
CHIEF EXECUTIVE'S REPORT

1. Introduction

1.1 As the Board will be aware, the East Midlands Regional Select Committee published its report on *emda* and the Regional Economic Strategy on 29 July. A draft response to the report will be discussed at the September Board meeting.

1.2 A first meeting of the East Midlands Grand Committee was held in Nottingham on 9 September (and was chaired by David Taylor MP). The Grand Committee provides a forum for the region's MPs to debate key issues and ask questions of the Minister for the East Midlands, Phil Hope MP. The subject of the debate at this first Grand Committee meeting was "Building Britain's Future: how the region will make the most of the upturn".

1.3 On behalf of the RDA network EEDA, as Chair of Chairs and Yorkshire Forward as HM Treasury lead have raised our concern over the serious implications of the Government's new requirement of including a break clause in all new major contracts on 1 April 2011. This is a requirement of all Government programmes.

1.4 Further to discussion at the July Board, a fully revised and updated RES Evidence Base: The East Midlands in 2009 was published for consultation on 4 August. The consultation will run for 12 weeks, closing on 4 November. The updated Evidence Base is being hosted on the Intelligence East Midlands website, which enables consultees to provide feedback electronically.

2. Raising Productivity

2.1 Employment, Learning and Skills

2.1.1 The region's **European Social Fund** (ESF) Programme, is worth approximately €248m for 2007-13 and is managed within the region by GOEM. The priorities for the Programme are set at a national level, and focus on tackling barriers to work faced by people who are unemployed or disadvantaged in the labour market; and training people who lack basic skills and good qualifications. However, each region has a degree of flexibility within the national programme to address regional labour market specificities, and these are set out in a Regional ESF Framework. The ESF Framework is a 3-year strategic document, which is developed and overseen by the Regional ESF Monitoring Committee and which aims to ensure that ESF contributes to the delivery of region's economic, skills and employment strategies. GOEM is currently leading a refresh of the ESF Framework and *emda* is working closely with GOEM to ensure the Framework reflects the latest labour market picture and clearly aligns with the updated RES Evidence Base. The ESF Framework will be open for consultation with regional stakeholders from mid / late September onwards.

2.2 Enterprise and Business Support

Enterprise

2.2.1 **Global Entrepreneurship Week** (the new name for Enterprise Week), the national campaign that aims to promote enterprise skills, will take place between 16 to 22 November. September marks the beginning of promotional activity for the week, which will include campaigns and competitions and advice and guidance for prospective entrepreneurs. *emda* will work with partners including Unleashing Enterprise; the East Midlands Innovation Network; and local authorities to promote the events and to showcase previous achievements in the build up to the week.

2.2.2 Both the **Women's and Ethnic Minority Business Task Forces** are in the consultation stage of the final report process and *emda*, in its lead role capacity, is coordinating the RDA response to the recommendations. Both Task Forces were established by the then DTI in 2007 to tackle the issues relating to these specific agendas. The Task Forces, jointly chaired by a significant industry player and an RDA Chief Executive, have both made a series of recommendations to BIS and the RDAs on how the agendas should be taken forward. The Ethnic Minority Business Taskforce (upon which *emda* Board Member Parvin Ali sits) will conclude with a formal handover of the joint Government/RDA response to the chair of the Task Force (Dragon's Den James Caan), which is planned for October. As part of the RDA contribution to the response, there are plans to launch the Ethnic Minority Business Advisory Network (EMBAN) to support and develop the ethnic minority business agenda across the five regions with the largest ethnic business stock (West Midlands, London, Yorkshire and the Humber, North West and the East Midlands). The joint RDA/BIS Women's Enterprise response will be formally presented to the Taskforce on Women's Enterprise Day (part of Global Entrepreneurship Week) on 18 November.

2.2.3 The **Enterprise Coaching** project, formally known as Enterprise Ecologies, is an example of effective partnership working between the Business Link service and a local authority, in this case Nottingham City Council. The project forms part of the Business Link Start-up Service offer in Nottingham and is charged with engaging potential entrepreneurs from disadvantaged communities. The project is showing positive results after many months of working to break down the barriers to engagement. To date the project target of 300 has been exceeded with individuals engaged currently running at 447.

