

East Midlands LEPs Collaborative Working Study

January 2015

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Glossary

AMRC	Advanced Manufacturing Research Centre
CDC	Cornwall Development Company
CLG	Communities and Local Government
D2N2	Derby, Derbyshire & Nottingham and Nottinghamshire LEP
EIB	European Investment Bank
EMC	East Midlands Councils
EMDA	East Midlands Development Agency
ESIFs	European Strategic Investment Frameworks
ERDF	European Regional Development Fund
F4N	Fit for Nuclear
GLLEP	Greater Lincolnshire LEP
iNET	Innovation Network
JEREMIE	Joint European Resources for Micro to Medium Enterprises
LEPs	Local Economic Partnerships / Local Enterprise Partnerships
LLEP	Leicester and Leicestershire LEP
NEP	Northamptonshire LEP
NAMRC	Nuclear Advanced Manufacturing Research Centre
MAS	Manufacturing Advisory Service
RDAs	Regional Development Agencies
SEMLEP	South East Midlands LEP
SFA	Skills Funding Agency
UKTI	United Kingdom Trade and Investment

Executive Summary

- i. Regeneris Consulting was engaged by East Midlands Councils (EMC) to examine the potential for closer working between Local Economic Partnerships (LEPs) in the region, and to identify a series of key projects and collaborations which could deliver significant added value to the region's economy and partners. This final report delivers a practical work-plan which prioritises different projects, and offers a straightforward and honest view of the appetite for joint working.
- ii. The report distinguishes between three different types of collaborative projects. The first type are those projects with immediate potential for worthwhile co-operation around procurement, management and delivery. The second type of project will be short to medium term opportunities, which tend to be more sectoral in focus. The third form of project has a longer term focus, and focuses on wider strategic opportunities which match the longer term growth opportunities in the region.
- iii. There is an immediate requirement for EMC to convene a meeting of local LEPs so that 'opt-in' procurement strategies, documents and processes can be aligned. This could help to co-ordinate activity and save costs, as well as design collaborative work-streams. This activity would be best led by EMC in collaboration with a LEP which had a particular strength in procurement activity.
- iv. Bilateral opportunities centre on wider Engineering Support Mechanisms, Broadband Promotion, Market Access and Food Science. We believe that there is scope for partners to examine the potential of linking initiatives around advanced engineering in motor-racing to the motorcycle cluster centred in Caldwell Park in Lincolnshire. There is also a wider opportunity to link various initiatives on Broadband Promotion throughout the region. Collaboration here would be linked to service design, and might be led by EMC. Market Access could also be promoted through expanding current initiatives being piloted by the Rail Alliance. Finally, there should be an urgent analysis of the skills needs for Food Scientists, which should look to design a region-wide programme of training and development. This could build on existing initiatives being promoted on ad hoc basis by a number of different bodies.
- v. Longer term strategic opportunities are likely to be in Agri-Tech & Food Science, Life Sciences, Energy and Market Towns. The report argues that a new region-wide Food and Drink leaders' forum should be convened to co-ordinate activities and outline best practice. We also believe that there is scope for a wider regional Life Sciences study to be undertaken. The long term opportunity here is to spread best practice while providing a vehicle for more strategic regional leadership for an increasingly important growth sector. Many partners also expressed an interest in targeting market towns. We believe that EMC should help collate the evidence relating to this area. If there is a prima facia case for greater collaboration, a cross LEP group should be formed to produce a business case for further action. This is a short term activity which could be completed before March 2015.
- vi. Many of these areas require a single LEP, local authority or other agency to act as a catalyst for further collaboration. In the short term to medium term, this role is crucial to quickly facilitate actions. But the role is equally important for the longer term strategic projects where the returns for individual LEPs may not be immediately apparent. By taking a regional perspective, EMC is ideally placed to smooth this collaborative process.



Study Scope and Terms of Reference

- 1.1 In September 2014, Regeneris Consulting was engaged by East Midlands Councils (EMC) to examine the potential for closer working between Local Economic Partnerships in the region, and to identify a series of key projects and collaborations which could deliver significant added value to contributors. The study builds on earlier work undertaken by Regeneris, including 'Lessons Learned in Strategic Collaborative Projects' report, and the earlier 'Meeting Need: Realising Opportunity' report. LEPs consulted as part of this exercise included Derby and Derbyshire & Nottingham and Nottinghamshire (D2N2), Greater Lincolnshire (GLLEP), Leicester and Leicestershire (LLEP), Northamptonshire (NEP) and South East Midlands (SEMLEP).
- 1.2 The project was designed to deliver a practical, work-plan which prioritises different projects, and offers a straightforward and honest view of the appetite for joint working. Regeneris has undertaken five research tasks:
 - Inception and Scoping Workshop
 - Desk-based review
 - Consultation with LEPs
 - Consultations with Delivery Partners
 - Final reporting
- 1.3 The report distinguishes between three different types of collaborative projects. The first type are those projects with immediate potential for worthwhile co-operation around procurement, management and delivery. These revolve around the former opt-in arrangements and the changing policy context surrounding the procurement process. The second type of project will be short to medium term opportunities, which tend to be more sectoral in focus. Here the opportunity is for bilateral or trilateral collaborations on a project by project basis. This suggests a less formal collaboration, more focused on sharing best practice rather than finance or administration. The third form of project will have a longer term focus, and concentrate on wider strategic opportunities which match the longer term growth opportunities in the region.
- 1.4 The report is divided into four additional sections:
 - Section 2 examines the practical issues which determine the attractiveness of a collaborative approach. The section outlines the findings from the most recent round of LEP and delivery body consultations.
 - Section 3 summarises the result of the research highlighting project and policy areas ripe for collaboration.
 - Section 4 prioritises projects and interventions, and provides a suggested work-plan for activity over the next four to five months.
 - Section 5 provides some case studies of successful collaborative projects across the UK.



