South West RDA

Economic Development Guide

These documents have been written as the Agency has been in the process of closing down and transferring some of its responsibilities to other organisations. This knowledge legacy work has had to be fitted in around, not only our busiest ever operational year, but also our intensive Transition & Closure Programme. Several of the staff involved have already been made redundant and the others will be leaving over the coming months. We are delighted, and proud, that our colleagues have continued to show such commitment and professionalism, despite the difficult situation.

These documents have been put together by Sadie Moisan, Kate Relph, Jo Johns, Tim Harris, Kate MacDowall, Donald Barr, Andy King, James Harper, Ian Watson, Nigel Jump and Simon Hooton – supported by many others from across the Agency.

This is one of four documents that have been produced by the South West RDA in order to share our knowledge and experience of delivering economic development across the South West, over 12 years.

The other three are:

South West RDA – A Short History
A look at why and how RDAs were created, and how the South West RDA has developed and delivered over its lifetime.

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South West RDA – The Economics Story
A detailed look at the current state of the region's economy and the things that will shape the economy in the future.

ES Read more... p

Reflections and Lessons
A look at what we've learnt, identifying specific and general lessons from our work, based on evaluation, research reports and professional experience.

RL Read more... p

The arrows above are used throughout and indicate links for further reading in the other documents, shown by colour, initials and page number.

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Contents

Executive Summary

This guide draws on the specific experience of the South West RDA and is designed as a practical toolkit for organisations involved in economic development.

It offers a range of techniques and approaches for tackling economic development projects and sets out some of the key questions and issues that project teams need to address. While there are examples of good practice from the South West, the Agency hopes it will be useful to national as well as sub-national organisations.

Principles of Economic Development

Economic development is the process of achieving rising prosperity for all through sustainable growth and employment. Its main objective is to create the skills, infrastructure, business environment and social context to enable countries, cities, towns and villages to perform to their full economic potential.

Raising growth and prosperity requires policies delivered both at the national and sub-national levels. At the national level, policies should encourage macroeconomic stability that helps businesses and individuals plan with certainty for the long term; while at sub-national level, policies should foster enterprise, innovation, skills and investment that businesses and individuals need to deliver their plans.

All too often, economic development is driven by one specific objective and without fully considering wider - or future – impacts. Such unsustainable economic development can cause considerable damage, from large-scale financial crises caused by short termism, to changes in global climate resulting from our dependence on fossil fuel-based energy sources. Successful economic development, therefore, caters for all the consequences of taking action, not just the immediate or most obvious ones.

Successful economic development is a shared endeavour. It involves many partners working together to build a common understanding of the challenges and opportunities they face. They then agree a set of shared objectives designed to mitigate the challenges and capture the opportunities.

Objectives and Planning

These shared objectives should be expressed in a plan that also sets out how they can be delivered. It should take account of other relevant strategies and policies that exist at European, national and sub-national level.

An economic development plan should benefit from clear goals and extensive consultation. It should also recognise and understand that in bringing partners together there will inevitably be competing interests which must be managed.

Evidence plays a central role in strategy development by helping to establish a factual understanding of the issues in hand, and by informing the selection of possible solutions with the reality check of what is likely to work.

There is then the issue of deciding what to do to meet the objectives of the strategy and plan. Often, the dilemma will appear as straightforward as deciding whether to say yes - does an activity fit the strategy, is public intervention justified, are there enough available resources?…and so on.

Risks must also be managed, and are best identified using the same procedure that is used in the economic appraisal process. There will need to be a level of planning for unexpected contingencies, which should be matched to the scale of the project.

Turning Plans into Action

Then the ideas must be turned into reality. They must be delivered according to the plan. There are three main approaches to the delivery of economic development activity - funding, bidding schemes, commissioning and direct delivery - and then many connected considerations in terms of project planning and management the guide looks at each of these in detail.

Once the cycle of planning and delivering is up and running, there are many important opportunities to learn from experience and to re-invest this learning into future work. Project monitoring then evaluation, followed by a detailed impact assessment phase will all help assess whether the interventions are correct, and how they can be repeated or improved.

Feedback

Gathering stakeholder feedback is an essential part of the learning process about what works well and not so well in economic development. Many stakeholders will have different expectations and, again, these have to be managed through clear communication and transparency. It is never too early to start the communication process. It is quite common for some stakeholders to have unrealistic expectations about what development organisations can and will do in project development. Having established that consultation and stakeholder involvement is a crucial part of successful economic development, feedback on success or otherwise is vital for credibility and future partnership working.

Alongside the theory and planning of economic development from the South West RDA perspective, this guide also looks at how the Agency put that into practice in a number of key areas.

These include a close look at ‘what’s worked’ in the fields of physical development, attracting investment and working with Europe. The guide also looks at how to work with and respond to changing government priorities and how to withdraw, or ‘exit’, from investments and projects when public intervention has done its job and can no longer be justified.

Organisational and Corporate Issues

There are a series of organisational issues to consider which have been relevant to the RDAs time at the helm and are likely to be so for those following, albeit in a different context. These include the importance of building and maintaining reputation and credibility – to allow you fair passage to follow primary organisational goals – and various aspects of the communications ‘toolbox’ to support effective two-way understanding and support.

Finally, the guide looks at the area of corporate governance – how to set up and organise to best effect – and then a short series of technical and legal issues including the importance of getting to grips with European State Aid guidelines.

Chapter One

Introduction

This section includes:

- The Regional Development Agencies
- The South West RDA
- This Guide

The Regional Development Agencies

England's Regional Development Agencies (RDAs) were launched in 1999[1] to bring fresh vitality to the task of economic development and social and physical regeneration in the regions through a business-led approach.

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The statutory purpose of the RDAs – set out in the Regional Development Agencies Act 1998 – was to

- Further economic development and regeneration
- Promote business efficiency, investment and competitiveness
- Promote employment
- Enhance development and application of skills relevant to employment, and
- Contribute to sustainable development.

RDAs received funding in the form of a single resource pool, to which a number of government departments (principally DCLG and BIS, and their predecessors) contributed. In addition, RDAs managed the European Regional Development Fund (ERDF) and elements of the Rural Development Programme for England, which together added substantially to the amounts that each RDA could direct towards their regional priorities.

The South West RDA

The South West RDA, like other RDAs, brought together a number of economic development structures and funding streams that had been operating at sub-national level. These included:

- Parts of the Rural Development Commission (RDC)
- The regeneration activities of English Partnerships
- Sub-regional inward investment agencies (Devon and Cornwall Development International and the West of England Development Agency)
- Delivery of the Single Regeneration Budget and elements of the skills agenda, both previously delivered by the Government Office of the South West.

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These structures and funding streams provided the starting point for RDA economic development activity.

One of the RDAs' key activities was to draw up and constantly review a 5 to 10 year Regional Economic Strategy (RES) which analysed the region's economy and set out detailed plans of how objectives would be delivered. The RES was developed in partnership with interested regional parties and stakeholders in the public, private and civil society sectors.

The South West RDA published its first RES in 1999 which expressed continuity with the RDA's predecessors with a focus on regeneration, but also introduced a distinctive focus on the environment as an economic driver.

The second South West RES, published in 2002, increased the focus on the environment as a driver of economic growth and included a spatial framework demonstrating the role of the RES in long term development of the region up until 2016.

The third RES for the South West, published in 2006, was built on a much improved evidence base. It was also the first RES in England to identify the need to secure economic growth "within environmental limits".

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1 The London Development Agency followed in 2000

This Guide

This guide, which draws on the guidance provided to RDAs by government, other organisations and on the specific experience of the South West RDA, is a practical toolkit for organisations involved in economic development, particularly when public funds are involved. It offers a range of techniques and approaches for tackling economic development projects and sets out some of the key questions and issues that project teams need to address.

The guide is illustrated with case studies and examples of good practice from the South West, but is intended to be useful to national and local organisations alike.

Chapter Two
Context

This section includes:

- Sustainable Economic Development
- The Role of Economics

Sustainable Economic Development

Economic development is the process of achieving rising prosperity for all through sustainable growth and employment. The principal objective of economic development is to create the skills, infrastructure, business environment and social context to enable nations, regions, localities and neighbourhoods to perform to their full economic potential.

Raising growth and prosperity requires a combination of policies delivered at the national and sub-national levels. At the national level, policies that encourage macroeconomic stability help businesses and individuals plan with certainty for the long term; and policies that foster enterprise, innovation, skills, and investment provide the tools that businesses and individuals need to deliver their plans.

Economic growth, and the ability to capitalise on the opportunities it presents, is not evenly distributed. Even when national level policies are operating effectively, substantial variations in economic performance tend to remain between and within regions. So too do pockets of disadvantage. The role of sub-national economic development, therefore, is to work within national policy frameworks to ensure that local strategy and delivery is responsive to local conditions and that these disparities are considered.

Over the course of the last decade, the term ‘sustainable economic development’ has evolved. At its simplest, sustainable economic development is the process of achieving sustainable levels of growth (that is, growth that can continue within the prevailing market conditions). More broadly, sustainable economic development can be defined as an approach that seeks to secure economic growth within environmental limits, respecting the limits of the planet’s environment, resources and biodiversity and ensuring that its natural resources remain available for future generations.

However, the definition is evolving to include the long term maintenance of human well being. Now that the UK, like most industrialised countries, has achieved high levels of prosperity and material comfort, there is a growing desire to bring together a wide range of economic, social and environmental issues that are not normally ascribed a monetary value into one analytic framework. Taking account of social and environmental factors of well-being more explicitly than in historical economic development practice is a step forward in helping to align economic development policy with how individuals assess improvements in their quality of life.

Regional Index of Sustainable Economic Well-Being (RISEW)

The English RDAs invested in a Regional Index of Sustainable Economic Well-Being (RISEW) as an alternative measure of economic well-being and progress. Starting with a tradition of economic performance (such as GDP or GVA), the RISEW incorporated various economic, social and environmental factors not included in conventional statistics. As expected, because it was accounting for more of the ‘bads’ in our economy, the R-ISEW showed that SW regional well-being grows more slowly than more traditional concepts of output (GVA). Unfortunately, neither this nor the previous government saw the value of this in measuring regional and RDA progress.

The RISEW is not a perfect measure of well being, but it represents a good alternative for some uses, particularly when you wish to assess the quality as well as the quantity of economic activity. By incorporating factors such as environmental degradation and resource depletion, the RISEW gives you an alternative view of what growth in well-being looks like. Importantly, the RISEW shows SW England’s relative position to be the ‘best’ amongst the English regions. With economic output adjusted for other environmental and social factors on which the region scores comparatively well, the region comes out as a great place to live and work.

In the South West, the RDA and partners had an eye to the long term and considered environmental and economic factors when deciding on priorities. A great deal of work was done to understand the impacts of climate change and resource depletion and to benefit from emerging environmental technologies and markets.

The Role of Economics

Economics studies the way people (individuals, households, communities, businesses and governments) make choices. Choice is necessary because resources are scarce. At every spatial level, from planet to family, we are limited in the resources we can deploy - time and energy, land and materials, skills and labour, machinery and systems, finance - to satisfy human desires or needs.

The market system has developed as the main mechanism for people to make their choices and to optimise effective and efficient resource allocation. The market operates through trade between willing buyers and sellers against a framework of agreed property rights and other legal or cultural norms.

Markets do not always work perfectly, however, and may fail because of inadequate price signals or inequalities of power or information. Market failures can reduce the benefits that people (and businesses, regions and nations) might expect from trade and can result in less than optimal resource allocation. When this happens, economic progress may be slower than it should be and prosperity may not rise as much as it should. Some people (and businesses, regions and nations) will consequently lose out. Some market failures result in long term challenges which public sector economic development is designed to address.

Where it is clear that externalities (effects which are external to or outside the market but reflect real value or cost) are resulting in market failure and missed opportunity, the public sector may seek to influence the market through:

- The fiscal system (introducing tax incentives, for example)
- Regulation (reducing tariffs or changing quotas, for example)
- Economic development (directly attempting to stimulate market trends or structural changes that fill gaps that might not otherwise occur optimally).

Externalities, then, are an issue because the full social costs and benefits of an activity are not reflected in market prices. This may lead to suboptimal resource allocation in production and/or consumption. Regulation, taxation and/or direct intervention may be used to ensure that non-market costs or benefits are assessed and a better resource allocation is achieved.

Policies for economic development are therefore about making the market work better, not about replacing it. Development is also about achieving balance. Markets distort most often and most severely when they move to extremes: when “bubbles” of excess exchange and spurious value are created and then burst; when aspects of perceived equity are disrupted; and when the self-interest of the few is too far removed from the common interest of the many. Economic development has to address these competing demands - political, spatial and financial - in order to help make the economy more competitive and productive.

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Chapter Three

Shared Objectives

This section includes:

- Introduction
- How easy is it for different partners to work together?
- Who needs to be involved in developing shared objectives?
- Setting shared objectives in a strategy
- Ensuring that partners commit to the shared objectives
- Stakeholders with different interests
- Foresight

Why having an Economic Strategy is Important

Introduction

Successful economic development is a shared endeavour, yet it benefits from clear leadership. It involves a wide range of partners working together to build a common understanding of the challenges and opportunities they face and agreeing a set of shared objectives that define what needs to be done to mitigate the challenges and capture the opportunities. Creating a strategy is an iterative process, often starting from existing practice and delivery.

Five questions are particularly pertinent for creating shared objectives - whether strategies or plans:

- Who needs to be involved in developing shared objectives?
- Should the shared objectives be set down in a plan and if so, how does it relate to partners' own plans?
- What kind of process is needed to ensure that partners truly engage with and commit to the shared objectives?
- What happens if different stakeholders have different - perhaps competing - interests?
- How can organisations leading the strategy process lead without setting the agenda?

How easy is it for different partners to work together?

No matter how positive different partners are in their approach to building shared objectives, there is a strong likelihood that some degree of 'collaborative inertia' will exist.

Collaborative inertia is the term given to a common outcome from organisations working together: the apparent output from collaboration is lower than most participants and most observers (institutional leaders, external stakeholders and government, for example) expect.[2]

The South West Regional Economic Strategy

The examples in this section are drawn from the South West RDA's experience of preparing the Regional Economic Strategy for South West England (RES) on behalf of the region.

The RES was the principal tool for developing a shared vision and shared objectives for development of the South West region and a key document for all regional partners involved in economic development, regeneration and promoting enterprise in the region. The formal purpose of the RES was "to improve economic performance and enhance the region's competitiveness, addressing market failures that prevent sustainable economic development, regeneration and business growth in the region." The RES was required to concentrate on the key economic issues for the region and to focus primarily on those areas that justify action at the regional level while also providing the context for sub-regional and local activity.

2 For a more extensive discussion of these issues, see the work of Professor Chris Huxham, Professor of Management at the University of Strathclyde Business School and Siv Vangen, Head of the Public Leadership & Social Enterprise Research Unit at the Open University Business School on whose work this section is based. Their book, Managing to Collaborate: The Theory and Practice of Collaborative Advantage, is a useful starting point.

Collaborative inertia stems from the fact that different organisations and individuals, even when they work together, have different:

- Aims and objectives
- Interests
- Targets and required outcomes
- Procedures
- Language
- Culture
- Perceived power, and
- Assumptions.

Some degree of collaborative inertia is inevitable when different partners seek to develop shared objectives, but it can be overcome if the differences are acknowledged and all sides are willing to recognise that they need to work together to achieve the optimal result. It is also important that different partners in a collaborative venture recognise that they (and other partners) need not sign up for every element of the collaboration. The key to success is communication and respect.

Who needs to be involved in developing shared objectives?

Be inclusive. Be pragmatic.

There are three important guiding principles for creating a shared strategy or plan: inclusivity, leadership, and pragmatism.

The starting point should be inclusivity. Organisations charged with leading the development of shared objectives must consider how to engage a range of stakeholders:

- In the public, private, voluntary and community sectors
- At the national, regional and sub-regional levels
- That fully represent economic, social and environmental interests within the region
- That cover rural as well as urban interests, and
- That encompass relevant economic, ethnic and social groups.

Given the potential numbers involved the lead organisation will need to be pragmatic in who to engage, at what stage in the process and in what way.

Some prioritisation will inevitably be necessary. It can be helpful to remember that the process of developing shared objectives is an iterative one in which stakeholders work together to define an initial set of objectives and then spend more time consulting on and refining the initial list. The lead organisation will need to take a view on which stakeholders and partners are involved throughout the process and which can be involved in consultation on the initial list. The lead organisation will also need to make a judgment about final priorities.

Typically, stakeholders involved throughout the objective setting process will be those who **KNOW**, those who **DELIVER**, those who **REPRESENT** and those who **FUND**. More specifically:

- Local authorities
- Strategic bodies that represent key industry sectors or that make policy decisions on issues relevant to the economic development of the region
- Business organisations such as the CBI, Institute of Directors and Federation of Small Businesses
- Education institutions
- Government agencies who can provide advice on the national policy context
- Sub-regional and local partnerships
- Experts in specific policy areas and in economic development more widely, and
- Representative bodies, including from the voluntary sector.

Working with the Private Sector

Engaging directly with companies can be challenging. Small companies have little time to contribute to workshop based consultation and public debate and, while larger companies may have more time, they can be limited in the number of consultation events they can attend. Few companies have expertise beyond their own market.

There are three ways to overcome this difficulty:

- Be clear about the 'offer' back to business for engaging in the process
- Conduct company visits in a systematic manner across the area
- Work closely with business representatives during the consultation process (generally representative bodies are active during the policy or strategy process).

Company Visits

Company visits can help overcome the challenge of getting companies to attend workshops. While much can be done to encourage business to take part in consultation by piggy-backing interviews and conversations onto the back of existing fora and meetings, the best way in practice to secure company input may be to set up a programme of one to one meetings with a relevant cross section of businesses from across the area. In the South West, however, there is a high number of SMEs and very few headquarters of large companies.

Work Closely with Business Representatives

The South West RDA established strong relationships with organisations such as the CBI, FSB, IOD and RIBA and these organisations were regular participants in consultation meetings and workshops, speaking on behalf of their members and contributing the private sector's perspective to the development of shared objectives.

Seek the Views of Business on Specific Issues

Following the 2006 RES, the South West RDA took its relationship with the private sector beyond consultation, involving specific business partners directly in development of the next stage of strategy through the South West Debates process. Developing and maintaining these direct relationships took a great deal of time. Generally, the timing of business engagement was critical to its success. It was always better to engage when results were likely to emerge quickly, rather than too early when ideas may still be developing.

Use Language that Business Understands

In its early days the South West RDA was criticised by business organisations for using a lot of 'public sector' language. We eventually learned to use more business friendly language which meant they were taken more seriously by the sector.

The South West RDA developed a "Strategic Companies Toolkit" that guided engagement with key companies in the region. The toolkit was designed to provide a point of reference for business facing staff. It offered guidance on the basic principles behind why the Agency wanted to build relationships with business, what it had to offer those businesses and how it went about this. It covered:

- Business Relationships
- Working with Strategic Companies
- Strategic Companies List
- Agency Offer
- Relationship Management
- Managing Company Information.

Setting Shared Objectives in a Strategy

The shared objectives should be written down in a plan or strategy that sets out how those objectives will be delivered.

It should take account of other relevant strategies and policies that exist at European, national and sub-national level. Any plan should reinforce and complement the aims of these in order to reduce duplication of effort and wasteful expenditure:

In developing and reviewing the Regional Economic Strategy for South West England (RES) the South West RDA worked with regional partners, in particular the Regional Assembly, to ensure that various regional strategies, i.e. the Integrated Regional Strategy (IRS), the Regional Spatial Strategy (RSS) and the Regional Sustainable Development Framework (RSDF) were aligned.

The Regional Economic Strategy for South West England

The RES also had to support, enhance and help deliver strategies and policies at European and national levels as well.

Ensuring that Partners Commit to the Shared Objectives

Extensive and Inclusive Consultation

The 2006 RES provides a good example of a process that built engagement and commitment amongst partners. The process deliberately cast its net widely so that those with the loudest voices were not the only ones heard. This process was commended by the National Audit Office (NAO) for its extensive and strongly inclusive approach to consultation and for its robust process for obtaining partner buy in.

The South West RDA led the process:

- Holding 55 mixed stakeholder meetings across the region with local authorities, the Government Office in the South West, other agencies, businesses, business representative organisations, citizens' organisations and educational institutions
- Carrying out more than 700 direct consultations with partners and stakeholders
- Taking account of 160 written responses on the draft RES in drafting the final version.

As a result of the consultation process a number of areas were identified for improvement. This led to partner organisations being nominated to lead delivery of specific actions and target milestones.

Set Ambitious Goals

The 2006 RES set ambitious goals for the South West that captured the imagination of partners and created an enthusiasm and momentum for change across the region.

The NAO noted that the RES "takes a bold step in articulating an aspiration to pursue "economic growth within environmental limits" [and] the fact that the RES has differentiated the region in this way is a positive sign of [the region's] willingness to embrace sustainable development."[3]

Stakeholders with Different Interests

Different stakeholders inevitably have different interests which may sometimes appear to compete with each other. The key is to recognise that such differences exist and to:

- Get the evidence base agreed up front
- Respect that different partners may have different interests
- Focus on where interests are aligned rather than where they are not, and
- Continue dialogue around the shared objectives to optimise the alignment of interests.

3 Independent Performance Assessment, NAO, 2006.

Dialogue is the key to aligning different partners' interests. At the start of the process of developing shared objectives, each partner may have its own strategy that sets out (in some form) its:

- **Vision**: where it wants to be in the future
- **Strategy**: how it intends to deliver the vision
- **Objectives**: specific tasks that must be completed to deliver the vision
- **Critical success factors:** the areas that must be targeted to deliver the strategy
- **Key performance indicators**: the metrics that indicate that the organisation is in the right path towards, or has achieved, success, and
- **Key action initiatives:** initiatives and programmes that achieve the performance goals.

The relationship between these elements can be seen as a pyramid with the vision and strategy at the top and the delivery elements further down.

At the start of the process to develop shared objectives, partner organisations all have to work with each other to develop a second, shared pyramid that represents the shared objectives – without compromising their own.

How can organisations leading the strategy process lead without setting the agenda?

Leading the strategy process while also contributing ideas in a way that is truly inclusive is a tricky balance - particularly if the leading organisation:

- Has more analysis available to it than some partners, and
- Has the final responsibility for successful delivery.

Ideally, the process has to provide a balance that allows the lead organisation (i) to contribute its own ideas (ii) not swamp the process but give the other partners' ideas plenty of room and (iii) ensure that the thinking moves to the highest common denominator and is fit for what the region needs. However, in the end, effective leadership requires the exercise of responsibility in making the final decisions.

The South West RDA, who had a legal requirement to deliver a strategy, achieved this by:

- Contacting over 2000 organisations across the region with the timetable for the review and information on how they could become involved in the process.
- Establishing a support group consisting of the main stakeholder groups for the RES to help the RDA identify priorities and ensure delivery was joined up.
- Collating existing information and intelligence from across the region and involving over 120 partners to input their views. This created a regionally agreed evidence base for the strategy.
- Identifying key contentious issues and then – critically – taking them to partners in workshops, one to one meetings to be debated, refined, and prioritised. This step ensured that the issues under discussion were strategically important and allowed wider ownership of them.

Some responses to the RES directly contradicted each other. Where this happened – threatening to compromise the strategic focus of the RES – the South West RDA exercised its judgement on what was included in the final Strategy.

Effective consultation

The Role of Evidence

Evidence plays a central role in strategy development by helping to establish a factual understanding of the issues in hand, by deciding what is most relevant and by informing the selection of possible solutions with the reality check of what is likely to work. If possible, try to agree what the evidence says and means BEFORE embarking on the wider strategy process. This almost always saves arguments at a later stage.

Evidence can take many forms, but for most projects it will be based on activities including:

- Analysing key patterns in sector data
- Analysing public attitudes, behaviours and expectations
- Identifying international best practice examples which can provide some guide to potential futures for the UK, and
- Developing hypotheses about trends and causal links, and testing these hypotheses against available data.

Early links can be established with government specialists to identify the full range of data types and sources available and the extent of work already done on related issues. Data that is not already available may need to be collected using methods such as surveys or interviews and focus groups.

Analysing the data is critical. Various forms of modelling can be used to understand the relationships between variables, while market analysis and organisational analysis can be used to provide context for the emerging strategy. For example, many stakeholders thought that the South West had poor skill levels and that this should be addressed in the RES. However, closer analysis found that skill levels in the general population were higher than other regions but that these were not always effectively utilised in the labour market. Interventions were therefore designed to address the poor ‘use of skills’ in the workplace rather than a perceived, but unsubstantiated, low skill level in the general population.

It may be useful to identify international comparisons and benchmarks which may highlight new approaches. In general, one should always search for evidence at a higher spatial level than the strategy itself.

Finally, the evidence base on which strategy is developed needs to cover any likely future developments. Forecasting can be used to extrapolate current trends. Scenario development can help identify a number of possible alternative futures, and counterfactual analysis can help predict what is likely to happen without change to government policy and with a continuation of expected drivers of change.

What kind of data do we need?

Distinctions can be also be drawn between data that are cross-sectional (observations collected at a single point in time) and longitudinal (observations collected over a period of time). Using and comparing both types of data provides a more dynamic analysis of regional economies or industry sectors.

Data should cover:

- **Trends**: the changing state of the world over time
- **Preferences**: what the public and stakeholders value, and what they think about certain issues
- **Finance**: how much is spent, lost, earned, saved, invested etc
- **Performance**: the outputs or outcomes of an intervention or service
- **Evaluation**: how well an intervention addresses the underlying issues
- **Impacts**: the level and nature of unintended consequences of an intervention
- **Benchmarks**: how the current situation compares to other similar situations, and
- **Forecasts**: what the future may hold.

What data sources should we use?

The evidence base can be gathered from a wide range of sources. While the evidence base should be drawn from existing knowledge, where this happens research may need to be commissioned to find new evidence or interrogate existing data differently.

It is useful to seek out information from a range of sources in order to provide both contextual data and cross-checking; for instance:

- Other parts of the organisation
- Partners and stakeholders
- Higher or further education departments
- Government departments and research specialists
- Trade and professional bodies
- The European Union, and, where appropriate
- Other international research organisations.

Building a strong evidence base

The strength and quality of the regional evidence base that supported the 2006 RES was a critical factor in its acceptance by regional partners and stakeholders. The South West RDA worked closely with the Regional Assembly, Government Office and other partners to build a shared understanding of the social, economic and demographic evidence base that gave the Agency an authoritative stance on regional issues. It was widely respected throughout the region and accepted by the majority of regional partners and stakeholders. The DTI specifically commended the evidence base as the best example in support of a Regional Economic Strategy.

