schedule and around a quarter of projects experienced slippage. Although delays occurred under all but three strands (transport, inward investment and international trade and transport), these seem to be more common in the case of the physical development strands – site provision and development and economic growth and environment and also the National Coalfields Programme. The issues involved in slippage

⁵⁰ Note: Insufficient information from which assessors could form judgements

against planned timetables included the knock on effect of a delayed start, planning problems in the case of physical development projects (ranging from relatively minor to difficulties in obtaining permission for aspects of the Gedling coalfields site scheme, for example), difficulties in recruiting clients and/or staff and other unforeseen reasons.

Table 5.2 Project Performance Against Timetable

Performance against timetable	No. of Projects	% of total completed
On Schedule	156	71
Ahead of Schedule	3	1
Behind Schedule	53	24
Unknown ⁵¹	7	3
Not yet complete	29	-
Total	248	100

Source: ECOTEC project assessments

5.3.2 Delivery against output targets

As discussed in the analysis in Section 4, *emda* projects have generated a range of outputs that have in turn contributed to Agency-level targets under the Tier 3 and the Tasking Framework.

At the level of individual projects, evidence gathered through the strand-level evaluations confirms that *emda* has achieved a good level of performance in delivering outputs. As Table 5.3 demonstrates, around two thirds of the 248 assessed projects achieved outputs mostly in line with targets or mostly exceeding targets. Analysis by strand reveals greater variation in performance (both under and over-achievement against targets) for strands focused more on revenue activities such as training and business support (tourism and culture, employment, learning and skills, enterprising communities, rural, innovation and enterprise strands). In contrast, projects in strands involving a greater proportion of physical development projects tended to deliver closer to output targets– arguably physical outputs can be predicted with greater certainty taking into account factors such as a scheme's physical capacity and design influences.

Table 5.3 Performance Against Output Targets

Performance against output targets	No. of projects	% of total
Mostly Below Target	33	13
Mixed Performance	34	14
Mostly In Line With Target	132	53

⁵¹ Insufficient information from which assessors could form judgements

Performance against output targets	No. of projects	% of total
Mostly Exceeded Target	36	15
Not Applicable - No outputs	13	5
Total	248	100

Source: ECOTEC project assessments

Where projects exceeded target outputs the contributory factors included:

- Strong skills and experience of the delivery team and partners;
- Strength of prior appraisals /feasibility work;
- Market conditions (the generally favourable/certain property market conditions during much of the period under consideration were highlighted in relation to the site provision and development strand, for example);
- Customer-orientated approach to business support and flexibility which stimulated client demand (cited for the enterprise strand);
- Effective client recruitment processes (noted in particular for employment, learning and skills initiatives).

Box 5.1 SSP Invest Northamptonshire

The SSP Invest Northamptonshire project exceeded its target for investor successes over the 2004-07 period. Funding from *emda*, which has been provided on a long-term basis, has enabled the Invest Northamptonshire agency to hold onto key staff, allowing them to develop the appropriate business development skills and expertise. Evidence suggests the team are proficient at handling new enquiries and managing new projects with both new and existing investors. The evidence suggests that customer service from the first interaction with prospective investors has been of a high standard⁵². The effective use of intermediaries such as banks, lawyers, accountancy practices and surveyors in the pursuit of new leads and the use of the 'trackivity' system were also considered to be important in managing relationships with prospective investors.

In a small number of cases it was recognised that targets had not been sufficiently stretching. The available evidence suggests that cautious target-setting was a particular feature for the enterprising communities and enterprise strands, which in part is likely to reflect the prevalence of pilot initiatives.

Factors identified in cases of weaker performance included :

- Poor project planning – such as underestimating the staff time required to deliver activities – and/or weaknesses in relation to management/ delivery partners ;
- Over-ambitious target-setting ;

⁵² Breeze Strategy, Invest Northamptonshire Evaluation of Operations 2004-2007, 2007

- Over-estimating demand /potential take-up ;
- Changes in contextual circumstances, such as local market demand in the case of a small number of site development projects.

It is worth noting that in some cases the output targets negotiated for projects either did not fully match the sorts of activities being funded or were not related to the central aim of the project (examples include the use of the land and property development related outputs for tourism attractions and learning opportunities where learning is a complementary aspect of a project with broader aims such as community development). Some projects subsequently found it difficult to meet their formal targets. This issue is part of a wider challenge in quantifying the benefits of *emda* projects using the standard RDA output measures - even taking into account the supplementary outputs included in the Tasking Framework from 2005. Effects that are not currently being captured systematically include:

- 'Softer' or intermediate outputs associated with training, employment and business support projects, such as engagement of harder to reach groups, improved confidence and other evidence of 'distance-travelled' by project participants.
- Progression and longer-term outputs of skills and employment projects other than entry to employment, such as participants moving into further study or volunteering.
- A wide range of social outputs such as:
 - ▶ improved access to cultural facilities in the case of arts projects under the tourism and culture strand;
 - ▶ improved access to community facilities for the enterprising communities and rural strands (e.g. Leicestershire Healthy Living Centre, regional Pub is the Hub project).
- Local environmental and/or sustainability improvements, including those associated with physical development projects under a variety of strands and designing out crime initiatives under the urban strand.
- Effects on visitor numbers and expenditure for tourism and cultural projects (e.g. investment in the Space Centre).
- Outputs of business support initiatives which are intended to bring about 'cultural' change over time. A key example is innovation initiatives where networking, adoption of technological developments, changes in business processes and any resulting longer-term firm-level productivity improvements are not adequately captured.
- The catalytic and community benefits of physical regeneration projects.

Finally, around 5 per cent of the assessed projects were not expected to deliver standard outputs. These projects tended to be related to *emda*'s Strategic Added Value function

and, although appearing under all strands, were a particular notable feature of the transport and urban strands. SAV projects involved :

- Funding contributions to partnerships of various kinds as part of *emda's* engagement role. This included the LSEP Leicestershire eAcademy Pilot project (where a key objective was for the LSEP to develop relationships with the Cisco Academies and local universities) and the urban strand contribution to administration costs for the Urban Regeneration Companies.
- Support for research and policy development initiatives to underpin the Agency's strategic leadership and influencing functions - which, for example included the Broxtowe Community Transport study of service provision and gaps.
- Feasibility studies and business plans supported to aid *emda's* role as catalyst (e.g. a feasibility study for the Northampton Innovation Centre).

The project assessments found that projects were successful in producing planned deliverables such as studies. Where follow-up monitoring had taken place or was able to be carried out by ECOTEC some examples of successful longer-term outcomes were identified (e.g. the Northampton innovation centre feasibility study demonstrated adequate potential demand and a funding package was subsequently put together). However, the effectiveness of some studies and projects involving funding for partnerships and policy initiatives are difficult to judge objectively due to the difficulties in pinning down tangible results and determining the wider influencing or catalytic effects. Nevertheless, for all strands consultees were generally positive about the importance of *emda* support for strategic and policy initiatives. These issues are discussed further in the assessment of Strategic Added Value in Section 9.

The available evidence suggests that *emda* typically delivers its interventions efficiently. Projects are generally being delivered on time and to budget - exceptions in the case of the latter are largely confined to strands involving significant physical development activities. Qualitative evidence from stakeholder interviews confirms the assessment that *emda* is perceived to be highly competent in delivering initiatives. Positive feedback was obtained in the case of strands where significant delivery /project management tasks are carried out by 'in-house' teams – inward investment and international trade, site provision and development and tourism. *emda* is also viewed as being amongst the most effective of the seven RDAs involved in the implementation of the National Coalfields Programme.

Since projects typically deliver a basket of different outputs it is difficult to provide a reasonable assessment of efficiency based on 'costs per output' measures. The project assessments found limited use of benchmarking and where this did occur it was typically

restricted to cost per job calculations. The estimated cost per net additional job associated with assessed projects is presented in Section 8.

Owing to the inadequacies in some aspects of the RDA monitoring framework over the years it has been difficult to reach a conclusive assessment regarding the efficiency of some initiatives with a SAV purpose. There are lessons for the future approach to monitoring here which are already being picked up in the emerging new performance management arrangements.

5.4 Effectiveness

5.4.1 Strategic fit with the RES

Evidence from the project assessments and stakeholder interviews indicates that interventions typically have a strong link to key priorities articulated in successive iterations of the RES and other relevant wider policies.

Projects assessed from the RES 2000 period included some associated with legacy programmes which pre-date the establishment of *emda*. However, there was generally a good fit with both the overall aims of the RES as discussed in Section 3 and the specific objectives highlighted under the 'A Climate for Investment', ICT, Sustainable Communities and Enterprise and Innovation drivers as appropriate. In support of these objectives, funded projects included, for example :

- Physical development schemes to catalyse economic growth in areas of with problems of restructuring and decline (especially the coalfields and other priority urban areas) ;
- Regional enterprise initiatives such as New Business New Life which promoted a culture of enterprise and complemented the national business support programmes;
- Support for networking to promote innovation in key clusters;
- Work with the higher education sector and businesses to drive up the investment in, and demand for, higher level skills.

Box 5.2 SSP Alliance - Sherwood Energy Village E-Centre

Sherwood Energy Village (SEV) transformed a former colliery site in Ollerton in Nottinghamshire into a mixed-use development of housing; industry and commerce; leisure, recreation and education. There was strong emphasis on energy efficiency and environmental stewardship using best practice methods in design and construction. Renewable energy sources also feature at the site. The E-Centre provides a focal point for the overall scheme and is a centre of excellence for the environmental and energy sector as well as incorporating:

- offices for rent / encouragement for fledgling and innovative businesses
- head office and marketing point for SEV organisation
- flagship / iconic building to promote sustainable development

Target beneficiaries include fledgling SMEs, businesses in the Energy Village, wider local community through increased job and training opportunities, organisations involved in sustainable development.

Sherwood Energy Village was the winner of Enterprising Britain 2005, and was recognised for turning the site of a former colliery into one of Britain's leading sustainable communities. The scheme was led by a not for profit organisation with strong support from *emda*.

The strand-level evaluations focused in particular on the period since the 2003 RES. The project assessments, reinforced by the views of stakeholders, found that this edition of the RES played a stronger role in shaping interventions from this time and to some extent focused priorities (a process of concentration which has continued through the RES 2006 and the latest corporate plan). Several examples from across the strands are worth highlighting.

- The 2003 RES promoted a holistic approach to physical regeneration involving provision for mixed uses, linkages to local community employment and/or regeneration needs, high environmental standards and strong design criteria – all principles which were subsequently highlighted in the national Sustainable Communities Plan of 2004. Schemes under the site provision and development, urban and economic growth and environment strands funded by *emda* through the Single Programme and those funded by the National Coalfields Programme frequently strived to meet these ambitions. For example, business space schemes typically involved a high specification for ICT and/or environmental facilities and many link to some form of business support provision (e.g. Sherwood Energy Village E-Centre). Many interventions in rural areas also involved a strong focus on community development and supporting indigenous development, though rural initiatives such as the Redundant Building Grant and *emda*-designed initiatives such as Local Alchemy.

- Priorities for the promotion of social enterprise outlined in the RES 2003 were addressed by putting in place regional support infrastructure for the social enterprise sector (Social Enterprise East Midlands (SEEM)). A broader local approach to enterprise development was also taken forward through the flagship Local Alchemy project amongst others. The strategic direction provided in these aspects of the enterprising communities strand fit well with the National Strategy for Neighbourhood Renewal and the later Local Enterprise Growth Initiative, providing a strong policy basis for *emda* interventions.
- The overall approach to inward investment and international trade outlined in the RES 2003 highlighted the objectives of increasing FDI, supporting and retaining existing investors and raising the performance of the East Midlands in key export markets. Assessed projects under this strand reflected at least one of these broad aims. The 2003 RES began the process of articulating the need for improved client and market segmentation and since this time there has been a stronger sectoral focus and a push to make in-roads in target emerging markets (for example through the East Midlands International Connections project). The subsequent FDI and International Trade strategies have further prioritised actions, ensuring that *emda's* approach reflects the principles of concentration outlined in the national policy statement Prosperity in a Changing World⁵³.
- In the area of employment, learning and skills the 2003 RES made the key objective of driving up investment and demand for higher level skills more explicit than in the earlier version of the RES. As part of a wider strategy for supporting improvements in the performance of the labour market the need for demand-side interventions was clearly articulated. Assessed projects which reflect this aim include the Get on with Graduates initiative designed to promote graduate retention and a range of sector-focused skills initiatives. Clear linkages with ICT and enterprise objectives of the RES are also evident amongst skills project such the Leicestershire e-Academy Pilot, the Construction Skills eSupport Centre and the Polymer Advancement Centres.

Whilst the majority of projects demonstrated a clear strategic fit with the relevant RES, in the vast majority of cases the main strategic driver/point of reference was another strategy or action plan linked to the RES, including: the FDI strategy, Employment and Skills Partnership action Plan, Manufacturing Strategy, East Midlands Rural Affairs Forum Rural Action Plan, SSP Sub regional Implementation Plans (SRIP). In the case of the tourism strand, the Regional Tourism Strategy and Quality Improvement Plan prepared by EMT is

⁵³ Prosperity in a Changing Work, UK Trade and Investment, July 2006

credited with introducing a clear set of strategic regional priorities for tourism development. Assessed initiatives involving tourism marketing, quality improvements and investments in attractions, for example, showed a strong relationship with the priorities outlined in this strategy. The policy basis for most cultural projects - a mix of both capital investment designed to address longer-term strategic needs and smaller, short-term interventions such as support for festivals and celebrations - was found to be related to the corporate initiatives of relevant regional bodies such as the Arts Council and English Heritage. A regional strategic framework would be beneficial in setting strategic priorities in this area.