2. Collaboration

2.1 Across England, far more region-wide collaborative projects were developed under Regional Development Agencies (RDAs) than after their demise in 2011-12. The coalition government set up Local Enterprise Partnerships (LEPs) at a more localised level for a reason: they wanted to see more localised economic development activity designed and delivered. There is, however, still an important place for cross-LEP strategic collaborative projects.

Rationale for Collaboration

- 2.2 The potential benefits from collaborative projects are broken down below into eight categories, and each is illustrated with examples from the case studies, where these factors were an important part of the rationale.
 - 1) **Critical Mass** where for practical delivery reasons, a project could only be viably delivered at a larger-than-LEP area scale.
 - The <u>Finance for Business North East</u> (JEREMIE) project required a minimum fund size of £100m to secure the 50% match funding needed from the European Investment Bank to make the project viable. This scale of SME finance could not be absorbed within a single LEP area, so a collaborative multi-LEP delivery approach was the only feasible option.
 - The <u>North West Virtual Engineering Centre</u> involved a £5m investment in a new technology facility to support aerospace firms across the regional cluster. This investment would not have been viable if it were only supporting businesses within a single LEP area, however the number of aerospace businesses across the North West region provided the critical mass to make this a viable investment.
 - 2) Access to Knowledge where the ability to draw on University or other knowledge base expertise from outside the LEP area will significantly enhance the quality of project outcomes.
 - The <u>West Midlands Knowledge Transfer Partnerships</u> offered businesses access to expertise from across 11 regional universities, helping to match business needs with the most appropriate expertise available across the wider area, strengthening the quality of outcomes delivered by the project.
 - The <u>East Midlands Transport Innovation Network</u> offered businesses access to innovation support and opportunities for collaborative R&D projects from five universities across the East Midlands, to enable the best match between business needs and the available expertise in the region.
 - 3) **Specialist Delivery Staff** where recruiting a very specialist delivery team will have a substantial impact on the quality of project outcomes.
 - The <u>Finance for Business North East</u> (JEREMIE) project relied heavily on recruiting fund managers with high level skills and experience in order to make good quality investment decisions which would yield strong returns for the legacy fund. Larger schemes are typically better able to attract higher quality fund managers.



- The <u>East Midlands Healthcare and Bioscience Innovation Network</u> supported a core team of sector specialists to provide advice and support to businesses across the region. Having a central team of around eight full time equivalent posts allowed a strong mix of expertise to be assembled, which would not have been possible operating at a smaller scale.
- 4) **Creating Competition** where having a large base of potential clients allows the project to selectively focus its investment on priority beneficiaries.
 - The <u>East of England Low Carbon Innovation Fund</u> sought to generate returns from venture capital investments in low carbon innovation. To achieve strong returns it needed to be highly selective in choosing investments, and benefitted substantially from having a large pool of potential clients to choose from in order to maximise returns and create a legacy fund for future investment.
 - The West Midlands Transport Innovation Network supported collaborative R&D projects between businesses and universities to generate new jobs and economic growth. Operating across the whole region ensured a wider range of collaboration options were available and allowed the project to invest in the higher quality R&D projects which offered greatest growth prospects.
- 5) **Co-ordinating Expertise for Strategic Leadership** where engagement across a wider set of partners with high levels of expertise can allow the project to assert strategic leadership in its policy area, particularly for sector development.
 - The <u>North West Virtual Engineering Centre</u> was a regionally significant investment to support the aerospace sector, and as such was able to work closely with major industry bodies including BAE Systems and Airbus. The sector intelligence, foresight and industry contacts of these partners strengthened delivery planning for the project and helped the Centre to support strategic sector leadership in the region.
 - The <u>East Midlands Healthcare and Bioscience Innovation Network</u> is delivered by Medilink East Midlands and significantly strengthens its capacity as a regional sector body. Alongside the direct delivery of business support, the project helps Medilink to have an overview of sector development, to network and link up partners in new ways, to be a hub for sector intelligence, and to advise inward investment teams and other partners on sector development.
- 6) **Reducing Costs** where delivery across a larger area creates genuine economies of scale and reduces overall delivery costs.
 - The <u>East Midlands Enterprise Inc</u> project offered a common package of support to over 800 graduates looking to start a business across the region, through a network of seven universities. By having a central co-ordinating team and through a number of innovative mechanisms introduced to simplify delivery processes, the project has delivered significant cost savings compared to a dispersed delivery approach.
 - The <u>Superfast Cornwall</u> project was a major £130m investment across the whole county, and due to the critical mass of activity, enabled a more efficient and flexible delivery plan, giving higher quality outcomes and lower delivery costs than alternative more localised broadband investment solutions.



- 7) **Simplification of Enterprise Support** where a larger strategic project can provide a single gateway to support and / or simplify the route through which local enterprises access support.
 - The <u>Key Fund Yorkshire</u> project delivered a standard support package to social enterprises seeking debt and equity finance support across the region. With one overall fund common across the region, social enterprises had a single gateway, making it clear and easy to investigate and access a range of financial support options.
 - The <u>East of England Resource Efficiency East</u> project was a regional project delivering advice and support to businesses on enhancing resource efficiency. Although an effective regional project, partners recognised that other overlapping resource efficiency programmes in the region created confusion amongst beneficiaries and may have led to inefficiencies. A simplified offer to businesses is important for greater clarity and simplicity, and to avoid inefficiencies in public interventions.
- 8) **Sharing Good Practice** where knowledge sharing is enhanced across a collaborative project, helping to strengthen project delivery and outcomes achieved by all delivery partners.
 - The <u>East Midlands Enterprise Inc</u> project incorporated a best practice group of project deliverers from the seven participating universities, able to share ideas on marketing and delivery of projects, enhancing the quality of activity delivered across all areas.
 - The <u>Key Fund Yorkshire</u> project comprised six delivery bodies across the region and secured significant benefits from sharing delivery approaches and market intelligence between participating members, helping them to better target beneficiaries and deliver services effectively. It also strengthened relationships between these bodies and enhanced referrals between them.