Foresight

Foresighting

Foresighting is the process of thinking systematically about the future. Good foresighting brings partners together to look beyond normal planning horizons, to identify opportunities that could arise from emerging trends and developments and to explore the actions that partners can take to realise those opportunities.

Foresighting explores how current and emerging trends might play out over time and how economic, social, cultural and technological developments might combine to create quite different environments from today. It also provides a neutral space – the future – where stakeholders can explore the choices and actions they might wish to take under different conditions. Foresighting is a particularly powerful way of exploring and communicating challenging or controversial issues and anticipating specific, sometimes difficult, choices for economic development.

A foresighting workshop is, effectively, a laboratory where partners can experiment with ideas, ask 'what if?' questions and test the impact and consequences of specific policy ideas. Foresighting doesn't predict the future, but stimulates thinking about the opportunities and threats the region might face. These processes allow policy makers to judge the risks of acting, and not acting, and to rehearse the decisions they might need to make to maximise those opportunities.

Foresighting Workshops

In the months after the launch of its 2003 strategic plan, the South West RDA explored the usefulness of scenario thinking for the development of shared objectives by participating in a number of foresighting workshops with key partners in futurefocus@dti, the DTI's dedicated futures facility.

These workshops used the DTI's socio-economic scenarios for the UK to explore:

- The drivers of change affecting the area concerned
- The possible future impacts of those drivers and
- The consequences for the area's activities and strategic choices.

The futurefocus@dti workshops highlighted the benefits of foresighting for the region. The study produced four scenarios – alternative views of the future – designed to stimulate, guide and inform strategic thinking about the future of the South West region. These offered different pictures of the social, political and economic background and helped partners develop a shared understanding of how major driving forces might shape the region over the following two decades and what the consequences might be for regional strategy and shared policy making.

A Checklist for Developing Shared Objectives

- ✓ Are the public, private, voluntary and community sectors appropriately involved?
- ✓ Are national, regional and local levels represented?
- ✓ Are economic, social, environmental, and equality interests represented?
- ✓ Are both urban and rural interests represented?
- ✓ Is there a strategy for engaging the private sector?
- ✓ Is the process for consultation sufficiently extensive and sufficiently inclusive?
- ✓ Is there a process to make sure that the expectations of different stakeholders and regional partners be managed?
- ✓ Are the processes and leadership arrangements for gathering evidence and agreeing priorities designed to maintain strategic focus?
- ✓ Is the evidence base robust and available to everyone?

Chapter Three

Deciding What To Do

Making good choices requires a robust appraisal process

This section includes:

- Introduction
- Market Failure
- Can we say yes?
- Economic Appraisal

Introduction

It is important to understand what market failure is, and isn't – either by place or activity – and choices therefore need to be made to prioritise activities to maximise economic impact and to minimise the opportunity costs of alternative uses of resources. Market failure theory, introduced below, is a powerful way of identifying where there is a need for public intervention.

Some choices may be straightforward, but all will require judgement. Different types of activity may offer similar economic and social benefits and decision makers may have to choose between competing proposals to fund. Where competing projects offer different advantages to different partners or may have different degrees of political expedience or return; these priorities need to be factored in to the decision making process.

Decision making is therefore a complex business; all projects need to be formally appraised against a range of criteria that will help decision makers ensure that resources are allocated efficiently and that activities maximise impact and deliver value for money. The steps in project appraisal are described below.

There is, however, an important question that is often forgotten, but which needs to be addressed before carrying out project appraisal: **can we say yes?**

Market Failure

While market failure should be the primary reason for public intervention it is important to understand what constitutes market failure. Market failure is not when the market fails to do what you think it ought to. There are different forms of market failure:

First, there are **externalities**. This is when the market fails to account for all costs or benefits associated with a particular activity. These external costs and benefits are not captured in the price charged for goods / services, therefore distorting decision-making. Externalities can be negative or positive. In the former, the state often uses taxes and / or regulation to reduce production or consumption (e.g. air travel). Alternatively, it may use subsidies to promote production or consumption (e.g. renewable energy). For the South West RDA examples include subsidising higher environmental performance in buildings to reduce their negative environmental externality, or investing in facilities which encourage visitors to spend more time and money in the South West.

Second, there are **public goods**. These normally arise when there is uncertainty over ownership and a lack of clarity over who receives the benefits. This is manifested in a private sector reluctance to provide. A common example is public spaces or public realm. The Agency's investment in public realm increased community benefit and, if done well, attracted more private investment and jobs into an area. Without such investment, it is likely no market provision would take place and the area would deteriorate.

Third, there are merit goods. **Merit goods** are deemed by society as 'good' for all of us, i.e. training or education. If left completely to the market then some people would lose out and receive no education. It is for that reason why the government provides schools, to ensure that there is a basic minimum education available for everyone. The Agency has encouraged a greater level of training. For example, the Agency invested in three marine training centres because it recognised the wider skills benefits to the marine sector, not necessarily fully reflected in the higher wages or profits for those benefiting from the training.

Fourth, there are **market failures relating to information**. This is when two sides of an exchange have different or less information than they need to make good decisions. In these circumstances, the Agency has intervened to improve information and / or reduce the cost of accessing information. In international trade and inward investment support, it helped businesses identify overseas market opportunities or sites in the region primarily through the provision of information.

Fifth, there is the question of **market power**. Markets work best when participants have equal power to influence the outcome. Intervention may wish to support this by reducing barriers to competition and / or encouraging co-operation. The Agency encouraged co-operation in certain sectors by investing in shared facilities such as the National Composites Centre, allowing access to leading edge technology for businesses which would not normally have the capacity. Therefore competition in the sector is indirectly encouraged.

Can we say yes?

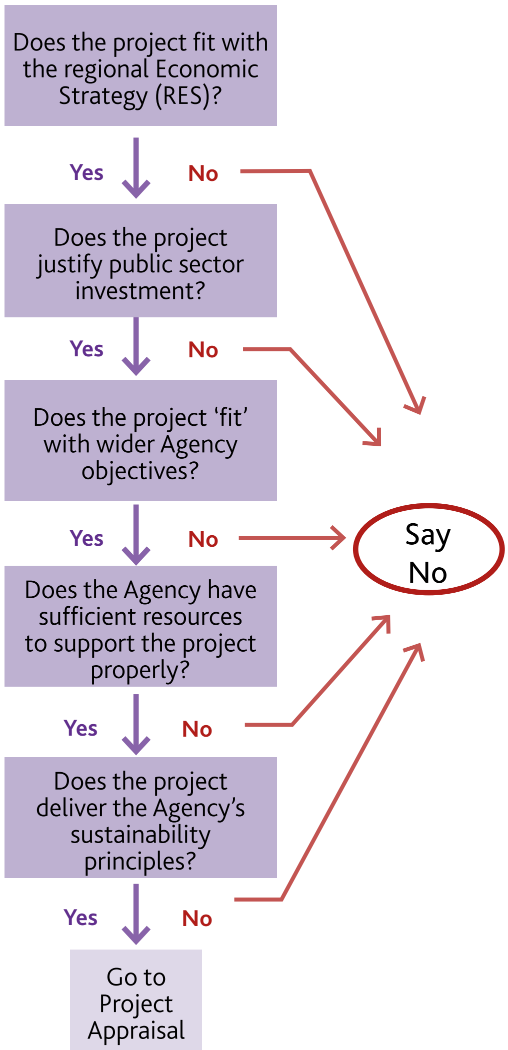
Introduction

It is not easy for economic development organisations to say "no" to projects, but they must think carefully about whether to say "yes" and have objective reasons for their decision. In addition to the decision process itself, it is important to establish clarity early in the process, so as not to waste time.

An 'Expression of Interest' stage enables an organisation to take an early judgement about potential funding. This requires a clear project description and identification of likely achievements.

The South West RDA found that getting an accurate project description from the proposer at the outset was crucial otherwise proposers would constantly amend the project in order to 'get it through' the investment process. Consequently case officers found it hard to say "no" early on and it was then harder to refuse further down the process. The RDA realised the importance of separating the roles of case office and appraiser, to help ensure that projects could be assessed, and perceived to be addressed, objectively.

The flow chart below outlines the process for deciding if a project can be taken forward. The questions in the flow chart should be considered by the economic development body before making any commitment to partners.



Does the project fit the national, regional or local economic strategy?

Projects and activities should meet the objectives of the national, regional or local economic strategy. If they do not fit the strategic objectives, or cannot be designed differently so that they do, then they may not be suitable.

Is public sector intervention justified?

The rationale for public sector intervention is set out in The Green Book: Appraisal and Evaluation in Central Government, the guidance document produced by HM Treasury www.hm-treasury.gov.uk/data_greenbook_index.htm.

The rationale for supporting economic development projects is that there is a market failure which is stopping the market from delivering an efficient outcome. Intervening in the market is therefore justified if:

- The nature of the market failure is clear
- How the project will correct the market failure is clear
- The net impact of the project in increasing output or employment in a given target area – its additionality – is positive, and
- The displacement and substitution impacts - the extent to which the benefits of the project are offset by reductions of output or employment elsewhere – are reasonable.

Does the project fit wider political or partnership objectives?

In exceptional circumstances, projects that do not fit national or regional economic strategies may be justifiable if they meet wider political or partnership objectives. Delivering or supporting such a project might, for example, help a strategic partner to meet its objectives so that it can contribute to strategically important economic development initiatives. In such circumstances, saying yes may be permissible – but the project should not act against economic development objectives.

Are the resources available to do the project?

Before committing to a project, project leaders must identify the broad scope of resources that they will need to contribute. This should include not just the money that is required but the capacity and capability of the applicant to manage the project effectively. Key questions to ask at this stage include:

- What is the scale of the project?
- Are we committing time, money or both?
- Are we considering pump-priming or will there be a continuing funding requirement over time?
- What does the funding profile look like over the next three years?
- What does the time input look like over the next three years?
- Does the applicant require staff support to develop the management skills needed?
- Do we / they have to commit resources from future financial years?
- Do we / they have the necessary resources in this financial year?

It is particularly important to think about the resource requirements of large projects over future financial years. There are dangers in funding a project in year 1 and year 2 and then finding that funds are overcommitted or not available in year 3. A lack of end-of-year flexibility can impose a pressure to speed before year end. It is important to recognise this and plan accordingly.

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As well as being an important factor in terms of deciding whether to say yes to a project, resourcing long term projects needs to be considered in the risk assessment stage.

A final important issue to consider is at which point in the financial year the initial decision to commit funds is being made. Given that most public sector budgets operate on an annual basis, there are certain times of the financial year when funding is more constrained, or more available, than others.

Can the project be delivered according to sustainability principles?

Economic development projects need to take account of social and environmental factors as well as economic factors if they are to contribute to a resilient, healthy, productive, socially just economy which lives within environmental limits.

Sustainability South West developed a set of sustainability principles for regional development which built on guidance set out in Securing the Future, the UK's sustainable development strategy. It is helpful to consider these principles when seeking to assess the potential sustainability of a project. Does the proposed activity:

- Develop sustainability skills in the region?
- Improve health and well-being through healthy homes and workplaces, safe and green environments and active, caring communities?
- Reduce inequalities?
- Cut resource use?
- Support a low carbon approach?
- Reduce high carbon travel?
- Support local living and the use of local goods and services?
- Revive life support systems and protect biodiversity?
- Take a long term approach that builds resilience to changes such as climate change?

They pose a number of questions about any proposed activity - and not all projects will necessarily meet or have an impact on **all** these principles.

Moving through the decision path

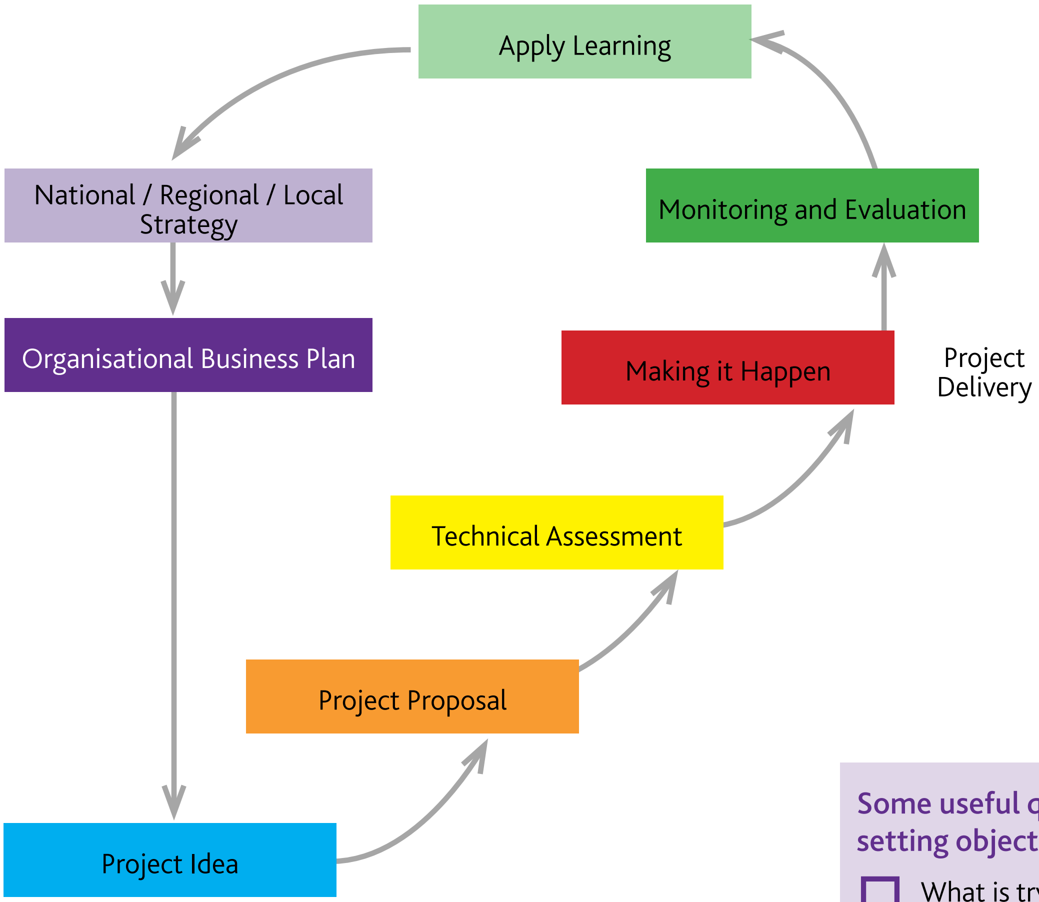
If the answer to all the questions in the decision path is 'Yes', the project can be taken to the project appraisal and project planning stage. This does not mean that the project will definitely go ahead, but that the organisation will consider the business case in detail.

There are two main types of project appraisal, both of which build on the questions asked in this stage: economic appraisal (see page 32) (options appraisal (see page 34) which is described in economic appraisal) and sustainability appraisal (see page 37).

Project planning is described in Project Planning.

In some organisations, project appraisal and project development take place in different departments and are carried out by different staff. This is because of the difference between the technical nature of appraisal and the operational nature of project planning. Although the roles should be separated there should be sufficient communication to ensure effective project development.

Business and Delivery Planning and Investment Cycle



Economic Appraisal

Economic appraisal is a formal procedure that builds on the questions set out in the previous section and provides more detailed answers. The full economic appraisal process has 10 steps but the extent to which each one is followed depends on the scale and nature of the project – larger projects require fuller appraisals; smaller projects require less. Scaling the process to the size of the project funding required also means taking a sensible approach to risk management in the process.

As well as characterising the economic case for funding, the questions in the appraisal process (see table) offer a useful checklist for the project development process. It is also important to understand, at this stage, the potential risks associated with the investment.

Some useful questions for setting objectives and targets

- ☐ What is trying to be achieved? What are the objectives?
- ☐ What would constitute a successful outcome or set of outcomes?
- ☐ Are the objectives consistent with strategic aims and objectives as set out in, for example, the RES and partner strategies?
- ☐ Are the objectives defined to reflect outcomes (increased GDP, for example) rather than the outputs (numbers of people trained, for example) which will be the focus of particular projects?
- ☐ How might the objectives and outcomes be measured?
- ☐ Are the objectives defined in such a way that progress toward meeting them can be monitored?
- ☐ What factors are critical to success?
- ☐ What SMART targets can be set? What targets are needed to meet?

What is the strategic context for the project?

The essence of this question will have already been answered in considering whether to go ahead with the project, but it is worth formally setting out:

- Exactly which part of the economic strategy the project will address
- How it will contribute to the relevant strategic aims and objectives, and
- The nature of the market failure that the project will correct.

What are the project's objectives?

This stage of the appraisal should:

- Define, and if necessary prioritise, the high level project objectives.
- Set out the expected outputs and outcomes of the project. In economic development terms, outputs and outcomes are different. Outputs may be defined as the deliverables from a project – the number of people in the labour force who are trained in new skills or the number of business start ups created (for example). The outcomes are the observable and measurable changes in performance that result from delivery of the project – the incremental increase in the contribution of skilled knowledge work to GDP, for example, or the decrease in unemployment.
- Specify delivery targets for the project. Targets help to define towards producing outputs, delivering outcomes, and meeting objectives and are often presented as SMART - Specific, Measurable, Achievable, Relevant and Time-bound.
- Set out key project milestones – the key steps on the way towards delivering the project objectives.

! Make sure that project appraisal and project development are connected

Are there specific barriers or constraints the project needs to overcome?

This stage should highlight any important barriers to or constraints on delivery of the project proposals. These may be technical, legal, financial or political issues or they may relate to timing or location.

This may be the appropriate place to explore the project with key partners in order to determine whether there are conflicting objectives or whether different organisational priorities might affect the timing of delivery or place different weight on particular objectives or outcomes.

What resources does the project need?

Project appraisal needs to define how much money a project needs and how much staff time is required to manage the process. It also needs to take account of how much money or time is being provided by partners and what the total public sector contribution will be.

Some useful questions for defining resource needs are

- ☐ What is the scale of the project?
- ☐ What is the need for funding? For time?
- ☐ What are its costs? Will it generate revenue in the future?
- ☐ Are we committing time, money or both?
- ☐ Are we considering pump priming or will there be a continuing funding requirement over time?
- ☐ What are our partners contributing? When will that contribution be available?
- ☐ What does the funding profile look like over the next three years?
- ☐ What does the time input look like over the next three years?

Any proposed financial assistance needs to be justified against need and there should be a clear indication of whether the funding is pump-priming, development funding or revenue funding. Where necessary, the appraisal should clarify the exit strategy from revenue funding or highlight how funding will be scaled down without compromising project viability.

Where the funding is being made available to projects that will generate revenue, the business plan should be included at this stage and relevant projections of the future nature and levels of demand for services over the timescale of the project should be reviewed.

All projections of need or demand should be quantified and all details of supporting calculations and assumptions should be set out clearly.

Options appraisal: what are the different options for delivering the project?

Exploring options for delivering projects is not necessarily easy, but considering alternative courses of action is a key part of project appraisal and an important part of the process of securing value for money (VFM) from public sector funding. It is also a great process for brainstorming creative solutions to existing problems and for generating learning about what works and what doesn't in project development.

There are four broad steps in developing options. Here, as in other parts of the appraisal process, the extent of the process that is undertaken should reflect the scale of the project under appraisal. It should also reflect, but not necessarily be constrained by, the latitude for different approaches that the project itself offers.

Where relevant and practical, it may be worth asking partners to contribute to the brainstorming elements of the process.

- **Step 1: Create a long list of feasible approaches**
- **Step 2: Create a short list of feasible approaches**
- **Step 3: Identify the baseline option.**

The baseline option is the one that represents the minimum input required to maintain a project's output at, or as close as possible to, its current level. The baseline option only exists where the project under appraisal is already active to some extent. There is no baseline for a wholly new project.

The baseline option provides a benchmark against which other options can be assessed for.

- **Step 4: Identify delivery options.**

This step is designed to explore variations in characteristics of the project such as scale, timing, quality and location of the project. The appraisal should generally cover a range of levels of project outputs, from (for example) minimum acceptable levels to the highest standards of delivery. The range of options considered should be as wide as possible.

What are the financial costs and benefits of each option?

The aim of appraisal is to obtain VFM from a broad economic perspective. This requires assessment of costs and benefits to the economy as a whole and to government, society and the environment.

Every option has its own base case costs and benefits and these should be valued and compared. For large projects, there should be consideration of using net present value in order to more accurately compare benefits and costs over time.

> *"The discount rate is used to convert all costs and benefits to 'present values', so that they can be compared. The recommended discount rate is 3.5%. Calculating the present value of the differences between the streams of costs and benefits provides the net present value (NPV) of an option. The NPV is the primary criterion for deciding whether government action can be justified." HM Treasury, Green Book*

What are the non-financial benefits of each option?

In many projects, there will be non-monetary impacts such as environmental or social effects that cannot be valued. Non-monetary costs and benefits often have a significant bearing on the final choice of option and need to be captured.

It is important to find a suitable way to assess the impact of each option on non-monetary factors and present them alongside the money values.

Case Study: Strategic Added Value

Accelerating the economic recovery after the Gloucestershire floods

This Strategic Added Value case study highlights the South West RDA's rapid response to the floods in 2007 and demonstrates successful partnership engagement. Evaluation evidence highlighted the strength of the Agency's partnership engagement during this period. The highly effective way the three main partners worked together led to the co-design of a Business Recovery scheme that, despite being operational within 48 hours of the floods, needed no significant redesign on implementation. This success would not have happened without this engagement and South West RDA's rapid response.

Area Action Forces

Convened by the South West RDA, the Area Action Forces brought together a range of partners to provide 'one stop shop' support to businesses and individuals to mitigate the impact of the recession and company closures.

The AAFs addressed the following objectives:

- To respond to an anticipated increase in redundancies and company closures as a result of the economic crisis
- To ensure the public sector response to redundancies and company closures across the sub region was co-ordinated with relevant partners sharing information to avoid duplication of effort and to maximise resources
- To develop a more co-ordinated approach to identifying those companies, individuals who are most at risk and deploying relevant resources in a proactive, pre-emptive way
- To feed back information and intelligence to regional and national partners to influence future service delivery, resources and policy development.

Beyond this the AAFs also helped support wider activity, such as the Talent Retention Scheme, aimed at retaining skills within key economic sectors.

For appraisal of simple projects, it can be enough to list non-monetary costs and benefits and make an impact statement that defines the impact of each option on them.

For more complex projects, it may be necessary to use a weighted scoring method, that gives a single weighted score for each option and that allows the overall performance of the options to be compared in non-monetary terms.

Assessing risk

What are the risks associated with different options and how can they be managed?

The appraisal should include an analysis of risks associated with different options. There are a number of potential risks which can hamper a project, such as necessary changes to the project time scale, budget cuts, staff shortages or that a partner asks for changes to the scope of the project to reflect their own changed objectives.

The aim of the risk assessment is to identify and assess these threats to successful project delivery and use them to evaluate the options. Once a specific option has been selected and a project is underway, the risk assessment will help the project team to identify and rehearse the actions and decisions needed to avoid or reduce the potential damage to the project.

The risk assessment should identify and describe possible risks to each element of the project plan. This can be done by brainstorming and by speaking with others who have worked on similar projects or issues.

Risks can be plotted on a matrix that identifies the level of risk, for example:

GREEN	Successful delivery of the project / programme to time, cost and quality appears highly likely and there are no major outstanding issues that at this stage appear to threaten delivery significantly.
AMBER / GREEN	Successful delivery appears probable however constant attention will be needed to ensure risks do not materialise into major issues threatening delivery.
AMBER	Successful delivery appears feasible but significant issues already exist, requiring management attention. These appear resolvable at this stage and if addressed promptly, should not present a cost / schedule overrun.
AMBER / RED	Successful delivery of the project / programme is in doubt with major risks or issues apparent in a number of key areas. Urgent action is needed to ensure these are addressed, and whether resolution is feasible.
RED	Successful delivery of the project / programme appears to be unachievable. There are major issues on project / programme definition, schedule, budget required quality or benefits delivery, which at this stage do not appear to be manageable or resolvable.

Following this step, a risk log should be drawn up to characterise each risk. The log should include (for example):

- A unique identifier / reference for each risk identified
- A description of the risk to the project
- A description of the impact on the project should the risk materialise
- The proximity of the risk - an estimation of time-scale for when the risk might materialise

- The likelihood of the risk occurring. For complex projects this could be a mathematical calculation, for less complex projects a simpler High, Medium, Low classification works well
- The impact of the risk
- How to respond to the risk to reduce the probability of it happening or reduce its impact if it does happen
- The current status of the risk itself and progress of any actions relating to the management of the risk.

Once the project has started, the risk log should be reviewed and updated regularly and used to actively manage risks to the project (as illustrated in the following example):

GM Crops

The Cabinet Office GM Crops project formed one strand of a highly-charged and controversial dialogue around the role of GM technology in the UK. This had the impact of increasing the number of risks faced by the project and raising the stakes in the event of things going wrong. In this context, active management of risks was essential.

The project team worked together to identify risks and to assign to them both impacts and probabilities. The possible consequences of each risk were identified, and responsibility for preventative actions assigned to specific team members. Risks varied from the relatively prosaic - e.g. team members leaving part-way through the project (which happened twice in this instance) - to the much more dramatic - e.g. the US bringing a case against the EU under the WTO, in respect of policy on GM (which happened towards the end of the project).

Many of the risks identified in the risk register came to pass during the project. The fact that the team had already thought about these risks undoubtedly made them easier to deal with, although the use of a risk register in itself was not a panacea.

How Did We Manage Risk?

Risks to projects can be identified and managed using the same procedure that is used in the economic appraisal process. (See Economic Appraisal, page 32).

The approach is to identify and assess threats to successful project delivery and rehearse the actions and decisions needed to avoid or reduce the potential damage to the project.

The risk assessment should identify and describe possible risks to each element of the project plan. This can be done by brainstorming and by speaking with others who have worked on similar projects or issues.

The risk register should be reviewed and updated regularly and used to actively manage risks to the project.

Sustainability Appraisal

The concept of sustainable economic development is evolving into a new, more precise definition of ‘development that seeks to secure economic growth within environmental limits, respecting the limits of the planet’s environment, resources and biodiversity and ensuring that its natural resources remain available for future generations.’

Sustainability appraisal sits alongside economic appraisal and where some of the environmental or sustainability issues might once have been part of the analysis of non-monetary benefits, it should now be a stand alone process.