Business Support

2.2.4 The transition of our regional business support offer to the national **Solutions for Business** (SfB) portfolio continues and is on schedule to be fully aligned by the deadline date of 31 March 2010. Some of the branding work that *emda* has produced is being used as best practice and BIS will adopt some materials nationally (the Manufacturing Advisory Service, website run by *emda*, and the branding for the Invest in Your Resource Efficiency product). On behalf of the RDAs, we are leading on the development of

business cases to add two new products to fill gaps in the SfB portfolio: business mentoring and supplier development. Both are currently under consideration by BIS.

2.2.5 Since April 2009 Business Link has delivered 6,469 Business **Health Checks**, which aid businesses experiencing problems as a result of the recession, bringing the total since the start of the initiative in October 2008 to over 11,500. In addition in the current year 77 businesses have benefited from Business Turnaround Grants, which engage a recovery specialist to work strategically with a business facing difficulties, bringing the total number of companies assisted to 142 since the grant was introduced in December 2008.

2.2.6 The final 24 businesses have been recruited to **HighGrowth East Midlands** Growth Readiness programme for 2009. This takes the number of businesses supported in 2009 to 66, against a target of 61 businesses. Across both High Growth and Growth Readiness programmes 93 businesses are currently being supported compared with 73 in 2008, despite the challenging economic climate. An interim evaluation of the programme estimates that the support provided by HighGrowth East Midlands will help the businesses increase their turnover by a combined £62m against a target of £55m. At the programme's networking event in Leicester on 8 September Michael Seals confirmed the date for the 2010 HighGrowth East Midlands Awards as 11 March 2010. This will be the 2nd annual awards and will recognise the achievements of the businesses on the programme.

2.2.7 Demand for the **Mentoring for All extension** programme (May 2009 to March 2010) has been slightly ahead of profile in recent months with 44 of the 200 places available this financial year filled in the first three months of activity (against a target of 36). The original Mentoring for All programme, which recruited clients during the period November 2007 to March 2009, has to date helped 900 businesses to improve their performance and 790 people develop their skills, against targets of 900 and 795 respectively by the end of March 2010.

2.2.8 Work has begun on a **Business and Innovation Centre in Market Deeping** to improve the conditions for the start ups of small to medium-sized businesses in South Lincolnshire. The £4.3m centre is being funded by Lincolnshire County Council, *emda*, and South Kesteven District Council and has secured an ERDF grant of £500k. The centre is expected to open next summer and will comprise a large open ground-floor office space, conference and meeting facilities and 37 smaller units. It will be managed by Lincolnshire County Council.

Manufacturing

2.2.9 The contract for the **Manufacturing Advisory Service in the East Midlands (MAS EM)** commenced in April 2009 and is progressing well, with all activity ahead of profile, including 225 Businesses Assisted against a profile of 161. An ERDF application is currently being developed that will see the current MAS-EM provision enhanced with specific activity to reach micro businesses that have traditionally not accessed MAS support, but who make up approximately 67% of the region's manufacturing base. In

addition and following on from the release of the Government's UK Low Carbon Industrial Strategy and the Advanced Manufacturing policy publications, £8m of additional funding has been allocated nationally for further MAS activity on these themes. This means that an additional £538k will be allocated in the East Midlands.

Business Investment

2.2.10 Since my last report, seven new **Grant for Research and Development (GRD)** offers have been made by the Business Investment Team totalling £777k, including an offer of £250k to a Chesterfield-based company to develop an advanced rock drilling system.

2.2.11 A further five companies have been awarded grants totalling £246k under the **Grant for Business Investment (GBI)** scheme. So far this financial year, payments totalling £1.2m have been made to 27 companies under the GBI scheme, representing 38% of the scheme's annual budget against a target of 40% by 30 September 2009. These payments have created and safeguarded 183 jobs, generated £11.7m of private sector leverage and developed 9,310 sq. m. of employment floorspace.