The Scope for Collaboration

- 2.3 As part of the project, Regeneris held a series of 19 face-to-face meetings with senior programme leaders and delivery bodies which explored the appetite for closer working. Consultees indicated that the scope for intervention was limited by a number of important considerations.
- 2.4 The most consistent message to emerge from the consultations was that collaboration would only be considered by LEP boards where a clear business case could be made. While there was broad support for the concept of closer working (even this was qualified by one or two staff), the degree of intellectual and emotional capital invested in individual LEP identities means that board members need to be convinced of the merits of each prospective joint initiative.
- 2.5 As part of the business planning process, both inputs and outputs associated with the intervention need to be clearly stated and agreed. This was a particular issue for some of the larger LEPs which have been more successful in drawing down existing funding from BIS and CLG. Here it was felt that the burden of delivery and central project costs had been disproportionately borne by larger bodies. At the same time there was some annoyance that smaller LEPs have assiduously ring-fenced their share of the outputs.
- 2.6 Despite this apparent antipathy, there was widespread willingness amongst all contributors to acknowledge the importance of best practice and of having one organisation or delivery body



- **lead the project**. This was essential to secure clear lines of responsibility and minimise the duplication of expensive infrastructure or administration.
- 2.7 Contributors were at pains to state that the basis for collaboration must be a shared self-interest, and that this often meant a sector rather than a geographic focus. In many cases the sector geography does not follow the East-West axis, but is more focused on North-South connections. This was particularly true of the Food and Drink and agricultural sectors, where specialisms were determined by the pattern of natural resources.
- 2.8 Finally, there was evidence across all the LEPs that rural areas and their representatives have some sensitivities about collaborative projects being designed solely for and on behalf of the three large urban centres (Nottingham, Derby & Leicester). In this sense the benefits of collaboration need to be articulated not just to LEPs, but within LEPs themselves.

Achieving Successful Collaboration

- 2.9 It should first be noted that developing a collaborative project is rarely straightforward, and it will not make sense to collaborate across LEP areas for every type of intervention. Indeed there are several reasons not to pursue collaborative projects, for example:
 - A LEP area may have investment priorities that other LEPs do not share
 - Collaborative projects can force unwelcome compromises over what will be delivered
 - Collaborative projects can be time and resource intensive to design and develop
 - There may be nobody willing to take on responsibility to lead a cross-LEP area project
- 2.10 There are three main tests to apply to a potential collaborative project proposition, to help in deciding whether it is practical to proceed:
 - 1) **Is there value in working collaboratively** given the nature of the intervention? If so, it should match one or more potential benefits from the eight categories listed on page 2-4
 - 2) Is there an appetite from partner LEP areas to collaborate? This could be neighbouring areas, or it could be LEPs from elsewhere across England
 - 3) Are there existing delivery vehicles or a natural lead partner that can drive the process of designing and delivering the project?
- 2.11 Nationally, government has already established 'Opt-in' arrangements, which are effectively multi-LEP collaborative projects, led by suitably positioned national bodies, such as the Manufacturing Advisory Service and UK Trade and Investment. Many LEPs have already taken the decision to collaborate through this route.
- 2.12 There will be many other intervention areas, however, where LEPs need to review opportunities for collaboration, and pursue these individually where this is the most appropriate route.
- 2.13 Table 2.1 on page 7 sets out a breakdown of a range of intervention types under the 2014-20 European Structural and Investment Fund Programmes and provides an assessment of the areas with greatest potential for collaborative projects to be developed, based on the outlined in paragraph 2.10:
 - **Value** based on whether the indicative action is likely to deliver a number of the potential benefits of collaboration outlined above.
 - Interest setting out the number of East Midlands LEPs, specifically highlighting that intervention area in their European Structural and Investment Fund Strategies (these seven



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- LEPs being: D2N2, Leicester and Leicestershire, Greater Lincolnshire, Northamptonshire, SEMLEP, Sheffield City Region and Greater Cambridge & Greater Peterborough).
- **Vehicles** whether there are existing relevant organisations in place to potentially lead the design and development of collaborative projects.
- Overall Potential based on a combination of the above factors.
- 2.14 Table 2.1 provides a long list of intervention areas where there appears to be greatest potential for collaboration. However, there will still be projects where this is not appropriate. Equally in intervention areas where there appears to be weaker potential, there may be projects which would benefit from a collaborative approach.



Table 2.1 Indicative Assessment of Cross-LEP Collaboration Potential by ERDF Intervention Area under the 2014-20 Programme