The sustainability appraisal needs to reflect the sustainability principles described in section 4.1 and should not be confused with the process required by the UK planning system (which is similar to the economic appraisal procedure set out in Who needs to be Involved in Developing Shared Objectives.) There is no formal sustainability appraisal process which meets these criteria, but such approaches are now in development.

The South West RDA is one of a number of partners who have supported Sustainability South West in the development of SustNav, a decision support tool based on the 10 sustainability principles that support sustainability appraisal. As well as helping its users assess the sustainability of projects, plans and policies, SustNav is designed to help them think about how to integrate sustainability into projects, to think in a more joined-up way and to direct users to the latest information, resources and training in sustainable economic development.

The SustNav appraisal process asks project or policy developers to answer questions that allow them to score the project or policy for each sustainability principle. The scoring system is more sophisticated than 'low-high', using a series of descriptors that are specific to each principle and that stimulate thinking on how to achieve sustainability as well as providing a score.

Once the project has been scored the toolkit offers suggestions for ways to improve the sustainability score and suggest key contacts and case studies to learn from.

More detail on SustNav is available from:
www.sustnav.org.uk/core-guidance

SustNav Decision Support Tool

Question 6
06 Reduce High Carbon Travel

Our feedback:

All the groundwork is there, but ensure that staff are aware of their options. In particular, that active travel (cycling and walking) routes are safe, well marked and accessible. Also that safe cycle storage is provided, as are changing facilities and showers.

For those who aren't aware, take advantage of the information and resources available from the many organisations who support low carbon travel, including Sustrans, Walking Works and Living Streets. For those who are unable to travel by public transport or cycle/walk, set up a car sharing scheme such as Liftshare.

Carbon accounting

Carbon accounting is the process of assessing regional, organisational or project carbon emissions and setting targets for reduction. Any project or programme designed to support economic growth within environmental limits should seek to minimise the carbon emissions of the project.

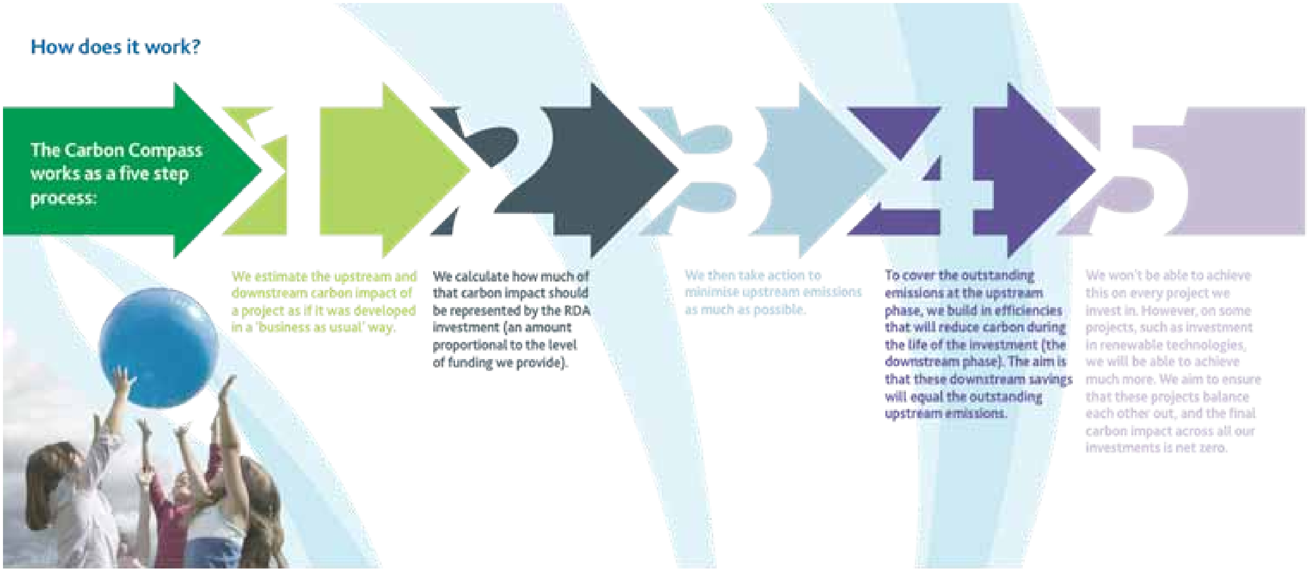
As part of its commitment to the development of a low carbon economy in the region, the South West RDA set an ambitious target in 2009 of net zero carbon emissions from its investment portfolio by 2013. This meant that any carbon generated by its investments had to be balanced by carbon savings from other projects in the portfolio. To support this ambition, the RDA collaborated with the Stockholm Environment Institute to develop the Carbon Compass, a toolkit designed to help it embed carbon impact into its investment decisions by guiding investment towards projects and programmes that could demonstrate emissions reductions compared to existing practice.

The Carbon Compass approach is more comprehensive than many carbon accounting methods, measuring carbon impact at two stages: upstream and downstream.

Upstream emissions are calculated according to what the investor pays for or buys when it makes an investment (the materials, people and resources required to carry out a construction project, for example) and downstream emissions are the emissions or savings that occur once the investment has taken place. Downstream emissions are always measured in comparison to a business as usual case.

The Carbon Compass uses a five step approach:

- Estimate the upstream and downstream carbon impact of a project as if it was developed in a 'business as usual' way
- Calculate how much of that carbon impact should be represented by the investment (an amount proportional to the level of funding the investor provides)
- Take action to minimise upstream emissions as much as possible
- Build efficiencies into the project or programme to reduce carbon during the life of the investment - the downstream phase – to make savings that will equal the outstanding upstream emissions
- Use the approach over the whole investment portfolio to ensure that projects balance each other out and the final carbon impact across all investments is net zero.



What project management needs to be put in place?

This stage of the appraisal evaluates the proposed management arrangements for the project in order to be assured that the project is likely to be delivered successfully and constitute a proper use of public funds. In assessing proposed project management arrangements the following considerations are relevant:

- The project delivery plan
- Proposed management structures, covering all of the stakeholders in the project, and the relationships between them
- Key staff and personnel, such as the Project Owner, Project Sponsor and Project Manager;
- The project management procedures that are in place, and
- Proposals for project monitoring and evaluation, such as
    - Who will be responsible for monitoring and evaluation
    - What factors (e.g. costs, outputs, outcomes) will be monitored and evaluated, and how
        - What staff and other resources will be required
        - Who needs to be consulted
        - When monitoring and evaluation will be undertaken, and
        - How the results will be disseminated.

Can the project be integrated with other activities to increase value for money or economic impact?

Wherever possible, project teams should look for connections with other projects and activities to increase economic impact. This need not be restricted to existing activities but also to other projects in development. It is also a good idea to explore opportunities with all possible partners, since other organisations may well be exploring opportunities that offer connections.

For example ,when developing managed workspace or incubator units, there is considerable advantage in running a local labour and training scheme alongside the construction process. This will provide training for unemployed local people. Equally, it is beneficial to include on-site business support and access to shared services to make the development more efficient and add value.

It can be worthwhile to take a creative approach to connecting projects, especially at the option appraisal stage. In being creative, project teams should look for unlikely or unexpected connections and overlaps between activities. Even where there is no immediately obvious connection between projects, it can be useful to brainstorm ways in which connections, and added value, can be made.

Planning for unexpected contingencies

The level of contingency planning that needs to be undertaken should be matched to the scale of the project.

The risk analysis process will highlight areas of the project that have the greatest sensitivity to unexpected events and the project team can build on this to explore how to respond to such events.

Events are usually unexpected for one of two reasons:

- Because they are wholly random and unpredictable. These events – natural disaster, industrial accident or terrorist attack, for example – are often called wildcards
- Because the trends that signal the likely occurrence of such an event have not been properly identified or tracked.

Contingency planning to deal with wildcards is normally beyond the scope of most economic development projects. Identifying and tracking trends in the wider business environment may, however, signal that an 'unexpected' event is likely to occur in the future – allowing the project team to consider their response.

A more formal way to approach this is to use STEEP analysis (tracking Societal, Technological, Economic, Environmental and Political trends) to identify factors that might have an impact on the project over its lifetime. STEEP analysis can be done systematically through a continuing research programme or less formally through brainstorming. The approach is broadly the same in both cases, differing only in the resource inputs that are used:

- Brainstorm the trends and drivers acting in the business environment. The list should be as comprehensive as possible and certainly much wider than the project area
- Prioritise trends and drivers according to whether the impact on the project is high or low and how certain the outcome of the trend / driver is.

Once these trends have been mapped, the project team can explore how to respond. Focussing on the top left quadrant, for example, where the outcome of particular trends is certain and the impact on the project is high, teams can determine:

- Whether the impact on the project is positive or negative
- Whether the impact will occur in the short, medium or long term, and
- Whether the approach to the project needs to be modified in any way.

Similarly, focusing on the top right quadrant, where the impact of particular trends on the project is high but the outcome of those trends is not yet certain, teams can explore:

- What the range of uncertainty is
- Whether the impact on the project is likely to be positive or negative
- Whether the impact is likely to occur in the short, medium or long term;
- To what extent the team needs to be prepared to modify the approach to the project, and
- At what point the project team will be clear about when the uncertainty will become certain.

For more complex projects, teams may wish to carry out scenario planning to explore the range of uncertainty more fully and to rehearse their responses to different contingencies.

Managing Stakeholder Expectations

The keys to managing stakeholder expectations are clear communication and transparency.

It is never too early to start the communication process. It is quite common for some stakeholders to have unrealistic expectations about what development organisations can and will do in project development. Such unrealistic expectations may exist for one (or more!) of a number of reasons, such as:

- Lack of clarity about the scope of the development agency's role and responsibilities
- Making assumptions about the development agency's (and other partners') objectives for the project
- Assuming that the project will meet specific objectives that the stakeholder has without checking if this is realistic or feasible
- Believing that the development agency (or other partners) is working on behalf of the stakeholder, or
- Believing that the development agency (or other partners) had made certain commitments to the project that will not be forthcoming.

In general, project teams need to realise that stakeholders bring particular assumptions, beliefs and objectives for projects to the table for the first discussion, even when they know little detail about the project. It is important, therefore, to make objectives explicit from the start of discussions and to test whether all stakeholders share them. Further detail on stakeholder management and communications can be found in Marketing, Communications and Stakeholder Engagement.

A Checklist for the Investment and Appraisal Process

- ✓ Make an initial decision as early as possible
- ✓ Is it good value for money?
- ✓ Are public funds justified (Is there clear market failure?)?
- ✓ Complete an economic and sustainability appraisal
- ✓ Weigh up options and manage risk
- ✓ What are the likely benefits - identify outcomes, outputs and impacts
- ✓ Assess project management options
- ✓ Plan the project’s development
- ✓ Identify integration benefits and plan for contingencies
- ✓ Manage stakeholder expectations
- ✓ Present the decision concisely and with clear reasons

Chapter Five

Making It Work - Delivery Issues

Turning an idea into reality

This section includes:

- Introduction
- Methods of Delivery
- Major Physical Development
- Infrastructure
- Sector Development
- Skills Development
- Foreign and Domestic Direct Investment

Introduction

In the last chapter the link between appraisal and planning was explored and it was noted that there is a strong link between the quality of a project's plan and the likelihood of that project realising its strategic aims.

In this chapter, we highlight the three main approaches to resourcing economic development activity, including bidding competitions, commissioning and direct delivery and summarise how these different approaches can shape how projects and activity is taken forward.

We then explore the following activity types as examples of economic development activity:

- Major physical development
- Infrastructure
- Sector development
- Skills development
- Foreign and domestic direct investment

The section on major physical development includes an approach to project management which is relevant for other economic development work.

Methods of delivery

There are three main approaches to the delivery of economic development activity. Each approach has strengths and weaknesses. The merits of a particular approach depend, to a large extent, on the objectives of the projects or activities desired, but also reflect the political fashion of the day.

For instance, at their inception, the RDAs coincided with a move away from centralised 'bidding' approaches to funding economic development work on the basis that the RDAs would develop into professional public bodies capable of providing expert support to shape projects and activities for the long term benefit of the economy. The emphasis on the development of a long term public capability to bring together partners to support and catalyse private sector investment to help deliver sustainable economic growth is now out of fashion with the Government favouring a less formal mixture of non-statutory local enterprise partnerships and a 'hands off' funding scheme (the Regional Growth Fund, RGF) for the English regions (although the Government continues to resource a statutory economic development function in London).

The following summarises some of the major strengths and weakness of the three main approaches to delivery: funding or bidding schemes, commissioning and direct delivery.

Funding or bidding schemes

Bidding schemes can be open for a given period of time or organised around one or more bidding 'rounds'. Examples include the Regional Growth Fund and Grants for Research and Development.

Advantages:

- Phasing: the phasing of submissions enables the managing agent to control the flow of project applications, although phasing may lead to unsuccessful applicants resubmitting.
- Publicity: successful applications can generate significant media coverage, which can be politically appealing at national and local levels.
- Support costs: staffing overheads can be lower than other forms of funding, but savings may be offset by less strategic outcomes and compliance issues.
- Lead time: potentially shorter lead times to project inception than other approaches.

Disadvantages:

- High entry costs: widely framed bidding schemes, such as the current Regional Growth Fund, are often heavily oversubscribed, with unsuccessful applications outnumbering successful applications many times over. This can generate negative publicity and inevitably results in nugatory and costly work for unsuccessful applicants.
- Less strategic: the 'hands off' nature of bidding schemes can result in projects with no strategic fit being successful, or potentially funding given to competing proposals. This can result in a lack of strategic synergy.
- Politicisation: bidding schemes can be 'politicised' either through their overall focus or on the basis of grant decisions where political factors, such as project location, carry greater weight than economic factors.
- Compliance and State Aid issues: funding schemes typically offer little tangible support to bidders which can lead to compliance issues in connection with State Aid and other requirements.
- Learning: due to the long term nature of development work, bidding schemes offer little potential to recycle learning into future activity.
- Funding: the 'hands off' approach characteristic of bidding schemes can make it more challenging to integrate with EU and other funding sources.
- Market failure: bidding schemes may use public funding to cover for an absence of private investment, as opposed to addressing a specific market failure (i.e. where private finance has clear reasons for non-committal).
- Inflexible: the staggered application dates mean that bidding schemes are less able than other funding models to flex to accommodate emerging pressures, e.g. economic shocks.
- Capability: if the public sector relies on bidding schemes alone there may be a hollowing out of economic development capability from the public sector.

Commissioning

The commissioning approach to funding economic development moves beyond the relatively passive approach characteristic of bidding schemes to actively engage with partners to identify the economic need for a given development and work closely with all relevant public, private and third sector partners to achieve the agreed objectives. The Environmental Sustainability Institute (ESI) is an example of this approach.

Advantages:

- Highly strategic: good commissioning is based on clear evidence of the economic need for public sector intervention taking into account all relevant factors.
- Inclusive: commissioning involves multiple partners coming together to work with developers to an agreed objective.
- Strategic: the commissioning approach is based on a clear rationale and targeting specific market failure(s). Projects are commissioned and developed to meet the identified and evidenced economic need.
- Outcomes: projects are developed to focus on specific outcomes, e.g. to support to the supply chain for a strategically important sector.
- Responsive: projects can be commissioned in response to pressing emergent needs – e.g. recession related activity, or in relation to public emergencies such as floods or riots.
- Innovation: may elicit innovative approaches that may not have occurred to funders before.

Disadvantages:

- Capability and capacity: large scale commissioning requires a sustainable pool of professional and expert staff to see the process through from beginning to end (this may also be seen as an advantage).
- Up front costs: significant up front work is required to ensure that objectives for commissioning can be agreed and individual requirements developed to a high level to enable good quality projects to develop. Higher costs may be offset by a more efficient return on investment.
- Longer lead time: commissioning can be linked with a longer lead time to project inception.
- Constrained innovation: a commissioning approach may make it harder for innovative proposals to secure support.

Direct Delivery

The direct delivery model while not always the first choice brings together project design and commissioning with delivery. On some occasions it may be the only viable method of delivery. Many of the advantages of this approach are shared with the commissioning model. The South West RDA used this approach to designed, develop and deploy the Wave Hub.

Advantages:

- Highly strategic: even more so than commissioning, direct delivery enables synergies to be achieved between the design and delivery of a project.
- Cost: cost control can be stronger by keeping contractual issues ‘in-house’.
- Cohesive: direct delivery gives an oversight of the entire project, enabling quick and focussed decision making.
- Flexibility: the single interface makes project flex easier should this be required.
- Accountability: clear where responsibility lies.

Disadvantages:

- Conflicts of interest: measures need to be in place to minimise the potential for conflicts of interest to arise and to mitigate any potential for fraud.
- Capacity and capability: direct delivery requires the development over time of a significant and sustainable organisational capacity including many professional specialisms. This may also be viewed as an advantage.
- Control: without strong in house separation of functions there is the potential for loss of discipline and control, particularly over costs.

Major Physical Development

This section considers some key aspects of the delivery of major physical development activity. The South West RDA and other public bodies have acted to kick start regeneration and catalyse the physical development of sites by using direct investment to purchase or unify the ownership of key sites, or by providing investment to third party owners for the same purpose.

Why Intervene?

Public involvement in large physical development activity, such as business parks and mixed use regeneration sites, is undertaken to address market failures which are constraining economic development and business growth and to achieve wider economic benefits. These market failures can be a combination of factors such as:

- Provision of wider economic benefits (positive externality)
- Abnormal costs such as contaminated land (negative externality)
- Listed buildings and planning and infrastructure burdens (negative externality).

A combination of market failures can mean that these sites remain devoid of activity for generations, undermining the long term competitiveness of an area and being associated with social difficulties.

Masterplanning

Physical regeneration work is multi-faceted and involves working closely with multiple partners in a coordinated and planned way. The development of a multi-partner masterplan setting out a comprehensive and coherent long term development strategy is an essential part of all significant physical regeneration projects. It provides the framework to unify all related activity and proposals.

The credibility of a masterplan and its vision will reflect the level of public engagement and consultation undertaken. A strong masterplan will detail:

- The agreed strategic framework for the activity
- Options analysis and appraisal, including costs
- Phasing of development and projects
- Exit strategy and definition of success.

As masterplans are developed to reflect long term aspirations, they need to be robust enough to reflect changes, including economic cycles and changes in the political and policy landscape, from local to national and EU levels.

Masterplans can be applied at various scales from large individual sites to entire towns and urban areas. Examples of long term masterplans undertaken by South West RDA and partners include:

- Temple Quay Bristol: a 20 year masterplan to redevelop derelict land surrounding Bristol Temple Meads station into a mixed use quarter and headquarter office location. This is now the site of an Enterprise Zone.
- Littlecombe Dursley: the regeneration of 100 acre former Lister Petter works into a new village and employment zone.
- Project Taunton: a masterplan to regenerate a series of underused sites between the station and cricket ground in central Taunton to provide a new commercial and residential quarter.
- Osprey Quay Portland: the regeneration of the former Naval Air station to create waterfront employment sites, leisure and marina facilities and housing. The implementation of this plan enabled the site to be chosen to host the 2012 Olympics sailing events.

SH Read more... p17

The key characteristic of physical regeneration projects is that many need a 5–10 year time frame to mature sufficiently for the market to take them on unaided. This requires a strong partnership of the public (particularly local authorities) and private sector partners who are able to make a long term commitment to the project and work across political and economic cycles. The phasing of projects is important to build confidence in local communities and the market, helping to reinforce a belief that the scheme is deliverable and helping to generate funds on a rolling basis.

Sometimes the RDA's involvement could stop at the masterplanning stage, e.g. Taunton, but on other occasion the RDA has had to start the regeneration with Direct Development, e.g. Osprey Quay.

Project planning

There are significant overlaps between project appraisal and project planning - particularly around objective setting, identifying barriers and constraints, clarifying resources, managing risk and setting out project management arrangements - but there are some additional questions that sit outside the appraisal process and need to be considered as well:

- Should the project address current need or look towards long term development goals?
- What type of intervention should we consider?
- Can the project be integrated with other activities to increase value for money or economic impact?
- How do we manage stakeholder expectations?
- How do we manage risk?
- Do we need to plan for unexpected contingencies?
- Should we use carbon accounting in the project?

Delivering Physical Projects

The delivery of physical projects requires the overall planning, co-ordination and control of projects from their inception to completion and beyond. It involves motivating and managing all those in a project to achieve the project objectives on time to an agreed cost, quality and performance. Project management plans for and oversees a logical sequence of events. This approach is reinforced by current government guidance.

The stages of a project are clearly defined and the completion of a stage and an approval or gateway is a prerequisite of moving on to the next stage. It is essential that the project development leads work with the Project Manager, initially to give clear instructions, but also to monitor, support, endorse and permit the ongoing development of projects to the agreed cost and timetable.

Elements of Project Planning and Control methodology include:

- Setting clear project objectives
- Selecting the right project team
- Developing a Project Execution Plan incorporating:
    - Procurement Strategy and Form of Contract
    - Authority and accountability of Project Team
    - The tasks to be completed
    - Who does what, when and how detailing responsibilities
    - Lines of communication and reporting procedures
- Establishing risks associated to the project and preparing a Risk Management Plan
- Establish the expenditure budget required
- Establish change control mechanism and approval procedures
- Monitoring of performance incorporating disposal and exit strategies
- Review on completion.

The Project Management Process

Beneath the masterplan, a detailed project plan will be required to manage the complexity and interrelation of all project aspects and requirements in an orderly and efficient way. The successful delivery of a major physical regeneration project may require the following tasks:

- Feasibility studies and demand analysis for schemes
- Investment appraisal and cost-benefit analysis of prospective projects
- Acquisition of land
- Securing planning permission including the necessary environmental and transport surveys
- Appointment of professional teams to implement projects including legal and commercial consultancy
- Designing site remediation, listed building refurbishment and infrastructure schemes
- Procurement of works contracts to implement the schemes
- Negotiating development agreements, joint venture agreement and funding packages with the private and public sectors for the development and disposal of land
- Establishing governance and partnership arrangements on physical regeneration projects including project Boards and steering groups, for example, Urban Regeneration Companies.

Definition of a Project

All projects have a lifecycle commencing with an idea through feasibility, team assembly, method development, design development, procurement, execution, commissioning site disposal or exit strategy from whole areas, the finalisation of joint ventures and settlement of clawbacks or overage agreements with development agents to project close out and review.

All of the stages prior to implementation of physical works on site may be iterative with potentially the same stage reworked or cycled until the process output has been refined. The skills and techniques illustrated across these project stages can as readily be applied to master-planning as they can to site regeneration.

The Project Management Rationale

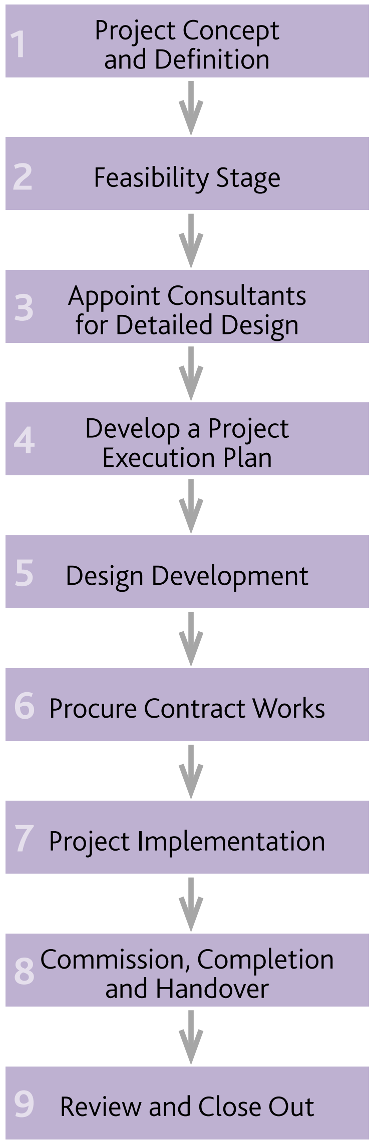
Project Management may be defined as the overall planning, co-ordination and control of a project from inception to completion in line with the client's requirements. Management seeks to produce a functionally and financially viable project that will be completed on time within authorised cost and to the required quality standards.

The Project Management process may be defined as the progressive movement under controlled circumstances through the sequential stages of a project from conception to completion and review. The Project Management process is complex and is affected by many factors either internal or external to this process. These factors can cause projects to fail to meet the project objectives or to stay within the project constraints. Three such factors are described below but there are many more:

- Poor planning and preparation: projects are often started before an adequate investment of time and other resources has been made resulting in the project lacking the appropriate clearly defined objectives and being poorly planned. A project with ambiguous, or even incorrect, objectives and with a poorly planned strategy is immediately doomed to fail.
- Poor budgeting: often a budget is set, sometimes for reasons wholly unrelated to the project in question, and then the project is tailored to fit within that budget. Under such circumstances the project is unlikely to meet its objectives. The budget should only be set when the objectives have been clearly described, the constraints identified and a strategy agreed.
- Poor control: following approval of the project objectives, constraints and strategy any subsequent changes must be carefully controlled through a managed change control process. Without such a process the project is unlikely to remain on track.

Project Management Stages

There are several widely used generic approaches to project management including PRINCE 2 and MSP. Many corporate and public bodies have developed their own approaches according to their specific requirements. The following 9 stage process has been designed for economic development project management and was road-tested and refined over the lifetime of the Agency:



i. Project Concept and Definition

Project Concept and Definition is the starting point for all projects. The objective of Project Concept and Definition is to identify the potential need for a project, define those needs and decide whether or not to it is worth investing resources in finding a solution to those needs. The following questions should be answered:

- Is there a project that is within the overall aims and remit of an organisation?
- Is the project feasible?
- Is there a need for the project?
- Who are the stakeholders?

It is the duty of the Project Sponsor to prepare a Statement of Need. In order to decide this, clear objectives or a brief will need to be established and developed up to the time when a clear financial commitment can be considered against the yardsticks and returns required by the organisation.

Time spent in preparation of a project is very rarely wasted. The impact of change at this point will have the least impact in cost on time of delivery.

The Project Manager must obtain approval from the Project Sponsor to commence the Feasibility Study. This approval is called Gateway No.1.

ii. Feasibility Stage

This stage should not start without having passed through Gateway No.1. There are two strands to the Feasibility Stage. The first objective is to develop the outline project brief then explore the full range of options available and select a preferred option that best meets that brief. The second objective is to clearly set out the mechanism for delivering the preferred option and this involves defining the procurement strategy and project organisation and control systems.

The allocation and removal of risk is an important consideration at this stage. It may also be necessary to comply with the Construction (Design and Management) Regulations 2007 at this stage of the project.