Overall, the assessment found that interventions have a very good level of strategic fit with the RES and other related regional strategies. Typically, interventions are strongly linked with, or represent a direct response to, thematic regional strategies. However, interventions also fit with higher level objectives under the RES at a more general level.

5.4.2 Assessment of the Rationale for Intervention

As shown in Table 5.4, *emda* was responsible for developing around 40 per cent of the assessed projects, either independently or in partnership with SSPs and other partners. In these cases, projects were designed specifically to address priorities established in the RES and/or *emda* corporate documents as discussed in Section 2. For the remainder of projects which were developed by external organisations, the project appraisal process is the primary means by which *emda* has ensured that there is a strong rationale for intervention, based on evidence of need and alternatives to *emda* investment. The assessment found that in 14 per cent of cases (34 projects), the appraisal process led to a significant change to the project, which in some cases was to ensure a closer fit with the Agency's objectives. For example, *emda* required that the Quality Tourism Clusters project take into account the activities of the Destination Management Partnerships to avoid duplication and insisted on closer links with the Business Links.

Table 5.4 Origin of the Projects

Origin of project	No. of projects	% of total
Project developed by <i>emda</i> /SSP	43	17
Project developed between <i>emda</i> /SSP and other partners	59	24
Project inherited by <i>emda</i> from another organisation	13	5
Project developed by applicant organisation and submitted to <i>emda</i> /SSP for funding	133	54
Total	248	100

Source: ECOTEC project assessments

The assessment found that in the majority of cases the rationale for intervention was clear and appraisals gave proper consideration to the question of whether public sector investment was justified. Generally, the attention paid to the project rationale has improved over time and has become more consistent with the introduction of the shared resource centre. Occasionally, the project assessments found that the rationale was justified by reference to relevant RES policy but evidence of need was expressed in too general terms. Further analysis of the particular issues involved would have strengthened the case for investment.

In the case of land and property projects designed to provide employment space in many cases there was a strong and persuasive rationale for intervention based on evidence of market failure (for example the St John's Hospital Craft Workshops which involved abnormal refurbishment costs) or the agreed need to bring forward development in a timeframe needed to support wider regeneration plans (e.g. Shirebrook). Other physical development projects have addressed gaps in provision of particular types of business space, such as the network of innovation centres which offer units on a flexible basis and with access to wider facilities and services, and Biocity. In some cases, particularly under the economic growth and environment and urban strands, the need to address environmental problems has been the main driving force behind interventions. In the case of Avenue, the largest and most costly scheme in the NCP portfolio, there is a legal obligation to decontaminate the site.

The rationale for skills, enterprise and innovation support projects targeted at businesses was generally related to the need to improve the competitive performance of the Region's SME base and raise productivity. It is argued effectively that information and coordination issues, as well as disincentives and risks for businesses which work against investment, mean that there is a need for public sector intervention to stimulate improvements – particularly in relation to some localities and sectors.

emda's rationale for intervening in many revenue activities under the urban, rural and enterprising communities strands has remained consistent in general terms across successive corporate plans and editions of the RES. The aim is to address weaknesses in the provision of services, including enterprise support and training, to assist in unlocking the development potential of local communities. The rationale is both economic and based on equity considerations given the objective of achieving more balanced and inclusive form of regional growth. Based on this underpinning rationale the range of interventions has been wide ranging, extending into areas of health, crime and the provision of general community facilities.

The interventions supported by EMT are clearly grounded in evidence relating to the identified needs of the visitor economy in the Region. For example, the Regional Tourism Strategy and EMT Corporate Plan follow on from research undertaken by Locum which comprised an analysis of the needs of the sector. Visitor attraction investments typically found their rationale in the more general identified priority to increase visitor numbers and visitor spending. In each case the potential for increased visitor spend as a result of the investment was logical, although the question of how far new visitors would be additional to the Region is not always addressed. Cultural interventions are generally felt to have been more project-led with the rationale for investment based on need/opportunity and case-making on a project by project basis. Typically, *emda* has responded to opportunities for investment in cultural infrastructure and events coming from partners, often with Arts Council and Lottery funding, which have required a Single Programme funding contribution to go forward. *emda*'s role in some of these cases has been to maximise the potential economic benefits of the cultural investments (e.g. in the Leicester Cultural Quarter).

5.4.3 Project additionality

The project assessments confirmed that *emda*'s investment has usually been necessary to enable projects to go ahead. Of the 248 projects assessed by ECOTEC, 165 (67 per cent) were judged as being unlikely to proceed in similar form and timeframe in the absence of *emda* funding. Judgements were made by reviewing evidence relating to the case for *emda* funding and involved taking a view on the probable counterfactual situation. Amongst the reviewed projects, additionality varied by strand from around 40 per cent in the case of transport to over 90 per cent for enterprising communities. Above average additionality was also found in the case of ICT, urban regeneration and site provision and development projects. For the latter, *emda*'s investment was often vital to putting together funding packages for site acquisition and servicing. The assessments also found that *emda*'s Single Programme resources were used effectively as match-funding for ERDF investment (for the ICT Centres of Excellence and Lachesis fund under the innovation strand, for example).

Of the 81 assessed projects that would have proceeded in some form, it is apparent that *emda* still typically achieved additionality through its investment :

- In two-thirds of cases, *emda* funding was judged to have increased the scale of the project and in the same number of cases increased quality. This particular dimension of additionality was apparent for employment, learning and skills projects, which involved more intensive and broad-based support than might otherwise have been provided. An example of enhanced provision under the innovation strand was the ability of the LSEP Smartex cluster project to invest more time in engaging with SMEs. Amongst physical

development projects the enhancements typically related to design specifications, including ICT network provision and environmental standards.

- The timing of the project was brought forward in around half of the cases.
- For projects involving service provision - such as training and business support under the employment, learning and skills, enterprise and rural development strands especially - *emda* funding enabled the geographical scope of projects to be extended (for example, expanding the Wheels to Work service into rural Nottinghamshire).

Thus in the vast majority of cases *emda* has achieved a good level of additionality and in combination with the existence of a sound rationale for intervention this has provided a strong foundation for effectiveness. Additionality of project outputs is taken into account in quantitative terms within the economic impact assessment in Section 6.

5.4.4 Overall Effectiveness and Value for Money

Based on the overall findings of the project assessment exercise, the effectiveness of sampled projects in meeting their individual objectives was judged with reference to the criteria examined above. The results were very positive, with 90 per cent of projects considered to be effective or very effective based on available information regarding outputs and/or expected outputs. The tourism and culture, enterprising communities, inward investment and international trade, rural development and urban regeneration strands had proportionately larger numbers of projects considered to be 'very effective' than other strands.

The few cases of projects which were judged to be 'not effective' included site acquisitions which had not fulfilled their expected potential, small-scale skills and business support projects which had seen poor take-up and research studies which have apparently not been followed up as planned.

Table 5.5 Effectiveness of Projects

Effectiveness of project	No. of projects	% of total
Not effective	15	6
Effective	116	47
Very effective	106	43
Unknown	11	4
Total	248	100

Source: ECOTEC project assessments

Although involving a degree of subjectivity, a range of projects were singled out by stakeholders as being particularly effective. It is only possible to highlight examples which include : the suite of projects designed to support the social enterprise sector (SEEM and SEDF), a number of major regeneration schemes which have contributed significantly to local regeneration plans - including Clay Cross, Shirebrook Enterprise Village, - the Food Technology Brokerage Scheme, Bio-City and related developments involving improved collaboration between the Region's universities, and Get on with Graduates.

An initial formal statistical analysis of influences on *project effectiveness* has been undertaken⁵⁴ (included in Annex One). This looks in particular at whether intervention type, project size or location had any systematic effects. No statistically significant relationships emerge from this work, although the project assessments offer a potentially rich source of data on which more analysis could be undertaken.

The assessment of the 248 sampled projects also reached conclusions regarding the value for money associated with *emda's* investment, taking into account project effectiveness and the costs associated with the projects. These judgements were based on the levels of outputs achieved and a qualitative assessment of progress against objectives. The analysis found that where assessment was possible 95 per cent of projects offered good or reasonable value for money.

Table 5.6 Value for Money of Projects

Value for Money	No. of projects	% of total where value for money assessment completed
Poor	11	5
Reasonable	69	32
Good	133	62
Insufficient information to comment	35	-
Total	248	100

Source: ECOTEC project assessments

An initial statistical analysis has also been undertaken on the influence of intervention type, project size and location on *project value for money*⁵⁵. Again no relationships emerge which would be judged to be statistically significant on the basis of standard criteria.

⁵⁴ Utilising an 'Ordered Probit' model

⁵⁵ As in the case of effectiveness using an 'Ordered Probit' model.

5.4.5 Sustainability/ Durability

Ensuring the sustainability and durability of effects is a considerable challenge and the strand-level evaluations found that this has been given a high priority for the majority of projects. Three-quarters of assessed projects were judged as being expected to secure long-term benefits. The projects falling outside of this category were typically those providing training, employment and business support.

The measures taken to safeguard benefits and/or put in place arrangements that will enable future benefits to accrue are diverse, reflecting the range of 'intervention types' involved and include:

- Community consultation to ensure that projects meet an identified need and that facilities are likely to be used extensively.
- Preparing specifications for buildings and associated landscaping and streetscape aspects which promote longevity and minimise maintenance costs. There were also examples of development schemes which have a degree of built-in flexibility in the configuration/size of units to allow for potential future changes in market demand (e.g. the Shirebrook scheme).
- Building in maintenance conditions to funding agreements to ensure durability. The Jacksdale and River Erewash Access and Environment project is a good example of a project that is managed by a beneficiary organisation (Nottinghamshire Wildlife Trust).
- Self sustainability – typically for community and local economic development projects under various strands significant attention has been paid at the outset to the future beyond the period of *emda* funding. Where community facilities have been provided the preferred approach has been to use these assets as a basis for generating revenue, as in the case of the Genesis Social Enterprise Centre. For some rural diversification projects, such as the Markham Willows and Rural Energy Wood Heating projects, commercial potential was considered at the project design stage.
- Contributing to sustainable economic development – through projects such as the Knowledge Business Employment Sites and Derby URC Masterplan. These projects have been developed to contribute to sustainable economic development, in one case with a focus on a growth sector and, in the other, in relation to the developments of major urban centre. Both projects should have sustainable development benefits associated with their outputs.

5.5 Overview

The diversity of *emda*'s interventions often means there are challenges in using standard benchmarks to judge the reasonableness of project costs. However, the project assessment found that the processes used to procure project inputs were robust and will have secured good economy.

Since projects typically deliver a basket of different outputs it is difficult to provide a systematic assessment of efficiency based on narrow 'cost per output' measures. However, the available evidence indicates that *emda* delivers its interventions efficiently. Projects are generally being delivered on time and to budget - exceptions in the case of the latter are largely confined to strands involving significant physical development activities where issues which are difficult to anticipate frequently arise. Qualitative evidence from stakeholder interviews has highlighted that *emda* is perceived to be highly competent in its delivery function.

The vast majority of assessed projects were judged as being successful and offering good or reasonable value for money:

- Interventions have a very good level of strategic fit with the RES and other related regional strategies.
- The rationale for intervention was clear in most cases with appraisals giving proper consideration to the question of whether public sector investment is justified on the basis of market failures, equity considerations or other economic or policy rationales. The case for *emda* investment typically rested on evidence of market failures or inefficiencies in the case of physical developments and some aspects of business support such as access to finance. In other cases, information failures and coordination issues and the perceived risks associated with investment are cited (for example, in the case of many skills, enterprise and innovation projects). Equity considerations are important in relation to a range of interventions in priority areas, including rural and urban development workstreams and much of the investment made under the enterprising communities strand.
- *emda* achieves a good level of project additionality, with its investment being vital in enabling projects to proceed in most cases. In other cases, there is strong evidence that *emda* funding has led to scaling-up and quality improvements. Intervention has also helped to bring initiatives forward.

There are many examples of successful longer-term outcomes from studies, partnership initiatives and other SAV-type investments, although the effectiveness of some SAV-type initiatives is difficult to judge, partly because of inadequacies in RDA monitoring frameworks. Nevertheless, consultees were positive about the contribution of *emda's* strategic initiatives.

The majority of the projects assessed demonstrate high quality of design and implementation arrangements to ensure long-term sustainability when public sector funding ceases.

6.0 The Economic Impact of the Agency's Activities

6.1 Introduction

This section presents the study assessment of the impacts of *emda* funding on employment and GVA in the East Midlands. The focus here is on the impacts which it has been possible to quantify. *emda* activities have also had a range of wider and longer term impacts which it has not been possible to measure so systematically which are considered in Section 7.

The section is structured as follows:

- Section 6.2 contains the analysis of impacts both in overall terms and by strand and 'intervention type';
- Section 6.3 sets these estimated impacts into context, indicating their potential significance in relation to the forecast and actual performance of the East Midlands economy;
- Section 6.4 discusses the robustness of the impact estimates, responding in particular to aspects of the debate associated with the BERR led national work for the impact report on the RDAs.

As indicated, Annex 2 contains further information on the study methodology and provides details of the build up of the figures in Section 6.2.

6.2 The Estimated Impacts on Employment and GVA

Table 6.1 provides estimates of the ongoing impacts on employment and GVA to date of the Agency's expenditure since its inception to 2006/07 by strand and of the 'residual' expenditure period prior to 2002/03 which has not been classified by strand on PD. It also includes estimates of the impacts of the Coalfields Programme which *emda* implements on behalf of English Partnerships, the National Enterprise Programmes which have been devolved by DTI - from the date of their devolution – and of SRB. The table also includes the projected future potential impacts of major capital projects which were underway at the time of the strand evaluations – although, as noted in Section 1.4, achieving these impacts will often require further expenditure on the part of the Agency – and those of various other initiatives, most importantly the inward investments which the Agency has helped to bring to the Region.

