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## CHIEF EXECUTIVE'S REPORT

### 1. Introduction

1.1 The third quarter of 2008/09 has seen an increase in the number of job losses confirmed. Our sources indicate that the incidence of large-scale redundancies (more than 25 per company) has risen to 41 in quarter 3 (relative to 31 in quarter 2 and 8 in quarter 1). This trend is also reflected in job losses with 4,208 in quarter 3 relative to 2,493 in quarter 2. Construction; food and drink; and the financial services sector are those most affected, although we expect to see a rise in job losses in the retail sector in the first quarter of this year.

1.2 We have developed with Job Centre Plus and the Learning and Skills Council (LSC) a co-ordinated regional response to unemployment in the region. A draft copy of this plan has been sent to the Chief Secretary to the Treasury. It outlines the agreed actions that the LSC and Jobcentre Plus will take in the East Midlands to tackle the economic downturn.

1.3 The second RDA National Business Survey undertaken by MORI has now been completed and will be published early in February. The results for the East Midlands show that levels of activity in the region continue to fall, with businesses reporting falling output and employment in the region since the last survey in August, with further falls expected in the coming year.

1.4 On 14 January Lord Mandelson announced a package of support under the 'Real Help for Business' campaign to address the cash flow, credit and capital needs of businesses. The package builds on commitments made in November's Pre-Budget Report and the measures include:

- A £10bn Working Capital Scheme, securing up to £20bn of short term bank lending to companies with a turnover of up to £500m;
- A £1bn Enterprise Finance Guarantee Scheme, securing up to £1.3bn of bank loans to small firms with a turnover of up to £25m;
- A £75m Capital for Enterprise Fund (£50m from Government augmented by £25m from the banks) to invest in small businesses which need equity.

1.5 The European Commission published its draft 'European Economic Recovery Plan' in late 2008, which included some proposed amendments to the Structural Funds Regulations in order to simplify ERDF delivery. As part of our lead role on European issues, we are working on behalf of the RDA network to input to the UK Government's response to the proposed amendments, which are due to be discussed at the next European Council meeting in February. In addition, this dialogue has prompted a broader, EU-wide debate about further opportunities to simplify the Structural Funds Regulations in light of the current economic climate and we have been extremely pleased to see that RDA feedback has strongly influenced the UK Government's negotiating position.

1.6 In response to the changing financial climate the European Commission has also announced a relaxing of the rules on the legal state aid that each member state is allowed to give. Among other measures it has increased the limit on de minimis aid given to individual businesses from €200k to €500k. It also allows aid to be given to any size of business and for any purpose. Although this is positive news it could impact on *emda's* future funding, as businesses approach us for increased support at a time when RDA budgets are reducing.

1.7 On 17 January the Government published four policy information documents to assist the House of Lords in its scrutiny of the Local Democracy, Economic Development and Construction Bill, which makes provision for the implementation of various SNR-related changes. The Bill entered a Grand Committee of the House of Lords on 19 January for more detailed scrutiny. Of most interest to RDAs was the Policy Document on Regional Strategies, which set out further details on the purpose, development process and implementation of the new Regional Strategies.

## 2. Raising Productivity

### 2.1 Employment, Learning and Skills

2.1.1 A **STEM Partnership Forum** event took place on 28 November at Rolls-Royce plc in Derby, with 90 people attending. Workshops focused on the four key STEM (science, technology, engineering and maths) subjects and asked delegates to identify the regional strengths and weaknesses in these areas. The event attracted Professor John Holman from the Department of Children Schools and Families, and Gerard Leahy from Rolls-Royce plc, who spoke at the Q & A session. The Forum co-ordinates STEM-related activities across the region to help reverse the decline in the number of young people studying these subjects.

2.1.2 In October 2004 the *emda* Board approved an investment of £2.5m (against total project costs of £30m) in the development of the **School of Veterinary Medicine and Science** at Nottingham University's Sutton Bonington Campus to create a world class school, which would increase the number of students entering the profession and enhance the University's research strengths. A recent HEFCE Research Assessment Exercise has found that 95% of research activities from the school submitted were recognised on the international stage, with 60% described as internationally excellent. Since the school was established it has attracted research funding totalling £10.6m into the region. There are 347 students at the school with a further 33 postgraduates undertaking research degrees. In addition 45 academic and 48 support staff are currently employed, with a planned growth of 30 new posts over the next three years.