This stage of a project is a cyclical procedure involving the Project Team in analysis, investigations and considerations of the project brief, the project organisation, the project control system and the project form of procurement. Time spent in understanding the problem and consideration of the options for resolution is twice as valuable as time spent in the implementation of a project.

At this stage a preliminary Project Execution Plan is to be prepared as part of the Approval Process. The product at this stage is the creation of the Business Case.

Only when the project feasibility and strategy relating to investment and procurement is determined can the project move into the next phase and this is called Gateway No.2.

This need for agreement and permitting movement through Gateways forwards to the next stage is a critical ingredient of both HM Treasury guidelines and the stage elements of this approach.

iii. Appoint Consultants for Detailed Design

This stage details the procedure for appointing all types of Consultants. Consultants frequently have strengths in particular fields and weaknesses in others so it is important to select and appoint the right consultants whose strengths are in the right areas for the particular project. European Union procedures may be applicable, in which case the appointments must be advertised in the Official Journal for the European Union (OJEU).

Selection may also be from a maintained list of previously approved consultants or framework provided that qualification for the list or framework has been through the OJEC process.

iv. Develop a Project Execution Plan

The Project Execution Plan is the key reference document that sets out how the project will be managed and conducted and is unique to each project. A typical Project Execution Plan will include sections based on the following headings:

1. Introduction
2. Project Brief
3. Project Organisation Roles and Responsibilities
4. Project Delivery Strategy
5. Design management
6. Statutory and Other Approvals
7. Health and Safety Management
8. Programme Management
9. Cost Management
10. Value Management
11. Risk Management
12. Communication Procedures
13. Meetings and Reporting Procedures
14. Quality and performance Management
15. Environmental Plan
16. Security
17. Public Relations and Publicity
18. Human Resources and Industrial Relations

v. Design Development

Design development is an iterative process whereby the concept or outline design is developed into a fully detailed design. The level and detail of the design is dependent on the nature of the project and the form of procurement. The form of procurement may however, only transfer the production of design information, it will not remove the ultimate need for this information to allow the project to proceed. The design process should be both innovative and iterative with milestones of client acceptance to be achieved along the way. This staged approach allows greater control of the design programme and allows key reviews to be introduced at the end of each stage.

vi. Procure Contract Works

This section details the procedure for appointing all types of contractors. Like consultants, contractors frequently have strengths in particular fields and weaknesses in others so it is important to select and appoint the right contractors whose strengths are in the right areas for the particular project. As with the procurement of consultants, procurement of the Contract Works may have to comply with European Union procurement guidelines or drawn from previously advertised approved lists. Such qualification is in addition to financial, health and safety and other technical vetting.

Approval of the tender list and to proceed to works tender is also required and this is Gateway No.3. Approval to award the works contract is also required and this Gateway No.4.

vii. Project Implementation

During this phase the skills and tools of the Project Manager become most used and lack of use can produce significant failure. The project delivery stage involves the management of many different processes, which are not always obviously identified with achieving the project's objectives, such as health and safety.

It is during this stage that the financial and programme implications of any change to the agreed design increase dramatically with the passing of time.

viii. Commission, Completion and Handover

The commissioning, completion and handover phase of a project encompasses the completion, testing, inspection and acceptance of the works. The primary purpose of commissioning and testing systems is to prove that the installations meet the design requirements and can operate in a safe manner. It also allows faults to be identified and corrected prior to the planned handover date, if undertaken in good time.

Once a facility is completed and commissioned, the process of transfer from contractor to client can begin. This is much more complex than the simple purchase of a piece of equipment. All of the relevant documents have to be completed and signed off and this can include contracts, insurances, warranties, statutory undertakings, development agreements and finance commitments.

ix. Review and Closeout

The objective is to consider how the project was undertaken from concept to handover and to consider the lessons learnt. It involves a thorough assessment of all elements of the project to draw out or feed back, for the benefit of the organisation and the project management practice concerned, any lessons and conclusions for applications to future projects. Production of a post completion review is good practice.

Sustainable Construction and Development

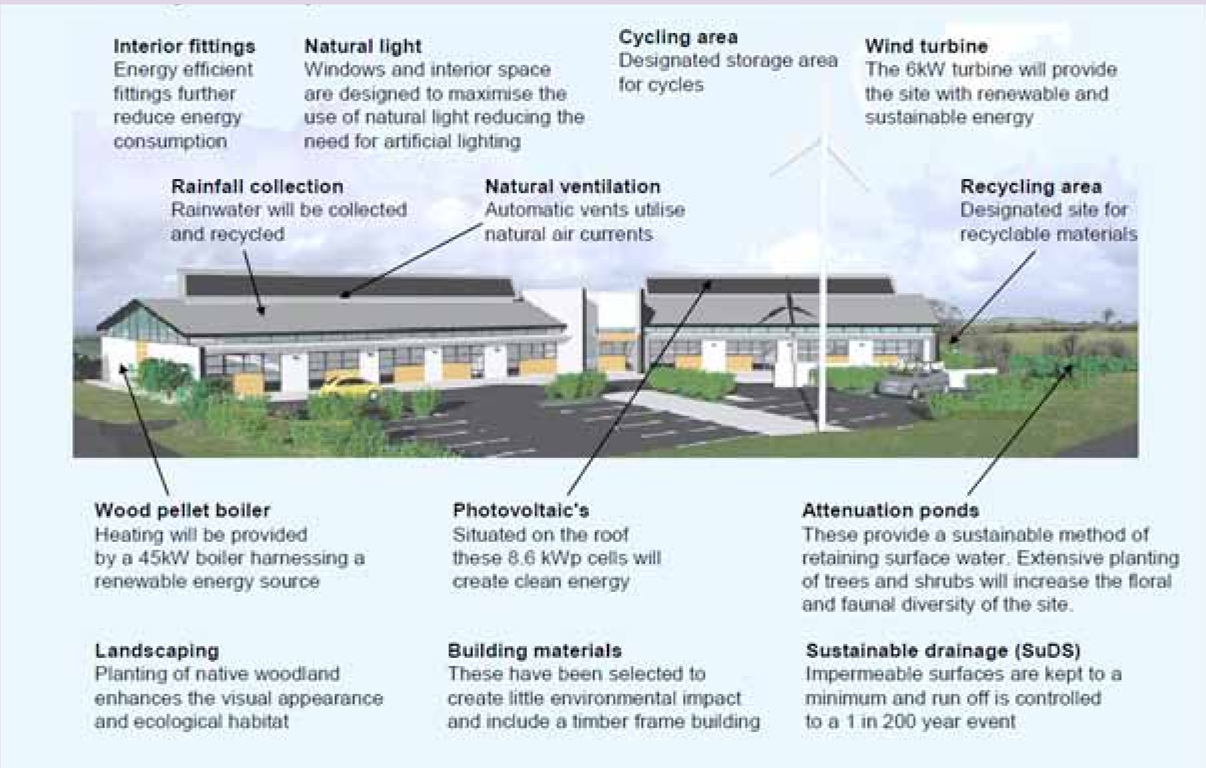
The built environment and the construction industry have the potential to make a significant contribution to the sustainability agenda. The places where we live, work and play, shape the way we interact with and experience the world. Fifty percent of our carbon emissions come from construction and operation of the built environment. Taking sustainability into account from the start of a built environment project maximises its potential to achieve positive social, environmental and economic impacts.

Case study: Exeter Road Business Park, Okehampton, Devon

Vision for development

The vision was for a range of buildings from 250 m2 up to 8,000 m2 to provide 'grow on' space for local and expanding businesses. The development aimed to achieve the highest current standards for environmental performance with high levels of natural ventilation and light and minimal draw on service providers for power, water and waste, providing a comfortable environment with low running costs. The development also included provision for reducing its carbon dioxide emissions.

Sustainability / development features



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Lessons Learnt / Post Completion Feedback

- Clear leadership from the start, particularly on the importance of sustainability ensured a high quality, high specification end result.
- Following a traditional design and contract route ensured that the quality of output was achieved without the pressures, often experienced under a design and build route with the lack of design time.
- Early appointment of entire design team to allow for a pseudo-integrated team and crucially for engineering input at the earliest stage. This included early input from the BREEAM and CEEQUAL assessors to help shape the output.
- From an early stage the contractor looked at their supply chain and was encouraged to include local sourcing of materials and labour to reduce costs and promote local business.
- The main contract should have been split to allow a building contractor and a civil engineering contractor to take on their respective elements.
- The main contractor worked towards a defect free handover which was largely successful for the main building but less so for the landscaping and civils works.
- Utilities co-ordination and liaison continues to be a challenge. Their lack of resources and fragmented support causes significant delays and strains.
- With a well informed and motivated delivery team high levels of build performance can be achieved.
- It is a challenge to get suitable warranties and co-ordination of installation on the renewables content using the LCBP grant programme.

Design and construction standards aiming to contribute to this agenda have multiplied over the last few years, including compulsory building regulations, voluntary targets and standards set by government, private and third sector organisations. Navigating this amount of guidance can be a challenge.

The Agency's Sustainable Development in the Built Environment to 2020 Guide (www.southwestrda.org.uk/working_for_the_region/working_for_the_environment/sustainable_construction.aspx) brought together standards from significant sustainable design tools to provide a framework for delivering a sustainable built environment. It is intended for use by built environment professionals and practitioners across the industry, to summarise best practice standards and provide key references for further information.

The guide begins with an introductory section looking at the principles of sustainable development and approaches for the built environment. The sections that follow look at generic guidance for all projects and then focus on standards and case studies for buildings, infrastructure and masterplans in detail.

Outcomes Sought for All Projects

The need to consider sustainable development is common to all projects, at all stages and all spatial scales. A challenge in leading and championing sustainability in projects is to establish an agreed approach: the following example describes how clients' objectives can usefully inform sustainability priorities.

Example

South West RDA wanted all projects to carefully consider how different procurement approaches are appropriate to the project. Addressing skills shortages, promoting training opportunities and realising the local added value of investment can be achieved through appropriate procurement routes. Contracts were awarded on the basis of whole life costs and benefits where possible to help achieve their corporate goals of:

Outcomes Sought:

- Developing a low-carbon economy - preparing and enabling the regions economy for the implications and opportunities that climate change will bring, and
- Creating successful places - enabling the region to be able to adapt to growth of the economy, maximise potential business opportunities and to unlock drive and productivity.

Project Closure

The self-sufficiency, or sustainability of a project, is part of its success criteria. That is, any successful project will require a clear path by which the public sector can exit, leaving a viable private sector enterprise. It is therefore important that at project appraisal stage officers or officials are clear how a given project can become sustainable and how and when the public sector will exit. If this is not clear, there must be strong doubts as to whether the project and any investment should be approved.

The timescale by which the public sector can (or should) exit an activity will depend on the type of activity being undertaken and the position of the private sector. For instance, the South West RDA was able to exit from the regeneration at St Austell at an early stage because of the readiness of a private developer to take forward further development work, whereas the Agency had to extend its commitment at Royal William Yard, Plymouth, in order to make its sale more attractive. Exit planning is an integral part of project design and appraisal, regardless of the timescale of the actual project.

Infrastructure

In this section we will introduce two different types of infrastructure activity, namely, the development of a range of activity to support the roll out of superfast broadband and the Regional Infrastructure Fund (RIF), an innovative funding mechanism aiming to expedite the delivery of 'gateway' infrastructure projects to unlock opportunities for growth. Other public sector infrastructure interventions may be directed towards stimulating market activity by reducing the abnormal costs associated with land decontamination, or to reduce development costs by providing transport or services infrastructure to remove barriers to private investment.

Broadband

Why get involved?

Access to a fast, reliable broadband service is essential to any economy and delivers productivity and efficiency gains to help keep businesses globally competitive. It is also a key to reducing the social digital divide experienced by rural communities. As the largest (geographical) peripheral English region this issue is considered by many stakeholders to be important to address in the South West.

Independent research was commissioned to address key questions on the need for public sector intervention. The research established that the market alone would not deliver the business benefits and opportunities arising from superfast broadband (SFB) to the South West and other parts of the UK without public intervention.

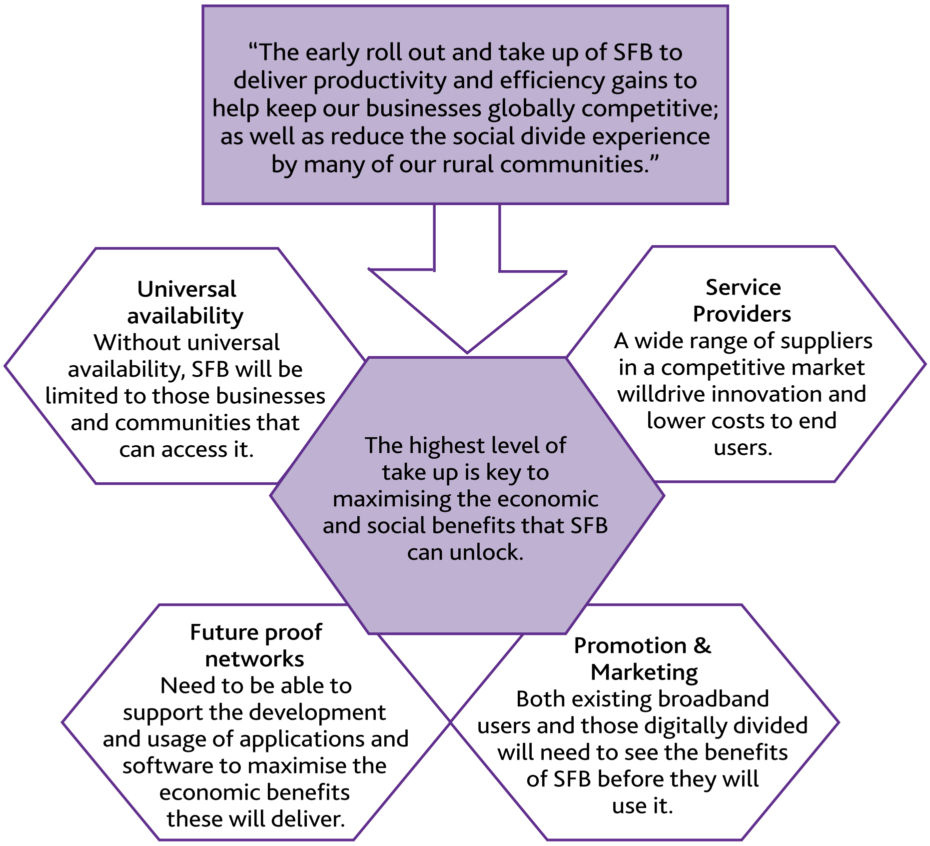
The research also showed that around the market alone would not provide for the roll out of SFB infrastructure to one third of the UK, and that this figure was more than 50% of the South West. This demonstrated a clear need for public involvement – without intervention, the South West would fall behind the rest of the UK. Intervention to support SFB infrastructure should only proceed where it is not commercially viable for the private sector.

What intervention is appropriate?

To help shape and determine the most appropriate approach to intervention, the Agency developed a Strategic Framework based around an agreed vision of early roll out and take up of SFB. The Framework was intended to help partners to plan activities to maximise the supply and take up of SFB services, thereby reflecting:

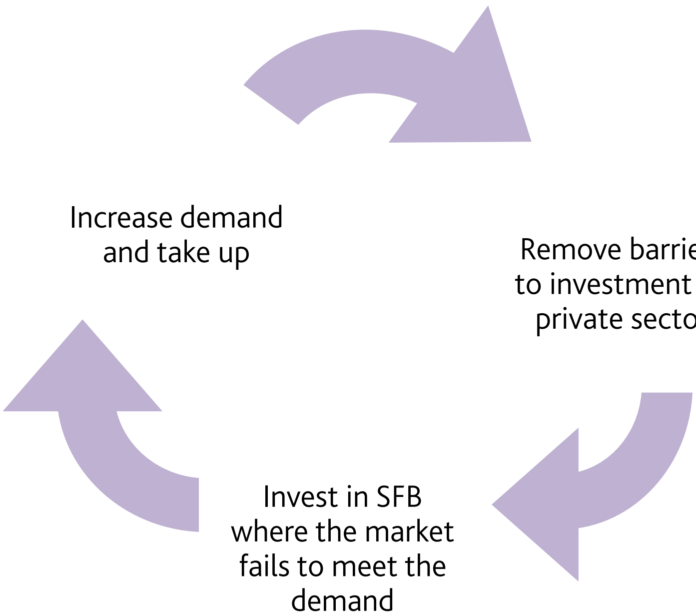
- A need to work inclusively: direct delivery of SFB infrastructure by a well resourced public body was not possible given funding constraints
- A need to address supply and demand side issues: addressing both aspects was an important part of seeking to develop the market to enable public intervention to tail off.

These principles were reflected in the development of a detailed model, Four Strategic Priorities, which sought to help shape and direct a broad range of activity across multiple partners.



The emphases on 'future proofing' and increasing demand reflected the importance of planning at an early stage for sustainability: in this case, the need to put SFB on a sustainable footing by planning for and incentivising market expansion in order to facilitate an exit for the public sector.

This approach can be represented by a 'virtuous circle' designed to reinforce private investment:



Key Activities

The development of strategic priorities for SFB did not in itself determine the interventions and activities needed to realise the agreed vision. This required the development of an agreed Action Plan. The Action Plan:

- Clearly defined, categorised and ordered activities
- Included an options appraisal and benchmarking data
- Documented compliance with EC State Aid (including some specific to Broadband) and other obligations
- Evidenced the use of available best practice and value for money.

Above all, the Action Plan translated the four strategic priorities into achievable activities. In doing so it also reflected the following themes:

- Partnerships: working with partners at appropriate levels to reflect local and wider priorities to maintain 'buy in' and ensure local and other priorities were captured
- Stimulate Demand: maintain a strong focus on the need to encourage market participation
- Focus: maintain a resolute focus on those areas where the private sector was least disposed to invest
- Lever Investment: utilising existing networks and other assets.

Regional Infrastructure Fund (RIF) and Other Innovative Funding Devices

RIFs: the rationale

RIFs are designed to give forward-funding to infrastructure to help overcome the problem of the high up front infrastructure costs that act as a barrier to the private sector bringing new developments forward.

The RIF works by providing up front investment which is later recouped from developers. The 'recycling' of funds makes the RIF self-sustaining, meaning that recouped funds can be reinvested in future projects, helping to ensure long term benefits with limited public resources.

In order to provide significant levels of forward funding, RIFs need to be primed with initial public sector investment. The SW RIF was primed with £56.4m of public sector funds from DfT and the South West RDA. However, once invested in a RIF the initial public sector investment can be recycled indefinitely.

Future increases in funds available could be made by the public sector, but large-scale RIFs are also attractive to private sector investors seeking a stable long term source of revenue. Equally, RIFs could also be linked to the Regional Growth Fund, both at individual project level but also by making available new RIF funding for sustainable investment.

A number of other innovative funding tools have also emerged recently including: Asset Backed Vehicles, Community Infrastructure Levy, Tax Increment Funding and the European Funding Jessica and Jeremie Mechanisms. Major projects may be able to utilise several such devices, for instance mixing RIF with Tax Increment Funding.

Case Study: Twin Sails Bridge, Poole Harbour

The Agency's RIF was the first such fund in the country and has supported the Twin Sails Bridge at Poole, infrastructure development including new roads and a school at Cranbrook in Exeter, a transport improvement scheme in Plymouth, a flood relief scheme in Taunton and a major new road in Filton, South Gloucestershire.

The issue: The Twin Sails Bridge was part of a wider major transport scheme that received initial support and a commitment of funding from the Department for Transport. However, all major transport schemes with DfT support are required to provide at least 10% of the cost of the scheme, known as a 'local contribution'. These local contributions are often made up of private sector funds derived through the planning obligations process. RIF investment forward funded these local contributions, enabling the scheme to secure its place within DfT's funding programme.

The investment: RIF investment of £9.96m secured the full £37 million funding package necessary to deliver the Twin Sails Bridge scheme. The Twin Sails Bridge opened up for redevelopment a large brownfield site on Hamworthy Island in Poole Harbour with the wider transport scheme also benefitting a series of other development sites.

The outputs and outcomes: RIF investment has been described as the "knight in shining armour" that enabled the Twin Sails Bridge scheme to secure the full funding package needed to enable delivery. The Bridge and the wider transport scheme will unlock 32 hectares of land and will enable £600 million of development that will transform the town. Over the next 10 years the project will create 2,000 homes, 5,000 jobs and an exciting new waterfront with employment space, shops, hotels and a new quayside accessible to the public.

> *"A year ago Poole's Twin Sails project looked unachievable. With the Twin Sails scheme a £40m investment unlocks £600m of regeneration potential. The RDA's RIF investment helped safeguard the £8m invested by the Council in developing the scheme over the previous 8 years."*
> **Jim Bright**, Strategic Director at Poole Borough Council

Practicalities

The South West RIF is managed on a 'portfolio' basis by an investment panel according to a business plan. The business plan covers current investments, investments under appraisal and possible future investments. Membership of the panel is drawn from public and private sectors with objectives based on:

- Ensuring the best use of public resources; and
- Targeting investment on key infrastructure requirements to support sustainable growth.

Potential investments are scrutinised according to their risks and returns with RIF investments being a powerful lever for securing additional sources of investment or enabling the delivery of enhanced environmental standards. With the introduction of the Community Infrastructure Levy (CIL regulations allow for collected CIL to be used to repay forward-funding) these investments can be recouped in full over the long term as the unlocked developments start to generate sufficient cash flow. This effectively stretches private sector investment in infrastructure facilitating increased contributions that could not viably be made early in the development process.

Sector Development

What is the rationale of sector based interventions?

The Regional Economic Strategy set out the rationale for intervening in certain sectors according to the following criteria:

- **Comparative advantage:** where sector support can help to develop and / or maintain a national or international advantage.
- **Economic scale:** sector employs a large number of people and / or contributes a significant share of the region's output.
- **Economic potential:** sector with potential for significant growth in the medium term based on knowledge, technology and locational factors.
- **Sustainability and aspiration:** support for the sector helps the region achieve wider goals such as sustainability.

In addition to these criteria, sector based public intervention is directed at clear market failures or opportunities where it has a real ability to make a difference to the economic prospects of that sector. This approach requires close collaboration with industry to refine the specific rationale for intervention within the development of a broader sector-specific strategy.

The South West RDA based its initial choice of priority sectors on an analysis of the regional economy by leading economists. Priority sectors identified included: aerospace & advanced engineering, ICT, creative industries, bio-medical, food & drink and marine. Each of these sectors is different in terms of scale, growth rates, technologies and routes to market.

Certain sectors of the economy, such as business services and retail and wholesale distribution are larger than the priority sectors, but there was little evidence of market-failure.

Sectors – a South West RDA Approach

An underlying principle of business facing activity, irrespective of sector, was to direct business inquirers to Business Link for generic business support. This enabled the Agency to focus on interventions aimed to address sector-specific issues as identified by commissioned independent research. They included such things as:

Marine: this sector faced an acute lack of skills and issues in the availability of short-courses with businesses concerned about the free-rider principle. In response, three Marine Skills Centres (MSCs) were established. The Poole MSC alone provided over 14,000 skills courses in three years and became the skills and apprenticeship training centre for one major company which created 1000 full time jobs during the same period.

Creative Industries: in an industry dominated by micro-businesses with limited exposure to potential collaborators and clients there is a significant information deficit. The South West RDA worked with partners to establish sub-regional cluster-groups which have approx. 5,000 members and hold regular events to meet their needs.

Aerospace and Advanced Engineering: while this sector provides some of the best paid jobs in the region and a substantial proportion of its exports, it is nonetheless characterised by distorted international competition (unequal government support). The market for aircraft with over 100 seats is estimated to be worth $3 trillion over the next 20 years. Prime contractors and first tier suppliers in the region continue to invest up to 10% of turnover into R&D to produce more fuel efficient aircraft at lower cost. Such companies think globally in terms of customers and suppliers and are offered generous incentives to take work overseas.

The Agency provided financial support (using the Collaborative R&D block exemption) to a range of nationally agreed projects such as lightweight structures using advanced composites materials, more fuel-efficient engines, high-power electrical distribution and civil unmanned air vehicles. Such projects typically attracted funds into the region of 7:1 and anchored companies at the top of the food-chain with knock-on benefits to hundreds of SMEs and universities.

The Agency investments in composite materials at Airbus and Bristol University in 2005 began a series of events which have resulted in hundreds of millions of investment and elevating the SW to an international centre of excellence. This included Airbus securing the manufacture of the composite wings for the A400M, regional universities attracting major industrial investment from Rolls-Royce, GE, Vestas and Agusta-Westland, GKN investing in one of the largest composite manufacturing factories in Europe and Bristol being chosen to host the £25m National Composites Centre which is attracting membership from various sectors and new funding from government.

Funding for the aerospace R&D projects was by means of formal competitions administered by the Technology Strategy Board which undertook the technical feasibility, commercial due diligence and high-level monitoring of the project.

The creation of the sector groups with the support of modest seed funding was designed to improve access to information such as market opportunities, effectively reducing the search costs for businesses in each sector. They also created positive benefits through greater coordination, marketing and supply chain development.

Project Delivery

The South West RDA has adopted two main approaches to the delivery of sector based activity. In its early days, much of the Agency's support was delivered through various 'sector' groups who wrote and submitted wide ranging business plans which included substantial core costs. Latterly, the Agency sought to identify discrete needs and would commission against this to ensure the most appropriate contractors were appointed. Sector groups themselves received funding for specific activities (such as networking), not simply to allow them to exist. Part of the rationale of this approach was to minimise public sector involvement on a basis of strict necessity and to plan for eventual exit.

The following examples illustrate a variety of difference approaches to delivering sector based activity:

Marine Skill Centres: in some cases, including the Marine Skills Centres, the delivery of complex projects was undertaken by a special purpose vehicle (SPV), in this case, Marine SW, with a Board comprised of industrialists, business people, skills specialists and an Agency representative.

National Composites Centre (NCC): the NCC project is a project with three distinct phases. The first involved an understanding of public funding mechanisms and policy and the bringing together of companies from various sectors and academia to establish if an appetite (and demand) existed for such a centre; this was led by the Agency and was made possible by means of its knowledge of regional and national stakeholders and expertise in property, procurement, contracting, EU funding and project management. Phase 2 was led by a university with whom the Agency contracted to establish the NCC. The final stage, Phase 3, is the operational phase which relies on the support of industry which has shared access to a major facility it helped to shape.

In all cases, the Agency has been involved as an observer on various boards to ensure the projects adhere to the objectives of the public funders and is able to offer practical advice and support.