Table 6.1 Ongoing Employment and GVA Impacts by Strand (Single Programme and National Programmes)

Strand	Impacts to Date (Job Creation)		Impacts to Date (Jobs Safeguarded)		Potential Future Impact (Job Creation)		Potential Future Impact (Jobs Safeguarded)	
	Emp.	GVA (£m pa)	Emp.	GVA (£m pa)	Emp.	GVA (£m pa)	Emp.	GVA (£m pa)
<i>Impact of Single Programme Expenditure</i>								
Economic Growth, Energy & the Environment	345	15	235	10	15	1	1	-
Employment, Learning & Skills	2,270	100	360	15	25	1	1	-
Enterprise and Business Support	3,060	135	2,900	130	25	1	1	-
Enterprising Communities	740	30	590	25	-	-	-	-
Innovation	1,970	85	2,040	90	145	5	5	-
International Trade/Inward Inv	1,580	70	-	-	1,890	95	-	-
Rural Development	770	35	300	15	-	-	-	-
Site Provision & Development	860	40	75	3	635	30	25	1
Transport & Planning	160	10	10	-	-	-	-	-
Urban Regeneration	160	10	10	1	30	1	1	-
Tourism, Culture and Sport	215	10	50	2	-	-	-	-
Information & Comms Technology	60	3	60	3	-	-	-	-
Unallocated to strand	875	40	-	-	-	-	-	-
Total Single Programme	13,075	565	6,625	290	2,760	130	35	2
<i>Impacts of National Programme Expenditure</i>								
National Coalfields Programme	2,280	100	-	-	1,490	65	-	-
Business Link	2,040	90	-	-	-	-	-	-
Grants for R&D	-	-	-	-	360	15	-	-
MAS	595	25	-	-	-	-	-	-
RSA / SFIE	490	20	720	30	-	-	-	-
SRB	5,090	210	4,380	180	-	-	-	-
Total National Programmes	10,495	450	5,100	215	1,850	80	-	-
TOTAL	23,570	1,015	11,725	505	4,610	210	35	2

Source: Study estimates. Figures are rounded to the nearest 5 and may not sum to totals which have been rounded after the addition of the unrounded figures

Note: Employment is net of leakage – ie the take up of the employment created by residents of other regions – whereas GVA estimates include the additional output produced in the East Midlands by non-residents. Totals may not sum due to rounding. All figures greater than 5 are rounded to the nearest 5.

In overall terms the estimates indicate that *emda* interventions have increased ongoing employment in the East Midlands by 23,570 and annual GVA by £1.015bn. A further 11,725 jobs have been safeguarded with associated GVA of £505m per annum. These figures implicitly assume that the higher levels of economic activity generated by interventions in the early years continue at their past level. In reality the economic impacts of some activities may decay through time whilst others – particularly in relation to areas such as Innovation – may build up.

The projected potential future impacts include the creation of some 4,610 jobs and generating £210m per annum of associated GVA.

Key points of note are as follows:

- *emda* project related expenditure accounts for around 55% of the ongoing impacts to date and around 60% of the potential impacts which are projected in the future, with the National Programmes accounting for the remainder.
- Of the impacts associated with *eproject* expenditure:
 - ▶ The most important impacts in terms of job and GVA creation to date arise from the expenditure under the enterprise and business support, employment learning and skills, innovation, and international trade and inward investment strands;
 - ▶ The most important estimated contributions to job and GVA safeguarding to date arise from the expenditure under the enterprise and business support and innovation strands
 - ▶ International trade and inward investment is much the most important contributor to the projected future impacts.
- SRB and the National Coalfields Programme dominate the contributions of the National Programmes – reflecting the composition of spend as shown in Section 4, with the latter dominating the potential future impacts.

Table 6.2 provides an analogous analysis of impacts by broad 'intervention type'. This is subject to similar caveats in relation to how the impacts of early years' interventions may have evolved over time. The presumption is that the ongoing impacts of physical development projects are more certain than those associated with other activities.

Table 6.2 Ongoing Employment and GVA Impacts by Broad Intervention Type (Single Programme Only)

Strand	Impacts to Date (Job Creation)		Impacts to Date (Jobs Safeguarded)		Potential Future Impact (Job Creation)		Potential Future Impact (Jobs Safeguarded)	
	Emp.	GVA (£m)	Emp.	GVA (£m)	Emp.	GVA (£m)	Emp.	GVA (£m)
<i>Property Development Related Projects</i>								
Acquisition plus	250	10	10	-	5	-	-	-
Reclamation	20	1	1	-	1	-	-	-
Reclamation plus	50	2	2	-	65	3	3	-
Site Development - Commercial	990	45	40	2	625	30	25	1
Site Development - Community, Sports and Training Facilities	340	15	15	1	70	3	3	-
Site Development - Housing	-	-	-	-	-	-	-	-
Site Development - Industrial	400	20	20	1	25	1	1	-
Site Development - Mixed	25	1	1	-	50	2	2	-
Site Servicing	40	2	2	-	35	2	1	-
<i>Interventions designed to directly improve firm performance</i>								
Business Support	4,545	200	6,395	280	-	-	-	-
Tourism Support	130	5	-	-	-	-	-	-
Trade Support	65	3	-	-	-	-	-	-
<i>Interventions designed to improve employability and skills</i>								
Employability and Skills	2,235	95	145	5	-	-	-	-
<i>Interventions designed to boost inward investment</i>								
Inward Investment	1,535	65	-	-	1,890	95	-	-
<i>Interventions designed to boost tourism demand</i>								
Visitor Attraction	58	2	-	-	-	-	-	-
<i>Other projects</i>								
Other projects	2,400	105	-	-	-	-	-	-
Total	13,075	565	6,625	290	2,760	130	35	2

Source: Study estimates. Figures are rounded to the nearest 5 and may not sum to totals which have been rounded after the addition of the unrounded figures

Key points of note are as follows:

- The impacts to date in relation to job and GVA creation arise most importantly from interventions in relation to business support, employability and skills, inward investment and various physical development related activities.
- Employment and GVA safeguarding impacts are mainly associated with business support projects.
- Potential future impacts are dominated by inward investment activities, reflecting the phased nature of many inward investments.

Table 6.3 provides an analysis of how the estimates of employment impacts by 'intervention type' in Table 6.2 build up highlighting the scales of the estimates of leakage, substitution effects, displacement and multiplier effects. Further details of the methodology are provided in the Technical Annex.

Table 6.3 The Derivation of the Net Employment Impacts by Detailed Intervention Type

Intervention Type	Gross Additional Employment Impact	Less Leakage	Less Substitution Effects	Less Displacement	Plus Multiplier Effects	Net Employment Impacts
Acquisition plus	210	0.05	n/a	0.10	1.39	250
Reclamation	15	0.05	n/a	0.10	1.39	20
Reclamation plus	45	0.05	n/a	0.10	1.39	50
Site Development - Commercial	835	0.05	n/a	0.10	1.39	990
Site Development - Community, Sports and Training Facilities	300	0.05	n/a	0.10	1.39	340
Site Development - Housing	-	0.05	n/a	0.10	1.39	-
Site Development - Industrial	335	0.05	n/a	0.10	1.39	400
Site Development - Mixed	20	0.05	n/a	0.10	1.39	25
Site Servicing	35	0.05	n/a	0.10	1.39	40

Intervention Type	Gross Additional Employment Impact	Less Leakage	Less Substitution Effects	Less Displacement	Plus Multiplier Effects	Net Employment Impacts
Business Link	165	0.05	n/a	0.20	1.39	175
Business Support	4,135	0.05	n/a	0.20	1.39	4,370
Tourism Support	435	0.01	n/a	0.80	1.48	125
Trade Support	50	0.01	n/a	0.01	1.36	65
Employability and Skills	2,130	n/a	0.3	n/a	n/a	2,235
Inward Investment	1,160	0.025	n/a	0.01	1.36	-
Visitor Attraction	60	0.01	n/a	0.00	n/a	60
Other projects**	1,315	0.05	n/a	0.13	1.40	1,520

Source: Study estimated - * note that substitution effects were taken into account for gross additional jobs, and an overall gross additional to net adjustment of 1.05 was made to reflect ratios of gross to net under other intervention types, ** other projects does not include projects not allocated to strands. Employment figures are rounded to the nearest 5.

The key points of note are as follows:

- Leakage amounts to 5% or less in all cases.
- Displacement typically amounts to 10% - 20% but, as would be expected, is minimal in relation to interventions focussed on beneficiaries largely selling into external markets (inward investment and trade support) and high in relation to (some) tourism activities – for example, support for the development of accommodation and facilities which are likely to compete extensively with other local provision.⁵⁶
- Multiplier effects are around 1.4 – 1.5 in all cases, reflecting the values in the Experian model of the East Midlands economy from which they are derived.
- In overall terms net employment impacts are 105% of estimated gross impacts as the estimated multiplier effects more than offset leakage and displacement.

In addition to these ongoing impacts, tourism marketing activities are estimated to have significant, but largely transitory, impacts on tourism related employment and GVA. A *total*

⁵⁶ In total £24.6m has been spent on tourist accommodation, tourist attractions and cultural infrastructure over the evaluation period.

estimate of the impacts of this expenditure so far is provided in 6.4. Whilst there is likely to be some recurrent benefit associated with this spend, the presumption is that, in contrast to the estimates of ongoing impact provided in Tables 6.1 – 6.3, the impacts of this expenditure may decay fairly quickly.

Table 6.4 Short Term Tourism Marketing Related, Total Impacts to 2006/07

Impacts to Date	
Employment	GVA (£m)
2000	85

emda capital projects are also having significant impacts through the generation of short term construction related activity, both directly and through the leverage of follow-on private sector investment. The overall estimated impacts in terms of employment in person years and short term GVA are summarised in Table 6.5.

Table 6.5 Short Term Construction Related Impacts, Total Impacts to 2006/07 and Potential Future Impacts

Impacts to Date		Potential Future Impacts	
Employment	GVA (£ms)	Employment	GVA (£m)
6,480	315	4000	195

Source: Study estimates

In total *emda* projects (excluding national programmes) as a whole are estimated to have so far levered some £798 in private investment and follow-on development, and £260m of other public investment. Leverage is considered further in Section 9.

6.2.1 Present Value of GVA Impacts

The estimates above set out estimates of the annual GVA impact of *emda* project spending. There is uncertainty around the extent to which GVA impacts will endure, but on the basis that benefits endure for 10 years (and taking account of time preference) it is estimated that the GVA impacts of *emda* (including both single and national programmes) spending has a present value of £8.5bn in 1999/00 (and £4.8bn if GVA benefits endure for 5 years). Details of these estimates are provided in the Technical Annex.

Single programme projects are estimated to have generated GVA with a present value of £4.6bn in 1999/00 (£2.6bn if impacts are assumed to endure for 5 years), and national programmes £3.9bn (£2.2bn if impacts are assumed to ensure for 5 years).

With the present value (in 1999/00) of *emda* spending estimated at £950m (including administrative and non-cash costs, but excluding expenditure on European programmes), this equates to a present value of GVA (in 1999/00) return of £8.90 for each £1 of *emda* spending (£5.00 if GVA endures for 5 years).

6.3 Implications for the Economic Performance of the Region

To put the estimated impacts set out in Section 6.2 into context, the 23,570 ongoing jobs estimated to have been created so far are equivalent to 1.3% of the Region's current employment whilst the £1.015bn in GVA amounts to around 1.4% of the latest available regional GVA figure. Clearly these are significant impacts which will have been reflected in the Region's relative – as well as its absolute – performance.

There are two obvious complications in relation to assessing effects on the performance of the East Midlands economy:

- Mainstream economic theory argues that the taxation or borrowing required to fund the expenditure involved will have had some offsetting effects on levels of private sector activity – an effect referred to as 'crowding out';
- The performance of the other English regions should also have benefited to varying degrees from the interventions of their RDAs over the same period.

Nevertheless, it is instructive to consider how the East Midlands has performed relative to what was forecast around the time that the Agency was established. Table 6.5 compares the Experian forecasts for GVA, employment and productivity growth in the East Midlands and the UK for the period 2000-2006 which were prepared in Spring 2000⁵⁷ with the actual outcome.

Table 6.6 Comparison of Experian Spring 2000 Forecasts for GVA, Employment (FTE) and Productivity for 2000-2006 with Actual Outcome

	GVA Annual Average % Increase		Employment Annual % Increase		Productivity Annual % Increase	
	Forecast	Actual	Forecast	Actual	Forecast	Actual
East Midlands	2.54	2.96	0.37	0.64	2.16	2.30
UK	2.49	2.85	0.37	0.97	2.10	1.87
East Midlands Rank	6	5	6	11	3	1

⁵⁷ These were the first forecasts to incorporate the GVA data for 1998, the year before *emda* commenced operations

Source: Experian Analysis

The key points of note are that:

- On all three measures the East Midlands has performed better than was forecast;
- The Region has seen notably above average GVA and productivity growth and it has also performed *relatively* better than was expected on these indicators; however,
- Employment in the East Midlands has grown more slowly than in other regions, although from a relatively high starting point.

The rapid overall growth in GVA and employment clearly reflects to a large extent the buoyancy of the national economy over the period concerned. For the reasons cited above, it is not possible to say with any confidence how far the changes in the relative performance of the Region relative to what was expected can be attributed to the interventions of *emda*. However, the general picture which emerges is a positive one which is in line with the central RES 2000 and 2003 policy objectives to enhance the Region's competitiveness and GVA performance.