2.2.12 In June this year we agreed contractual changes that now enables the **East Midlands Early Growth Fund (EMEGF)** not only to invest small convertible loans up to £50k but also to become involved in larger equity deals involving investments by the fund of up to £500k. Since this change, the fund manager, E-Synergy Limited, has experienced a marked increase in activity with a number of convertible loans and one larger deal being closed. The most recent investment by the EMEGF was in Mansfield-based BPR Medical Limited, a business which specialises in the manufacture of a range of oxygen therapy and medical gas control products for use in hospitals, ambulances and homecare applications throughout the world. The £500k package comprises co-investment alongside Turning Point, a newly formed business angel network operating in the region, and represents the Fund's largest deal since it was launched in 2006.

2.2.13 Following the launch of the **East Midlands Transition Loan Fund (TLF)** on 3 February Business Link, who are acting as the first point of contact for the fund, has received 271 enquiries from businesses currently facing problems in obtaining credit through banks and other traditional routes. The TLF, which was first announced in the Government's Pre-Budget Report last November, provides individual loans of between £50k and £250k for up to three years on a commercial basis. The fund manager, Advantage Transition Bridge Fund Limited, has received 106 business plans to date, approving 19 loans totalling £2.2m and safeguarding 1,304 jobs. 69 loans have been declined, mainly due to ineligibility under BIS' criteria. The fund manager is currently working on a further 18 business plans totalling £2.6m.

International

2.2.14 There is an item on the Board agenda this month on the region's performance in attracting **Inward Investment**. Since my last report there have been two successes:

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- Swiss-owned smart metering company, Ampy Metering, has expanded its manufacturing operation in Lincolnshire; this will create 6 new knowledge-driven jobs.
 - Chinese-owned SSS Express Ltd, a property and travel agency for the Chinese market, has set up a UK office in Nottingham, and will create 10 new jobs. Support was provided by the inward investment team and the China Business Bureau.

2.2.15 It was announced on 22 July that **Speedo** would move within Nottingham to a new international HQ at ng2, as a result of support from *emda* for training and R&D. Our support was critical in keeping this world-leading brand in the region and safeguarding 170 high-quality jobs.

2.2.16 Other international activities to note:

- The China Bureau supported the Centre for Globalisation of Chinese Medicine 8th Annual Conference at the University of Nottingham, the first time this prestigious conference has been held outside Asia.
- With HSBC, the India Bureau supported the first UK India Business Council event to be held in the East Midlands region. Companies were given information to help them win business in India.
- We hosted a discussion with representatives from seven Leicester-based Asian/Indian banks, briefing them on the region's strengths and how they can work with us to bring new investment into the region from India. Feedback was very positive.
- The China and India Bureaux have now relocated to *emda* from Leicester.

Tourism

2.2.17 East Midlands Tourism's latest **barometer survey**, completed following the August bank holiday, provides an overview of how the tourism industry has performed over the critical summer period. Key headlines reveal that compared to the previous year:

- The East Midlands has enjoyed a steady summer, with just over a third of businesses increasing their guest/visitor number for the period and about a further third achieving the same level. One third have experienced a decrease;
- More than half of caravan and camp sites have increased their visitor numbers, partly at the expense of hotels and B&Bs, as UK holidaymakers have sought to reduce their costs;
- The main reasons for a successful summer period amongst businesses seeing an increase were: more people staying in the UK (40%); own marketing (28%); and repeat business (21%);
- The trend to book at the last minute, seen in previous surveys, has continued through the summer. More than one third of businesses have had more last minute bookings, compared to a minority (15%) who have had fewer.
- Nearly one in four businesses have had more domestic visitors than last summer, compared to a lower proportion (13%) who have had less, underlying the change in visitor type seen as a consequence of the current economic situation.

2.2.18 *emda* has approved a £25k contribution towards the modernisation of the **Magna Carta Exhibition** in Lincoln to ensure that the visitor experience is not compromised by current outdated surroundings ahead of long term plans for the exhibition, which will include a new dedicated gallery to coincide with the 800th Anniversary of the sealing of the Magna Carta 2015. The exhibition will include various activities for children and displays that show how relevant Magna Carta is to our lives today. It is anticipated that it will attract some 120,000 visitors a year.

2.3 Innovation

2.3.1 The current **Regional Innovation Strategy** (RIS) is under review and independent consultants have been commissioned to carry out evaluation work. Initial feedback from stakeholders suggests that the main themes of the RIS are still valid and that the iNet model should be continued. The evaluation also makes some suggestions for change, for example in relation to innovation support for businesses outside the priority sectors. East Midlands Innovation discussed the issues emerging from the evaluation and a framework for rolling forward the RIS at its meeting on 11 September. The framework will then be tested with stakeholders during October. An updated RIS will be presented to East Midlands Innovation in November and will be presented to the Board for endorsement in December.