A high level of flexibility is required in terms of project delivery. This is not only because different sectors are affected by different drivers but also because the existing business support infrastructure varies significantly between sectors. For example, there may be a range of existing providers in an established sector such as food and drink which could tender to run one or more of the projects in a delivery plan. Alternatively, in other sectors, where there is little existing support and a lack of sector identity within the region, it may be necessary to establish or retain an existing external sector group.

The delivery plan should identify the most suitable mechanism for delivering a given project, including:

- One or a series of stand alone projects delivered by a contractor/s or direct delivery
- Establishing or retaining a dedicated external sector group to deliver a suite of projects.

All external contracts will need to be subject to a competitive tendering process. If an external sector group is considered to be the most appropriate delivery mechanism public bodies may seek to ensure that:

- Payment of core costs is avoided
- Financial sustainability of the sector group is a core objective
- Common guidance governing all sector groups is developed.

While approval processes are an important aspect of public sector economic development governance, a streamlined appraisal process and expedient decision-making are critical factors in maintaining private sector support.

A delivery plan documents how to turn strategy into activity by prioritising a relatively small number of projects. It should:

- Objectives: outline each of the projects to be completed
- Allocation of responsibilities: identify which aspects of delivery should be taken forward by which bodies and which should be contracted externally
- Strategic fit: clearly demonstrate that sector projects do not duplicate, and are aligned to, mainstream forms of regional business support in both the public and private sectors (especially Business Links but also MAS, Sector Skills Councils)
- Timespan: e.g. document three years of activity with annual reviews to address changing circumstances, priorities and individual project performance
- Feature a robust monitoring and evaluation framework.

Closure

To be considered successful, a project must have clearly defined and measurable objectives, which can be demonstrably met ahead of project closure. In the case of sector interventions closure was less clear cut as industry continued to look for public support. For instance:

Marine Skills Centres: the initial work commissioned by Plymouth University which identified the shortage of marine skills was used to inform the development of the Marine Skills Centres. After three years of successful operations, the project had met or exceeded all its targets and industry, private and public skills providers could see that the model worked. The project was closed and the centres continue to operate successfully under new management.

National Composites Centre: in the case of the NCC, a number of companies were asked to contribute £300,000 per annum to the NCC for a minimum period of 3 years to provide evidence of support needed by the public sector funders.

The public sector representation on the NCC Steering Board will cease once the Centre is completed at which time it will rely on the Monitoring and Evaluation mechanism to ensure it is delivering the agreed outputs. Working with partners who have made a major investment themselves and therefore have an interest in the success of the project is a powerful mechanism to support project development and closure (although it is not always possible).

Skills Development

Why get involved?

Skills are a key driver of productivity with higher skills leading to higher GVA returns. Skills elements cross all aspects of economic development work, ranging from sector based interventions, projects to raise productivity, create jobs or deliver site regeneration. At the heart of all these activities is a need to ensure that people have the right skills to deliver these things and that there is sufficient demand to utilise existing skills.

The rationale for public intervention is the free-rider effect and unequal access to information. Intervention may be required to address the following issues:

- **Address gaps**: to prompt others to recognise weaknesses or gaps and to work together to find solutions.
- **Stimulate demand**: to raise demand from business for skills to help the future growth and survival of their business.
- **Capacity**: to build capacity or expertise.
- **Strategic fit**: to contribute to the employment and skills element of an agreed strategy, related policy and project delivery.
- **Government request**: e.g. development of a Framework for Regional Employment and Skills Action (FRESA) – subsequently the Regional Skills Strategy and then the regional statement of priorities for employment and skills.
- **Economic shocks**: e.g. Foot and Mouth, Floods or the recession.

For instance, in the South West, retaining and attracting graduates was a key priority for the RDA, ensuring that businesses have access to the right level of skills to develop and grow, whilst looking to address an ageing demographic. Evaluations of 'working with business' programmes that the RDA has supported, clearly demonstrate the benefits graduates can bring to businesses, by increasing productivity and innovation.

Main interventions	Project examples
Recession response	Area action forces; Talent Retention programme pilot; Apprenticeship Training Agency pilot; Skills for the Future (Learning works for all)
Helping businesses to get advice on training issues	Advanced Engineering Skills Programme and Aerospace Training South West; Train to Gain; Tourism Skills Network; Leadership and management advisory service; RDPE funding work – e.g. training advice for farmers and the land based community
Connecting businesses with Higher Education	South West Rural Enterprise Gateway; Knowledge Escalator 1 and 2 (KESW); Great Western Research; Low carbon / high skills

Main interventions	Project examples
Encouraging an increased take up of Higher Education provision (targeted at priority sectors).	Combined Universities Cornwall; GradSouthWest; South Devon College HE Centre; Energy Skills Centre (Bridgwater College – nuclear); Flybe Skills Academy (Exeter); Enterprise Pavillion (Arts Institute Bournemouth); Gloscat re-location (FE college); Aim Higher (widening participation programme)
Providing funding to support the development of new training provision to address skills shortages (including premises)	Skills for Life Unit; Marine Training Centres; Local work e.g. refurbishment and creation of training facilities
Helping businesses to source local labour from disadvantaged areas.	Gloucester City Employment and Skills Programme; West@work; Park Life (Gloucester project with businesses on business parks)
Encouraging a culture of entrepreneurship in different communities (e.g. targeting women, BME, young people and over 50s)	Business support products targeted to spatial areas; enterprise competitions; Princes Trust; PRIME and SWOOP (projects encouraging the Over 50s to start a business and access employment)
Funding arm's length bodies to provide technical support	Equality South West; South West Forum (civil society) and regional compact; RISE – Regional Infrastructure Social Enterprise; Regional Skills Partnership

Delivering Skills Interventions

South West Talent Retention Programme

The South West Talent Retention Programme was designed as a time-limited response to minimise the impact of recession on employment in key sectors. Sectors covered included, advanced engineering, digital media and the financial and business services sector. It achieved this by:

- Providing specialist redeployment services and sign-posting to skilled employment those at risk of redundancy.
- Putting in place a talent pooling process to share short term placements.
- Providing specialist signposting to training to those being made redundant and who are willing to re-train within their sector.

The programme proved highly successful. For instance, the Advanced Engineering strand had an average of 250 live vacancies ranging from MD positions to specialist fitters and technicians throughout 2010-11, over 370 individuals were assisted to get a job with more than 110 securing new employment. Overall some 1,100 one to one redeployment sessions were provided. Support was provided to over 130 businesses including Cadbury and Astra Zeneca.

The success of the programme and the continuing impact of the recession led to an ongoing need to support employment in key sectors. Government has adopted the Advanced Engineering strand at a national level with full functionality from January 2012. The Financial Services strand had been adopted by the National Skills Academy for Financial Services with roll out in October 2012. With the support of industry partners, the Digital Media strand will become self-sufficient in the South West.

Stepping Back

The exit strategy, by which the public sector exits a skills intervention is an intrinsic part of the overall project plan. In some cases, a project will have a clear end date, but in other cases this may be less clear. Natural 'stop' points include:

- When the market has been created, realigned or alerted to new opportunities
- When projects become self sustaining (difficult to achieve) or are embedded into other activity
- If priorities change and funding is needed elsewhere
- Projects or strategies achieve their outputs or aspirations.

Foreign and Domestic Direct Investment

Categorising Investment

The South West RDA played a significant role since 1999 in attracting both public and private sector investment into the region. This is an aspect of economic development activity that promises significant returns. For instance, in 2010-11 the South West RDA achieved 61 successes amounting to a direct capital injection of £147m within the region.

In a highly competitive global competition, distortions are rife with many countries offering a variety of incentives and tariff boundaries. In the UK public bodies have been unable to offer the kind of major financial incentives of the scale that some of our competitors could. Therefore our efforts relied heavily on bundling our own expertise and intelligence with local characteristics and partners in a way that made the 'sum of the parts' more attractive than those parts individually. In this respect, there is no substitute for being a consistent, catalytic driver of communication as well as a direct financier and an intelligent broker.

Direct investment comes in several forms, ranging from major corporate investments, from elsewhere in the United Kingdom or abroad, through additional investment on existing facilities, to the development of significant public-private partnerships, with a number of different players, using relatively small amounts of public money 'to lever' private investment for a specific purpose.

Whilst some would say any inward investment is beneficial it is sensible to direct limited resources, staff and funds, to the pursuit of inward investment that meets your economic strategy and priorities.

Proactive engagement with the market for high value, innovation driven and knowledge based technologies might be prioritised, for example, in areas where this is already a strong cluster and new investment will encourage capacity and labour retention, international competitiveness and new productivity. Other less economically dynamic development areas may wish to emphasise the job creation and regeneration benefits of direct investment to a network of supply chain and social linkages. Different locations, therefore, should pursue different potential clients and markets according to their own economic characteristics and goals. Taking care to identify what will be realistic diversification is important.

This section looks most closely at working with, and attracting, significant private investors and investments.

Facilitating Investment

Attracting private investment requires a detailed and credible understanding of the needs of the potential investor. Rather than expecting them to understand why the investment might benefit the region, it is important to understand the motivation of the investor and then identify what help and support is available and might be crucial to tipping the balance in an area's favour. These factors might range widely from 'hygiene' factors without which a proposal is a non-starter (such as infrastructure in its widest sense – transport and communications, housing and planning, labour regulation and availability) to 'aspiration' factors that make an area's offer special (such as natural amenity and agglomeration capacities and other "softer" benefits).

Investors inevitably have a range of needs, with some of these being more closely related to your interests than others. The strength of your appeal to an investor is a function of how well you can relate the proposed project or opportunity to the range of the investor's needs, without promising things you can not hope to deliver. It is important to be clear about your competence to deliver in particular areas, whilst emphasising your willingness to facilitate contacts with those partners who can address specific issues beyond your remit.

For example, a major private company may be experiencing difficulties with local planning issues at the same time as deliberating over a multi-million pound technological expansion or relocation. Given expertise, contacts and responsibility, the development expert may be able to help more with the latter than the former but will need to be prepared to facilitate the former with relevant partners. Offer potential solutions on all levels, or as many as you can, and you may get further than dealing with specific issues for the investor in isolation from other needs.

To develop an informed understanding of an investor's needs requires a consistent and respectful relationship with the investor, often requiring engagement at different levels if dealing with a large organisation. The importance of relationships and partnership cannot be overstated. Investment to support economic development is attracted on the basis of mutual interest and trust. The investor will demand to know 'what's in it for them', and you are most likely to be able to answer this having developed a long-standing, or at least well founded, relationship that allows you to understand the subtleties that may lie behind what might seem a straightforward request.

If you are in position to put match-funding on the table, then your prospects for negotiation may be stronger but this need not be the clincher. Investors will be comforted to know it is not just them taking on risk, and that the partnership is built on shared interests. In promoting economic development, you should be able to present a clear picture to an investor of how all aspects (and problems) of a particular intervention are going to be tackled and which you yourselves can tackle directly. Investors will press partners on what they can contribute in part to help them gain confidence in a relationship.

Potential foreign-direct-investors looking to re-locate to the UK / region will prefer a 'one-stop shop' for all their questions. Investors will not be impressed by being signposted to different public bodies and authorities for different requirements (e.g. planning, tax, labour regulation etc), particularly when EU and other international competitors offer cohesive single agency support.

Above all, investors will want a high degree of assurance that the location will help their business succeed in their target markets. Beyond that simple economic imperative, however, more social and environmental factors can be crucial to a favourable decision. These might include the quality of education available to employee's families, potential employment opportunities for family members, the state of the public realm and general quality of life issues. Being cognisant with the range and quality of local schools, for example, may be an important factor that helps to clinch the decision at the margin, once the economic fundamentals have been addressed.

Pursuing FDI

The key to pursuing Foreign Direct Investment is intelligence and attention to detail. You need a solid evidence base, both about your own economy and likely sources of candidates, staff with the skills and intelligence to gain access to prospective clients and stay engaged; and funding with access to relevant officials that can unlock the deal.

It is vital to consider the "total offer" and to read the sub-plot in conversations. For example, a company that says "we have to attract the best talent" is thinking beyond their own working conditions and market access to matters related to children's education, family employment, public realm, natural amenity and quality of life.

In considering a move, for example, into the new SPark site near Bristol, one FDI candidate has examined:

- The high standard, low density aspects of the development itself
- Its connectivity to market and to local skills
- Its agglomeration benefits - horizontally and vertically along and across supply chains
- A range of tangible and intangible factors to do with the politico-socio-environmental aspects of the location.

Whilst Bristol and the West of England, for example, tick a lot of boxes in relation to economic location, the contrast between its private and public schools may be the marginal factor that affects decision making.

A strong stakeholder network, including representatives from national and local government, Members of Parliament to local stakeholders is required to signal to FDI candidates that you are able to take their issues forward appropriately on their behalf, as well as to provide an open approach and direct tangible support to their particular investment plans.

Fostering investment

For most of the South West, given its comparative competitive position in local, national and overseas markets and our relatively high employment rates, attracting businesses involved in technology and creativity are likely to yield more defendable and sustainable jobs than attracting low-grade manual jobs. This requires an emphasis on research and development (R&D). For example, a high proportion of public support for R&D in SW England has focused on raising the technological edge and supply chain integration in aerospace and a few other priority sectors.

The pursuit of investment and high value jobs requires ongoing engagement with and understanding of the developing, short, medium and long term needs of priority sectors. This will be based on direct conversations with businesses helping you to understanding their experiences of coming to and developing a base in our area. The development of relationships with senior business figures is therefore fundamental. Staff working in this area must have high level skills in developing personal relationships, and be able to convey trust and integrity in order to gain insights that might not be available to shareholders, head offices, company staff or customers. At a strategic level, you need to make sense of what people are saying in terms of threats and opportunities for established and potential new investment.

The following examples illustrate this in more detail:

National Composites Centre

The South West RDA was able to secure the National Composites Centre (NCC) for the region because key “primes”, Airbus and Rolls Royce saw it as an absolute priority and noted that the composites agenda was a key to the continued development of the aerospace sector in the South West. The threat was that existing competitive advantage would be lost whilst the opportunity was that more competitive advantage could be won.

The Agency was able to feed this narrative into Government, helping them to develop the National Aerospace Technology Strategy; through our relationships with key industry leaders and our detailed understanding of the issues. This enabled the Agency to encourage further private investment by reflecting that, “it’s in the national strategy and we can play our part locally by making it happen”.

When new money became available, the Agency was able to bring everyone together, even intense competitors, such as GKN and Rolls Royce, by indentifying a shared mutual interest. Securing the NCC for the South West was the product of the prerequisites outlined above.

Marine Sector

A chronic shortage of skills was identified in this key sector. Having spoken to all the parties involved, it was clear that a market failure existed with no one able to find an answer to a key competitive disadvantage.

Whilst most partners were focused on strategy, the Agency decided to drive a coach and horses through the infrastructure problem, establishing the Poole Marine Training Centre offering 14000 training places (and later ones in Plymouth and Falmouth). The industry said; “I need a two–day course on styrenes, or health and safety”. These were all impediments to businesses expanding in the region.

As a result, the Agency corralled human and financial resources together to address the needs of local companies. All subsequent Sunseeker expansions, for example, involved staff going through Poole Marine Training Centre. After our start-up activity, the centres were successfully passed on to the private sector. An excellent example of when regional development could kick-start a solution that the market had been unable to provide and then exit the arena once a successful and sustainable solution was established.

These examples were achieved by a resolute focus on excellence, establishing the high ground, picking solutions and driving investment. These investments are about the long term, that is why private companies were unwilling or unable to take the initiative them themselves. Success or failure needs to be evaluated over years.

Checklist for Making it Work - Delivery Issues:

✓ Identify the advantages and disadvantages of the three main approaches to project delivery:

- Funding or bidding schemes.
- Commissioning.
- Direct Delivery

✓ Physical development:

- Master-planning needs to be done to set the right context for a range of projects.
- Assess the scope and timing of project management, and its various phases from project concept through to delivery and review.
- It needs to be sustainable as well as deliverable and build-able.

✓ Infrastructure:

- Identify why get involved and what intervention is appropriate.

✓ Sector development:

- Identify the rationale for your sector-based intervention.
- Identify the most appropriate specific approach to sector-based delivery.
- Manage the closure and exit from your project at the right time.

✓ Skills development:

- Identify why are you getting involved and what specific objectives you have for involvement.
- Identify who you are going to work with.

✓ Foreign Direct Investment:

- Consider all of potential investor's needs.
- And identify which of these needs you can help with.

Chapter Six

Making It Work - Organisational Issues

Turning an idea into reality

This section includes:

- Governance and Accountability
- Changing Government Priorities
- Organisational Capability and Expertise
- Monitoring and Output Reporting
- Legal and Technical Issues
- Marketing, Communications and Stakeholder Engagement

Governance and Accountability

If you are to use public money for economic development activity, you will need to be able to show that you are accountable for the use of that money. Accountability can be formal or informal, imposed or self-imposed. For instance, even where a formal requirement for a particular approach to governance is absent, as in non-statutory bodies, it may nonetheless be worth considering public commitment to operating to such levels, for instance around access to information, Board Member recruitment and complaints handling, as a signal of the weight an organisation places on accountability.

Statutory and Non-Statutory Accountability

There are a number of ways in which accountability can be demonstrated. These include, public scrutiny, official audit, Parliamentary oversight, as well as elected Boards and other governance arrangements.

Case Study: RDAs

It was often suggested that the RDA were unaccountable, but like other statutory non-departmental public bodies (NDPBs) the South West RDA was formally accountable in a variety of ways:

- Directly to Government Ministers
- Directly to Parliament: through legislation and via a non-Executive Board appointed by the Secretary of State to include business leaders, elected representatives from Local Authorities, representatives from voluntary, trade union and education sectors.

The NDPB status of RDAs was conceived to support long term decision making in the interest of the regional economy to counter the perceived short termism of national and local political cycles, whilst remaining directly accountable to Government Ministers and Parliament.

There was an expectation that a strong regional 'voice' would be provided by Boards and emergent regional democratic organisations, although direct local accountability was not considered appropriate at the formation of the RDAs because all the functions they inherited came from a national as opposed to local level. This is discussed in more detail in the History document (page 28).

In addition to formal accountability, the RDAs were also required to meet the requirements of:

- Freedom of Information Act 2000 and Environmental Information Regulations 2004
- Human Rights Act 1998 and public sector duties for disability, gender and race
- Equality Act 2010. In addition the RDA also had a duty to address social-economic mobility/ disadvantage and were obliged to take account the Armed Forces in the strategies and policies that it prepared
- Employment legislation and regulations
- Data Protection Act 1998
- Planning legislation – to act as a Statutory Consultee for major developments, local transport plans and submissions to the Infrastructure Planning Commission
- Local Government and Public Involvement in Health Act 2007 - duty to co-operate with local authorities.

The RDAs and other government bodies were also subject to guidelines set out by the Parliamentary and Health Service Ombudsman on complaints handling. An MoU setting out the respective roles of departments and the Ombudsman in investigating complaints is available at: www.cabinet-office.gov.uk and further information can be found at: www.ombudsman.org.uk

Beyond formal accountability to ministers and the statutory status of the agency, the Agency's CEO held the title of Accounting Officer, with direct personal accountability to Parliament itself and responsibility for compliance with HM Treasury's Managing Public Money www.hm-treasury.gov.uk/psr_mpm_index.htm

Agency staff and Board Members were called to given evidence and make written submissions to Parliamentary Select Committees and the Agency was required to answer Parliamentary Questions as a matter of course.

During its lifespan, the RDAs were also accountable at various levels to the Regional Assemblies, the National Audit Office, and were subject to a rigorous independent Evaluation Framework exercise, and several stakeholder surveys. The RDA experience demonstrated that actual and perceived accountability are important considerations which relate to the sustainability of an organisation and its wider public perception.

Non-Executive Boards

There is a wealth of guidance on the provision of effective non-executive Boards. The Nolan principles set out the 7 principles of public life which formed the basis of RDA Board standards:

- **Selflessness**: holders of public office should act solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their family, or their friends.
- **Integrity**: holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might seek to influence them in the performance of their official duties.
- **Objectivity**: in carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.
- **Accountability**: holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.
- **Openness**: holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.
- **Honesty**: holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.
- **Leadership**: holders of public office should promote and support these principles by leadership and example.

Further detail can be found at: www.public-standards.gov.uk/. RDA and other public boards are also subject to the Code of Practice for Ministerial Appointments to Public Bodies: www.ocpa.gov.uk. Board Members are appointed following open competition. New Members are chosen because they have a track record of leadership, with a sound understanding of the region and its economic needs.

Expected standards of corporate governance in government bodies can be found at www.hm-treasury.gov.uk/psr_governance_corporate.htm

Changing Government Priorities

Policy Development

During the lifetime of economic development projects it will be inevitable that government priorities will both change and be added to. Project management will necessarily therefore involve managing these changing and different priorities at a level of detail appropriate to the scale of their project.

Working with policy shifts may involve:

- **Consultation**: responding to policy consultations to influence policy development
- **Policy analysis**: interpreting national policy and it's impact on sub-national work
- **Relationships**: developing strong relationships with policy makers (e.g. ministers and civil servants)
- **Evidence and intelligence**: developing strong intelligence to inform policy discussions and strategies
- **Policy process**: awareness of where and how policy is developed and influenced
- **Being aware of continuity of policy** even when stated priorities seem to change e.g. the Labour Government's 'New Industry, New Jobs' strategy contained many similar priorities as the Coalition Government's 'Plan for Growth'.

Some tips for engaging with policy makers:

- Identify who the right people are to engage with and at what level: this may not be obvious from the structure chart or job descriptions
- **Empathy**: understand the requirements, 'influencing environment' and pressures faced by policy makers
- **Networks**: use and mobilise existing networks and representative groups where possible
- **Learning**: understand the policy development process including how policy and legislation are developed and the key moments for intervention.

Project Work and Changing Priorities

Changing priorities at national level can be accommodated at project level if there is sufficient flex in the project or organisation's priorities. It can also provide an opportunity to refocus to improve processes, albeit within the boundaries of agreed objectives.

For instance, in the last years of the Labour Government, Ministers asked RDAs to identify and build on their regional strengths. This enabled the South West RDA to deepen its focus on the aerospace sector and marine renewables, supporting and developing existing activities.

Alternatively, when the South West RDA was given responsibility for RDPE, it was able to move from an approach that requested bids from potential delivery bodies to actively commissioning work, generating more strategic coherence to the programme and reducing error rates.

Tips for dealing with changing priorities include:

- **Intelligence**: se intelligence so that changing priorities are well understood
- **Analysis**: identify the boundaries of changed priorities so that you can identify whether current work fits within them
- **Scope for change**: check whether current work can be flexed to fit within changed priorities

- **Closure**: where current work does not fit with changed priorities identify whether it can continue in another form or has to stop
- **Improvements**: identify whether changed priorities offer opportunities to improve current processes.

Organisational Capability and Expertise

Successful projects rely on the skills, capability and commitment of those working on them. At an organisation level there is a link between delivery and reputation, but also between capability and delivery. In order to develop capability therefore, it is important to recruit, retain and develop staff with high skills and relevant experience. In the context of the capability to deliver economic development projects, this will involve technical and professional skills, including planners, surveyors, architects, economists, procurement specialists, project managers, accountants and so on.

Monitoring and Output Reporting

Introduction

Monitoring is an integral part of the project lifecycle, which starts as the project moves into the delivery stage (see "Guidance for RDAs in appraisal, delivery and evaluation", BERR, 2008). It contributes to the ability of economic development organisations being able to understand what effect their interventions are having, which facilitates:

i. The efficient realisation of project objectives: without a system of objective monitoring, there will be no method to assess the progress of a project over its life cycle and help ensure that it delivers against key criteria, mainly quantitative.

ii. The development of learning to inform future project design and delivery: a consistent and politically neutral monitoring system will help support learning and foster consensus building.

The main criteria to monitor include:

- Outputs: whether they are on track to be delivered – for instance, number of jobs created, number of businesses created / supported, number of skills assisted, brownfield land remediation, amount of public sector leverage, amount of private sector leverage, employment supported.
- Cost, against forecasts: a common problem is costs overrunning.
- Time, against project plan timescales including key milestones: again a common problem is a project taking more time to deliver than initially identified.
- Risks: to assess whether they should be changed or removed.
- Cash flow
- Claims: if these are delayed it can indicate other issues for the project
- Profiling changes
- Changes to the legal agreements.

All of the above should have been addressed at the appraisal stage but as this can only really be a theoretical exercise, monitoring once the project is underway is the only way to really know whether it is delivering. It is also the case that how these criteria were determined at appraisal stage may well have been influenced by other factors, particularly optimism bias. Again, therefore, monitoring is critical in picking this up and plays a critical role in enabling effective evaluation to be done.

Methodology

Monitoring can be done in a variety of ways. These include:

i. Visits

Visiting a project is a good way to see the reality of some projects and their progress, to monitor outputs, how the project is being managed and how systems are working. However, visits are time consuming and therefore may have to be limited to important milestones or for projects with high levels of risks and / or complexity.

The RDA made two critical visits; the first prior to any payments being made and the second before the final payment was made. These were supported by quarterly claims forms which included a report on the project's progress.

ii. Project reports

Project reports written by the project managers can provide details of quantitative and qualitative measures, but may only present 'one side of the story.'

iii. Gateway reviews

Gateway reviews determine whether the next stage of the project proceeds or not. The review allows for project plans to be adapted so they provide a good opportunity for monitoring.

iv.Claims documentation

When a project submits claims for funds they should also be presenting evidence of progress to justify such claims. This documentation provides a useful source of data for monitoring purposes.

v. Sampling evidence

Sampling can also be used to manage monitoring; an complex or high risk project may require a higher level of sampling than one which is simple or run by an individual / organisation with an established track record.

Working with Europe

The EU programmes bring significant investment into the South West for the benefit of the economy. In addition to funding opportunities, involvement with the programmes offers a genuine opportunity to develop relationships with key policy makers which can help shape the direction of future policy and activity and offer early warning on changes to policy or regulations.

However, there are significant additional complexities involved both at management and applicant levels in working with the programmes.

The complexity of working with EU programme funds accentuates the importance of consultation and engagement with applicants as well as partners in local authorities, higher and further education, business and other groups. Staff and applicant training and awareness work are important considerations in programme success. The South West has benefited for a number of years from the presence of an office in Brussels, which has enabled swift sharing of information, strong representation and cross regional partnership. These arrangements have recently changed and this role is now provided by the South West European Partnership – 225°.

For further information about funding opportunities, and for advice on working closely with the European Commission of economic development issues, contact the South West European Partnership (www.225sw.eu).