6.4 The Robustness of the Impact Estimates

The estimated impacts in Section 6.2 are presented as 'single value' (albeit rounded) figures. However, it needs to be recognised that they are subject to a margin of error. This is likely to vary by 'intervention type' and is potentially significantly larger in relation to the safeguarding effects – where judgements about the ('counterfactual') what would have happened in the absence of intervention scenario are inevitably more difficult – and the projected potential future impacts.

Each stage in the process of building up the impact estimates is inevitably subject to a measure of error and uncertainty. The key aspects relate to:

i. Project Sampling

The project sample for each strand evaluation was selected by ECOTEC from the full population of projects recorded on PD, with sampled projects only replaced or dropped where this was unavoidable⁵⁸. For practical reasons, samples were stratified by 'intervention type' and to include a relative concentration on larger projects which have generated a significant proportion of the strand outputs and post Single Programme

⁵⁸ Generally this was because nobody with a knowledge of the project was still working within the Agency and/or the delivery body concerned.

projects. It is acknowledged that the project sample may not be totally typical of the overall 'population' of *emda* projects in terms of impacts or in other respects, either because of 'chance' or because of biases introduced by the sampling process. Annex 1 includes a comparison of the characteristics of the project sample and those of the overall project 'population' which does not highlight any obvious areas of difficulty.

The issues involved are a major focus of debate in the current national RDA impact reporting exercise. However, the view of the study team is that the sampling approach for the current work – though involving elements of pragmatism, reflecting the constraints on the resources involved and other factors – is robust and any potential problems of sample bias are relatively insignificant, particularly compared with the issues discussed in relation to point (iii) below

ii. Project Related Information

Project level expenditure data should be robust. Some issues were identified in relation to the output data but the study methodology places only limited reliance on this in relation to the analyses for most 'intervention types'. More problematic are the information and the judgements which project assessors needed to make based upon this about how far *emda* expenditure was crucial to whether projects went ahead. There is an obvious risk that respondents may have restated the original 'case' for *emda* funding to the assessors, even if this overstated the need for support. The accuracy of the judgements of the assessors will then have been crucial.

iii. The Beneficiary Survey

The potential issues here derive from:

- ▶ Uncertainties about how far the projects for which lists of beneficiaries were available are representative of the overall project 'population';
- ▶ Potential biases associated with the differences in the 'experience' of those who were successfully interviewed and those who could not be contacted or who declined to be interviewed;
- ▶ Questions about how far respondents are actually able to estimate accurately the impact on outcomes of the *emda* intervention – and whether some may have provided answers designed to secure a continuation of the support involved (referred to in the literature as strategic response bias).

Annex 1 uses standard statistical techniques to explore the confidence intervals around the 'additionality factors' and impact estimates. However, it needs to be noted that these take no account of potential observation errors or biases and contains some statistical analyses

based on 'what if' assumptions and Section 10 includes suggestions on how estimates might be made more robust in future research. However, the study team's view is that, whilst it is important to be aware of these issues, none is so serious as to abnegate the value of the estimates which have been produced.

6.5 Overview

In overall terms *emda* interventions are estimated to have created so far 23,570 ongoing jobs and £1.015bn in annual GVA. A further 11,725 jobs and £505m in GVA per annum are estimated to have been safeguarded. Future potential impacts are projected to include the creation of some 4,610 jobs and the generation of £210m in annual GVA.

Around 55% of the ongoing impacts are associated with *emda* project expenditure, most importantly business support, employability and skills, inward investment and various physical development initiatives. The balance is accounted for by the National Programmes, most importantly the National Coalfields Programme and the Single Regeneration Budget.

7.0 The Wider Benefits of *emda* Activities

7.1 Introduction

This section presents evidence relating to the wider benefits of *emda*'s activities. While the preceding analysis has focussed on the quantifiable economic impacts arising from *emda* projects, in many cases the interventions also deliver a range of outputs which are not quantifiable and which may not be captured by standard RDA output indicators. This is particularly the case with some of the longer term effects to which *emda*'s interventions are intended to contribute – for example, the regeneration benefits of physical development schemes, increasing the level of enterprise to help address the employment and service needs of disadvantaged communities and initiatives intended to bring about a more innovative business culture.

This section draws in particular on evidence obtained from the project assessments, as well as relevant evidence from consultation interviews and workshops with *emda* and external stakeholders. Evidence relating to wider economic effects, economic inclusion, social and environmental impacts is examined in turn.

7.2 Wider Economic Benefits

The beneficiary surveys have generated evidence on a range of impacts which are not properly reflected in either the RDA reporting frameworks or the microeconomic analysis of Section 6. Annex 2E provides a series of tables which indicate the wider impacts which beneficiaries of business support ascribe to the interventions involved. Key points of note are that:

- Of the 259 new firms which responded, 17% reported that the support was crucial to the formation of the firm; 32% stated that it was very important; and, 34% indicated that it was of some importance.
- Of the 710 overall respondents, 17% stated that support had a big impact on their investment decisions, with 26% reporting a moderate impact and 14% suggesting a small impact. The most important impacts here relate to investment in new machinery and equipment (7% of respondents) and website development (5%).
- Of the 710 overall respondents, 13% reported a big impact on productivity, 34% a moderate impact and 14% a small impact. The biggest reported impacts here are associated with the effect on sales (7% of respondents) and increased production (6%).

- Some 13% of all respondents reported a big impact on competitiveness, 24% a moderate impact and 14% a small impact. Reports to the question about the nature of the impacts in this case did not yield particularly useful insights.

Individual beneficiaries of employment and skills support projects also identified a range of wider benefits, in addition to the effects on employment and earnings incorporated in Section 6:

- 92% reported that their confidence has improved;
- 77% believe their employment prospects have improved;
- 30% of unemployed beneficiaries indicate that they are now making larger numbers of job applications.

In addition, many activities are focussed on creating the conditions for future economic growth. A range of examples are discussed below.

Investment in site provision and development - Project assessments under the site provision and development strand identified a range of wider economic benefits associated with *emda's* investment. Flagship buildings and improvements to the public realm have the potential to increase demand for floorspace and lead to further investment by the development industry. There was also some focus under this strand on visitor attractions which should lead to an increase in visitor numbers and, in turn, provide economic benefits for the local areas in question. Qualitative evidence from the beneficiary survey suggests that the investments in business infrastructure have improved the productivity of businesses moving into new premises. Reasons cited for these impacts included better transport links, e.g. access to the motorway, better location, the configuration of the office allowing the firm to operate more efficiently, visibility of the premises and allowing the firms to use a single rather than multiple sites. These effects will not be captured in the employment effects on which the GVA impact assessment in Section 6 is based.

Attracting investment through urban regeneration initiatives - Much of *emda's* urban regeneration activity has focused on supporting the development of regeneration frameworks and delivery vehicles as well as promoting innovative approaches to community and private sector engagement. Such SAV focussed interventions do not tend to have direct economic outputs and it is often difficult to determine their precise relationships with subsequent investment decisions. This reflects the complexity in assessing attribution, the timeframe of subsequent investments and the apparent lack of follow-up monitoring. However, qualitative evidence suggests that the Agency has played a significant role in improving private sector confidence in the Region's urban areas.

Box 7.1 Boston Masterplan

emda provided funding to support the development of a Masterplan for Boston and its rural hinterland. The objective of the masterplan was to identify priority regeneration projects in order to attract public and private sector investment. The Agency played an important leadership role in developing the project specification through its Smaller Urban Areas (SUA) initiative, which provided methodological guidance for masterplanning and encouraged local councils to develop proposals. Business engagement through the masterplanning process identified the need for small managed workspace to encourage the diversification of the local economy. The masterplan also enabled the council to prioritise investment for 'beacon' projects, for example, the Cultural Quarter Heritage project.

Long-term productivity gains through innovation support - Much of the Agency's work under the innovation strand has focused on encouraging the development of an innovation culture within the Region and promoting the importance of technology transfer amongst business and universities. A key technology transfer initiative supported by *emda* is the George Green Institute which specialises in research and applications in the field of electromagnetics. More recently, *emda* supported the Systems Engineering Innovation Centre in Loughborough, a flagship collaboration between academia and industry. The benefits from such interventions are likely to be diffuse and medium or long term. There are also likely to be time lags in the achievement of economic impacts from projects such as the Lachesis Fund (Box 7.2 below) which have focused on early stage support for commercialisation. Evidence from the project assessments indicates that it can typically take up to 5 years after initial feasibility and testing before new products are introduced. In respect of the investment strand there was evidence that the establishment of foreign-owned manufacturing operations has encouraged suppliers to adopt innovative production methods through quality control mechanisms. Whilst it is not possible to quantify these results on the basis of the evidence available, qualitative evidence suggests a positive and important potential impact.

Box 7.2 Lachesis Sustainable Investment Fund

emda funding has ensured the continuation of the Lachesis Sustainable Investment Fund. This is an early stage fund designed to support the commercialisation of research in the Region's top universities. The project has so far been successful in meeting its objectives and is achieving the overarching aim of promoting and securing the commercialisation of university research. While impacts in terms of jobs created are currently limited, it clearly has potential to contribute to productivity gains and other aspects of regional development.

- *Support for the adoption of ICT* - *emda* has also supported a range of initiatives to increase awareness of ICT amongst small businesses. For example, funding for the

Bassetlaw Business Innovation Centre provided a resource to develop and improve the skills and ICT structure of businesses located in the centre. The First Steps project increased SMEs' basic understanding of ICT and raised awareness of its business benefits. The longer term impacts of such projects are likely to be seen in terms of the improved readiness of businesses in the region to adopt ICT solutions which should in turn lead to productivity gains.

- *Enhancing the supply and demand of skilled labour* – *emda* has funded a number of initiatives aimed at stimulating both the supply and demand for skills. This is likely to have contributed to the development of a more employable and higher skilled workforce as well as increasing the competitiveness of businesses. A number of projects under the employment, learning and skills strand have focused on retaining qualified graduates in the region, contributing to a workforce with increased employability and higher level skills (for example Box 7.3).

Box 7.3 Get on with graduates

This project helped to stimulate demand for higher level skills amongst SMEs, in turn assisting them to enhance performance and competitiveness through recruitment of qualified graduates. The longer-term impacts of the project should be to improve the retention of individuals educated to graduate level within the Region and numbers of higher level jobs, to the benefit of productivity and competitiveness.

7.3 Economic Inclusion

The first edition of the RES in 2000 stated that a wide range of interventions across the Agency's workstreams had the potential to make a contribution to equality objectives. In 2001 the Agency published the Economic Inclusion Action Plan which stressed that "*everyone should have the chance to participate in the economy and share the benefits of economic growth*". The plan recognised that tackling problems of economic inclusion was a multi-agency task but that *emda* had a particular role to play in i) stimulating enterprise in deprived areas to create more and better job opportunities ii) supporting groups experiencing or at risk of economic inclusion into self-employment and iii) working with partners to find ways of financing community development initiatives.

The RES 2003 developed many of the themes relating to economic inclusion under the enterprising communities strand, although at this time economic inclusion was still presented as a cross-cutting theme - with the employment, learning and skills and enterprise strands, for example, also highlighted as having particular roles to play.

Economic inclusion is now one of the 10 Strategic Priorities of the 2006 RES "A Flourishing Region". It is linked to the RES Theme Achieving Equality. It is defined as: "*the process of overcoming the barriers that prevent people from participating (and*

sustaining participation) in the economy. Economic inclusion is about ensuring people have the skills they need to become employable; assisting those in work to improve their skills; addressing inequalities in the region's employment levels and ensuring that everyone has the opportunity to consider self employment as a career and lifestyle option"

Some systematic information is available on Agency outputs which are relevant to this aspect of its activities. However, this is patchy because of the major changes over time in the coverage and definitions of the outputs on which the RDAs are required to report. Particularly noteworthy contributions include:

- *Advice to people over 45* – with over 1,720 people in total receiving advice on returning to work in 2005-06 and 2006-07. Nearly 10,300 people in this age group received advice in the preceding two years, although in this case the definition of advice is less restrictive.
- *Establishment and/or development of businesses in disadvantaged areas and/or by disadvantaged groups.* This includes over 330 social enterprises established over the period 2002-03 to 2006-07, some 120 new businesses established in disadvantaged areas between 2002-03 and 2004-05 and over 110 new female majority owned businesses established in the period 2005-06 to 2006-07.
- *Other key outputs in disadvantaged areas,* including the generation of over £20m of private investment between 2002-03 and 2004-05 and nearly 700 community facilities established between 2002-03 and 2006-07.

Information on the characteristics of project beneficiaries was not routinely collected over most of the evaluation period, although this is now changing – for example, with the establishment of the Regional Business Support Information System. Following discussions over the course of the study, questions on economic inclusion aspects were incorporated into the beneficiary surveys for Work Packages 4 and 5. Annex 2E includes details on the characteristics of individual beneficiaries receiving employability and skills support. Key points of note are that:

- 31% of beneficiaries were unemployed or economically inactive at the time they received support, of whom just over 50% had been out of work for more than a year;
- Two thirds of beneficiaries lived in the 7 'deprived districts' (Ashfield, Bolsover, Derby, Leicester, Lincoln, Mansfield and Nottingham);
- In terms of individual characteristics:
 - ▶ 8% were disabled;
 - ▶ 8% were lone parents;
 - ▶ 15% were from a minority ethnic group;

- ▶ 17% were under 20, with 12% over 50;
- ▶ 13% had no qualifications prior to their involvement with the project concerned, with 21% having only low level qualifications.

In addition, the beneficiary surveys were also used to explore how far firms which have benefited from the provision of premises or business support under the Work Package 4 and 5 strands have promoted the new jobs created to excluded groups or report that the *emda* support facilitated recruitment from disadvantaged groups. Again, the relevant tables are included in Annex 2E. Key points of note are that:

- 31% of respondents claim that new jobs are promoted to excluded groups;
- The proportions reporting that support has facilitated recruitment from specific groups were as follows:
 - ▶ Disabled 6%
 - ▶ Lone parents 10%
 - ▶ Ethnic Minority 8%
 - ▶ Over 50 16%
 - ▶ Low/no qualifications 15%

In addition 16% reported that support has facilitated recruitment from the 'deprived districts'.