Relevant Thematic Objective	Type of Activity	1. Value	2. Interest (out of 7 LEPs)	3. Vehicles?	Overall	Comment
1. Research,	Innovation Capacity Support	Yes	6	No	Yes	
Technological	Innovation Networks	Yes	3	Yes	Yes	Existing i-Nets could take a lead
Development &	Knowledge Transfer Projects	Yes	6	No	Yes	
Innovation	Collaborative Research and Innovation	Yes	5	No	Yes	
	Demonstrators / Capital Investment for R&I	Possible	4	No	Yes	
	Innovation Incubation Space	No	4	N/A	No	Likely to be localised investments, so not collaborative
	Graduate Entrepreneurship	Yes	4	Yes	Yes	EM Incubation Network could take a lead
2. Access, Use, Quality of	Take up of ICT / Broadband	Yes	6	Yes	Yes	East Midlands Councils could take a lead
ICT	Broadband Capital Investment	Yes	3	No	Yes	
3. Competitiveness of	General Business Support / Hubs	Possible	7	Yes	No	Likelihood that these will be bespoke for each LEP area
SMEs	Sector Support Programmes	Yes	4	Partly	Yes	Some national and regional sector bodies could take a lead
	Enterprise Projects	Possible	6	Yes	Yes	One of the larger LEPs could provide a lead here, assisted by EMC.
	Exporting Support	No	7	N/A	No	This is being led nationally through the UKTI opt-in
	Financial Instruments	Yes	7	Partly	Yes	SEMLEP leading on development of a financial instrument
	Investment Readiness Support	Yes	4	Partly	Yes	SEMLEP leading on development of a financial instrument
	Inward Investment	Possible	5	Yes	No	Likelihood that these will be bespoke for each LEP area
	Incubation and Grow-on Space	No	4	N/A	No	Likely to be localised investments, so not collaborative
4. Low Carbon Economy	Energy Efficiency Support for SMEs	Yes	7	No	Yes	
	Energy Efficiency for Housing	Possible	4	Yes	No	Likelihood that this will be nationally led through an opt-in
	Low Carbon Technology Development	Yes	4	No	Yes	
	Commercialisation of Low Carbon Tech	Yes	4	No	Yes	
	Low Carbon Infrastructure Projects	No	4	N/A	No	Likely to be localised investments, so not collaborative
	Low Carbon Demonstrators	No	3	N/A	No	Likely to be localised investments, so not collaborative
	Community Renewables Support	Yes	2	Partly	No	Limited interest in developing cross-LEP projects
5. Climate Change	Flood Risk Management	No	3	N/A	No	Likely to be localised investments, so not collaborative
6. Envt & Resource Eff.	Green and Blue Infrastructure Projects	No	3	N/A	No	Likely to be localised investments, so not collaborative
7. Sustainable Transport	Sustainable Transport Infrastructure	No	2	N/A	No	Likely to be localised investments, so not collaborative
8. Other	Technical Assistance	Yes	N/A	Yes	Yes	East Midlands Councils could take a lead



3. Areas of Collaboration

- 3.1 Table 2.1 provided the basis for a workshop between EMC and Regeneris held on 11th November 2014, where attendees from EMC, LEPs and local authorities used a Delphi type exercise to rank these areas in terms of their overall potential collaborative appeal. Attendees were assisted in this task by consulting the latest European Structural Fund Investment Strategies from each Local Economic Partnership. Regeneris then took the result of this exercise as the basis for a series of consultations with individual delivery bodies and LEPs.
- 3.2 Based on these consultations, Table 3.1 summarises the scope of potential collaboration opportunities between LEPs in the East Midlands.

Table 3.1 Concepts for Collaboration: Initial Thoughts				
Type of Collaboration	Scope	Timescale	Details	
Procurement, Management and Delivery Opportunities	Thematic (cross sector)	Immediate	Procurement collaboration through former ESIF opt-ins:	
Bilateral 'Plus' Opportunities	Sectoral	Short Term	 Expanding existing projects formally or informally to one or more additional area (s): Transport (rail) and wider Engineering Support Mechanisms Motorsport Broadband Promotion Food Science (Food and Drink more widely) 	
New Strategic Opportunities	Strategic	Medium Term	 Agri-Tech & Food Science Life Sciences Market Access Energy Market Towns 	

Procurement, Management and Delivery Opportunities

- 3.3 The first type of potential collaboration are for those projects with immediate scope for cooperation around procurement, management and delivery. These revolve around the former optin arrangements which were designed for top-up services to core programmes to be paid for through European structural funding. The opt-in process was originally designed to be a light touch process and was developed to allow LEPs and their partners to join with national organisations/ programmes to deliver key priorities. By opting-in to a service offer from a national organisation, a LEP would commit part of its European Structural Fund allocation to the programme. In return, the LEP accessed match funding and administrative support.
- 3.4 Arrangements for the opt-ins have since been revised in the light of new procurement advice and policy revisions. Government is also promoting joint ERDF/ES bids. It has been decided that there will be no direct commissioning across any of the LEPs and instead procurement will be based on open bidding rounds. In other words, all potential delivery partners will have to bid to individual LEPs.



- 3.5 This new situation creates a need to co-ordinate elements of the tendering activity. Several delivery partners have explained that unless tendering activity in the East Midlands is managed, then delivery bodies face the prospect of being overwhelmed with bidding activity. In these circumstances core delivery bodies could be forced to prioritise their bidding activity, leaving some parts of the region unable to procure quality services.
- 3.6 There are three layers of response. Firstly, East Midlands LEPs could collaborate to schedule procurement activity so as to minimise conflicts. Secondly, LEPs could work together to ensure that tendering documents, processes and specifications share common language and formats. Third, LEPs could jointly procure certain services across boundaries. The greatest scope for this kind of collaboration relates to the former Manufacturing Advisory Service opt-in, where all the LEPs have programmed some activity in their published European Strategic Investment Frameworks (ESIFs) strategies. Here the emphasis should be on providing a core service contract, while permitting individual LEPs to vary aspects of local delivery.
- 3.7 Growth Accelerator is another leading candidate for third level collaboration. However, LEP experience of Growth Accelerators has been more mixed, and we do not believe that there is the same appetite for joint working. Rather, both Growth Accelerator and UKTI services are candidates for timetabling and process collaboration.
- 3.8 Skills and the SFA arena provide another area for potential deep level collaboration. This is because skills interventions are core elements of every LEP investment strategy. However, collaboration here is likely to be limited to two or three smaller LEPs, largely because D2N2, SEMLEP and LLEP have progressed further in skills planning than in other areas. This does not mean that collaboration would be impossible to secure, just that it is likely to be more limited in scope and project rather than programme based.
- 3.9 A powerful model for collaboration is provided by the current work on Financial Instruments for SMEs. Here, the East Midlands LEPs are committed to working together to establish whether there is a rationale for investment, to design an appropriate suite of interventions, and to work with the European Investment Bank (EIB) on a fund structure to provide the matched funding for any initiative. While not committed to a particular outcome, this shows how cross LEP collaboration can be used to provide better designed policy interventions. The difference here is that Regeneris, the Department for Communities and Local Government (CLG) and the European Investment Bank have provided an appropriate vehicle and forum to enable collaboration, and that there is an obvious and clear business benefit in terms of resources and expertise.