Programme requirements are best managed through strong systems, ensuring that bureaucratic obligations and compliance with prescriptive and binding EU regulations can be demonstrated at regular audits. It should be noted that this extra tier of administration inevitably carries an increased cost that must be taken into account in programme design and implementation. This constitutes an increased burden on applicants as well as scheme administrators and is reflected by feedback from applicants about the “customer journey”.

European Regional Development Fund (ERDF)

Introduction

The South West RDA was formally appointed Intermediary Body for the two South West ERDF programmes in December 2007. We launched our regional arrangements in February 2008, having taken a significant role in the design and delivery of the SW Programmes since 2006 while they were in the care of the Government Office for the South West. On 30 June 2011 DCLG took over responsibility for these two programmes

The South West has two ERDF programmes, the Convergence Programme covering Cornwall and the Isles of Scilly, and the Competitiveness and Employment Programme, covering the rest of the region excluding the Convergence area. Both programmes run from 2007 to 2013 and were managed by the South West RDA from 2007 until 30 June 2011 when DCLG took over responsibility.

The Competitiveness Programme is worth around €250 million to the South West, made up of 50% European Regional Development Fund (ERDF) and 50% UK match funding. The programme aims to support the EU’s goal of becoming the most competitive and dynamic knowledge-based economy in the world. To this end, fund is targeted at activity to increase the productivity of the region's business base, reduce intra-regional disparities and work towards reducing carbon emissions to aid the creation of a low carbon economy.

The Convergence Programme for Cornwall and the Isles of Scilly is worth around €610 million made up of 75% ERDF, with the balance coming from UK match funding. It is the only Convergence Programme in England. The Convergence Programme seeks to establish the momentum to transform the economy to a high value added economy where knowledge, environment and quality of life underpin sustainable economic growth.

ERDF project work

The timeline from inception to approval of ERDF projects is longer and more resource intensive. This can be underestimated by applicants. Other issues to be aware of include:

- **No funding to cover the costs of developing a business plan**
- **ERDF projects are very resource intensive from an admin perspective:**
    - Applicants need a clear understanding of the rules and are advised to put systems in place at the start of a project to make sure that they always do the right thing and can prove this. This applies in particular to Procurement along EU Guidelines, Eligibility of funds, financial information required, publicity, evidencing adherence to Project Specific Conditions and achievement of Milestones and Outputs.
    - Records need to be kept until 2025.
- **Procurement:** anything over the OJEU threshold needs to go through the full OJEU Process. Anything below this must be properly tendered. Smaller items still need to have gone through a value for money exercise
- **Publicity: i**t is essential that projects acknowledge the use of ERDF funding and use the ERDF logo on anything outward facing

- **Environmental Sustainability and Equality and Diversity:** programme requirements extend beyond domestic legislation. Applicants are required to show that they are actively promoting these
- **Offer Letter**: any variations from the final offer letter need to be formally agreed and new contractual documents issued - this includes any variation to the projected spend profile or the agreed cost category limits – it is therefore important to get this right at the beginning
- **Claims: t**hese are paid in arrears and funds can only be claimed following defrayal.

European Structural Funds (ESF) and other funding sources

Apart from the ERDF and RDPE, which represent the largest investment of EU funding to the regions for economic development, the European Social Fund and the Seventh Framework Programme offer substantial funding opportunities for the right projects. There are also other smaller opportunities linked to specific themes, for instance, the Interreg IVC Programme which encourages the sharing of good practice across European regions: http://i4c.eu/about_programme.html

European Social Fund

The European Social Fund (ESF) aims to help people fulfil their potential by giving them better skills and better job prospects. As one of the European Union's Structural Funds, ESF seeks to reduce differences in prosperity across the EU and so most money goes to those countries and regions where economic development is less advanced. The other main Structural Fund is the European Regional Development Fund (see above).

In the 2007-13 ESF programme, Cornwall and the Isles of Scilly were allocated £164 million and the rest of South West (excluding Cornwall and the Isles of Scilly) were allocated £119 million. This funding was matched from UK public funds. The programme has 2 priorities:

- **Priority 1** is about 'Extending employment opportunities' and deals with the barriers to work faced by unemployed and disadvantaged people.
- **Priority 2** is about 'Developing a skilled and adaptable workforce' and aims to train people who do not have basic skills and qualifications needed in the workplace.

The Department for Work and Pensions (DWP) manages the England ESF programme at a national level and liaises with the European Commission in Brussels. Funds are distributed through 'Co-financing Organisations' such as the Skills Funding Agency, DWP and National Offender Management Service (NOMS). More information can be found at: www.dwp.gov.uk/esf/

Seventh Framework Programme

FP7 is a key tool to respond to Europe's needs in terms of jobs and competitiveness, and to maintain leadership in the global knowledge economy. The programme has a total budget of over € 50 billion.

This money will (for the most part) be spent on grants to research institutions all over Europe and beyond, in order to co-finance research, technological development and demonstration projects. Grants are determined on the basis of calls for proposals and a peer review process, which are highly competitive.

Although the process can be time consuming, there are real advantages for those able to participate actively. Sizeable grants are available and there is strong encouragement to collaborate across national boundaries.

See Annex 7 and 8 for examples of Evaluation reviews of Convergence and Competitiveness Programmes in the South West

Rural Development Programme England (RDPE) projects

Introduction

RDPE provides financial support for a wide range of activities in rural areas including environmental stewardship, skills development, farming and forestry diversification, resource management, renewable energy supply chains and community-led development.

The RDPE is a seven-year programme (2007-2013), which is worth £3.9 billion overall, jointly funded by the EU and national government. RDPE is part of the Common Agricultural Policy and aims to support and promote sustainable farming, forestry and food sectors, and also to bring wider benefits for the economy, the environment and rural communities.

The programme is divided into three main areas (axes):

- **Axis 1**: improving the competitiveness of the farming and forestry sectors (10% of the total budget).
- **Axis 2**: improving the environment and countryside (80% of the total budget - mostly to be invested in existing national schemes such as Environmental Stewardship and English Woodland Grant Scheme).
- **Axis 3**: improving the quality of life in rural areas and promoting diversification of the rural economy (10% of the total budget).

EU rules require that at least 5% of the overall budget must be channelled through the 'Leader' approach. This is a community-led approach to development – 'Local Action Groups' in the South West.

RDPE project work

RPDE project development is more complex than for domestically funded projects. Points to note include:

- **Bureaucracy**: business processes need to be very carefully designed to avoid unnecessary bureaucracy. It is essential to test the customer journey/experience when it comes to accessing and applying for programme support (and the claims process!) – and think this through from a customer's perspective, as well as from an audit one. Keep this area under review and seek feedback from stakeholders. Keep forms and processes as simple as possible.
- **Customer Journey**: applicants may benefit from guidance materials to support and raise awareness of funding requirements.
- **Funding Rules:**
  - The programme will not provide funding for statutory activity: need to prove additionality, value for money and demonstrate funding avoids displacement.
  - Funding cannot be used for paying consultants to develop an application.
  - Strict eligibility requirements for match funding.
  - Strict and different eligibility criteria according to the Programme's different measures – these need careful attention.
  - EU de minimis rules and State aid restrictions apply.
- **Grant amounts**: applicants need to understand the different intervention rates that apply for each measure / activity – how much RDPE will fund and how much has to be private match
- **Procurement**: as above re OJEU. Applicants also need to investigate the impact of incurring VAT on available funding

- **Claims**: RDPE claims require 100% evidence. The cost and resource of managing this administrative burden need to be considered
- **Publicity**: Defra and EU branding are required.

Legal and technical issues

There are number of legal issues projects you may need to address; depending on your project. You may not need to address all of them.

State Aid

State Aid is a European Commission term that refers to forms of assistance from a public body, or publicly funded body, given to undertakings on a discretionary basis, with the potential to distort competition and affect trade between member states of the European Union. Section 2, Article 107 of the Treat of the Functioning of the EU, sets out activities that are compatible with the internal market.

The EU has passed legislation with the intention of prohibiting government interventions that distort competition and trade within the EU. The following four questions must be addressed by your project to work out whether your project is subject to State Aid regulations

If you answer 'no' to any of these four key questions, then your project contains no State Aid and you can develop your project in the normal way. However, if you answer 'yes' to all of them then your project will be subject to State Aid regulations.

- Is the support provided granted by the State or through State resources?
- Does the support confer a selective advantage to an undertaking?
- Does the support distort or have the potential to distort competition?
- Does the support affect trade between Member States?

More details can be found in the BIS State Aid Branch, which currently has lead responsibility within UK government for co-ordination and development of State Aid policy www.bis.gov.uk/policies/europe/state-aid.

The BIS State Aid Branch does not handle agriculture, fisheries and transport aid: the Department for Environment, Food and Rural Affairs and the Department for Transport respectively perform that function.

It is critical that you get advice on State aid before starting a project.

Procurement

The individual procurement procedures employed by public bodies will vary. However, good practice sustainable procurement reflects the following four principles:

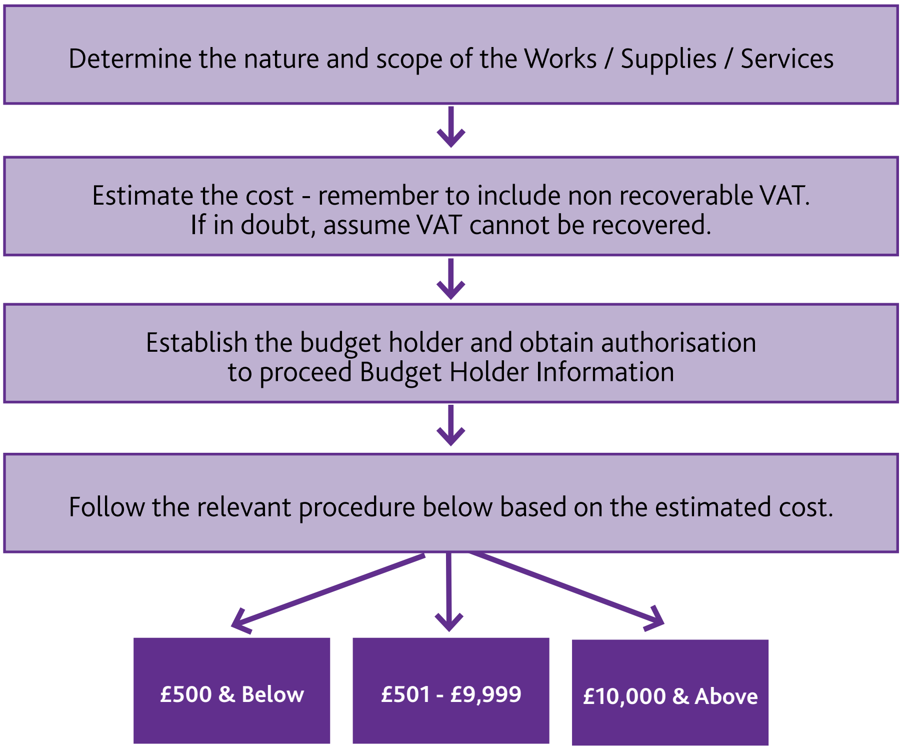
i. Best Value: all procurement decisions must achieve Best Value. This does not necessarily mean accepting the cheapest option, rather it means that due consideration should be given to the quality of works, supplies or services provided by the supplier, the whole life cost or whole life value of the acquisition (including decommissioning and / or disposal costs where appropriate), the level of after sales support and service that may be required, allocation of risk and similar factors.

ii. Continuous improvement: the Gershon Report established challenging targets for efficiency savings for a range of government bodies. Procurement decisions should seek to make gains in efficiency and effectiveness through, for example, open competition, encouraging suppliers to offer innovative solutions and, where appropriate, setting exacting specifications. This should be reflected in an organisation level procurement policy which should remain under review to identify opportunities for improvement.

iii. Legislative compliance: all procurement decisions should comply with the relevant legislation, domestic commercial, contract, and case law, EU and other international obligations, and specific domestic laws such as those concerning the environment, social and employment rights, corrupt gifts or unfair contract terms.

iv. Fairness, integrity and transparency: supplier relationships should always be dealt with in a courteous and professional manner. Subject to commercial confidentiality, public bodies are required to be transparent in their handling of procurement issues.

The workflow plan below is just one way in which procurement activity can be managed according to the value of the contract.



In addition, with large procurements you may need to follow the official European Union (OJEU) procedures. Further detail can be found at:
www.ogc.gov.uk/documents/Introduction_to_the_EU_rules.pdf

Land ownership

Land assembly is a key part of many development led regeneration or enhancement schemes. Control over the ownership of the land, or knowledge of who the relevant land owners are in an area (particularly if they are in the public sector) will help the progress of any scheme.

Publicly owned land has been widely mapped and organisations like local authorities or government departments should be able to quickly provide details of their ownerships. The Land Registry hold ownership details for all land and individual searches and are relatively inexpensive.

If you do not own all of the land you are seeking to regenerate or redevelop then working to identify common objectives and outcomes with other owners will be beneficial.

Record keeping

It is good practice (and a requirement of a Code of Practice under s.46 of the FOI Act 2000) to maintain a robust records management system both for your own use in knowing where relevant information is kept, as well as for audit purposes. Strong records management processes are also helpful to support the transfer of functions between public bodies.

Investment records

Where an organisation is responsible for investment decisions, it is good practice to formalise a series of standard document templates for correspondence relating to investment decisions. These should be used a key points with consistent levels of signature.

Once decisions have been made on potential investments, they require a notification of the decision and where successful, a contract. The level of detail required in each contract will vary according to the size and nature of the investment but Grant Agreements normally include:

i. The roles and responsibilities of each party involved

ii. The cumulative amount of Agency investment over the lifetime of the project

iii. Full terms and conditions of the Agency's Investment

iv. The management arrangements and expected financial profiling

v. The intended timetable including details of Outputs, Milestones and any specific Clawback conditions or Pre-Conditions.

Transparency

It should be noted that all information held by public bodies is subject to consideration under the Freedom of Information Act 2000. Robust document and information management systems facilitate compliance with this and Data Protection obligations. Under the Freedom of Information Act public authorities are required to adopt and maintain a Publication Scheme. Publication schemes promote the proactive release of information and play an important role in providing greater openness and transparency across the public sector. Details of investments should be routinely published through Publication Schemes.

The Government's transparency agenda encourages local authorities to make public data openly available. One of the first requirements was for public authorities to publish expenditure data online in open formats.

When records identified for disposal are destroyed, a register of these records needs to be kept.

Records for permanent preservation should be passed to The National Archives for continuing retention and storage. The National Archives (TNA) provides guidance on retention of records to public bodies.

The RDA's Records Management Policy can be found in Annex six.

Marketing, communications and stakeholder engagement

Introduction

The function of marketing and communications in sub-national economic development is to:

- Promote the role, purpose, activities and achievements of the economic development organisation and its partners – this is particularly important for new organisations
- Market and communicate a vision or strategy (e.g. the Regional Economic Strategy or its successor(s)), and
- Develop and implement a marketing and communications strategy for the region or locality, effectively marketing and promoting it as a place to visit, to invest in and to grow businesses in.

In putting together a marketing and communication strategy for a project or programme, it is worth asking four key questions:

- Who is our audience and how can we get them to pay attention?
- How do we communicate what we are doing?
- How do we ensure the messages are consistent?
- How will we know if the marketing and communications worked?

How do we communicate what we are doing?

A communication plan should set out the team's approach to handling both stakeholders and the media at all stages of major projects or the strategy development process. The plan should include (as appropriate):

- The formal announcement of the project or launch of a strategy initiative
- Any consultation phase
- The presentation of evidence or options to stakeholders
- The publication of interim reports
- The communication of the conclusions and the publication of the final report.

For each stage, the plan should clearly identify activities, responsibilities and time scales. It should also highlight key risks and sensitivities associated with the project. Some key questions to cover in drawing up the communications plan are:

- What are our objectives?
- Who are the main audience groups we are trying to reach?
- What is the current level of knowledge and opinion in the audience groups about what we're doing?
- What messages are we trying to get across?

- What channels should we use?
- Timing: how long will it take to change opinions?
- Evaluation: how will we know if people have understood the messages clearly?

How do we ensure the messages are consistent?

For complex or politically sensitive projects, the marketing and communications plan should include briefing notes and core scripts that can be agreed by the lead development organisation and by relevant partners in advance.

If there is to be a formal launch of the project to the public, the launch should be co-ordinated by leading partners' press offices, who should also act as the main point of contact for press enquiries.

How can we get people to pay attention?

One way to get people to pay attention to a project launch or strategy development process is to involve respected business and political leaders from the region or project area to speak.

This approach was particularly effective when communicating Regional Economic Strategy and is also a useful approach for engaging stakeholders in (for example) presentation and discussion of emerging trends.

- The South West RDA ran a number of Futures Conferences at different stages during the development of Regional Strategies. "At the start of the process to develop the 2006 RES, the RDA hosted a region wide conference attended by around 600 people from the private, public and third sectors. The Conference was part of a programme of activity designed to help organisations in the South West come together to plan for the region's long term future, to think about drivers of change and to watch and discuss issues provoked by a set of scenarios for the region in 2026." The event enabled participants to engage with acknowledged experts, partners and political leaders about the future challenges and opportunities facing the region in the future.

Futures Conference

- While the Futures Conference (and others like it) were certainly part of the strategy development process, one of their main purposes was to communicate strategic issues, challenges and drivers to stakeholders and to remind then that the strategy development work was under way.

Drawing up a stakeholder management strategy

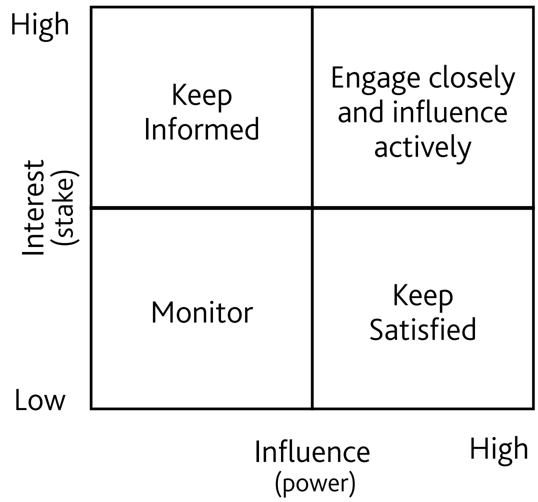
If there are a large number of stakeholders involved in the project or the relationships between stakeholders are complex it can be helpful to carry out a stakeholder analysis.

This involves brainstorming all possible stakeholders onto post it notes and mapping them on a matrix according to their level of interest in the project, the degree to which it affects their activities or interests and their level of influence on the Association the power they have to help (or hinder) project development.

The matrix provides a useful map for developing a stakeholder management strategy.

Stakeholders with high influence and interests aligned with the project should be closely engaged in the change process. Some stakeholders in this quadrant will be positive about – and supportive of – change and may only need to be kept informed about what is happening. Some may become advocates for change and, if involved in the process, might help to make things happen faster.

Some stakeholders may be less positive about any change and it may be important to involve them and bring them on side quickly.



Once all stakeholders are mapped, the team can draw up a detailed strategy for stakeholder management. The result might be a traffic light system to help the team work out a strategy for managing expectations. Stakeholders getting a green light are almost certainly on side. Those with amber lights need to be kept informed of (and perhaps involved in) project development; and those with a red light need to be targeted early and may require specific communication strategies.

The table on the right provides an (illustrative) example.

Informal consultation with stakeholders

As well as formal engagement with stakeholders, it is valuable to consult as widely as possible during the project development phase. Consultation is easier for some areas of activity than others – perhaps because of commercial confidentiality or the nature of a specific development – but is worth considering wherever possible. Consultation provides many benefits such as raised awareness, increased ownership, good public relations and critically valuable stakeholder input into project development.

How will we know if the marketing and communications worked?

Communications should be evaluated after each phase. A number of formal tools and 'off the shelf' solutions are available from specialist consultancies offering media analysis and evaluation. Although independent analysis is usually best, these options can be expensive and need to be deployed sparingly.

There are informal techniques that can be used to test the effectiveness of communications. A simple but effective form of media evaluation involves checking how many of the project's key messages were covered correctly in the stories that were published; and whether the stories were published on the best websites and newspapers, the degree of prominence they enjoyed and the tone of the reporting (positive or negative).

Analysing the number of hits that stories receive on web pages or their spread through social media can also be helpful.

Stakeholder	Influence	Relationship	
Local Authority	Positive	Strong	●
Environment Agency	Neutral	Strong	●
Community Groups	Positive	Mixed strong / weak	●
Chambers of Commerce	Neutral	Weak	●
Citizens	Neutral	Weak	●
Local Trade Association	Negative	Weak	●

Checklist for Making it Work -Organisational Issues

- ✓ You will need to be able to demonstrate accountability for public money.
- ✓ Non-Executive Board members – if you have them – will need to comply with all the 'Nolan principles'.
- ✓ Government priorities will change, so ensure you have the intelligence to predict and the means to adjust.
- ✓ Consider all of the criteria essential to having an effective monitoring framework in place.
- ✓ Consider the requirements of the EU within European Programme management: they will have objectives that you must be able to demonstrate will be met.
- ✓ Business processes must be carefully designed to avoid unnecessary bureaucracy – but not to avoid it altogether.
- ✓ Consider the principles of good procurement, which are not all about lowest cost
- ✓ A robust records management system – among other things – will help meet key audit requirements.

Chapter Seven

Learning From Experience

This section includes:

- Introduction
- Project Evaluation
- Stakeholder Feedback
- RDA Learning

Introduction

Learning what works well and what could be improved is an essential part of the economic development toolkit.

Monitoring the progress of a project while it is under development is essential for making sure the project is on track – and for standing back and using the wider perspective to anticipate any emerging or future challenges that might need to be overcome.

Project evaluation, carried out after the project is complete, allows development bodies to formally measure the impact of their interventions. It also allows them to explore the extent to which projects met their original objectives and what factors, external or internal, influenced that.

Stakeholder feedback, also carried out once a project is complete, provides essential information about the partnership process and about communication and managing stakeholder expectations.

Taken together, these activities can provide powerful lessons about what worked well and perhaps less well for a given intervention. It is important that development organisations approach evaluation as a learning exercise rather than to justify why certain outcomes didn't happen or to apportion blame if objectives weren't met.

Evaluation is often seen as a formal requirement of publicly funded projects and is, therefore, sometimes carried out by policy staff rather than project staff. Where this happens, there is a danger that organisations will miss out on the real benefit of evaluation – learning what worked well and what could be improved. These lessons are essential for informing future project development.

Project Evaluation

The purpose of project evaluation is to learn which interventions work well and why, so as to inform future investment planning and to share best practice. This is done by asking two key questions:

- How well has the project or programme met its original aims and objectives?
- What is the economic, social or environmental impact of the project or programme?

All projects should have an evaluation plan as part of project development that sets out the timing, scope and scale of the planned evaluation(s). The size, scope and scale of an evaluation should be proportionate to the size, complexity, risk and innovation of the project. The final evaluation should be carried out when the benefits of the project or programme are likely to be realized, which can, for large or complex projects, be up to 5 years after it ends. In such cases, or where funding may be required through the life of the project, interim evaluations should be carried out as part of the overall project review process.

How well has the project or programme met its original aims and objectives?

In this stage of evaluation, the project team should assess the degree to which the original aims and objectives of the project were met and what lessons can be learned for the future.

The lessons can be broadly divided into three categories:

- Project objectives
- Partnership objectives, and
- Strategic objectives.

The relative weight of each category in the assessment process will depend on the nature of the project.

In reviewing project objectives, teams should review:

- The extent to which the project addressed the market failure(s) that provided the rationale for intervention
- The extent to which the project has resulted in re-adjustment in the market
- Whether the intervention achieved the outputs (deliverables) and outcomes (changes in regional performance) set for it
- Whether the timing and scale of the project was as expected, and
- Whether there are specific lessons from the project that can inform and improve current or future project design.

In reviewing partnership objectives, teams should also review:

- The extent to which the project met different partners' objectives
- How well the process of collaborative working went
- What aspects of the collaboration might have worked better
- The extent to which the project contributed to shared objectives, and
- Whether there are specific lessons from the project that can inform and improve current or future partnership working.

In reviewing strategic objectives, teams should also review:

- The extent to which the project or intervention contributed to development of the regional strategy, and
- Whether there are specific lessons from the project that can inform and improve current or future strategy development.

These assessments can include both quantitative and qualitative analysis and should involve all partner organisations involved in the project. The key output from this assessment should be a document that offers real learning about current and future project development.

One challenge that is common in this stage of the evaluation process is avoiding blame. Asking what worked and what didn't in past projects is an essential part of the learning process and must be seen as that, not as an opportunity to find fault with past decisions.

What is the economic, social or environmental impact of the project or programme?

How do we assess impact?

Assessing the impact of a project requires two things:

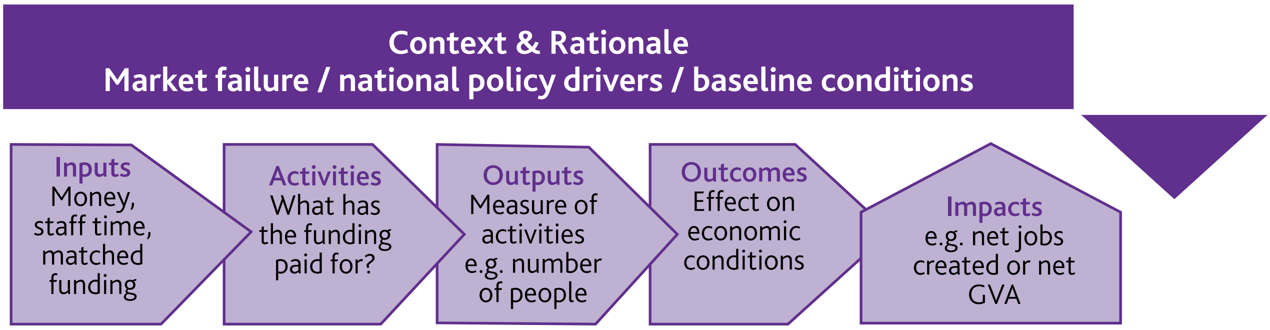
- An estimate of the gross economic, environmental or social impact resulting from delivery of the project or programme and
- An estimate of the additionality of these impacts – the extent to which they would have happened if there had been no public intervention.

The standard metric for measuring gross economic impact is Gross Value Added (GVA). GVA is an indicator of wealth creation and measures the contribution to the economy of each individual producer, industry or sector. GVA is the income generated by organisations out of which is paid wages and salaries, the cost of capital investment and financial charges, before arriving at a figure for profit. GVA includes taxes on production (net of subsidies), such as business rates, but excludes subsidies and taxes on products (e.g. VAT and excise duty).