Qualitative evidence from the project assessments revealed that the following types of activities have particular economic inclusion benefits:

- *Job creation through physical developments in disadvantaged areas* - A key dimension of *emda's* contribution to economic inclusion is the Agency's investment in land and property schemes – particularly those in disadvantaged areas but also those with suitable transport links to areas of employment need. This applies to much of *emda's* work under the site provision and development, economic growth and environment, urban and rural strands and it is a particular feature of the National Coalfields Programme. Although monitoring does not permit an assessment of how far available jobs are typically taken up by individuals in economically excluded groups, schemes in regeneration areas have explicit objectives related to improving access to employment for local residents. In some cases, the assessments revealed linked training and employment initiatives which serve to maximise potential impacts. For example, an initiative involving Job Centre Plus and the Construction Industry Training Board provided training opportunities for local residents at the Shirebrook development and

the provision of a job brokerage service provided a practical incentive for the scheme's occupants to adopt a local recruitment strategy.

- *Job creation through enterprise* – A number of projects under the enterprise strand and particularly the enterprising communities strand, had explicit objectives relating to making self-employment a viable employment option for individuals from all sections of society. Relevant initiatives include those which promote general awareness of enterprise as a career option through to business support projects which targeted particular disadvantaged localities or client groups. For example, the DDEP Enterprising Young People project organised by the Princes Trust promoted self-employment as a career option and provided practical support to beneficiaries. The Supplier Diversity initiative has progressed the cause of securing procurement opportunities for ethnic minority businesses.
- *Supporting progression in the labour market* - Employment, learning and skills represents a strand of *emda's* activity where interventions are frequently likely to contribute to enhancing economic inclusion. In some cases a focus on economic inclusion has been a direct and key driver behind the development of projects. For example, the project assessment exercise indicates that initiatives such as 'Mature Workforce', 'Experience Works' and 'Soft Skills For Employability' had a range of positive economic inclusion impacts through their focus on increasing the employability of older workers and residents of deprived areas who face numerous barriers to employment. An example of a project which targeted groups most at risk from economic exclusion through providing assistance with childcare costs and travel expenses is the SSP Alliance - Advice Work Tutor Development.
- *Access to employment* - Funded under the urban strand, the Skylink bus service is facilitating access for Nottingham residents to jobs at the airport and a nearby business park – serving socially deprived areas, in particular the Meadows. Survey work revealed that the availability of the bus service has been a significant factor in the decisions by a significant number of users to take up their current jobs. Similarly, the North Nottinghamshire Wheels to Work project addressed geographic and transport-related barriers to employment through providing individuals with training and access to mopeds.
- *Supporting enterprising communities* - the enterprising communities strand is especially relevant to *emda's* concern with promoting economic inclusion, particularly in respect of disadvantaged communities and groups. Unsurprisingly, therefore, a range of interventions funded under the strand have objectives around either directly or indirectly

promoting such inclusion. A major example is the Local Alchemy project which explicitly promotes economic inclusion through the medium of supporting local enterprise and economic development. *emda's* support for social enterprise development is also likely to have benefits for individuals experiencing or at risk of economic inclusion. The Agency's support through an umbrella body for the social enterprise sector is intended to promote economic inclusion through the activities of its membership, as well as the Social Enterprise Development Fund (SEDF). Support for individual social enterprise projects such the Genesis Social Enterprise Centre has also provided local job and volunteering opportunities (as well as providing services to communities).

Box 7.4 Soft Skills for Employability

This project was targeted at 'hard to reach' residents of disadvantaged neighbourhoods who are workless or engaged in casual/low-level part-time employment. Beneficiaries received training around soft skills for employability, including generic work skills (e.g. team working), attitudinal skills (e.g. motivation), personal skills (e.g. timekeeping) and practical skills (e.g. CV writing). Of the 10 learners on just one of the Soft Skills for Employability courses, 8 got guaranteed interviews with the NHS, 5 progressed into paid employment, 1 progressed into voluntary employment, 2 were applying for jobs and 2 were applying for further study. Such results were particularly notable in terms of promoting economic inclusion given that many of the people who joined the course were initially unable to make eye contact, comfortably talk on the phone or to people outside their family or use a computer. The courses also produced good pass rates for literacy and numeracy.

7.4 Social Impacts

Projects with identifiable social benefits tend to feature under strands with explicit equality objectives. In particular, the enterprising communities, rural and urban strands have supported a variety of projects which are either primarily focused on social development or incorporate social aspects. Examples of social benefits which are not captured through the RDA monitoring framework include:

- *Improving accessibility to local services* – *emda* has invested in local service provision as a means to overcome social exclusion and to support the sustainability of communities in rural and urban areas. Examples of such initiatives include the Regional Pub is the Hub initiative which provides communities facilities in rural parts of the County, Nottinghamshire Wheels to Work which facilitates access to employment and the SEDF which supports community-based provision of services such as childcare and retail outlets. *emda* has also supported physical developments such as community

centres and Healthy Living Centres which house a range of community-based services which are accessible to local residents.

Box 7.5 : Regional Pub is the Hub Project

This project established the provision of key services within public houses, and ensuring the on-going viability of pubs and wider services in isolated rural communities.

The assessment found that the initiative boosted confidence of the private sector to retain and invest in small rural communities.

The project has generated wider benefits for the community with improved cohesion, reduced accessibility issues to key services and provided local employment.

- *Developing social capital and assets* – linked to the provision of community services, *emda* has invested in a range of projects which support community development. Notable examples include the Agency's funding for regional infrastructure for the Voluntary and Community Sector (VES) (for example, Engage and Voice) and support for asset building and finance initiatives (for example the Rural Community Catalyst Fund and Moneyline Community Reinvestment Trust for Leicestershire). Local enterprise initiatives funded through Local Alchemy and the suite of projects supporting social enterprises also involve considerable effort to engage with residents and enhance the skills and capacity for 'bottom-up' community development. Stakeholders have noted *emda's* particular success in highlighting the economic and social benefits of social enterprise. The Agency's work in this area has attracted national attention and active participation by GOEM, the Learning and Skills Council and other public sector organisations – for example, in ensuring that procurement exercises give social enterprises the opportunity to secure contracts.

Box 7.6: SSP Greater Nottingham Partnership – Can Do

This initiative involved provision of information, advice and guidance (IAG) to help emerging grass roots VCS groups to improve their (self) sustainability. It has increased the sustainability of VCS organisations, lessening their reliance on grant funding, hence creating a more secure VCS locally and protecting the services and benefits accruing to the community from the activities of organisations in the sector.

- *Tackling crime and anti-social behaviour* – although primarily driven by economic development objectives, *emda* initiatives aimed at reducing crime and anti-social

behaviour also generate community safety benefits. *emda* has supported a range of crime reduction partnerships across the region. The Agency played a key role supporting the Nottingham Crime Reduction Initiative which focused on a number of key employment centres. Working with relevant agency partners, *emda* had a particular function in securing the participation of businesses in the initiative, which included public realm measures and improved systems for reporting incidents.

In addition, it is noteworthy that the Agency had had some modest, though increasing impacts, in relation to housing provision and refurbishment. These are summarised in Table 7.2.

Table 7.1 Housing Outputs Achieved 1999/00 to 2006/07

Housing outputs achieved	Total achieved
Housing floorspace achieved - Single Programme	
S10 (b). New build or refurb space for housing use	16,026m ²
KPI21. New or upgraded housing floorspace (estimated)	8,102 m ²
Coalfield impacts achieved	
Number of houses built 1999/00 to 2004/05	296
S10 (b). New build or refurb space for housing use 2005/06 to 2006/07	8,028 m ²
KPI21. New or upgraded housing floorspace (estimated)	3,042 m ²

*Source: PD, emda and NCP monitoring returns * KPI21 estimated on the basis of the ratio of employment (S10a) to housing (S10b) floorspace achieved under the Tier 3 framework. Impacts prior to 2002/03 may be understated.*

7.5 Environmental Impacts

emda's main focus for investing in the environment has linked firmly with economic development and regeneration – although the potential economic benefits of this are not easy to measure using standard methodologies. The evaluation has also highlighted a range of more direct environmental impacts. Examples include:

- *An Improved physical environment.* As indicated in Section 4, the Agency has been responsible for the reclamation of over 4,000 ha of brownfield land. Environmental benefits have also been brought about by improvements to the amenity of particular areas. A project aimed at providing support for the co-ordinated implementation of Town Centre Management programmes generated a 'feel good' factor relating to the improved environment through the provision of renovated units. Projects aimed at improving the visitor experience have also contributed to improvements in the local environment and provided benefits to local residents. The Castleton Tourism Amenity Infrastructure Project, for example, significantly reduced the fear of crime and vandalism in the local

area. The Stamford Gateway project also achieved a number of additional impacts through public realm improvements which have improved the quality of the built environment.

- *Modal shift through transport initiatives* - A number of projects under the transport strand are concerned with improving public transport, contributing in particular to the target under the RES 2003 to increase the proportion of the workforce travelling by public transport. Despite *emda's* relatively modest contribution to transport-related initiatives, the evaluation evidence suggest that the some investments - for example, the 'Skylink' bus service and the Ring Road Major Scheme bus purchases/infrastructure improvements - have encouraged shifts from car travel to public transport. The urban regeneration agenda supported by *emda* has an implicit environmental dimension by encouraging higher density developments in close proximity to public transport nodes thus encouraging reductions in car usage. However, the impacts of projects on public transport use, and in turn car usage, are not recorded and have therefore been impossible to assess systematically, as have the associated environmental impacts.
- *Promoting environmental standards in property schemes* – Stakeholders recognise *emda's* important role in supporting environmental demonstration projects. The Sherwood Energy Village Pilot was primarily designed to address the lack of suitable employment accommodation in the area; however, the project has also been used to demonstrate the viability of sustainable construction design.
- *Support for environmental industries* - Analysis for the economic growth and environment strand indicated that it is not possible at present to make a robust assessment of the extent to which the size of the environmental economy has changed as a result of the *emda* interventions in this area. However, in recent years there has been a greater emphasis on encouraging energy and resource efficiency within the Region's economy, with over 350 businesses provided with support to improve resource efficiency over the period 2005-06 to 2006-07. In addition, *emda's* efforts in supporting the environmental technologies and transport technologies clusters, which are evident in the activity under the innovation and inward investment and international trade strands, should have led to wider environmental benefits.

7.6 Overview

emda interventions have led to a range of wider benefits. These include:

- Direct effects on the investment, productivity and competitiveness of the beneficiaries of projects which cannot effectively be captured in the quantified assessment of impacts on employment and GVA within Section 6. In addition, these and other interventions will have a more diffused and longer term impacts on the Region's economic performance.
- Encouraging social inclusion. Target groups are well represented in beneficiaries of employment learning and skills projects and over 30% of firms which have been supported report that the jobs which have been created more generally are promoted to excluded groups. Projects have also generated a range of wider social benefits – for example, in terms of improving access to services, developing social capital and assets, tackling crime and anti-social behaviour, and provision of housing.
- Environmental benefits. As well as making a major contribution in terms of reclaiming more than 4,000 ha of brownfield land, Agency activities have made important contributions in terms of wider local environmental improvements, improving environmental standards in physical development schemes, promoting resource efficiency and encouraging mode shift in favour of public transport.

8.0 Value for Money

8.1 Introduction

This section considers how far different types of intervention have represented value for money. The focus here is the indicator of net cost per job as the only practicable overall measure of cost-effectiveness given the diversity of the wider – non-employment related – impacts of the Agency's interventions. In overall terms the average cost per net job of the *emda* interventions which have been completed to date amounts to £38,850, excluding expenditure on site development projects which are expected to deliver their impacts in the future and the National Programmes. This figure is broadly in line with the sorts of figure which emerges from other evaluation studies.

Cost per job is clearly, of course, a fairly crude measure. It takes no account of the 'quality' of the jobs concerned or their likely sustainability/durability, the evidence that many projects deliver a range of other valuable economic, environmental and social benefits (as indicated in Section 7), or the potential influence on efficiency of the project context and/or the characteristics of the target groups for the intervention (where relevant). It also needs to be borne in mind in considering how such figures can be used in decisions on the allocation of expenditure that the cost per job in relation to *additional* expenditure on a particular type of intervention will often be higher than the *average*, reflecting the 'diminishing returns' as the most promising opportunities are used up or the most significant needs are met.

8.2 Overall Analysis by 'Intervention Type'

Table 8.1 sets out average cost per net job by broad 'intervention type'. There are clearly very wide variations in costs per net job across 'intervention types'.

Costs per net job in relation to physical development projects are almost all above the average figure as quoted in 8.1 above. Costs are, perhaps inevitably, highest in relation to Reclamation and Reclamation plus projects – where much of the expenditure relates to addressing what are effectively site 'abnormals' and involves delivering environmental rather than job outputs – and projects focussed on establishing community, sports and training facilities, which will again have a range of wider benefits but relatively limited job outputs.

Other points to be borne in mind in relation to physical development projects include:

- Their concentration within the coalfield and urban areas which present the most difficult contexts both in terms of development costs and the local availability of skills.
- Their evident focus on identifiable market failure in the vast majority of cases.