Bilateral 'Plus' - Project Level Collaboration

- 3.10 The second type of collaboration is for short to medium term opportunities, which tend to be more sectoral in focus. Here the opportunity is for bilateral or trilateral collaborations on a project by project basis. This suggests a less formal collaboration, more focused on sharing best practice rather than finance or administration. This is also the most difficult of the three levels of collaboration to map.
- 3.11 The opportunities here reflect existing or planned projects that have already secured some level of traction in one or more LEP. At the very simplest level this could mean exporting best practice or linking sector interventions from one region to another. An example is provided by the motorsport sector. SEMLEP has successfully targeted advanced engineering and the motorsport sector as a strategically important growth opportunity. Several projects and interventions are already underway, including a flagship £2.7m investment in Silverstone Park and related skills themes in the ESIF. However, some of these lessons could be transferable on a bilateral basis to the much smaller motorcycle cluster centred in Caldwell Park in Lincolnshire.



- 3.12 A further example which could provide a link through to wider strategic collaboration is in the transport sector. This is related to rail and advanced engineering support. Rail is a strategically important sector particularly in Derby, Sheffield and the wider East Midlands, yet representative bodies seem to hold different views on the importance of collaboration. However, there are a number of existing or planned interventions that could provide a worthwhile platform for joint working. One such programme is being developed by the Rail Alliance, and seeks to train and equip supply companies to be able to bid for large rail contacts. The support offered allows companies to meet the regulatory and quality standards required by the industry, and educates companies in the routes to market. This programme will share many features with the Fit for Nuclear (F4N) initiative run by the Nuclear Advanced Manufacturing Research Centre (NAMRC) in Sheffield, and provides a solid basis on which wider collaborations may be based.
- 3.13 This is an important point. Meaningful collaboration cannot be achieved overnight. In some sectors, particularly those with established sub-regional delivery and representative bodies, it will be necessary to begin with a number of smaller scale interventions around which wider regionally based collaboration can coalesce. Such collaboration would also satisfy LEP board members' interest in having clearly scoped out business plans and objectives.
- 3.14 Broadband collaboration offers another potential vehicle for cross LEP working. Here, the emphasis has shifted from infrastructure provision to equipping businesses to make best use of existing connectivity. Most of the LEPs consulted as part of this exercise, recognise the need to provide some form of mentoring and support to enable entrepreneurs to exploit digital connectivity more effectively. While these are articulated in the draft ESIF documents, we would suggest that there is scope for bilateral or wider co-operation in the design and delivery of this service, particularly in more rural areas.
- 3.15 The area of Food and Drink offers great potential for a more coordinated approach. As things stand, this sector is recognised as a key sub-regional strength across the East Midlands. Here the geography of collaboration is less clear, with some areas (eg Lincolnshire) favouring a North-South rather than an East-West axis. There are a number of individual planned and actual projects that could have relevance for other LEPs, but there is a degree of competition and rivalry which could threaten closer working. Key areas around which bilateral collaboration may be built include the provision of wider vocational skills, as well as higher level skills around the Food Science arena. Food Science is a real and pressing concern for manufacturers and producers alike, and initiatives currently underway with the Food and Drink iNET (apprenticeship and access to Science support) may offer a worthwhile way of building collaborative links.

New Strategic Opportunities

- 3.16 The third form of collaboration will have a longer term perspective and focus on wider strategic opportunities which match wider growth opportunities in the region. We have identified five potential areas where this type of approach could lay the foundations for closer working.
- 3.17 The first is related to agri-tech and the wider Food and Drink industry. The sheer number of projects and initiatives underway in the region, and the importance of both food processing and production means that there should be scope for better coordination. The wider strategic opportunity could include logistics, research, training and MAS type interventions. The vehicle for this work could either be a new leaders' forum, or a delivery based group using the goodwill generated by the Food and Drink iNET.
- 3.18 The second area for potential strategic collaboration is the wider Life Sciences arena. Although there are particular sub-regional strengths in biotechnology, medical devices and pharmaceuticals, the wider potential of life sciences is not fully recognised by the LEPs. In particular, a number of interventions and concerns relating to social care and embedding NHS activity into local supply



- chains have been raised by consultees. Here the Nottingham area and D2N2 would provide a natural focus for the work.
- 3.19 The third strategic opportunity relates to the energy sector. The East Midlands and Midlands more widely benefit from existing collaboration between universities in the Midlands Energy Consortium and in the activities of bodies such as the Energy Technology Institute with its strong links to innovation and leading energy and engineering companies. There is also the possibility that the region will play host to the Energy Systems Catapult although an announcement from BIS is not expected until later in the year. Within this context, a number of LEPs have already developed plans for their own energy sectors, most notably D2N2. However, it is clear that these have been developed in isolation, and that little coordination has occurred between LEP areas.
- 3.20 The scale of the opportunity in energy should not be underestimated, and the East Midlands could position itself as one of the most innovative and productive regions in Europe. Crucially, there are a number of projects at the planning stage which could act as a catalyst to wider collaboration. One such project centres on piloting local energy storage technologies, which would allow grid access to renewable projects currently stymied by network restrictions imposed by infrastructure companies. Another 'demonstrator' project may focus on technologies related to local heat generation. Finally, there may be a shorter term opportunity to help energy companies address funding issues through the related East Midlands work-stream on financial incentives.
- 3.21 The final two areas of strategic collaboration are less well defined, and more cross-sectoral in scope. The first relates to Market Access, and in particular equipping firms to become part of wider industry and government supply chains. This could build on the work of MAS and the rail sector, and help position East Midlands SMEs to win contracts from large public sector and infrastructure projects. Consultees from across the region highlighted the potential of this type of activity for local companies, and acknowledged that there was a capability gap in many smaller businesses.
- 3.22 The last area is all about securing the prosperity of market towns. Market towns are a feature of every LEP, and although a number of project and programmes have a direct impact on well-being, there is no strategic oversight of what works, how it works, and how to bend mainstream programmes to enhance welfare.