2.1.3 On behalf of Advantage West Midlands and the East of England Development Agency, *emda* co-ordinated the Midlands consultation event for the **MacLeod Review**. The event, held at Leicester on 16 January, attracted an audience of over 50 business leaders and senior decision makers who considered the importance of employee engagement and links to economic performance. The MacLeod Review is a BERR-

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commissioned initiative that seeks to consider whether, and how, Government and employers can work together to help businesses maximise their potential and boost the economy through harnessing the full potential of employees. This event gave Midlands-based employers the opportunity to give their views and input to the Review, which will be published in late Spring.

## 2.2 Enterprise and Business Support

### Enterprise

2.2.1 In December a £3m investment over five years was approved by the *emda* Board to extend the **Start Up With The Prince's Trust** project. The previous Prince's Trust project ran over four years from 2004 to 2008 and helped generate over 1,000 new business start-ups from young people aged 18-30 years old, primarily from disadvantaged backgrounds. Building on this success the project will be integrated within the existing Business Link Start Up Service. The project, which officially started on 1 January, will help generate at least 730 new business starts between now and 2013 and offers a range of support to budding young entrepreneurs, including workshops and 1-2-1 support to assist young people to develop their business ideas, business skills and business planning. Financial support is also offered through loans and grants, and the Trust assigns every new start-up a volunteer mentor for the first two years of trading.

2.2.2 *emda*'s Board has also approved **Enterprise Inc**, a project which commenced in January, to improve the enterprise skills and entrepreneurship capability of 500 students, graduates and academics across the East Midlands, aimed at creating 400 new businesses. The programme is co-ordinated by the East Midlands University Association (EMUA), with nine universities participating. An enterprise development placement programme will enable participants to develop their own business ideas and become self employed during a placement year, a masters year or alongside study. The programme will offer bespoke enterprise skills development and support. It will be an integral part of the university experience and inspire more graduates in the region to consider self employment as a viable option in order to retain them in the region.

2.2.3 The January **Business Champions** networking event at Derby Conference Centre was attended by 41 delegates, including 14 Business Champions, five new potential Champions and 16 organisations needing Business Champion support. The theme was 'Inspiring the Next Generation', with the Prince's Trust and the Samworth Academy both delivering motivating speeches on the value and benefit of mentoring and the importance of young people understanding the world of work. 11 Champions volunteered to provide business expertise to the organisations attending.

### Business Support

2.2.4 **Business Link Health Checks** are a specific response to the economic conditions and help clients to identify problems and produce action plans to resolve those problems. To the end of December 1,959 of these have been delivered to clients. The health check includes a range of areas where performance can be potentially improved,

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including resource efficiency; managing cash flow and debt; and improving the performance of staff.

2.2.5 **‘Survival of the Fittest’** is a series of events which will run across the region in January and February. They will raise awareness of resource efficiency and help businesses understand the potential benefits and savings that can be achieved by resource efficient practices. This project will build on the eye-catching marketing campaign developed as part of the Business Resource Efficiency and Waste (BREW) programme during 2008. The events will be delivered by Business Link East Midlands and will draw in expertise from national delivery bodies such as Envirowise and the Carbon Trust and will aim to signpost businesses to the recently announced Resource Efficiency enhancement to the Business Transformation Grant. Delegates will be able to view DVD case studies of businesses who have benefited from the Resource Efficiency Grant under the BREW programme, and can sign up for surgery sessions to enable them to receive 1-2-1 support from resource efficiency experts.

2.2.6 The **HighGrowth East Midlands** programme recently announced that it is looking for a further 90 businesses to join the 2009 programme. This is in addition to the 74 businesses that are already benefiting from support to help them increase profits, enhance their competitive edge, and create conditions for long-term success. As a result of the current economic climate, *emda* has adjusted the marketing of the programme to demonstrate how HighGrowth East Midlands can support businesses at the current time and maximise opportunities for growth.