Table 8.1 Mean Cost per Job by 'Intervention Type'

Intervention Type	Cost per Net Job (£s)
Acquisition plus	28,587
Reclamation	409,354
Reclamation plus	137,738
Site Development - Commercial	41,203
Site Development - Community, Sports and Training Facilities	87,272
Site Development - Industrial	37,910
Site Development - Mixed	59,080
Site Servicing	48,170
Business Support	13,850
Trade Support	8,980
Tourism Support	27,700
Employability and Skills	9,410
Inward Investment*	11,035
Tourism Marketing **	5,355
Visitor Attraction	376,535

Source: ECOTEC Analysis * Cost per job for Inward Investment inferred from total number of net additional jobs and total spending on Inward Investment. ** In the worst case scenario where tourists do not make repeat visits the employment impacts here may persist for only one year (see Annex 1).

In overall terms it is clear that the development projects which have been supported by the Agency have made a notable contribution to the improvement of the employment situation within the coalfields areas as highlighted in Section 3.

The costs of the other 'intervention types' – except for those in relation to tourism - are all clustered around £10,000 per job. The durability of the impacts of people and business focussed interventions - and even how far they are actually likely to build up or decay over time – are inevitably less certain than those of physical development interventions.

Tourism projects present a comparatively wide range of cost per job figures:

- Marketing activities have the lowest cost per job of any 'intervention type'. However, as noted in Section 6 the job impacts may well not prove durable and, in the worst case, may represent only 'job years', as in the case of construction projects.
- The relatively high cost per job of tourism support projects reflects the high displacement associated with some types of project, as highlighted in Section 6 above. The very high cost per job for visitor attractions reflects the apparent lack of economic impact associated with one major project. (the refurbishment of the Royal and Derngate Theatre in Northampton). However, the figures here should be treated with caution in view of the very small sample of projects which were assessed under the tourism strand⁵⁹, reflecting the relatively recent transfer of responsibility for this policy area.

8.3 Benchmark Comparisons

Table 8.2 shows the cost per ha of land reclaimed for the reclamation projects which were assessed⁶⁰. The costs involved vary widely reflecting the varying issues which needed to be addressed. The Armytage Industrial Estate site, for example, had been subject to illegal dumping of toxic waste and problems of spontaneous combustion.

Care should be exercised in comparisons because of the importance of specific issues, differences in the approaches to assessing additionality and the spatial level at which impacts are measured. However, to put these figures into context:

- The recent English Partnerships Best Practice Note on benchmark unit costs for land reclamation⁶¹ presents widely varying figures dependant on the past use of the site, the level of 'water risk' involved and the intended afteruse. At the low end the figures quoted for former industrial and mining sites with low water risk and a non-residential after use are £50,000 - £125,000 per ha. At the upper end the figure for uses such as gas, iron, steel and chemical works in areas of high 'water risk' with a residential afteruse range up to £1.725m per ha. At a broad level all projects fall within this range and the costs involved do not therefore look unreasonable.
- A – now somewhat dated – analysis of area based regeneration⁶² initiatives found widely varying net public sector cost per job figures but many are consistent with the sorts of figure for the physical interventions highlighted in Table 8.1 above, including: London Docklands Development Corporation (£66,000), Single Regeneration Budget

⁵⁹ Only two visitor attractions were subject to assessment

⁶⁰ This excludes the Avenue Coking Works which has been funded under the National Coalfields Programme and which has been described as "the most polluted site in Britain"

⁶¹ Best Practice Note 27, English Partnerships, February 2008

⁶² National Evaluation of Former Regeneration Programmes, Department of Land Economy, Cambridge University, 2001

(£49,000) and City Challenge (£36,000). Lower figures were quoted for Other Development Corporations (£21,000) and English Partnerships (£11,000).

Table 8.2 Cost per Hectare Reclaimed, sampled *emda* projects

Project	Site History/Issues	Cost per hectare	Assessment of value for money
Post Comp - Iona School Sneinton	Open space with steep banking, previous use as allotments	107,155	Reasonable - Costly project but on difficult terrain
SSP Alliance - Creswell SME Unit Development	Former colliery site	112,500	Good
SSP Alliance - Tuxford Business Park	Area of land attached to industrial site housing a disused factory	140,000	Good
Kingsway Park - Phase 5	Previous use as public open space	201,925	Reasonable
SSP Alliance - Broombank Road	Greenfield site that required levelling for development	358,100	Good – unit costs within accepted ranges
Albany Works - Acquisition/demolition	Demolition of B1 and B8 buildings; arson at the site; removal of asbestos	474,400	Good – site was procured at open market value, tendering for reclamation and construction secured unit costs within acceptable ranges
PIP Pride Park Derby - Dev Comp Wrk	Former gas works and refuse tip	528,150	Good – unit costs were appraised independently and project was delivered to budget
Foxby Lane Business Park - Gainsborough	Greenfield site; used illicitly as a dumping ground for household waste; surface land water problems.	650,500	Reasonable Project costs considered to be in line with relevant benchmarks
Mansfield Incinerator Site	Previous use as an incinerator site inside a business park	783,465	Reasonable
Clay Cross Town Centre Redevelopment	Previous use as colliery tips	803,110	N/A – plans had not been fully approved, assessor made no judgement on VFM
SSP Alliance - Armytage Industrial Estate	Previous use: illegal dumping and processing of toxic waste, site regularly caught fire requiring fire brigade attention, and was creating air and ground water pollution	1,458,333	Good – complex and dangerous reclamation work required specialist contractors.

Source: Project documentation and ECOTEC project assessments

The net cost per job figures for the business focussed interventions in Table 8.1 compare well with the estimates from the national evaluation studies reviewed for this study: RSA/SFIE (£37,000)⁶³, Grants for R and D (£18,000)⁶⁴ and Business Link (£12,000)⁶⁵.

8.4 Overview

Net cost per additional job is probably the only practicable measure of value for money. It has evident limitations where projects have important 'joint outputs' such as environmental improvements, and it takes no account of the durability or 'quality' of the employment involvement.

The overall net cost per job of Agency project spend is estimated to be £38,850. There is a clear divide between:

- Physical interventions which tend to have high costs per job, reflecting in particular the abnormal costs of physical developments in coalfield and urban areas and the relatively limited job outputs of some of those projects focussed on establishing community, sports and training facilities.
- Interventions focussed on people and businesses for which costs per net job are clustered around £10,000, in line with experience of analogous initiatives, although in this case the likely durability of impacts involved is probably often less certain.

Although care is necessary in making comparisons, the cost per net job of Agency interventions is broadly in line with the evidence from evaluations of analogous initiatives.

⁶³ Performance Impact and Monitoring Survey, OMB Research, 2008

⁶⁴ Economic Impact of Business Link Local Services, University of Warwick, Aston Business School and Kingston University, 2006

⁶⁵ Evaluation of SMART grants for Innovation, PACEC, 2001

9.0 Strategic Added Value

9.1 Introduction

As indicated, the concept of SAV was formalised in the Tasking Framework⁶⁶ in 2005. This recognises that contributions of RDAs to regional performance can come through the influence that their strategic working has on partner and stakeholder behaviour, investment and performance, as well as directly through project expenditure.

This section outlines *emda's* SAV objectives and activities, assesses performance and highlights lessons from the evaluation concerning the key influences on effectiveness. The analytical framework used to structure the review of *emda's* SAV contribution is presented in Table 9.1 below. This complies with the approach suggested in the RDA Impact Evaluation Framework⁶⁷. Six broad SAV functions of RDAs and a range of potential associated outputs are highlighted.

Table 9.1 SAV Analytical Framework

SAV Functions	Potential Outputs
<p>Engagement Setting up and improving the effectiveness of mechanisms for engaging stakeholders in the design and delivery of the RES</p>	<p>Levels of partner involvement in RES process and how these have evolved.</p> <p>Client satisfaction with opportunities for constructive engagement.</p>
<p>Strategic leadership and catalyst Articulating and communicating regional development needs and solutions and stimulating debate</p> <p>Articulating the respective roles of the public and private sector in investing in development and identifying the priorities</p> <p>Coordinating strategy and delivery processes to promote realisation of regional development goals</p>	<p>Creating confidence in the prospects for economic growth and in the capacity of partners and stakeholders to realise the potential for growth and improved regional performance;</p> <p>Evidence of shared/clear perspectives on regional economic development priorities amongst stakeholders.</p> <p>Clear understanding amongst partner of distinctive roles and contributions of each partner.</p> <p>Shared/clear understanding of situations in which intervention is necessary.</p>

⁶⁶ England's Regional Development Agencies Corporate Plans for 2005-2008 Tasking Framework, Department for Trade and Industry, 2004

⁶⁷ DTI 2006 *Evaluating the Impact of England's RDAs: Developing a Methodology and Evaluation Framework*

SAV Functions	Potential Outputs
<p>Strategic Influence Identifying and forming effective relationships with partners to achieve commitment to shared goals</p> <p>Influencing the policies and investment plans of partners so that they are focused on addressing RES priorities</p>	Achieving alignment and inter-locking of the priorities and investment plans of partners with the RES and with other partners;
<p>Leverage Using financial and other incentives effectively to mobilise stakeholder resources (public, businesses and community).</p> <p>Using pilots and seed-funding to demonstrate the benefits of investment.</p> <p>Using <i>emda</i> resources to pump-prime investment from wider public and private sector partners</p> <p>Using <i>emda</i> resources to generate certainty of sustained investment</p>	Levered funding and other resources from partners and stakeholders in support of RES objectives
<p>Synergy Using organisational capacity and expertise to improve integration of action across the public and private sectors</p> <p>Targeting <i>emda</i> resources to complement wider regional initiatives</p> <p>Encouraging consistency in spatial and sectoral targeting and scaling-up effective projects and programmes to achieve critical mass</p>	<p>Reduced duplication of service provision from regional partners – e.g. in business development support</p> <p>Scaling up of projects and programmes to beneficial levels that achieve scale economies and provide for critical mass in securing benefits;</p>
<p>Innovation Stimulating and demonstrating new approaches to improve the effectiveness of interventions</p>	Introducing quality and innovation in RDA and partner interventions through the transfer of good practice, the development and use of benchmarks and the adoption of new processes and methods.

Source: ECOTEC 2005, *Evaluating the Impact of emda Overall Inception Report* and DTI 2006 *Evaluating the Impact of England's RDAs: Developing a Methodology and Evaluation Framework*

There are no targets relating specifically to *emda's* SAV contribution to regional outcomes. As noted in the RDA Impact Evaluation Framework, methods for measuring the impact of SAV across the RDA network are still only emerging. Relevant evidence gathered for this evaluation is largely qualitative – although an attempt has been made to calculate leverage for assessed projects. The assessment of SAV has drawn on a review of relevant literature (corporate plans and team plans) as well as face to face discussions and workshops with *emda* staff and external stakeholders.

9.2 SAV Objectives and Activities

Although strategic activity had been a strong feature of *emda's* work before this time, *emda* first outlined SAV objectives and planned activities relating to each strand of the 2003 RES in its Corporate Plan for the period 2005 - 2008.

Annex 2F summaries key SAV objectives and planned activities as recorded in corporate documentation⁶⁸. Discussions with *emda* staff were also used to identify ambitions in relation to SAV. As noted, the intended outputs associated with planned activities were not specified. In summary this reveals the following :

- Engagement with regional partners features strongly in the planned activities for almost all strands, concentrating particularly on working with relevant partners in the preparation of the RES and the delivery of related work programmes. For some strands – in particular transport and employment, learning and skills - the major budgets for regional initiatives lie with other agencies. This is reflected in the major emphasis placed on SAV activities for these areas of policy. In some cases, the need to work with the private sector is also highlighted prominently (e.g. site provision and development).
- As indicated, for many strands 'daughter' strategies of the RES, rather than the RES itself, are cited as the basis for coordinating cross-agency working. The Agency's intended role in leading and/or influencing the preparation of a wide range of topic-based strategies is highlighted. These include regional strategies for transport, innovation, tourism, rural development, Foreign Direct Investment (FDI) and international trade. The summary of SAV objectives also reveals that a range of action plans are used to organise the associated work programmes. Where *emda* leads on implementation these provide a visible means for *emda* to exercise its leadership function. Relevant plans include the Urban Action Plan, Employment Productivity and Skills Partnership (ESP) action plan (for which *emda* has taken responsibility for leading on two themes) and East Midlands International Connections (EMIC) action plan.
- *emda* is involved in a wide range of fora and other types of partnerships, some of which are long-standing with others designed specifically to organise work with *emda*. These include the Rural Affairs Forum (EMRAF), the Employment and Skills Productivity Partnership (ESP), the Innovation and Technology Partnership and the regional Business Forum.
- Research and intelligence work is typically used both to improve the evidence base for investments by *emda* and partners and, especially in the case of feasibility and pilot studies, to catalyse initiatives and draw in wider funding. Examples cited in the 2005-08 Corporate Plan include the employment land study (QUELS), examining the potential of the renewable energy sector and benchmarking sectors to identify sector development opportunities.

⁶⁸ Objectives and planned activities are taken from the Corporate Plan 2005-08 and relevant team plans..

- Influencing the investments of regional partners is a key SAV function, although for most strands it is dealt with as part of a broader objective to 'influence' other stakeholders. Specific examples of aims to leverage investment are highlighted for:
 - ▶ transport – influencing the Regional Funding Allocations ;
 - ▶ innovation - influencing the investment plans of the higher education sector to promote innovation ;
 - ▶ employment, learning and skills - encouraging ESP partners to resource the implementation of the action plan ;
 - ▶ rural and innovation - influencing European funding streams.

- Creating synergy features strongly under some strands. This covers improved working across teams within *emda* (for example, to coordinate innovation and enterprise interventions and to link tourism initiatives to broader economic development projects), as well as linking to relevant activities of external agencies (for example, linking skills and enterprise initiatives to local authority regeneration schemes).

- The potential to achieve SAV by promoting innovation – both through new initiatives and new ways of working - is highlighted under the urban, enterprising communities, tourism and economic growth and environment strands.