A Note on Low Carbon

- 3.23 The Low Carbon Economy forms an important part of European structural fund architecture. As Table 2.1 indicated, while each LEP has Low Carbon as an integral component of their European Structural Investment Frameworks, the appetite for collaborative working in this arena is limited because action tends to be focused on local initiatives and projects.
- 3.24 Part of the reason for the lack of appetite in this area is the lack of regional body or institution leading on the Low Carbon agenda. Without this lead entity there is no focus for LEPs to coordinate their activity or planning. Considering the importance of the Low Carbon agenda to the European funding streams, we believe that this is a priority area for action for EMC. In particular, we recommend that a task and finish group composed of representatives from councils across the East Midlands and LEPs is convened to appoint a regional low carbon champion to co-ordinate activity and investment.

4. Priorities for Action

4.1 The priorities for action for EMC are broken down into the three headings as outlined in Table 3.1. These are:



- Procurement, Management and Delivery Opportunities
- Bilateral 'Plus' Opportunities (expanding existing projects formally or informally to one or more additional areas)
- New Strategic Opportunities
- 4.2 Priorities have been selected which match the rationale for collaboration outlined in Section 2. To recap, this rationale is linked to 8 considerations:
 - Ensuring critical mass where for practical delivery reasons, a project could only be viably delivered at a larger-than-LEP area scale
 - Securing access to specialist knowledge where the ability to draw on University or other knowledge base expertise from outside the LEP area will significantly enhance the quality of project outcomes
 - The need for specialist delivery staff where recruiting a very specialist delivery team will have a substantial impact on the quality of project outcomes
 - Creating Competition where having a large base of potential clients allows the project to selectively focus its investment on priority beneficiaries
 - Strategic Leadership where engagement across a wider set of partners with high levels
 of expertise, can allow the project to assert strategic leadership in its policy area,
 particularly for sector development
 - Reducing Costs where delivery across a larger area creates genuine economies of scale and reduces overall delivery cost
 - Simplification of Enterprise Support where a larger strategic project can provide a single gateway to support and / or simplify the route through which local enterprises access support
 - Sharing Good Practice where knowledge sharing is enhanced across a collaborative project, helping to strengthen project delivery and outcomes achieved by all delivery partners
- 4.3 We have also been mindful of the practical concerns raised by LEPs and delivery bodies. In particular, the need for a lead body or institution to champion collaboration.
- 4.4 Based on these considerations, we believe that there is a scale of actions that EMC should take in order to improve regional outcomes and secure greater collaboration:

Procurement, Management and Delivery Opportunities

- There is an immediate requirement for EMC to help convene a meeting of local LEPs so that 'opt-in' procurement strategies, documents and processes can be aligned. This could help to co-ordinate activity and save costs, as well as design collaborative work-streams. Without this activity, it is likely that local delivery partners may struggle to reply to individual tenders, and opportunities to secure economies of scale are mixed. This is a short term issue and would be best led by EMC in collaboration with a LEP which has a particular strength in procurement activity.
- There is an immediate requirement to ensure that work on the ex-ante appraisal for SME Financial Instruments reflects the investment needs of energy companies across the region. Regeneris and partners are examining this as part of a parallel work-stream being



undertaken for the European Investment Bank and Department for Communities and Local Government.

Bilateral 'Plus' Opportunities (expanding existing projects formally or informally to one or more additional areas)

- Partners should examine the potential of linking initiatives around advanced engineering
 in motor-racing to the motorcycle cluster centred in Caldwell Park in Lincolnshire. The
 relevant partners here are SEMLEP and Greater Lincolnshire Economic Partnership. There
 is the strong potential for spreading best practice and securing access to some quite
 specialised sector expertise.
- EMC should help establish a task and finish group with the various East Midlands LEPs to determine if there is the basis for collaboration and programme design around broadband promotion. A single LEP should be given the lead on this work, and look to deliver recommendations before contracts are let. There is significant scope here for cost savings and securing some simplification in business support. EMC could play a significant short term role in establishing the terms of reference and membership.
- EMC should ask the Rail Alliance to examine the scope of expanding its Market Access programme to a wider geography. Talks should also include the AMRC at Sheffield to learn lessons from the F4N initiative. The exercise should map the evidence and experience of Market Access Programmes across the region. Again, there is considerable scope for securing access to specialised knowledge and staff, as well as the potential for a sharing good practice between sectors. A working group should be established to examine the case for a wider Market Access programmes. The Rail Alliance could provide an ideal and willing focus for this work.
- There should be an urgent analysis of the skills needs for Food Scientists, which should look
 to pilot a region-wide programme of training and development. The Food and Drink iNET
 could lead on this activity, which would provide a short term way to focus LEPs' attention
 on a sector which features heavily in all local ESIFs.

New Strategic Opportunities

- EMC should convene a new region-wide Food and Drink leaders forum to co-ordinate activities and outline best practice. The Food and Drink iNET could be asked to provide the secretariat for this group.
- A wider regional Life Sciences study should be undertaken. This will establish whether there
 is a basis for wider collaboration. The ideal lead for this activity would be D2N2, largely
 because of the importance of this sector in Nottingham, and the expertise of local delivery
 partners. The long term opportunity here is to spread best practice while providing a
 vehicle for more strategic regional leadership for an increasingly important growth sector.
- EMC should collate all the evidence relating to Market Towns in the region. If there is a prima facia case for greater collaboration, a cross LEP group should be formed to produce a business case for further action. This is a short term activity which could be completed before March 2015.

Leadership

vii. Many of these areas require a single LEP, local authority or other agency to act as a catalyst for further collaboration. In the short term to medium term, this role is crucial to quickly facilitate



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actions. But the role is equally important for the longer term strategic projects where the returns for individual LEPs may not be immediately apparent. By taking a regional perspective, EMC is ideally placed to smooth this collaborative process.