2.2.7 The **Business Transformation Grant (BTG)** has been active since October 2007, offering individual grants of up to £10k on a matched funding basis. By the end of the first year, 301 SMEs received grant funding offers to a total value of £1.95m. To the end of December 2008, 790 offers of grant totaling £4m had been made to applicants. Of these offers 372 grants have been paid to date totaling £2.41m. To date, the average amount of the grant paid is £5,892. An enhancement to the BTG has recently been instigated in response to the current economic climate to wholly or part fund the cost of a turnaround specialist to carry out a diagnostic and action plan. The grant aid will be provided to businesses experiencing such issues as a significant customer becoming insolvent; loss of a major contract; withdrawal of planned funding; the loss of an existing bank facility; or where overdraft facilities have been reduced.

2.2.8 The **e-Business Programme** continues to be a popular and effective Business Link branded ICT programme that is delivering outputs well in excess of profile. To date, with the original programme due to run to March 2010, 3,360 businesses have been assisted against a target of 3,330, 2,410 individuals have been assisted in their skills development against a target of 2,306, and 264 businesses have been helped with management and leadership needs against a target of 100. With a significant waiting list of clients, additional ERDF funding was secured in December to complement existing funding and extend the programme for a further year.

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## Business Investment

2.2.9 Since my last report, four new **Grant for Research and Development (GRD)** offers have been made by the Business Investment Team totalling £483k. One such offer of £77k was made to a Nottinghamshire-based company to carry out research into innovative targeting nanotechnology for the delivery of anti-cancer drugs. So far this financial year, payments totalling £2m have been made to companies under this scheme, representing 61% of the annual budget.

2.2.10 A further five companies have also been awarded grants totalling £2m, under the Grant for Business Investment (GBI) scheme. So far this financial year, payments totalling £3.01m have been made to 42 companies under this scheme, representing 86% of the annual budget. These payments have created and safeguarded 834 jobs, generated £32.7m of private sector leverage and developed 41,568 sq. m. of employment floorspace.

## International

2.2.11 Since the start of April 2008 we have had 17 **inward investment** successes, with 1,152 associated jobs created/safeguarded (against annual targets of 35 and 2,600 respectively). This performance is very similar to last year at the end of Quarter 3; our experience over the years is that large international companies often make their investment decisions in the final quarter. More significantly, the pipeline of leads and enquiries for new investment is weaker than it was at this time last year. On the other hand, the Investor Development pipeline (investment from foreign-owned companies already in the region) is stronger in terms of the number of projects that are likely to convert to successes this year. The overall view in the current economic climate has to be one of caution, with all indicators suggesting that it will be a challenge to meet our inward investment targets this year.

2.2.12 Our recent **overseas activities** included:

- attending Medica , the annual international medical devices trade fair, in Dusseldorf in November. Together with the Healthcare iNet and Nottingham Science City we are following up on 16 business meetings arranged in advance of the show;
- exhibiting at a specialist Waste to Energy trade fair in Bremen, Germany in December. Dr Margaret Bates of the University of Northampton addressed the conference as a keynote speaker and also participated in a joint *emda*/UKTI reception which attracted a wide range of potential investors – follow-up from the event has already resulted in interest from a number of German companies.

2.2.13 Coventry University has been selected to roll out and operate a regional **Soft Landing Zone property coordination service** to complement our existing French and German VIP programme, offering a 90-day, fast-track package of support to potential investors. The service will incorporate a number of regional facilities and will include, as required, free company registration for qualifying companies, free touch-down space for up to 20 days over a 60-month period, free 6-month virtual tenancy, a business address for 6 months, and support for conversion into full investment.

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2.2.14 PixelLab has been selected to undertake research into the potential opportunities for investment from the **Computer Gaming** sector. This work will include mapping East Midlands' companies and the capabilities of the regional universities. It will also identify the value of intellectual property created in the region by these companies and provide us with clear key selling messages for international investors. It is due to be completed by mid March 2009.

2.2.15 In early December the **East Midlands European Office** (EMEO) facilitated a visit to Brussels for the East Midlands India and China Bureau. The delegation met with strategic contacts within the External Relations Directorate of the European Commission and the India Mission to the EU. The visit profiled the international trade and investment priorities of the Bureaux as well as helping to identify European funding opportunities for regional SMEs. As a follow up to the visit, EMEO and the Bureaux are exploring the development of a regional business and funding event for SMEs with the European Commission in the summer.