The SAV objectives and activities outlined in the 2005-2008 Corporate Plan are perhaps best viewed as a snapshot of relevant work since priorities are subject to a range of drivers which have changed over the course of the strand-level evaluation work. During the period covered by the 2005-2008 plan the new policy and budget responsibilities acquired by *emda* led to new SAV workstreams. For example, as indicated, *emda's* responsibilities in relation to the European funding streams have developed considerably, with the Agency becoming the Managing Agent during 2007. Inevitably, some aspects have declined in importance due to adjustments in priorities introduced in the 2006 RES (e.g. ICT).

9.3 Assessment of the Agency's SAV Contributions

9.3.1 Engagement

emda engages with partners and stakeholder through both formal and informal mechanisms to develop policies and deliver associated work programmes. The Agency is effective in this function and it is widely perceived that dialogue with partners has improved over time. Key regional and national budget holders, including those with various forms of 'dual key' arrangements and service level agreements, find *emda* to be constructive and collaborative in approaches to bilateral working. *emda*'s contributions to a range of partnerships and fora, such as the ESP and EMRAF are generally thought to be of high quality and are valued.

The consultation processes relating to the development of the RES are the most high profile aspect of the Agency's engagement activity. Feedback generally confirmed that consultation processes have been appropriate, providing meaningful opportunities to shape emerging priorities. Notably, the processes established for the 2006 RES were highlighted as being particularly comprehensive, although knowledge of RES objectives and particularly the detailed priorities varies amongst consultees. Whilst this latter finding will work against the objective of achieving a strong sense of ownership of the RES within the Region, it is likely to reflect the different 'levels' at which organisations come into contact with *emda*. Many consultees have been more closely involved in the development of topic-based strategies such as those for tourism, urban development and international trade – detailed strategies which *emda* has developed where it needs to work closely with others to deliver against RES targets.

For most strand-level evaluations the available evidence points towards satisfaction with the balance of sector inputs to consultation processes. The effort that *emda* puts into establishing and/or supporting representative structures to facilitate communication with the private and voluntary and community sectors is generally considered to be appropriate. The Regional Business Forum and Business Champions initiatives have been highlighted as exemplar approaches to involving businesses. There are also numerous examples of effective partnership working with industry (for example in developing the Skylink service). EMT was cited as having worked hard to build effective relationships with tourism businesses - ranging from major operators to small accommodation providers. Tourism stakeholders perceive that EMT's visibility as a separate entity within *emda* has helped with relationship-building across the tourism sector. Nevertheless, a common theme that emerged from the strand-level evaluation is the on-going challenge involved in achieving truly comprehensive engagement with the private sector. A similar message emerged in relation to engagement with the voluntary and community sector under the enterprising communities strand, although representative bodies have recently been restructured.

It is worth highlighting that in the cases where *emda* is managing the delivery of physical development projects formalised structures for partnership-liaison have frequently been established to facilitate on-going liaison. This is an aspect of Strategic Added Value that applies particularly to *emda*'s management of the National Coalfields Programme (NCP), with arrangements at Avenue and Shirebrook standing out – the latter has a citizens' panel, for example. *emda* perceives engagement with a broad range of partners and an 'outward looking' approach to be a vital part of the Agency's role in delivering the Programme because of the range of public, private and community inputs that are needed to bring wider regeneration plans for the coalfields communities to fruition.

9.3.2 Strategic Leadership and Catalyst

emda provides strong overall leadership of regional policy development and delivery. The consultation provided evidence of widespread support for the ambitions outlined in the RES and its high level targets. *emda* is typically viewed as being proactive in driving debates with national and regional agencies on a range of agendas and is seen as a good advocate of regional interests. Examples include *emda*'s inputs to various funding allocation negotiation processes, working with GOEM and EMRA. The Agency has also successfully pursued some fundamental change agendas (for example in piloting the transformation of regional business support services and EMT's restructuring of aspects of the tourism delivery infrastructure).

Evidence relating to *emda*'s leadership function at a strand/level is mixed. In part the variation reflects the way in which strategic leadership responsibilities are currently divided amongst regional players. In many areas, *emda* steers priorities and partnerships, with stakeholders pointing to evidence that *emda* has brokered relationships and galvanized partners into action. Generally, for these strands - which include rural development, urban, enterprise, tourism and some largely demand-side employment, learning and skills activities - there is a clear understanding amongst stakeholders of the roles of various partners in pursuing RES objectives. *emda* has also facilitated the development of structured work programmes to organise partnership working (for example the Urban Action Plan). Typically, stakeholders noted that there are agreed priorities for these strands with a proactive approach to bringing forward relevant initiatives.

In other thematic areas including transport, innovation, tourism and culture, responsibilities at the regional level are more fragmented and overlapping, although Central Government is increasingly looking to the RDAs to provide a regional perspective. This is particularly true for transport where, as indicated, the Agency led the Region's inputs to the Eddington Review and discussions on TIF Productivity funding. Some stakeholders would like to see the Agency take a more central role in these areas, although – predictably - this view is not universal.

9.3.3 Strategic Influence

emda's influence is typically exercised through the range of partnerships and action planning discussed above. A key consideration is the extent to which *emda's* strategic working, and particularly efforts to influence the policy and investments of wider partners have led (or will lead) to concrete changes and effects on regional outcomes. Generally, stakeholders found it difficult to disentangle *emda's* role in influencing strategic policies and the investments of partners at the national, regional and local level from wider influences.

Ways in which *emda* has sought to directly influence policy and investment decisions include :

- Securing regional commitment to initiatives which have then influenced national approaches and funding decisions. Examples cited include: *emda's* long standing work developing an infrastructure for supporting to social and local enterprises, the development of the high growth coaching initiative and a better coordinated approach to promoting regional products under the auspices of the Sustainable Farming and Food Action Plan.
- *emda* has a good track record in using research and feasibility studies to examine policy and investment options and, where appropriate, to secure investment from partners. Examples include *emda's* funding for the QUELS employment land study which informed the Regional Housing and Spatial Strategies and a comprehensive research programme to establish a robust evidence base for the ESP. *emda* has also made use of feasibility studies and pilots with the aim of pushing forward the development of a network of innovation centres across the East Midlands and to build the case for transport initiatives (such as the Skylink connection to East Midlands airport).

Box 9.1 ESP Evidence and Regional Priority Setting Process

As part of developing the evidence base to set regional skills and employment priorities, as reflected in the 2005 ESP Action Plan and 2006 RES, a range of papers were commissioned from independent experts and contributed by research staff in ESP partner organisations. These papers informed a one day workshop, held in August 2004, at which delegates identified possible priorities, clearly supported by the evidence, for consideration by the ESP executive. *emda's* strategic leadership and influencing roles thus helped to develop a process through which regional policy development could be linked to evidence and engage key regional partners. Equally, in terms of catalysing effects, this process led in turn to a similar exercise to inform the following year's RES, and to the establishment of a standing research group to help develop regional skills policy through the ESP in the shape of the East Midlands Skills Intelligence Partnership (EMSIP). EMSIP remains an important source of regional skills intelligence, helping to build the regional evidence base and contribute to the ongoing work of the ESP.

- As noted, in policy areas where it has inherited responsibility from other organisations *emda* has implemented change strategies to raise performance and improve efficiency. Notable examples include EMT's restructuring of Destination Management Partnerships (DMPs) and refocusing and restructuring regional business support services (both Business Services East Midlands and parallel work to realign rural business support services).

A further key area in which *emda* has sought to influence partner behaviour and investment is through its work with Sub-regional Strategic Partnerships (SSPs). In return for delegated budgets and delivery responsibilities, SSPs are required to produce three year plans setting out investment priorities and how these will contribute to RES outcomes. Since 2005, *emda* has introduced a range of initiatives to further enhance the strategic contribution of activities funded by SSPs which include greater central management of project appraisal processes and efforts to improve the concentration of resources and increase impacts.

9.3.4 Leverage

Currently, data on leverage is not collated systematically and is therefore underreported through usual monitoring systems. Of the 248 projects assessed by ECOTEC, around half involved some form of public and/or private sector leverage (56% public and 46% attracted private). Total leverage associated with assessed projects amounted to £356m, which taking into account *emda* expenditure on these projects (at the time of assessment) involves a leverage ratio of £1: £2.47⁶⁹. Grossing this up to the total project population would give a total leverage figure of £1.5bn. All strands contributed to leverage, although

⁶⁹ Including Coalfield projects.

proportionately fewer projects under the innovation, ICT, inward investment and International trade and tourism and culture strands tended to involve leverage of resources.

Box 9.2 Genesis Social Enterprise Centre

Supported through significant investment by *emda*, the Genesis Social Enterprise Centre was established to provide incubation and managed workspace for social enterprises and micro-businesses in the Region in addition to community facilities. Subsequent to the initial investment the centre levered in funding from both the public and private sectors. Additional private sector funds levered in at a later date included a bank loan on the basis of the capital asset that the initial investment helped to purchase, along with CDFI investment in the site which co-financed development of a bowling alley. Public sector funding was also secured from a range of sources such as the European Social Fund EQUAL programme.

Levering investment is clearly an explicit operational objective of much of *emda's* site provision and development activity, with *emda* expenditure typically designed to pump-prime development through bringing forward sites that would otherwise not attract market interest and, where necessary, gap-funding development and/or otherwise reducing risks to the private sector. *emda* has performed well in this area, exceeding the target of securing £7.4m of private sector investment into deprived areas between 2002 and 2005 by some 40 percent, and achieving over £200m of other public and private investment between 2005 and 2007.

The establishment of the Blueprint partnership between *emda*, English Partnerships and Igloo which uses *emda's* assets to lever in resources and private sector funding to regeneration projects has made a significant contribution in the Three Cities. There is a wider aspiration to attract public and private sector investment in complementary softer regeneration activities and *emda* funds are sometimes used to stimulate this.

More generally, the evaluation highlighted examples of *emda* using research and feasibility studies to stimulate investment in project activities. As highlighted under 'strategic influence' above, the Agency has funded numerous feasibility studies, some of which have ended up indirectly 'leveraging' investment from regional partners.

9.3.5 Synergy

Coordination between teams within *emda* has improved over time and so good linkages are apparent between regeneration and skills, tourism and wider rural development initiatives and inward investment and innovation, as well as in other areas. Related to *emda's* wider efforts to promote partnership working across the Region, coordination of

policy and multi-agency interventions in areas where *emda* has direct responsibility for this function is strong. Notable examples include the considerable developments in the coordination of business support, innovation and learning and skills at the regional level in recent years which have led to improved partnership working and action planning. These developments have coincided with shifts in policy and responsibilities at the national level so it is difficult to associate concrete outcomes with *emda*'s SAV contribution at this stage. Nevertheless, it is clear that *emda* has been active in seeking to realign delivery mechanisms to improve integration of services.

With regard to synergy, and specifically the question of how far *emda* is successful in targeting investments to achieve critical mass, the evidence is mixed. Around half of the projects assessed by ECOTEC were linked to wider projects, suggesting that there is potential to achieve actual synergy effects. There is evidence of *emda* both catalysing investments and encouraging concentration to achieve critical mass in Biocity Nottingham and a range of physical developments that have associated employment and skills initiatives aimed at securing local benefits (e.g. Shirebrook). In contrast, some strand-level evaluations found that a large number of small projects were supported during the period under consideration, providing a challenge for the achievement of real synergy effects.

9.3.6 Innovation

For some strands, innovation features very strongly as an explicit SAV objective. *emda* has contributed to developing new approaches to economic development and some initiatives have attracted national attention and/or have been replicated elsewhere.

- Innovation has been an integral feature of work under the enterprising communities strand. The programme of evaluated community development pursued under the auspices of Local Alchemy is a key example, as well as work to develop community based assets (such as the Genesis Social Enterprise Centre).
- *emda* adopted a novel approach to rolling out broadband across the Region, putting in place a series of broadband managers. This is credited with stimulating progress with increasing ICT connectivity and securing resource commitments from the private sector.
- Prior to *emda* acquiring new responsibilities for 'mainstream' enterprise funds, it used Single Programme resources to develop targeted interventions to support groups and initiatives that fell outside the remit of the main national programmes. New Business, New Life which aims to stimulate entrepreneurship, Business Champions, a way of involving the private sector in supporting entrepreneurship and work to promote tailored business support resonate strongly with approaches to local enterprise subsequently adopted nationally through the Local Enterprise Growth Initiative.

- There are clear innovative elements in *emda's* approach to delivering the National Coalfields Programme. The major example is the contribution that *emda* has made to international good practice in the use of environmental technologies in the remediation of the Avenue site. Aspects of the approach to involving local communities in masterplanning for some sites have also gone beyond what might typically be expected.
- The Blueprint partnership, *emda's* main vehicle for investment in the Region's Urban Priority Areas has demonstrated the Agency's willingness to take risks. It has been successful and has been replicated in other Regions.

Box 9.3 Blueprint

Blueprint, a limited partnership, was formed by *emda* (holds a 25% stake), English Partnerships (holds a 25% stake) and Igloo Regeneration (holds a 50% stake) in May 2005 (for a ten year period to 2015). The Blueprint partnership is a property investment and development fund to invest in existing *emda* and English Partnerships' properties and to invest in new land opportunities in the Priority Urban Areas.

The rationale for Blueprint was to kick start and accelerate the process of physical regeneration in Urban Priority Areas. The partnership vehicle provides the Agency with greater control and flexibility over its property portfolio. The fund also allows the Region to gain more benefit from *emda's* property portfolio, including leveraging funding for other priority sites in the Region. In addition, the fund allows the public sector to engage with the private sector and for a range of objectives to be met which are above and beyond what could be achieved without the fund.

To date Blueprint has played a major role in the delivery of the Nottingham Science Park, as well as a range of residential, mixed use and commercial developments in Derby and Leicester.