2.3.2 **Supply Chains for the 21st Century** (SC21) is a national programme intended to help aerospace companies to work with large primary companies, such as Rolls-Royce. SC21 allows supply chain companies to understand and seek the accreditation necessary for them to become regular suppliers in the high added-value aerospace sector. We have recently agreed a contract with the Midlands Aerospace Alliance to deliver support for companies in the region wishing to participate. The programme has a target over 3 years to help 75 companies achieve the required standard and become part of supply chains.

2.3.3 Peter Maycock has been appointed Director of the **Food and Drink iNet**. Peter has more than 20 years senior management experience in the food industry, including business start-up.

2.3.4 Work has started on the building of **iCon**, the Daventry-based centre of excellence for sustainable construction. *emda* and ERDF contributions total £7m towards the cost of the building, which is scheduled to be completed by the end of 2010. As well as providing incubation and meeting facilities, iCon will be the base of the Sustainable Construction iNet. Northampton-based Winvic Build won the contract for the construction of the centre. They will be the first contractor in the UK to use new sustainability guidance, introduced earlier this year by the Joint Contracts Tribunal, who produce standard forms of contracts and other standard documentation for use in the construction industry. The project is also one of the first to have signed up to West Northamptonshire Development Corporation's Construction Futures scheme, which uses Section 106 contributions to give young people on site practical construction skills training alongside a formal college programme.

3. Ensuring Sustainability

3.1 Transport and Logistics

3.1.1 Since **Corby Train Station** opened with the launch of its direct hourly service between Corby and London St Pancras in April and following on from it being named as the winner of the IHT/ Costain Award for Effective Partnerships, East Midlands Trains have published details of station usage:

- Over 30,000 passengers travelled to or from the station in the first 100 days of operation;
- London is by far the most popular origin or destination, with around 7 out of 10 passengers using Corby station travelling to or from London;
- Initial analysis of journey purpose is 67% leisure, 15% business, and 18% commuting. Corby Station has recently been entered for a British Urban Regeneration Award, where projects are required to demonstrate commercial success, economic contribution and catalytic regenerative effects.

3.1.2 The East Midlands European Office, supported by *emda*, worked with a number of the East Midlands MEPs to lobby the European Commission to fund a **Trans European Network** rail project proposal submitted by Network Rail to enhance the rail freight line from Felixstowe to Nuneaton. The route passes through the East and West Midlands and the East of England. The bid was successful with EU funds of €9.234m being secured for the project. The funding will enhance gauge capacity from Peterborough to Nuneaton, with the bulk of the funds being used to upgrade the route into the East Midlands.

3.2 Energy and Resources

3.2.1 In July the Government published a number of low carbon strategies, including the UK **Low Carbon Transition Plan White Paper** setting out how the UK will achieve its carbon reduction commitments as embodied in the Climate Change Act (2008). The White Paper represents a low carbon routemap setting out how the Government will deliver a 34% reduction in carbon emissions by 2020 and 80% by 2050. The White Paper is supported by additional strategies describing how the different arms of Government will contribute to this endeavour:

- the Low Carbon Industrial Strategy setting out how the Government will support the transition to a low carbon economy, which forms an item on the Board agenda;
- the UK Renewable Energy Strategy setting out how the Government will achieve 15% of energy production from renewables by 2020;
- Low Carbon Transport – A Greener Future, a national carbon reduction strategy setting out how Government will reduce the 21% of national carbon emissions attributable to transport.

The White Paper also allocates a share of the carbon reduction budget (up to 2022) to different Government Departments. Most notably, the Department of Energy and Climate Change is responsible for 53% of this, the Department for Transport 18% and BIS just 7%. By spring 2010 all departments will publish plans detailing how the reductions will be achieved through the department's own operations/estate and in relation to their principle policy and delivery responsibilities. It is expected that in developing the Regional Strategy

emda and the Local Authorities Leaders' Board will be responsible for developing a regional carbon budget to supplement national reduction measures.