Impact Evaluation Framework: 7 Key Principles

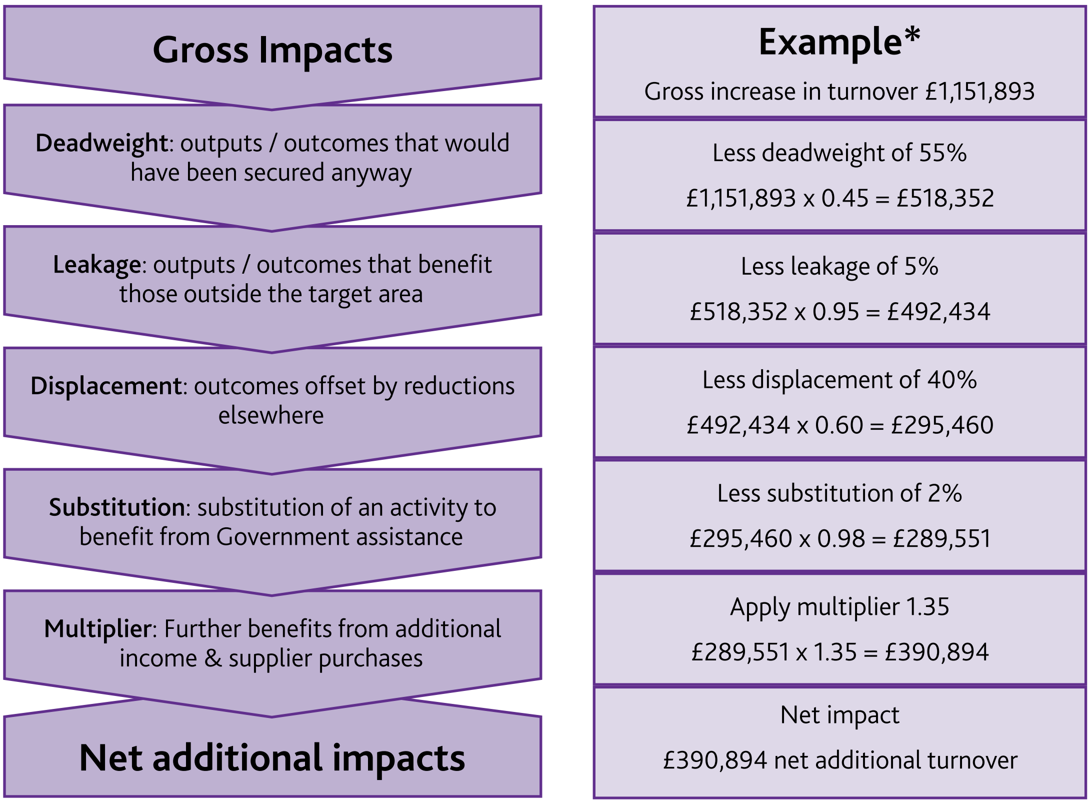
Principle 1: Logic Chain

In order to understand how a project seeks to meet its objectives, the IEF advocates the use of a 'logic chain'. A logic chain illustrates how the project spend and activities link to the outcomes and impacts.



Principle 2: Additionality

The IEF places an emphasis on understanding what would have happened without the intervention (the 'reference case') and how well the project has reached its target beneficiaries. As it is impossible to measure the reference case directly, a series of estimated adjustments[4] are made to the total observed impact - the gross impact - to reveal the net additional impact. Applying each factor of additionality in order to identify net additional impact is a fundamental requirement of the IEF.



4 Principle 4 explains how these estimates are made using primary research.-

Principle 3: Strategic Added Value

Strategic Added Value (SAV) provides a framework for to analyse the contribution of RDAs over and above project and programme spend.

SAV Function	Explanation
Leadership & Catalyst	Articulating and communicating regional development needs, opportunities and solutions to partners and stakeholders
Influencing	Generating commitment and activity towards shared objectives
Leverage	Financial and other incentives to mobilise resources (equipment, people, funding)
Synergy	Improving information exchange and co-ordination between partners
Engagement	Engaging stakeholder in delivery of regional and sub-regional programmes

Principle 4: Primary Research

The IEF advocates a pragmatic approach to selecting research methodology so that expenditure on evaluation is proportionate to the original investment, whilst striving towards robust research techniques that use primary data (mainly surveys of beneficiaries and non-beneficiaries). The subsequent publication 'IEF+' is more prescriptive. It includes an appendix with sets of questions to assess additionality in beneficiary surveys dependent on the intervention logic of the project and the way GVA is to be calculated. The IEF+ set out the principle that surveys should seek to achieve results that are valid to a +/- 5% margin of error at the 95% confidence level.[5]

Principle 5: Gross Value Added

The IEF+ states that the preferred measure of impact is Gross Value Added (GVA), and that a net GVA to cost ratio is calculated.

Impact Metric	Calculation
GVA direct measure	Operating profit + employee costs + depreciation – amortisation = Gross GVA
GVA via increase in turnover	Net turnover increase x GVA:turnover ratio = Net GVA Source: Office for National Statistics Annual Business Survey
GVA via jobs created	Net jobs created x average GVA per FTE = Net GVA Source: South West Regional Accounts Online
GVA via increase in wage costs	Net annual wage cost increase x GVA:wage ratio = Net annual GVA Source: Office for National Statistics Annual Business Survey

5 For further information see: The Magenta Book, Guidance Notes for Policy Evaluation and Analysis, Chapter 4: What do the statistics tell me? www.nationalschool.gov.uk/policyhub/downloads/chapter4.pdf

Impact Metric	Calculation
GVA via cost savings	Net cost savings = Net GVA

Principle 6: Persistence and Decay

It is important to consider how the benefits that have been generated will persist over time as any evaluation tends to take a shorter 'snapshot'. IEF+ suggests some estimates of persistence for differing intervention types, however where possible these should be verified using survey data. The IEF+ states that a annual discount rate of 3.5% should be applied to future benefits in accordance with the HMT Green Book, in line with the idea that benefits 'now' are more valuable than benefits 'later'.

Principle 7: Attribution

Projects may be funded by a number of different organisations from both the public and private sector. As described in the Technical Note of Combined Indicators, public sector funding bodies count and report outputs and impacts in proportion to their funding contribution in order to avoid "double counting". As discussed in the 'Learning about Learning' chapter, from the Reflections and Lessons document the Agency has consistently argued that an organisations' impact may be greater than their equivalent financial contribution and apportioning impact may underplay the overall impact of the project. If this method of apportioning impact is used, Strategic Added Value serves as a useful tool alongside the quantified impacts to describe the wider project impacts.

How Do We Measure Gross Value Added?

For economic projects, there are several ways to calculate GVA. The particular approach used in a given project depends on the project's primary objectives (see flow chart):

- If the project objectives are primarily related to business development, then the best approach is to make a direct estimate of GVA changes through beneficiary surveys or incremental change in turnover resulting from the intervention
- If the project objectives are primarily related to job creation, then jobs created or safeguarded are the best measure
- If the project objectives are primarily related to skills development, then estimates of productivity or wage increases resulting from the intervention are the best measures.

Direct Estimate of GVA

Directly estimating GVA requires gathering information on the GVA before and after the intervention and determining how much of any change can be attributed to it. For large scale projects, this involves carrying out beneficiary surveys with a sample of the businesses that were the target for the intervention. Beneficiary surveys gather information on

- Company background
- Operating profit
- Employee costs
- Depreciation and
- Amortisation.

*Example adapted for illustrative purposes from the Interim evaluation of Business Link services in the South West (2009), page 72

Carrying out beneficiary surveys is highly technical and detailed guidance can be found in Appendix 1 of the RDA evaluation: Practical Guidance on Implementing the Impact Evaluation Framework. The main steps are to:

- Identify the target population (that is, the beneficiaries of the project)
- Identify a sampling frame (the list of beneficiaries that the sample will be drawn from)
- Decide on the sample method and sample size
- Design a questionnaire that will maximise response rate
- Pilot the survey if appropriate and
- Carry out the full survey.

Since GVA is represented by the formula

$$\text{GVA} = \text{Employee Costs} + \text{Depreciation} + \text{Amortisation} + \text{Operating Profit} + (\text{taxes on production} - \text{subsidies on production})$$

Characterising these metrics before and after the intervention allows the gross economic impact to be calculated. This figure is then adjusted to provide a net figure that reflects how much of the impact is directly attributable to the public sector intervention.

Jobs created or safeguarded

Assessing GVA impact by counting the number of jobs created or safeguarded is a well accepted mechanism for describing economic impact. The technique is straightforward:

- Gather information on the number of jobs created or safeguarded – either by reviewing the project directly or by carrying out a beneficiary survey in the case of business development competitiveness interventions
- Determining how much of this was directly attributable to the intervention and
- Multiplying the net figure by the average regional GVA per worker.[6]

The number of jobs should be calculated as full time equivalents (FTEs).

Skills uplift

The impact of interventions aimed at skills may best be measured by gathering information on individuals' accredited qualifications before and after the intervention – or, in the absence of those data, wages before and after intervention. The data need to be captured either through from training providers (accredited qualifications) or a beneficiary survey (wages).

The target sample needs to be selected based upon whether the intervention was aimed at

- Workforce development in established businesses
- Improving the employment prospects of individuals already in employment, or
- Unemployed individuals.

Calculating the GVA impact of skills uplift involves a range of specific calculations that depend on the exact nature of the intervention. Detailed guidance can be found in Appendix 1 of the RDA evaluation: Practical Guidance on Implementing the Impact Evaluation Framework.

6 a statistic that is available from ONS.

Carbon

Changes in carbon emissions are an important measure of environmental impact. In the past, carbon emissions have generally been measured only for projects with a specific environmental objective, but the advent of economic development project that seek to secure economic growth within environmental limits mean that carbon accounting should be used more widely.

The Carbon Compass toolkit can be used for impact assessment as well as project appraisal. The steps are to:

- Estimate the upstream and downstream carbon impact of the project as if it had developed in a 'business as usual' way
- Review the efficiencies built into the project or programme to reduce carbon during the life of the investment both upstream and downstream
- Calculate how much of the carbon savings are due to public sector funding, and
- Record the tonnes of CO2 emissions saved.

Other environmental measures

Other environmental measures that can be used to assess the impact of an intervention include air quality, water quality, resource efficiency and changes in green infrastructure. These measures can be used where interventions are likely to have a significant effect in any of these areas. Where environmental effects are significant or wide ranging, an ecosystem approach is the recommended method for assessment.

The methodologies for calculating these impacts is complex and varied and guidance can be found on the Department for Business Innovation and Skills website.

Social measures

The range of potential social impacts from economic development interventions is large and disparate - which makes the selection of metrics extremely challenging. There is no single indicator, or even a small set of indicators, which can adequately capture social impacts. Nevertheless, impact assessments should recognise where there are significant social impacts and consider whether it is possible to quantify them.

Stakeholder Feedback

Gathering stakeholder feedback is an essential part of the learning process about what works well and not so well in economic development.

Gathering stakeholder feedback once a project has been delivered provides valuable learning on

- The extent to which the project met different stakeholders' objectives
- How involved and informed stakeholders felt through the project
- The extent to which stakeholders felt their views and opinions were heard and acted on
- How well the process of collaborative working went, and
- What aspects of the collaboration might have worked better.

In gathering stakeholder feedback, the matrix described in Economic Appraisal may be useful for considering who to talk to and what to ask.

It may also be helpful to use the stakeholder feedback matrix. This matrix offers a different perspective on stakeholders – some of whom may have emerged through the life of the project – and, in particular, allows them to be categorised according to their degree of engagement in project or programme and their commitment to the development programme. The matrix describes four categories of stakeholder, each of which has different degrees of weight in the feedback process:

- Partners are stakeholders who had a high degree of engagement in the project and a high level of commitment to the development process. Delivery partners and project sponsors fall into this category.
- Observers are stakeholders who have a high commitment to development, but were not involved directly in delivery. Academics, government departments and special interest groups sit in this category.
- Bystanders are stakeholders that have a low degree of commitment to the development process and a low degree of engagement in the project. Some beneficiaries of projects will sit in this group. And
- Vested interests are groups that have a low commitment to the development process and a high degree of engagement – normally because they wish to protect their interests and resist change.

The matrix is useful because it helps the development body understand the relative importance and priorities that different stakeholders have and, consequently, their initial approach to providing feedback.

Feedback should be gathered on a range of questions relating to the objectives of the project, the outputs and outcomes from the project and the partnership process (where relevant). Feedback on outcomes can only be gathered some time after the project is complete and the outcomes feed through into the economy. In broad terms, the feedback should seek to identify:

- What the stakeholders' understanding of the project objectives were
- How well the project met those objectives
- Whether the project outputs are as expected
- Whether the outcomes from the project have been delivered as expected (timing, scale and impact)
- Whether the project was managed effectively
- Whether the partnership was managed effectively
- Whether stakeholder engagement was managed effectively
- What the main successes of the project (process and outputs) are, and
- What might have been done differently.

Stakeholder feedback can be captured through questionnaires, on line or by interviews. Face to face interviews are often best, but they are resource intensive. To get the full learning, it may be helpful to make responses confidential.

Chapter Seven

References

This section includes:

- Annex 1: Understanding Sustainability
- Annex 2: Net Present Value
- Annex 3: Project Audit File Checklist
- Annex 4: Consultant (non construction) contract template
- Annex 5: Single Pot Standard Grant Agreement
- Annex 6: South West RDA Records Policy
- Annex 7: ERDF 2010 Programmes Review - Competitiveness
- Annex 8: ERDF 2010 Programmes Review - Convergence

Annex 1: Understanding Sustainability

Sustainability has come to mean different things to different professional groups. In the context of economic development, sustainability is an approach that seeks to balance different, often competing, needs against an awareness of the environmental, social and economic limitations we face as a society.

'Local Quality of Life Counts - in a Nutshell' (a joint report published by the UK government and Local Government Association at the time the Regional Development Agencies were established) defined sustainable development as "[being] about creating a better quality of life for everyone, now and for generations to come. It means recognising that our economy, environment and social well-being are interdependent. It means protecting and, where possible, enhancing the environment; ensuring we satisfy people's basic needs, such as providing warm homes and safe streets and giving the opportunity to achieve their potential through education, good health and employment."

Interdependence is a critical aspect of the sustainable approach. All too often, economic development is driven by one particular need and without fully considering wider - or future – impacts there is a danger that policy instruments will simply displace a problem from one part of society to another. At its worst, unsustainable economic development can cause considerable damage, from large-scale financial crises caused by short termism, to changes in global climate resulting from our dependence on fossil fuel-based energy sources. Long term pursuit of unsustainable development will increase the frequency and severity of its consequences.

Sustainability asks challenging questions about the pursuit of economic growth and the role of economic development. The American economist Herman Daly has pointed out that growth's first, literal dictionary definition is '…to spring up and develop to maturity. Thus the very notion of growth includes some concept of maturity or sufficiency, beyond which point physical accumulation gives way to physical maintenance'. In other words, Daly suggests that growth does not continue for ever, but gives way to a state of dynamic equilibrium where the rate of inputs are equal to the rate of outputs. Daly went on to comment that he would accept the possibility of infinite growth in the economy on the day that one of his economist colleagues could demonstrate that Earth itself could grow at a commensurate rate.

In 'Growth isn't possible', a report published in 2010, the New Economics Foundation (NEF) picked up this theme and suggested that indefinite global economic growth is constrained by the finite nature of our planet's natural resources (biocapacity). NEF argue that our global ecological footprint is growing beyond what the biosphere can provide and absorb, at the same time as high levels of consumption are depleting the available biocapacity on which we depend. Globally, we are consuming nature's services – using resources and creating carbon emissions – 44 per cent faster than nature can regenerate and reabsorb what we consume and the waste we produce. In other words, it takes the Earth almost 18 months to produce the ecological services that humanity uses in one year. The UK's footprint has grown such that if the whole world wished to consume at the same rate it would require 3.4 planets like Earth. Growth as conventionally defined - within fixed, though flexible, limits - isn't therefore possible.

Living within our environmental limits is one of the central principles of sustainable development, but its focus is far broader than just the environment. It's also about ensuring a strong, healthy and just society. This means meeting the diverse needs of all people in existing and future communities, promoting personal wellbeing, social cohesion and inclusion, and creating equal opportunity.

Another important tenet of sustainable development is that it is focused on the wellbeing of future generations and finding better ways of doing things for the future as well as the present. We might need to change the way we work and live now, but this doesn't mean our quality of life will be reduced; in fact, sustainability provides a spur for innovation in business and a focus for new ways to organise communities. At its core, sustainable development is an approach to making better decisions on the issues that affect all aspects of people's lives, not just economic prosperity.

Annex 2: Net Present Value

The Net Present Value is used in investment decision making to express a stream of future costs or a benefit in today's 'value'. It is a method for using the time value of money to appraise long term projects and is built on the broad principle that most people would prefer to receive £1 today rather than £1 in the future or that they would prefer to incur £1 cost in the future rather than today. Future benefits and costs are therefore discounted to reflect this.

Importantly by discounting future benefits and costs, it allows better comparison between projects that have different lifespan. For example, if one project accrues benefits over a long period, then the future benefit stream needs to be adjusted to reflect the future benefit is therefore worth 'less' to us today. Alternatively, if a project accrues greater benefits immediately then this is worth 'more' to society and needs less discounting.

To calculate Net Present Value we require to first estimate the stream of benefits i.e. an annual flow of Gross Value Added. The present is classified as Year 0 and we should then discount future benefits or costs using the discount rate as advocated in the guidance – HM Treasury's 'The Green Book' - is 3.5% per year. Therefore if we estimate the impact (i.e. £150) in Yr 5 this needs to be discounted as such:

$$\pounds 150 \times \frac{1}{(1.035)^5} = \pounds 150 \times 0.8420 = \pounds 126.30$$

The benefit of £150 is discounted to reflect the time value of money, estimating that it is worth £126.30 taking into account that it occurs in the future.

Annex 3: Project Audit File Checklist

Project Audit File Checklist Project Name		*Date Filed*	*Comments*
	Idea & Concept Form (only completed for projects over £100,000 RDA investment)		
	Letter to applicant – invite Full Application or Reject		
	Application from Applicant - Detailed Investment Proposal (signed by applicant)		
	KEY Supporting Evidence from applicant – Details of tender documents, Final Plans, Business Plans, where appropriate photos should be included of property / land etc.		
	Outline Proposal Form (only completed for projects over £500,000 cumulative RDA investment)		
	Environmental Management System - Project Environmental Risk Assessment for Direct Development Projects (Outline Proposal and Technical Assessment Stage)		
APPRAISAL	Best Practice Notes – notes on issues raised at Appraisal stage e.g. State Aids, impact evaluation required etc. Issues raised to be included in Investment appraisal report/JS as appropriate		
	Documentation relating to RISK assessment - copies of CMS generated heat charts and risk log		
	Supporting Evidence for appraisal – Project Management Overview, Financial Vet, Sustainability Checklist, Economic Impact Assessment, Demand Study etc.		
	Technical Assessment Checklist (only completed for projects over £100,000 cumulative RDA investment)		
	Final Investment Appraisal Report or JS (signed by Case Officer and HOP/HOS)		
	Acquisitions - please attach and use additional separate checklist		
	Copy of ERDF Offer Letter (if applicable)		
	Minutes of Operations & Development DMT or O&DDG (if applicable)		
	Minutes of Project Advisory Panel (if applicable)		
APPROVAL	Minutes of Business Planning/ Investment Group/Board meetings (as applicable at each stage)		
	Board Paper and Minutes of Board Meeting (if applicable - for approval of projects with a cumulative RDA investment of over £3 million)		
	CPRG paper and Letter of approval (if applicable - for approval of projects with a cumulative RDA investment of over £10 million)		
	Financial Approval Forms (for all preliminary full, revised cumulative funding approvals)		

Project Audit File Checklist Project Name		Date Filed	Comments
IMPLEMENTATION - CONTRACTS, DELIVERY, OUTPUT MONITORING & CLAIMS	Evidence that conditions, concerns & recommendations expressed by Investment Group have been addressed		
	Decision Letter – recommend £ or reject		
	Contract Offer letter (type relevant to scale of investment)		
	Acceptance of Offer from applicant		
	Consultants Brief/ Appointment Letter		
	Copy of signed, sealed and dated Funding Agreement where appropriate		
	Quarterly Claim and Monitoring Reports to continue through duration of claims period - with attached evidence of expenditure and outputs & audit opinions as appropriate		
	Copy Grant Payment Authorisation forms		
	Signed copies of Revocation / Suspension or Warning Letters - where these have been issued		
	Monitoring Visit Reports - completed by case officer as a minimum every 6- 8 months		
	Practical Completion Report - where appropriate for capital build projects		
	Project Financial Closure Report		
	Annual Monitoring Forms - if further monitoring is required past Financial Closure		
EVALUATION	Record of calculation of clawback and where appropriate, copy of valuation and record of action taken including copy of invoice raised		
	Receipt / Copy of paid Clawback Invoice or confirmation from Finance Dept		
	Project Closure & Output Evaluation Form - completed by applicant, case officer or consultant as appropriate		
	Independent Evaluation Report - Output - Process - Impact Evaluations as appropriate		
	Action Points		
	Files archived (enter Pickfords file and box bar code number)		

Annex 4: Consultant (non construction) contract template

NOTE:

THIS FORM OF APPOINTMENT DOES NOT PROVIDE FOR COLLATERAL WARRANTIES, NOR A DEED OF NOVATION.

THE LETTER SHOULD BE USED TO BRING TOGETHER AND RECORD IN ONE DOCUMENT THE TERMS OF THE APPOINTMENT. PROCEED UPON THE BASIS THAT IF SOMEONE WANTS TO KNOW WHAT THIS APPOINTMENT INVOLVES, IT IS ONLY NECESSARY TO REFER TO THIS LETTER. TRY AND AVOID ADOPTING THE CONSULTANTS TERMS WHICH MAY CONTAIN LIMITATIONS.

THE DEFINITION OF THE SERVICES IS PARTICULARLY IMPORTANT SO THAT BOTH PARTIES KNOW WHAT IS TO BE PROVIDED.

THIS FORM IS INTENDED FOR USE IN RELATION TO NON CONSTRUCTION MATTERS.

[LETTERHEAD of SOUTH WEST RDA]

[Date]

To: [ ]

Attention:

Dear Sirs

[INSERT HEADING/BRIEF DESCRIPTION OF THE PROJECT]

OUR ORDER NUMBER: APO

WE REFER TO OUR/YOUR LETTER OF [ ] FOR THE PROVISION OF [ ] SERVICES TO SOUTH WEST REGIONAL DEVELOPMENT AGENCY ("AGENCY"). WE ARE PLEASED NOW TO APPOINT YOU TO PROVIDE THOSE SERVICES IN RELATION TO THE ABOVE MATTER UPON AND SUBJECT TO THE TERMS IN THIS LETTER. ALL PREVIOUS AGREEMENTS, TERMS AND CONDITIONS FOR THOSE SERVICES ARE SUPERSEDED.

Further details of the services we require are given in [our/your letter of [ ] /the attachment to this letter, which are incorporated herein. The services are to be completed by [ ], time being of the essence.

Your fee for the service will be as follows:

[hourly rates are [ ] up to a not to exceed sum of [£Y]/lump sum].

Recoverable out of pocket expenses [are not recoverable/that may be reimbursed by us on presentation of full particulars are].

VAT will be added to the above.

[Your invoice/invoices for work performed and] with full particulars of the make up of the invoice is/are to be submitted at the end of each calendar month quoting our order number, and are due for payment 30 days thereafter.

The fee arrangements may only be modified in writing, and on the issue by the Agency of its official order form.

In performing the services you will exercise all the reasonable skill care and diligence to be expected of an experienced and competent person of your profession. Further, you must have in place insurance sufficient to cover any liability that may reasonably be expected to arise from the failure to perform properly the services.

In performing the services you must adhere to and comply with any relevant statute, and any subordinate legislation and any codes of practise issued thereunder, and any relevant British Standards. Such matters are deemed included in your fee.

We have a non exclusive irrevocable licence to reproduce any documents you may produce and any design contained in them, but you shall not be liable for any use which was not intended when you prepared the documents. In this letter, "document" means any form of record, including one produced or maintained in electronic form.

You must keep the particulars of your appointment, and the services you provide confidential, provided that to the extent necessary to perform your duties hereunder you may disclose information for that purpose. You must not otherwise release, or permit the release, of any information you receive from us or our employees or contractors to a third party. You must not make any public comment or statement on any matter relating to or arising from the services.

You must not assign or charge any part of this appointment. This appointment does not confer a benefit or a right to enforce a term of it, upon a third party: the Contracts (Rights of Third Parties) Act 1999 does not apply. You have no authority to bind us and you are not our agent. We may assign the benefit of this appointment.

You acknowledge that the Agency is subject to the requirements of the Freedom of Information Act 2000 (the 'Act') and related legislation and the Environmental Information Regulations 2004 ('the Regulations') and you will assist and cooperate with the Agency to enable it to comply with its information disclosure requirements. The Agency will, if required to do so, make all information regarding these services accessible to public scrutiny. You acknowledge that the Agency may disclose information without consulting you when required to do so under the Act and/or the Regulations.

We shall not be under any obligation to make any payment to you unless and until we receive from you:

your valid VAT invoice.

a copy of this letter signed by or on behalf of you acknowledging (without qualification) your acceptance of these terms.

This appointment is governed by English law, and the parties submit to the jurisdiction of the English courts in relation to this appointment.

Yours faithfully

[X]

For and on behalf of

South West RDA

WE [ ] acknowledge and accept the terms of our appointment in this letter.

[Y]

For and on behalf of

[Z]

Annex 5: Single Pot Standard Grant Agreement

<Enter Name>
<Enter Address>

<Date>
Our Ref: <Project No>

Dear <Enter Name>

<Name of Proposal> (the "Proposal")

1.0 Offer

1.1 The South West of England Regional Development Agency (the "Agency") is pleased to inform <Enter Name of Organisation> ("You") that it is prepared to invest a total of up to but not exceeding £<insert amount> (<insert amount in words>) (the "Investment") equalling a total contribution of XXX% towards the agreed Qualifying Expenditure in the Proposal on the terms and conditions contained in this letter. This therefore brings the Agency's cumulative Investment in the Proposal to £ , including the amount of £ previously offer to You in our letter dated .

In response to the current economic climate, for those projects which run over more than one year, You must submit a fully costed business plan for the following year to the Agency three months prior to the end of the first and each subsequent year of the project for Agency approval before final confirmation of further Investment can be given.