5. Case Studies

Case Study 1: Healthcare and Bioscience Innovation Network (iNet)

Lead Organisation:	Medilink East Midlands			
Supporting Organisations:	,	Leicester, Nottingham Trent,		
	Loughborough, De Montfort	, Derby.		
	NHS Innovations East Midlands			
	Biocity, Nottingham			
Area of Delivery	East Midlands			
Case Study Contact	Dr Rosamund Graves, Ros@medilinkem.com			
Project Value	ERDF Contribution Other Match Funding			
£6.2m	£2.4m £3.8m from a combination of			
	businesses and universities			

Project Description

The project provides an East Midlands wide innovation support programme to businesses, universities and individuals working, or looking to move into, the healthcare and bioscience field, to develop and commercialise new technologies, processes, products and services.

The project supports grant funding to SMEs for innovation projects, funding for collaborative R&D (primarily between two or more universities or knowledge based institutions), a team of innovation advisors based within Medilink East Midlands, and a series of events and networking opportunities for the sector.



How the Project was Designed and Developed

The focus sectors for a series of innovation networks in the East Midlands were identified in the Regional Economic Strategy, led by the East Midlands Development Agency (*emda*). Medilink East Midlands was already established as the region's life sciences network and after being invited to bid to lead the Healthcare and Bioscience iNet, was successfully appointed to this role.

The first phase of the project was funded directly by *emda*, and so Medilink was already in place to take forward the second phase (which was part ERDF funded). This involved assembling the project and developing relationships with project partners (particularly the eight regional research intensive universities as well as regional research intensive NHS Trusts), and designing the project in consultation with partners in order to ensure all were on board and would benefit from the scheme.



The project was designed with a strong central team (eight full time equivalent posts), including contract management and administration, business advisors, and event managers.

Maintaining relationships and engagement with partners across the region has been an important focus for the Medilink team in managing this project, and they are proactive in attending events and activities across the region in order to maintain strong visibility and partner relationships across all areas.

Project Impact						
Outputs Achieved • 151 Businesses Assisted						
	42 Businesses in New Collaborations with the Knowledge Base					
Results Achieved • 84 Jobs Created						
13 Businesses Created or Attracted to the Region						
£5.7m Gross Increase in GVA						
Commentary on Project Impacts						

The output and result impacts relate to Phase 2 of the Healthcare and Bioscience iNet which has now been completed (Phase 3 of the project is underway). Based on total project cost, the average cost per business assisted (2-day business assist) under Phase 2 was around £41,000 per business, and the cost per job created around £74,000. The project was additionally delivering against a series of Single Programme fund targets, and for example provided an additional 400 shorter business assistance outputs)

Although higher than typical cost-per-job benchmarks, the jobs created under this type of scheme would typically be higher skilled, higher value jobs, and the wider economic benefits for innovation and collaborative R&D projects of this nature are typically not captured until a number of years after the intervention. For example, new products and processes may require further refinement and testing, regulatory requirements need to be addressed and approvals secured, and intellectual property rights may need to be sought before any commercial benefits begin to be realised.

Benefits of the Collaborative Approach

- Specialist delivery staff having a central team of around eight full time equivalent posts allowed a strong mix of sector expertise to be assembled, which would not have been possible if delivered at a smaller scale.
- Creating competition delivering this project across the full region allowed for a larger number of universities and NHS Trusts in the sector to be engaged, and allowed the project to be more selective in making investments in collaborative R&D projects, enhancing the quality of project outcomes.
- Co-ordinating expertise for strategic leadership the project resources strengthen the
 overall capacity of Medilink East Midlands, helping it to take on a stronger sector
 leadership role, including identifying new links and opportunities for collaboration across
 research bodies and businesses, and crossover opportunities with other local sectors,
 providing sector intelligence to partners, and contributing to wider economic strategy and
 inward investment planning.
- **Simplification of enterprise support** the project provided companies in this sector with a single access point for a range of sector-specific business support. Separate, smaller, geographically specific projects could not offer this.



Case Study 2: Transport Innovation Network (iNet)

Lead Organisation:	Loughborough University			
Supporting Organisations:	Universities of Nottingham, De Montfort, Leicester, Derby			
	and Lincoln			
Area of Delivery	East Midlands			
Case Study Contact	John Frodsham, j.s.frodsham@lboro.ac.uk			
	Dr Kathryn Walsh, <u>K.Walsh@lboro.ac.uk</u>			
Project Value	ERDF Contribution Other Match Funding			
£9.7m	£4.1m £3.4m public			
	£2.3m private			

Project Description

The Transport Innovation Network (iNet) was set up to increase innovation capacity, capability and R&D activity in the sector's SMEs and universities, in order to improve economic performance across the East Midlands.

The Transport iNet project provides support to businesses in the transport manufacturing sector and its supply chain through:

- innovation, advice & guidance support
- collaborative R&D grants
- knowledge based engagement
- supply chain brokerage support
- events and graduate placements.





How the Project was Designed and Developed

The East Midlands Development Agency (*emda*) identified priority sectors for a series of innovation networks in the Regional Economic Strategy. Loughborough University was invited to bid to lead the Transport iNet on behalf of the region given its relevant research strengths, and was successfully appointed to this role.

The University received funding support from *emda* to develop the iNet model, bring partners together and writing the funding bid.

The model was set up as a semi-detached body from the university, to clearly demonstrate independence from university influence and to ensure neutrality when mini competitions were held relating to collaborative R&D projects, to which all regional universities could bid.

The project was overseen by an internal management committee and supported by a strategic advisory panel involving representatives from universities, sector representative bodies, and private sector firms.

Project Impact						
Outputs Achieved or • 482 Businesses Assisted						
Expected by 2014	•	176 Businesses Collaborating with the Knowledge Base				



Results Achieved or Expected by 2014 149 Gross Jobs Created

Commentary on Project Impacts

Based on total public sector cost and the expected performance to the end of 2014, the cost per business assisted would be around £15,000, and the cost per job created around £50,000. This is higher than national benchmarks for ERDF projects in 2007-13¹ (mean cost per job created of around £26,000) however reflects the typically higher skilled, higher value nature of jobs created under innovation projects and the longer term nature of collaborative R&D investments, which bring innovative research nearer to market and commercial exploitation however tend not lead to immediate job creation.