3.2.2 On 2 September Cllr Geoff Stevens attended the regional launch of the Government's latest **Climate Change Projections**. Attended by approximately 80 regional stakeholders, the GOEM-hosted event was designed to increase awareness of the projections and to highlight the support available through the Government-sponsored UK Climate Impacts Programme (UKCIP). Peter Unwin (DEFRA Director General for Environment and Rural) provided the keynote address, calling on all partners at the regional and local levels to incorporate the projections within policy, strategy and project development. From *emda*'s perspective, we have already accommodated the projections within the refresh of the RES evidence base and they are being used to inform the work of the Lincolnshire Coastal Strategy Group in the development of a long term coastal strategy as part of the RSS Partial Review process. The projections will also be used to support the development of the forthcoming Regional Strategy.

3.3 Environmental Protection

3.3.1 *emda* has published a **Guide to Sustainable Physical Development** that is intended to help partners and applicants understand the sustainability standards that *emda* expects to be achieved for any physical development/ construction projects that we support. As well as setting out the standards, the guidance also provides practical sources of help and advice for project managers. The achievement of standards relating to quality and health and safety will be a condition of funding. The guidance can be found at www.emda.org.uk/keydocuments.

3.4 Land and Development

3.4.1 The Urban Partnership Group (UPG), chaired by Gary Hunt, has published '**Shaping Places for People**' – a document scoping out key urban challenges and potential responses for the region. Through a combination of research, collaboration and consultation with a range of stakeholders and partners, *Shaping Places for People* has identified five priority themes that impact directly on the success of the region's towns and cities: place shaping, positive growth, delivering sustainable urban infrastructure, positive profile and healthy economy. Addressing each of the themes in depth, the supporting UPG interactive website (www.urbanpartnershipgroup.org.uk) provides links to agencies, codes, standards and toolkits to guide urban policy delivery. UPG members will now take this forward, embedding the actions within their own organisations. The document is due to be launched by Regeneration East Midlands at an event taking place in Derby at the end of October.

4. Achieving Equality

4.1 Helen Woolley, Regional Director of the Country Land and Business Association (CLA), has been appointed as the new Chair of the **East Midlands Rural Affairs Forum**.

Helen's appointment follows a period when the position was vacant, with Geoff Stevens acting as Chairman. In her CLA capacity, Helen has also worked closely with *emda* to produce a report on 'Working Positively with Rural Estates: The scale and nature of rural estates and their contribution to the East Midlands'. I launched the report at the CLA Game Fair at Belvoir Castle on 25 July. The report identifies the potential of rural estates; the issues and barriers currently facing potential developments; and suggests ways of overcoming them. All local authorities and other public agencies likely to be involved in estate-based developments have received a copy of the report and we are currently considering the most appropriate ways to take forward its recommendations.

4.2 An additional £805k of Rural Development Programme for England funding has been allocated to the East Midlands from a national £8m **European Economic Recovery Package** (EERP) to tackle issues of dairy industry restructuring and rural broadband provision, both identified as key areas by Defra and the EC for additional resources. The funding will help support efforts to maximise efficiencies in the dairy industry and to tackle poor quality broadband provision, which was highlighted as one of the key barriers to further development of rural workspace in the Rural Estates report. Work is already underway with key regional stakeholders to investigate potential solutions to these challenges using EERP funding.

4.3 The Commission for Rural Communities, Advantage West Midlands and ourselves organised a summit, held near Rugby on 11 September. It was the third in a short series and its theme was 'investment'. Over 60 delegates attended from both the public and private sectors. The opening, scene setting presentation was delivered by Andrew Morgan; and Geoff Stevens and Tricia Pedlar also attended. Mark Tinsley, a former member of the Commission on the Future of Farming and Food and a farmer from the Lincolnshire Fens, delivered a presentation on the scope for, and appropriateness of, public sector intervention. The purpose of these events is to highlight issues to be addressed in rural areas by RDAs and others, and identify messages to be given to central government. Suggestions for the latter include establishing rational ways of setting government targets and outputs for rural areas; a more co-ordinated approach to skills training and delivery in rural areas; and the need for adequate investment in rural broadband services to avoid a 'two speed Britain'.