At the time of assessment, the project had leveraged in £17M equity of private sector funding and debt funding which is not capped.

9.4 Key Influences on the Effectiveness of SAV

Based on the findings of the assessment it is possible to identify factors which appear to have influenced the effectiveness of *emda's* Strategic Added Value and/or have contributed to the views of wider partners on the value of *emda's* contribution.

- *emda* has adopted a *decisive and proactive approach* to exerting strategic influence in areas where it has acquired new responsibilities for regional policy and/or delivery. In relation to the re-focusing and re-organisation of regional business support services and tourism support infrastructure the overall feedback on the direction *emda* has provided

has been highly positive. Extensive consultation has enabled the Agency to overcome some initial challenges and the 'fallout' which is typically associated with such transformational changes.

- More generally, *emda's* SAV contribution is perhaps more visible in areas where it is *clearly the strategic lead at the regional level*. As noted, highly positive feedback was received in the case of the enterprise and tourism strands where the Agency has led high-profile change agendas. The significance of *emda's* added value contribution to the delivery of the National Coalfields Programme in the East Midlands was also identified through the strand-level evaluations. Nevertheless, it is also apparent that *emda* has taken effective leadership of some aspects of regional agendas even where it is not the lead partner. Examples include progress with taking forward ESP actions, the input to the Regional Energy Strategy and the Agency's contribution to strategic planning and transport debates and investment prioritisation.
- The strand-level evaluations identified a variety of partnerships which *emda* has initiated as well as those in which the Agency has been an active participant. The Agency's *positive approach to partnership working*, both through formal structures and bilateral working arrangements has been an important factor in driving forward key agendas such as the ESP, the Rural Affairs Forum and the work with universities to tackle weaknesses in innovation performance, for example. The Agency has been seen as most effective where it has been able to provide consistent senior representation within regional fora.
- *emda* has invested resources in the preparation of a number of *regional strategies and plans* to supplement the RES and through these has brought focus to the Agency's SAV activities by clarifying the roles and responsibilities of *emda* and those of wider partners. As mechanisms for galvanising the efforts and prioritising investments of wider partners, the FDI, international trade, tourism and manufacturing strategies and rural and urban action plans have been particularly successful.
- *emda's strategic work in areas related to the Agency's lead role functions* has attracted a high profile. Involvement in national debates has enabled *emda* to increase the effectiveness of its regional SAV contribution. Notable areas where *emda* has demonstrated strong leadership include the negotiations on European funding and the transfer of delivery responsibilities to the RDAs, as well as work on developing the Manufacturing Advisory Service.

9.5 Overview

SAV has been a long-standing feature of *emda*'s work but specific associated objectives were first outlined in the 2005-2008 corporate plan after the concept was formalised in the Tasking Framework. Strand-level objectives vary in the level of detail provided with planned activities clearer for some strands than others. Key ambitions at that time related to engaging with regional and national stakeholders to canvass opinion, drive forward thematic policy agendas and influence investment decisions, Producing strategies and plans to focus investment priorities, building and working with new and existing partnerships to make progress on identified workstreams and carrying out research and policy initiatives were also identified as priorities under most strands. For some strands, particularly enterprising communities, developing innovative approaches was highlighted as a key SAV objective.

Approaches to measuring strategic added value are still emerging and there are no targets related to SAV contributions. This mainly qualitative assessment found that :

- *emda* has engaged effectively with stakeholders in areas where it is the key policy lead and in areas where it needs to work with others to achieve its ambitions for the Region. Highly positive feedback was received on the consultation carried out during the preparation of the 2006 RES. Usually, partners were satisfied with the opportunities for cross-sector input to policy development and with the support that *emda* has provided for structures for the organisation of sectors (e.g. the regional Business Forum).
- *emda* has demonstrated strong leadership, both in policy areas where it has formal responsibilities and in some other areas where responsibilities are more fragmented. It has been decisive in driving forward changes in policy and delivery structures for business support and tourism, for example, and has led a range of successful thematic strategy and plan-making initiatives. The Agency is viewed as an effective advocate of regional interests.
- Influence on the policy and investment decisions of regional and national organisations is exerted through a variety of mechanisms, including a range of formal and informal partnerships and fora. There are examples where *emda* has funded research and intelligence gathering to inform policy decisions and build the case for investment in particular initiatives.
- Leverage achieved across the strands varies and is not captured systematically. Nevertheless, it is clear that *emda* has used its influence and Single Programme resources effectively to generate significant leverage from partners, both initially to

support interventions directly, and in the longer term in laying the ground for the subsequent investment of resources by other organisations and businesses. Immediate leverage amounting to nearly £360m was associated with the sampled projects implying potential leverage of perhaps £1.5bn in total for the Agency's project based activity. By taking the initiative to establish Blueprint *emda* has facilitated considerable private sector investment in urban priority areas.

- *emda* has often created good links between related areas of work at a strategic level in order to promote an integrated approach to regional development. This applies to work across teams within *emda*, as well as to efforts to align the Agency's work programmes with those of other organisations.
- Innovation has been a strong feature of *emda*'s work under a number of strands. A range of initiatives have attracted national attention, with some being replicated in other regions. Where appropriate, the Agency has taken risks in order to pursue novel approaches, as demonstrated in the establishment of Blueprint.

10.0 Conclusions

10.1 The Impacts of the Agency's Activities

emda has had substantial positive impacts on the performance of the East Midlands economy. The ongoing impacts so far include:

- Creating some 13,075 jobs and generating £565m in GVA per annum through *emda* funded projects, with a further 10,500 net jobs and £450m in GVA per annum coming through the various National Programmes which are delivered by the Agency.
- Safeguarding some 6,625 jobs and £290m in GVA per annum through its own projects, with 5,100 net jobs and £215m in GVA per annum safeguarded through the National Programmes.
- Generated a present value of GVA of between £4.8bn and £8.5bn depending on whether impacts are assumed to endure for 5 or 10 years – of which between £4.6bn and £2.6bn are generated by Single Programme projects, and between £3.9bn and £2.2bn by National Programmes. Taking all *emda* expenditure into account, this equates to a present value of GVA (based upon a base year of 1999/00) of between £8.4 and £4.7 for every £1 of *emda* spending.

These estimates are necessarily subject to some margin of uncertainty and there are questions about how far activities focussed on businesses or people in particular decay or build up through time. Putting these issues to one side, these impacts are equivalent to around 1.2 to 1.4% of the Region's current employment and GVA.

Construction related spending on the Agency's development projects and tourism marketing programmes will also have generated a range of shorter term impacts on the region's economy.

emda interventions will also have a range of further ongoing economic impacts which lie to a large extent in the future:

- A range of physical development projects which have still to be completed – including projects under the National Coalfields Programme - and the inward investments which the Agency has helped to bring to the Region are likely to create substantial future economic activity, potentially creating around 4,600 jobs and £210m in GVA per annum.
- The beneficiary surveys highlighted a range of intermediate effects which can be expected to work through into concrete future impacts but which cannot be quantified at this stage, including:

- ▶ Enhancing the productivity and other aspects of the competitiveness of the businesses which are assisted through Agency projects;
- ▶ Improving the employability and potential productivity of individuals who have not yet found employment.
- Some interventions – particularly those under the innovation strand but also including investments in broadband connectivity and public realm improvements – are likely to deliver, and in some cases will already be delivering, a range of diffused economic impacts which cannot readily be picked up by beneficiary focussed assessment work.

This last point leads onto the more general issue that a range of Agency activities are as much concerned with laying the conditions for longer term growth as with generating immediate economic impacts. This applies in particular to the range of substantial investments in environmental improvements and social development. The reclamation of over 4,000 ha of brownfield land, the development of social enterprise and other initiatives in relation to community capacity building have addressed important barriers to future economic growth, particularly within the coalfield areas.

10.2 Economy, Efficiency and Effectiveness

Robust procurement processes mean that the Agency should have achieved a high level of economy in its activities, although the diversity of the activities which have been funded makes formal benchmarking difficult.

Projects have largely been delivered to timetable and to budget. Around two-thirds have met or exceeded most of their targets. Most have a good fit with the RES or its 'daughter' strategies and were developed on the basis of a clear rationale. The vast majority of *emda* project spend has achieved a high level of additionality. Substantial attention has typically been paid to the long term sustainability of projects post-*emda* funding.

In overall terms 90% of projects were considered by assessors to have been effective or very effective; 94% were judged to have provided reasonable or good value for money. The cornerstone of this performance has typically been good project planning, systematic appraisal – and in particular - effective delivery.

Success has not, of course, been universal but where the problems have been evident these appear to have been specific rather than systemic. The main issues have arisen in relation to projects for which the anticipated demand did not materialise, site acquisitions for which developments have yet to go forward and studies for which no real follow-on activity has been evident.

There have been some more systematic problems in the monitoring of the full range of outputs of some types of project and in the assembly of other data which are crucial for effective evaluation but these have been addressed as the problems became apparent over the course of the study.

Both the estimated overall net cost per job of Agency projects and the net cost per job of particular 'intervention types' are in line with benchmarks from other evaluation studies. There is a divide between the unit costs of physical development – Place – projects and those of Business and People focussed interventions. The former appear much more expensive but against this they are often delivering important environmental 'joint outputs' and their economic impacts are arguably more certain and are likely to prove more durable.

10.3 Strategic Added Value

SAV has been a long standing feature of *emda's* work but it is an aspect of the Agency's activities which has been approached increasingly systematically, with explicit associated objectives, and which has become increasingly important in recent years.

Approaches to measuring SAV are still emerging and there are no quantitative targets for this aspect of *emda's* activities. The Study's qualitative assessment found that:

- *emda* has engaged effectively with stakeholders in areas where it is the key policy lead and in areas where it needs to work with others to achieve its ambitions for the Region, although effective engagement with the private sector is sometimes challenging.
- *emda* has demonstrated strong leadership, both in policy areas where it has formal responsibilities and in some other areas where responsibilities are more fragmented. It has been decisive in driving forward changes in policy and delivery structures for business support and tourism, for example, and has led a range of successful thematic strategy and plan-making initiatives. The Agency is viewed as an effective advocate of regional interests.
- Influence on the policy and investment decisions of regional and national organisations is exerted through a variety of mechanisms, including a range of formal and informal partnerships and fora.
- *emda* has leveraged substantial resources from partners, both initially to support interventions directly, and in the longer term through laying the ground for the subsequent investment of resources by other organisations and businesses. The *emda*

projects assessed within the study levered an estimated £356m in public and private investment, implying potential leverage of perhaps £1.5bn in total for the Agency's project based activity.

- *emda* has often created good links between related areas of work at a strategic level in order to promote an integrated approach to regional development.
- Innovation has been a strong feature of *emda*'s work under a number of strands. A range of initiatives have attracted national attention, with some being replicated in other regions.

10.4 Future Evaluation Activity

There is unlikely to be great value in seeking to undertake further 'high level' evaluation work along the lines of the present study in the immediate future. There will clearly be strong pressures on the Agency to undertake a range of further evaluation activity but the presumption is that in the short term this will focus upon more in depth studies of specific areas of activity.

The study team considers that it would be particularly worthwhile to revisit the assessment of the impacts of the Agency's business support activities once there is a reasonable time period on which to judge the impacts of, for example, the rationalised Business Link delivery arrangements. As indicated in Section 6, there are inherent uncertainties in how far reliance can be placed on responses from beneficiaries in relation to how interventions have influenced their performance. The new Office for National Statistics regional presence creates the possibility of an alternative approach based upon comparisons of the performance of firms which have benefited from a particular intervention with that of a matched sample of firms which have not. There are well established statistical techniques for the necessary supporting analysis.

A variety of weaknesses in the Agency's information in relation to monitoring and evaluation were identified over the course of the study. As indicated, these have been addressed in response to the Study's interim recommendations, and this should provide an improved information base for specific – and potentially future overall – evaluations. The particular areas being improved include:

- The availability and accessibility for evaluation purposes of beneficiary contact details;
- The wider availability of systematic information on 'soft outcomes' such as the distance travelled by beneficiaries of employment support measures;

- The availability of more systematic monitoring information on the characteristics of beneficiaries which should help improve the assessment of social inclusion impacts;
- Monitoring data on wider economic, social and environmental impacts – for example, in relation to crime prevention projects on changing local crime rates and how these affect insurance premia.

Some general challenges will need to be considered in relation to future evaluation work:

- The new Impact Evaluation Framework for RDAs places an emphasis on assessing impacts on sustainable development rather than just economic impacts, although it offers little useful guidance on how this should be approached. The study team's view is the emphasis should be in the 'production' side – focussing in more detail on how far interventions influence business resource efficiency and the travel behaviour of employees within Agency supported developments. At least as important in practice is the effects which interventions have in influencing consumption decisions – in particular travel behaviour and energy consumption – through their impacts on personal incomes. This aspect cannot be dealt with through project level assessments and would need to be addressed through some form of modelling.
- The mainstream impact assessment methodology as utilised in this study is more suited to an environment in which there is significant unemployment than to one in which resources are fully employed. In the latter context economic impacts are much more likely to arise through improvements in competitiveness/productivity than simply through growth in turnover and employment. To some extent this can be handled through survey design but experience indicates that firms find it difficult, and are often reluctant, to answer detailed questions on aspects such as productivity. Analysis of longitudinal data on the performance of matched samples of firms, as outlined above, is likely to provide a more satisfactory basis for the analysis of such impacts.
- There are major issues in how to deal with the 'downstream' and 'spillover' effects of activities focussed upon innovation which may arise, for example, as initial effects diffuse through the Region's economy through imitation, labour mobility or competitive pressures. High level monitoring indicators - for example, from the Community Innovation Survey - can identify major changes but will not pick up small scale project related effects.