## Tourism

2.2.16 A report commissioned by VistBritain and the Tourism Alliance stating the '**economic case for the visitor economy**' in Britain, was published in November. It was generated with input from the RDAs, local authorities and other private and public sector organisations and quantifies the economic contribution of the visitor economy in terms of both direct impacts (from sectors related to tourism) and indirect impacts (from other sectors that rely on tourism). It also highlights the wider contribution of the visitor economy in delivering other socio-economic policy objectives such as regeneration, enhancing skills and promoting/attracting enterprise and investment. The report identifies that the direct value of the visitor economy in Britain is £52bn, 3.7% of GDP and accounts for 1.36m jobs (2007). The indirect contribution (ie including supporting businesses in the supply chain) brings the value to £114bn or 8.2% of GDP. The report suggests that the visitor economy has significant long term potential and is estimated to grow to £188bn by 2018. In the short term however, if the recession continues, it is suggested that its value could decrease by £11bn and the sector could see a reduction in 114,000 jobs.

2.2.17 In response to the report research was undertaken in December to identify how the current economic climate might impact on holidaying patterns and behaviour in the domestic tourism market. Whilst it was evident that some groups would be cutting back on holidays, the research found that holidaying was no longer seen as a luxury, being more of a necessity, but that increasingly people would be looking for added value when searching for holidays. The findings have been shared with DMP partners who are using the information to refine their 2009 marketing activity and focus on a 'value' message (ie. discounts and special offers). Further support for the industry is being provided by EMT and the DMPs through the hosting of credit crunch workshops and events, and the development of an online guide aimed at providing businesses with practical advice to deal with the current climate.

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## 2.3 Innovation

2.3.1 Building of the **Think Tank**, the Brayford Innovation Centre in Lincoln, was completed on 22 December. The building, part funded by *emda* and Lincolnshire Enterprise, will become an iconic landmark for Lincoln, having an external finish that changes colour. It is environmentally sustainable, using renewable energy sources and will provide workspaces and offices for small businesses and university spin-outs, maximising collaboration with Lincoln University. It will support over 90 businesses and create or safeguard up to 230 jobs; and is the flagship project in the larger Innovation Lincolnshire scheme, which will provide a network of innovation support across the County.

2.3.2 December saw the launch of the first phase of the **Regional Innovation Portal**, which has been developed after extensive stakeholder consultation and can be accessed through the Business Link website. Designed to be the place for innovation information, support and signposting, the portal's features include a powerful site and support search facility (university experts, funding, and the RBSIS Knowledge Bank). Each of the iNets has its own mini-site, and development is underway on the second phase, which includes a collaborative on-line workspace, encouraging innovation, which will go live in March.

2.3.3 An *emda*-commissioned feasibility study into an East Midlands **Institute for Regenerative Medicine** has now been completed. The final report has been well received by both the academic and industry stakeholders in the region and concludes that whilst the region is well placed in respect to research in regenerative medicine it lacks sufficient infrastructure to enable the effective translation of technologies from the science base into commercial products. The report makes a strong case for the development of a regional institute to address this, and work is underway to commission the development of a business plan.

2.3.4 The Sustainable Construction iNet has been operating with an interim team, through the Building Research Establishment, since the contract was signed with the University of Northampton in July. An iNet Director – Dr John Liddell – has now been recruited and advisor posts are under offer. The funding agreement (£7m Single Programme and ERDF) for the **Sustainable Construction iHub** in Daventry has been signed and work on the project is underway. David Wallace participated in a press conference with partners in Daventry on 19 December to launch the project. A ground-breaking ceremony will be held in the spring and full building work is scheduled to start at the end of June 2009. The planned completion date is November 2010.

2.3.5 Loughborough University is progressing the **Transport iNet** towards full operational status. A joint Single Programme and ERDF application for events and grant funding has been submitted, an interim iNet Director has been appointed and interviews for permanent staff are scheduled for early February. A number of events are scheduled, including an official launch, which is to be timed to coincide with the award of the first Higher Education Collaboration Fund projects in March or April.