An external evaluation of the project was undertaken in May 2013, including a detailed impact assessment. This showed that by the end of 2014, the project was expected to have generated more than 170 net additional jobs and over £15m of net additional GVA. This would equate to a return on investment of around £2.00 net additional GVA for every £1 public funding invested.

The project has been very successful in ensuring a spread of beneficiaries across the region with 28% of businesses in Leicestershire, 26% in Derbyshire, 19% in Northamptonshire, 16% in Nottinghamshire and 11% in Lincolnshire.

Benefits of the Collaborative Approach

- Access to knowledge base across LEP areas more than half of the supported R&D projects involved collaborations between businesses and universities from different LEP areas. Matching businesses with the right knowledge based partner (not necessarily the closest) has been vital in achieving high quality R&D projects.
- Creating competition delivering the project across the full region allows for a larger number of companies in the sector to be engaged, and allows the project to be more selective in making investments in collaborative R&D projects, enhancing the quality of project outcomes.
- Specialist delivery staff a central advisor team operating across the region provides a cost effective way to offer specialist sector specific support. Smaller scale projects would be unlikely to have the same ability to recruit the mix of skills and expertise provided in the centralised team.
- **Simplification of enterprise support** the project provided transport manufacturing sector companies with a single access point for a range of sector-specific support. This gave businesses clarity and simplicity in accessing support for growth, compared with the alternative of a number of separate, smaller, geographically specific projects.

¹ 2007-13 benchmarks drawn from Regeneris Consulting (2013) *England ERDF Programme 2014-20: Output Unit Costs and Definitions*



Case Study 3: Superfast Cornwall

Lead Organisation:	Organisation: Cornwall Development Company (CDC)			
Supporting Organisations:	• BT			
	Cornwall Council			
Area of Delivery	Cornwall and the Isles of Scilly			
Case Study Contact	Julian Cowan,			
	Julian.cowans@cornwalldevelopmentcompany.co.uk			
Project Value	ERDF Contribution	Other Match Funding		
£132m	£53.5m	£78.5m (Private sector)		

Project Description

Superfast Cornwall is a project aimed at bringing fibre broadband to businesses, individuals and communities across Cornwall and the Isles of Scilly. The project's initial aim was to make fast, fibre based broadband available to at least 80% of homes and businesses in Cornwall, and this was later extended to 95%. The fibre broadband rollout will improve the lives of the people of Cornwall and the Isles of Scilly, and boost the local economy.

As well as the main capital fibre optic roll out programme, Superfast Cornwall formed a partnership with Citizens Online and BT as part of the digital inclusion strand to achieve "Get IT together" project targets. Activities included the commissioning of Citizens Online to deliver targeted workshops and training sessions, and develop a network of volunteer digital champions to enable more people to get online in Cornwall.



How the Project was Designed and Developed

The Superfast Cornwall project evolved from its predecessor project, Act Now Cornwall, which finished in 2007/08. Several key post-holders transferred across to this project from Act Now, ensuring high levels of expertise in development of the new project, and helping to sell the idea to stakeholders, secure funding and lead other vital inputs in the initial stages of the process.

Key partners involved in developing and delivering the project were Cornwall Council, South West Regional Development Agency, BT and the EU. Designing the project involved extensive consultation, particularly with regards to how the strategy could be best implemented, with Cornwall Development Company (CDC) taking on the role of contract holder and the lead in coordinating and writing the bid. This led on naturally from their management role for Act Now Cornwall and other major infrastructure projects in the area.



Superfast Cornwall was designed as a major strategic project to deliver fibre optic broadband across all of Cornwall, as opposed to other broadband delivery projects such as the national Rural Community Broadband Fund which delivered much more localised level investments.

Project Impact Results Expected for Project Overall • 10,000 businesses connected • 2303 jobs created • £92m GVA created • 3,041 jobs safeguarded • £125m GVA safeguarded Commentary on Project Impacts

Based on the expected performance of the project, and total public sector investment, the cost per gross job created would be approximately £23,200. These figures compare well to national benchmarks for ERDF projects in $2007-13^2$, which had a median cost per job created of £26,000.

An external evaluation of the project was undertaken in November 2013 which provided useful analysis on project performance to date. The original target coverage was to make fast, fibre based broadband available to 80% of the 253,000 premises in Cornwall by the end of 2014, however this increased to a target coverage of 95% of premises as a result of efficiency savings made through innovative technology used in the roll out.

The project is ahead of target for both the number of premises that have been passed with fast, fibre based broadband and for the number of connected premises (ie those subscribing to a superfast broadband service).

Benefits of the Collaborative Approach

- Reducing costs through economies of scale due to project delivery at the county wide level, and the critical mass of activity associated with superfast broadband roll out, CDC and BT were able to develop a more efficient delivery plan, giving higher quality outcomes and lower delivery costs than alternative localised broadband investment solutions. It also supported the improved project coverage target from 80% of premises by the end of 2014 to 95% of premises. The scale of the project enabled greater scope for extending existing network(s), which is inherently cheaper than building new, parallel networks.
- Co-ordinating expertise for strategic leadership the scale of the project meant it was better positioned to engage with a wide range of partners and stakeholders with higher levels of expertise and larger networks, which contributed to both the strategic leadership of the project and the promotion of the scheme to drive up take up rates.
- **Simplification of enterprise support** a larger strategic project enabled BT and CDC to collaboratively develop and implement the Superfast Cornwall brand across the county which helped simplify the project offer for beneficiaries and aided greater understanding of the benefits of the project, compared to several projects offering similar interventions.

² 2007-13 benchmarks drawn from Regeneris Consulting (2013) England ERDF Programme 2014-20: Output Unit Costs and Definitions