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2.3.6 The first **Food and Drink Innovation Awards** dinner, commissioned by the Food and Drink iNet, was held at the National Space Centre in Leicester on 4 December. The award winners were Rico Mexican Kitchen (Belper), Nottingham Trent University School of Science & Technology, DCS Foods (Leicester), ABB Drives (Derby), Transfresh (Nottingham), and the University of Lincoln, Holbeach. Packages of support, including consultancy from The University of Nottingham food science faculty, Nottingham Trent University, Campden BRI, the Food & Drink Forum and East Midlands Fine Foods were among the prizes.

### 3. Ensuring Sustainability

#### 3.1 Transport and Logistics

3.1.1 The **East Midlands Parkway** will be officially opened on 26 January by the Rt Hon Geoff Hoon MP, Secretary of State for Transport. The station, located near junction 24 of the M1, has been primarily funded by Network Rail with a contribution of almost £1m from *emda*. It provides additional capacity on the railway network and offers new travel options based around a Park & Ride, encouraging reduced reliance on car journeys. It will mean improved journey times to London and Europe and the service improves accessibility to the East Midlands. We have been working with partners including East Midlands Airport and local authorities to ensure buses also call at the new station. This will maximise the potential for it to serve as a public transport interchange. A funding package is now in place to meet the additional costs associated with buses serving the station, initially focused on the existing Skylink Bus services, but with potential for a specific East Midlands Airport shuttle service in due course.

3.1.2 On 8 January North West Leicestershire District Council gave planning permission to alterations at the **Donington Park** circuit, subject to the circuit owners drawing up an acceptable Traffic Management Plan by the end of March. This is a critical step in securing agreement to staging the Formula 1 Grand Prix on the circuit from 2010. The circuit owners expect to finalise the financing arrangements within the next two months. The following week it was announced that Silverstone won the contract to stage the Moto GP (motorbikes) - currently held at Donington Park - from 2010.

#### 3.2 Environmental Protection

3.2.1 *emda's Waterways Invitation to Apply for Grant Funding (IAGF)*, launched to provide grant funding to support projects that deliver economic impact from activity on and around East Midlands' inland waterways, began its delivery phase in January 2008. One year on 23 projects have been contracted, with an investment of £6.5m over a three year period. The programme is forecast to deliver 335 jobs, lever in £39.7m and reclaim 45ha of Brownfield land. Anthony Payne, *emda's* Director of Land and Development, was recently invited to present the programme to the Waterways Minister where it was well received and was recognised as an example of RDA best practice. Examples of project successes to date include the creation of one of the largest inland marinas in Europe at Mercia Marina in Willington, South Derbyshire: and *emda* support for the development of

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the Whaley Bridge Basin/Bugsworth Basin encouraged Derbyshire County Council to fund the restoration of the remainder of the Peak Forest Canal section within the region. This has in turn influenced partners from other regions to agree funding to make all stretches of the canal to Manchester navigable. Both projects will generate additional visitors to the region, enhancing the East Midlands tourism offer.

#### 4. Achieving Equality

4.1 **The Rural Development Programme for England (RDPE)**, which is funded by Defra and the European Union has now been running for one year, continuing until 2013. *emda* delivers the socio-economic elements of the programme in the East Midlands and has a total budget of £60.5m. To date 155 Expressions of Interest have been invited to full application and 14 projects totaling £3m have been approved for funding, including a large scale biomass heating system for a horticultural business, a renewable energy business centre and various farm diversification projects. Overall just over £11m of the total programme budget has been allocated to RDPE projects and the programme is running to profile.

4.2 The Greater Nottingham Partnership (GNP) is supporting a partnership to develop the **Broadway Nottingham Film and Literature Festival**. The festival, to be held in July, will celebrate Nottingham's successes within this field and develop its profile as a leading centre for independent cinema and literature, attracting increased numbers of visitors into the City. Year one of the festival will run over 5 days, increasing to 10 days in years two and three; and it will be supported by a year-round series of writer's events, guest appearances, screenings and courses to maintain its profile and brand image. It is anticipated that the festival will attract 12,000 visitors to Nottingham over the three years. Total project costs have been estimated at £247k over the three years with a £120k contribution from GNP.