1.2 This letter, the attached schedules and documents annexed or referred to in the attached schedule will, on your acceptance of this offer, form the Agreement between You and the Agency.

1.3 The details of the Proposal are as follows:

Body to whom the Investment is to be paid	<Insert Name & Address of Organisation>

Brief details of the Proposal As set out or referred to in the Proposal and/or agreed by the AGENCY	<Insert EITHER Full details of the Agency's Standard Application Form (including DATE) OR list Full Details of Agreed terms & list of documents in Schedule 6>

Aim of the Proposal The agreed principal purpose identified in the Proposal and/or agreed with the Agency. It should relate to Agency aspirations/objectives for the SW Regions giving broad detail on the exact aim(s) of the project.	<Insert Details>

Objectives The key SMART actions identified from the Proposal and/or agreed with the AGENCY which will contribute to the Aim of the Proposal and through which Outputs will be achieved. This description should be a summary of the Key Objectives detailed in the project Application	<Insert Details>

Outputs Achievement Dates	As defined in Schedule 1

Start Date	<dd/mm/yyyy> As defined in Schedule 3

Completion Date	<dd/mm/yyyy> As defined in Schedule 3

End Date	<dd/mm/yyyy> As defined in Schedule 3

2.0 Terms and Conditions of this Offer

This offer is subject to the terms of this Agreement including the general terms and conditions specified below, as detailed in Schedule 1 - Performance Data and Financial Profiling, Schedule 2 – Detailed Terms & Conditions of Investment, Schedule 3 – Glossary of Terms, Schedule 4 – Clawback of Surpluses, Receipts from the Sale of Assets or for Unauthorised Use (where applicable), Schedule 5 – Additional Conditions (where applicable), Schedule 6 – Full Details of Proposal (where applicable) and as set out in guidance notes available on the Agency website from time to time and which are deemed to be included in this Agreement.

2.1 Investment

This offer is made to You. Unless otherwise specifically agreed in writing by the Agency, You may not assign, transfer, sub-contract or dispose of in any other way either the benefit of the Investment or the work involved in implementing the Proposal.

2.2 Changes

You must advise the Agency immediately if You need to make any changes or any changes are required, to the Proposal including but not limited to changes to;

- Objectives
- Outputs and Milestones
- Start, End and / or Completion Dates
- Delivery Arrangements
- Costs and Funding

Any changes must be agreed, in writing, with the Agency before being put into effect.

2.3 Payment

The Agency will make the Investment in arrears as defined in Schedule 1 in quarterly instalments against evidenced Qualifying Expenditure. Each instalment will be made direct to your nominated bank account subject to the general Clawback and other provisions of this Agreement, within 30 days of receiving your completed Claim Form.

The Agency may delay payment of an instalment if, following receipt of your Claim Form, it requires further information from You. In these circumstances, the Agency will write to You within 14 days of receipt of your Claim Form setting out what further information it requires and the time period within which that information must be provided.

2.4 Reporting

You will provide the Agency with the following reports;

2.4.1 Quarterly Return

The Claim Form shall be completed quarterly and submitted to the Agency within 14 days of the end of that quarter, then quarterly thereafter. The first return will cover the three months starting with the Start Date and the final return is to be submitted within 14 days of the Completion Date.

2.4.2 Business Plan Submission for Multi-Year Projects

For those projects which run over more than one year, You must submit a fully costed business plan to the Agency three months prior to the end of the first and each subsequent year of the project for Agency approval before final confirmation of further Investment can be given.

2.4.3 Annual Progress Report

The annual report to be submitted to the Agency within 30 days of the first anniversary of the Start Date then annually thereafter. This will include:

(a) Progress Reports on:

i. Actual Expenditure against approved Qualifying Expenditure,

ii. Achievement of Outputs, Outcomes (in accordance with the agreed Evaluation Plan), Milestones, risk register and Objectives.

(b) Qualitative reports on;

i. Operations,

ii. Conditions met,

iii. Other benefits achieved.

(c) Profile of expenditure for remainder of project programme to Completion Date.

2.4.4 Completion Report

This will comprise the following minimum elements and is to be completed and sent to the Agency within 3 months of the Completion Date;

(a) A summary account of the achievement of Outputs, Outcomes and Objectives to Completion Date;

(b) A commentary highlighting lessons learnt, key successes achieved during project and disappointments or failures encountered to Completion Date;

(c) A financial statement showing actual expenditure against approved expenditure, both a) annually and b) in total. The statements also to show capital and current elements, and any income or capital receipts;

(d) A summary of the overall funding package i) as approved, ii) as achieved.

2.4.5 Evaluation Plan

You will provide Evaluation data and a supporting report in accordance with the Evaluation Plan as agreed between You and the Agency.

2.5 Clawback on Default

The Agency reserves the right to withhold payment of any instalments and/or recover all or any part of the Investment it has already made if without the Agency's written consent, either;

(a) You fail to achieve any Objective, Output or Milestone in the Proposal; or

(b) You breach any of the terms and conditions of the Agreement (and fail to remedy the breach within 14 days of the Agency asking You to do so) or

(c) You become Insolvent or any steps are taken by any person toward such Insolvency.

2.6 Clawback of Surpluses, Receipts from the Sale of Assets or for Unauthorised Use

The Agency will be entitled to recover the Clawback sums as may be detailed in Schedule 4. The Agency also reserves in its absolute discretion the right to recoup or recover all or a proportion, of the Investment in the event of;

(a) the Proposal generating income at or before the End Date above that already agreed with the Agency as set out in the Proposal and detailed in Schedule 6; or

(b) a capital receipt at or before the End Date above that already agreed with the Agency as set out in the Proposal and detailed in Schedule 6; or

(c) assets resulting from the Investment being disposed of whether by sale or lease or otherwise, before the End Date; or

(d) assets resulting from the Investment being put to Unauthorised Use; or

(e) any provisions invoked relating to Clawback whether or not detailed in the attached Schedule 4 (where applicable); or

(f) any of the Additional Conditions detailed in the attached Schedule 5 (where applicable) not being satisfied.

2.7 Lapse of Offer

This offer will automatically lapse if, without the Agency's written consent, either;

(a) the Start Date is delayed by more than 6 months; or

(b) You make no claim against this Investment within 12 months of the date of your acceptance of this offer; or

(c) You fail to return your acceptance within 30 days of the date of the offer.

2.8 Communications

Your initial contact for all enquiries at the Agency is <Insert Case Officer/Lead Name & telephone number> or such other case officer as notified from time to time.

All correspondence with the Agency must be in writing and either be delivered at or sent by first class post or fax to: <Insert Area Team Office Address> or faxed to <Insert Area Team Fax No>.

Any notice or other communications between us shall be accepted as having been received;

(a) if sent by first class post, three days after posting exclusive of the day of posting; or

(b) if delivered by hand, on the day of delivery; or

(c) if sent by fax before 5pm on a business day, on that business day otherwise on the next business day.

And in the case of the Agency addressed as set out above and in the case of You <Insert named individual e.g. Company Secretary, full postal address> or faxed to <Insert fax no.>.

Either of us may change the details of service by notice in accordance with the above.

2.9 Amendments to the Agreement

The Agency may amend or vary the Agreement where either;

(a) mandatory changes are required by the UK or EC laws or regulations; or

(b) by mutual written consent between You and the Agency.

3.0 Acceptance

3.1 This offer is effective from the <Date of Letter> and remains valid for a period of 30 days (unless extended, in writing, by the Agency). If You wish to accept the offer, please sign and return the enclosed copy of this letter.

3.2 On acceptance of the Agency's offer, You will be bound by the terms and conditions of the Agreement. You will be accepting legal obligations and should consider taking independent professional advice before such acceptance.

4.0 Termination

The Agency reserves the right to terminate this Agreement by notice in writing and / or to implement clauses 2.5 and / or 2.6 with immediate effect where;

(a) You undergo a Change of Control which impacts adversely and materially on the Agreement;

(b) You become Insolvent;

(c) You fail to achieve any Objective, Output or Milestone;

(d) You fail to remedy any breach of this Agreement which is capable of remedy within 14 days of the Agency requesting You to do so;

(e) You commit a breach of this Agreement which is incapable of remedy.

Yours sincerely

<Name of Head Of / Director>
<Job Title>

We hereby accept the Agency's offer of Investment and the terms and conditions of this Agreement. Signed this ________ day of ______________ 2010

____
SIGNED by (print name)

Authorised to sign on behalf of:

____
Signature

Annex 6: South West RDA Records Policy

Records Management Policy v2.0 (April 2010)

1.1 Purpose

This policy is to ensure that Agency records are created, managed and disposed of in an effective and consistent manner.

Records management is required to oversee the creation and management of authentic, reliable and useable records, capable of supporting business functions and activities for as long as they are required.

Everyone involved in the recording process has a responsibility to familiarise themselves with their roles and responsibilities, and have a detailed knowledge about the processes and procedures expressed throughout this records management procedure.

1.2 Diversity

Our Commitment:

The Agency recognises that individuals are different from one another and that this difference adds value and depth (both socially and economically) to the region, as well as to the organisation.

This policy has been written in line with the Agency's Equality and Diversity Strategy, and Equality Schemes, and is not intended to treat anyone unfavourably on the grounds of their race, gender (including transgender), disability, age, sexual orientation, religion or belief, or caring responsibilities.

If this policy / procedure or its implementation has, or could have, an adverse impact on an individual, then please let us know. This can be done by speaking with a member of the HR Team, Equality and Diversity Steering Group, a Trade Union Representative or by following the Agency's grievance procedure.

1.3 Statement of Policy

It is our policy that all active and inactive(1) records will be kept in accordance with our retention, disposal and archiving procedures and all records will be classified under recognised Agency schemes. It is also our policy that inactive files will be moved to offsite locations.

1.4 Our Commitment

In accordance with this policy statement, the Agency is committed to

- Ensuring that the records which comprise its corporate memory (the body of data and information necessary for decision-making, accountability, etc) are captured and appropriately managed to meet its legislative requirements;(2)
- Ensuring that records are available and easily retrievable to inform and provide evidence of and accountability for the Agency's decisions and actions for as long as is required, regardless of function, location or age and that the records are appropriately disposed of at the proper time;
- Ensuring that when records are removed from the Agency's offices(3), the records are kept away from the office only for as long as is absolutely necessary and that they are handled correctly in line with the Agency's classification policy and returned as soon as possible. This will ensure the Agency can access its records quickly and easily and therefore will be able to comply with its statutory obligations, such as being able to complete Freedom of Information requests within 20 working days;
- Ensuring that within every Team, the Agency's records are managed in accordance with its policies, guidance and procedures, thus creating "devolved" registries;
- Ensuring that the permanent transfer of records to and from other approved bodies (both within government and non-governmental) are managed in accordance with Agency procedures;
- Ensuring that all records that are considered vital to the continuing functioning of the Agency are properly managed; and
- Ensuring that all members of staff are aware of their responsibilities in managing the Agency's records.

1.5 Scope

This Policy covers all information processed by the Agency, and includes all manual and electronic records.

A record is everything created and received in your daily business that needs to be retained because it provides evidence of a business activity or the reason for a business recommendation or decision.

The National Archives defines a Record as: "Recorded information, regardless of media or format, created or received in the course of individual or organisational activity which provides reliable evidence of policy, actions and decisions."

For example, Agency records include:

- Minutes of meetings
- Plans and strategies
- Board papers
- Policies
- Project files
- Correspondence – letters and emails
- Research
- Spreadsheets
- Presentations
- Proposals
- Financial reports
- Audits

- Evaluations
- Press releases
- Photographs
- Marketing material.

The Agency is obliged, under statute, to ensure that its records are created, managed, stored, reviewed and disposed of in accordance with the requirements of The National Archives, who are the organisation responsible for ensuring compliance with the Public Records Acts and the Records Management Code of Practice issued under Section 46 of the Freedom of Information Act 2000.

A record may be held in various media (paper, electronic, audio/visual, microfiche/microfilm, etc) and in various formats (written documents, computer files, emails, photographs, maps, etc).

All records created by the Agency are covered by this policy and the supporting standards and guidance, irrespective of format or physical location. These include, but are not limited to, programme and non-programme files, contracts, personnel and financial records.

1.6 Implementation Responsibilities

Information Owners(4) shall ensure that records which are vital to the Agency are identified within the asset register(5) and adequately protected to ensure the continuation of business in the event of an emergency or disaster.

The Communications & Information Team will provide staff with education and training so that they may carry out their duties expressed within this Policy and associated procedures.

The Knowledge and Information Manager shall be responsible for the issue, promotion, maintenance and compliance of these procedures. This shall include:

- The identification of information needs
- Methods of acquiring information
- Where appropriate, the initiation of periodic reviews of the types of document held in all locations (including those in storage).
- The implementation of arrangements for information management.

All staff shall comply with these information management procedures and report any errors, shortcomings or omissions which they may find in any documentation to the Knowledge and Information Manager.

All staff must ensure that they comply with all relevant Standards, Legislation and Statutory obligations when processing information for and on behalf of the Agency.

1.7 Roles & Responsibilities of staff

This policy applies to all Agency employees, permanent, temporary and casual staff, consultants and contractors. Everyone employed by the Agency has responsibility for managing records appropriately and in line with this policy and for attending requisite records management training.

Detailed guidance and standards are available on ERIC to cover all aspects of records management and these define the specific responsibilities of employees. All staff are responsible for making themselves aware of these procedures and for informing any external consultants/contractors, with whom you may be working, of this policy and their need to comply with it.

Under the Freedom of Information Act 2000, once a request for information has been received, it then becomes an offence for any member of staff or anyone acting under the direction of the Agency to alter, deface, block, erase, destroy or conceal any record held by the Agency, with the intention of preventing the disclosure by the Agency of all or any of the information in that record where it would have been appropriate to disclose it in response to that request . Agency disciplinary proceedings will be instigated against any member of staff found to have breached this element of the Act, in addition to any statutory penalty which may be incurred.

The Knowledge and Information Manager is specifically responsible for ensuring that the Agency adheres to its records management obligations and is the liaison point for The National Archives (TNA).

The Knowledge and Information Manager will also provide advice and guidance for staff on classification, filing and archiving issues.

Notes:

(1) The definition of 'inactive' will vary depending upon the type of record and specific definitions will be included in the relevant guidance and procedures.

(2) For example, as specified in the Public Records Acts 1958 & 1967, Data Protection Act 1998 and Freedom of Information Act 2000

(3) e.g. by staff who need the records for work they may be doing remotely.

(4) 'Owner' being the individual who created / authorised the document or is responsible for its ongoing manegement.

(5) Ensure that record groups or 'type' are identified in the register rather than each individual record created. The IT Contracts & Quality Manager manages the asset register as part of the Agency's ISO27001 accreditation.

Annex 7: ERDF 2010 Programmes Review - Competitiveness

ERDF 2010 Programmes Review - Competitiveness

Description of Project and Rationale
Increase the prosperity of the region through increasing the productivity of the business base, reducing intra-regional disparities and improving rates of innovation, research and development and enterprise.

Objectives
- Increase the productivity of the region's business base
- Reduce intra-regional disparities
- Increase employment and enterprise in the region's most disadvantaged communities
- Work towards developing a low carbon economy

Activities
- Knowledge and innovation – NCC, iNets, BTCs
- Enterprise and Growth – SW MAS, Internationalisation, IDB
- Urban Enterprise – Plymouth, Torbay, Bristol SIFs
- Technical Assistance
- CCTs – Equality and Diversity/ Environmental sustainability

Inputs
€124.7m ERDF allocation matched equally by UK funding

Outputs
- Businesses assisted to improve their performance (new, EGS etc)
- Individuals assisted in starting a business
- Square metres of new or upgrade workspace
- People assisted to get a job

Outcomes
- Gross new jobs created and safeguarded
- Gross increase in GVA (and GVA safeguarded)
- Additional firms in business/cluster networks
- Patents
- SMEs launching new or improved products
- Businesses started

Impacts
- Increase economic growth, regional productivity and a reduced gap in the intra-regional disparities.
- Net additional GVA (and GVA safeguarded)
- Net additional jobs created

Head of Competitiveness: Nigel Howells
Evaluation Author: SQW Consulting Ltd
Date of Review: October 2010
Methodology: The review considers the focus, spend, activities, management and delivery of the ERDF Competitiveness programme over the period to Mar 2010 and makes recommendations to improve the workings of the programme. A beneficiary survey was undertaken for projects that had claimed outputs by Mar 2010.

Achieved Outputs to March 2010
- 616 businesses assisted (25 EGS)
- 81 gross jobs created
- £16m gross GVA generated
- 30% in the Western Peninsula

Additionality Factors (W. Peninsula)

Deadweight	31% (23%)	Substitution	5% (2%)
Displacement	27% (30%)	Multiplier	1.37 (1.55)
Leakage	32% (26%)	Persistence	7 yrs

Value for Money
VFM to date is poor (GVA:cost 0.4:1) but expected future GVA benefits suggest good VFM (GVA:cost 15.7:1).

It is too early to assess the Programme's effectiveness in terms of assessment of achievement of objectives.

Key Findings

The rationale and objectives of the programme strategy were valid at the time they were developed and continue to be valid – **therefore no significant changes to the strategy are recommended**, despite the upheaval in economic and political context.

The **programme's net additional impact to date** has mainly come through businesses that have been supported under activities in PA1 and PA2. A survey of businesses found highly encouraging results:
- GVA impact to date of £0.72m in the Western Peninsula and £1.55m in the rest of the Competitiveness area
- GVA future impact of £454.9m as a whole in the Competitiveness area
- These benefits together (i.e. what is expected to be achieved in total by the end of the Programme) greatly exceed the GVA target of £192.5m for PA1 and PA2 combined.

Key Lessons & Recommendations
- The PMC should consider revising the strategy for PA3 to enable investment outside the current areas and provide more flexibility for match funding opportunities
- The PMC should consider viring money from PA3 to invest in rural enterprise development to strengthen the strategy for tackling intra-regional disparity
- The PMC should re-confirm the Programme objectives in supporting the transition to a low carbon economy
- The PMC should review all risks around match funding
- The PMC should review its membership
- The PMC should explore opportunities for closer working between ERDF and ESF and ERDF and RDPE.

Benchmarks Value for Money & Additionality	Net additional GVA	GVA return to cost ratio	Net additionality ratio
Competitiveness PA1 and PA2 (W. Peninsula)	To date: £1.55m (£0.72m) Future: £454.9m	0.4:1 (to date) 15.7:1 (future)	0.44 (0.57)
CEA benchmark business development activities	N/A	7.1:1	0.36

Excellent
Good
Average
Low
Poor

SOUTH WEST ERDF COMPETITIVENESS AND EMPLOYMENT PROGRAMME

South West RDA

Annex 8: ERDF 2010 Programmes Review - Convergence

ERDF 2010 Programmes Review - Convergence

Description of Project and Rationale
To establish the momentum for transforming the economy to a high value added economy where knowledge, environment and quality of life underpin sustainable economic growth.

Objectives
- Move to a more knowledge based, high value economy
- Increase the range and quality of employment opportunities
- Manage economic growth in a sustainable manner
- Invest in the drivers of a low carbon economy

Activities
- Innovation and R&D e.g. Knowledge Escalator, Wave Hub
- Enterprise and Investment e.g. SW MAS, Envision
- Transformational infrastructure e.g. Newquay Airport, CUC
- Unlocking the economic potential of place - SIFs
- Technical Assistance
- CCTs – Equality and Diversity/ Environmental sustainability

Inputs
€458.1m ERDF Convergence funding plus € 211.4m from the UK

Outputs
- Businesses assisted to improve their performance (new, EGS etc)
- Premises built achieving BREEAM excellent rating
- Square metres of new or upgraded workspace
- Hectares of land for development

Outcomes
- Gross new jobs created and safeguarded
- Gross increase in GVA (and GVA safeguarded)
- Additional firms in business/cluster networks
- Patents
- SMEs launching new or improved products

Impacts
- Increase economic growth, regional productivity and a reduced gap in the intra-regional disparities.
- Net additional GVA (and GVA safeguarded)
- Net additional jobs created

Head of Convergence: Gareth Grimshaw
Evaluation Author: SQW Consulting Ltd
Date of Review: October 2010
Methodology: The review considers the focus, spend, activities, management and delivery of the ERDF Competitiveness programme over the period to Mar 2010 and makes recommendations to improve the workings of the programme. A beneficiary survey was undertaken for projects that had claimed outputs by Mar 2010.

Achieved Outputs to March 2010
- 624 businesses assisted (67 new businesses)
- 87 gross jobs created
- £2.8m gross GVA generated
- 2,500 square metres of floor-space developed

Additionality Factors

Deadweight	30%	Substitution	3%
Displacement	38%	Multiplier	1.48
Leakage	4%	Persistence	7 yrs

Value for Money
VFM to date is poor (GVA:cost 0.5:1) but expected future GVA benefits suggest good VFM (GVA:cost 9:1).

It is too early to assess the Programme's effectiveness in terms of assessment of achievement of objectives.

Impact Findings
The rationale and objectives of the programme strategy were valid at the time they were developed and continue to be valid – **therefore no significant changes to the strategy are recommended**, despite the upheaval in economic and political context.

The **programme's net additional impact to date** has mainly come through businesses that have been supported under activities in PA1 and PA2. A survey of businesses found :
- GVA impact to date of £1.7m to date
- GVA future impact of £93.6m
- These benefits together (i.e. what is expected to be achieved in total by the end of the Programme) are around half of the GVA target of £185m for PA1 and PA2 combined.
- Businesses are not delivering the productivity levels expected, however the survey was not able to quantify some of the other impacts expected (e.g. through jobs)
- A sense check of all the targets suggests that they are challenging but achievable (although dependent on future match funding availability)

Key Lessons & Recommendations
- The PMC should re-confirm the Programme objectives in supporting the transition to a low carbon economy
- The PMC should review all risks around match funding
- The PMC should review its membership
- The PMC should further explore opportunities for closer working between ERDF and ESF.
- Targets relating to EGS outputs and results should be reduced

Benchmarks Value for Money & Additionality	Net additional GVA per annum	GVA return to cost ratio	Net additionality ratio
Convergence PA1 and PA2	To date: £1.7m Future: £93.6m	To date: 0.5:1 Future: 9:1	0.53
CEA benchmark business development activities	N/A	7.1:1	0.36

Excellent
Good
Average
Low
Poor

convergence for economic transformation

South West RDA

g Centre | Business Link | **Plymouth International Business Park** | West at Work |
eeth/Petrockstowe Railway | Wrafton Laboratories Ltd | Falmouth Maritime Museum |
mouth to Budleigh Salterton Railway | **Mayflower Heritage Centre,** Plymouth | Pitts
eave, Tavistock | Hayle Foundry | Exeter Sky Park Tiverton Business Park | The Prince's
uth Business Trust | N Hayle Industrial Park Plots 1 & 2 | Newquay Airport | Becton Dick
on Ltd | Yeo Bridge | **Constructing Excellence South West** | 2012: Cultural Olympiad
nnovation Relay Centre | Barnstaple | Tamar Science Park ITTC - Phase 2 |Mylor Yacht
rbour, Falmouth | Okehampton - A30 | **PRIMARE** | RNAS Portland/Osprey Quay | Tripo
ceptor Research Ltd | Cabot Freight Park |South West England Marketing Campaign | M
nds Site, Glastonbury | **Gloucestershire Flood Relief** | Women's Enterprise | SW Regio
ence & Industry Council | Jaeger Factory, Plymouth | National Marine Aquarium - Phase
eadership SW | Peninsula Medical School | Exeter University Innovation Centre - Phas
Advanced Engineering Skills Project (AESP) | **St Austell Town Centre** | Bristol Airport
rminal Infrastructure | Plymouth City Development Company | Frome Market Town Rege
ation | Wessex Rail Franchise Study | **Crediton Town Square** | Media Skills Developme
ogramme | Torquay Harbour Waterfront Development | **Exeter Science Park** | South
est Regional Infrastructure for Social Enterprise | Radstock Town Centre | SW Quadrant,
dport | **Bristol Foyer** | Broadband4Devon | **Beacon Company Initiative** | Black Deve
ment Agency, Bristol | SW Opportunities for Older People (SWOOP) | NCN Route 3 Avon
lley Greenway, Bristol | Weymouth & Portland Sailing Academy | **Business Link Servic**
Bournemouth International Centre | Business Incubation South West | Forest of Dean CA
treach | **Devon Food Links** | Cannington College | Rural ICT Training Project | Equali-
s South West | **Market & Coastal Town Initiative** | UK Micro-nanotechnology Netwo
oup | Winfrith Innovation Centre | Regional Venture Capital Fund | **Eden Project** | HM
ylla' | Rural Recovery Initiative - Foot & Mouth | Science City Bristol | Forest of Dean To
n Study | Tamar Science Park | Bournemouth University Incubation Centre | Jurassic Coa
orld Heritage Centre | **Marine South Wes**t | SLIM | Gradsouthwest.com | Cornish Sea
lt | SW Angels Network | Manufacturing Advisory Service | **Regional Observatory** | R
naissance | **Culture South West** | South West Food & Drink | Aerospace Sector Suppo
Knowledge Exploitation SW | Newquay Regeneration | At Bristol | **SW Angels Network**
Combined Universities of Cornwall | Purbeck Business Centre | Princess Yachts Ltd | BAE
stems | **Pendennis Shipyard Ltd** | Archimedia (Knowle West Media Centre) Bristol | H
urside - Bristol 2000 | New Swindon Company (URC) | **Pervasive Media Studio** | Wat
arina | Sutton Seeds, Long Road, Paignton | **West at Work** | Weymouth Skatepark | Ply
th Airport Extension Works | **City Works Project, Gloucester** | Plymouth Cycle Netw
Phoenix Fund | Devonport Urban Village | Plymouth | The Showground, Bridgwater |
ay Park Engine House, Camborne | Polmarth Park | Tolmen Centre, Falmouth | Construc
Excellence South West | Living Coasts Marine Aviary | Torquay | Millbay Regeneration
ymouth | Pennygillam Industrial Estate | Launceston | **SW Angels Network** | Coney Hi

mmunity College, Gloucester | The Cornish Way - China Clay Routes | Poole Arts Centre
Helston Business Park | **The Wave Hub, St Austell** | Helston Business Park | **St Paul's**
ea Regeneration | Castledown Business Park | Sowton Industrial Estate Improvement
eter | Plymouth Marine Laboratory | St James's Trading Estate Phase 2 | Redruth Hospita
W Coast Scoping Study | **Western Riverside,** Bath | Plymouth Railway Station | **Naval**
se Visitor Centre | Plymouth | St Just Heritage Area | Investment Framework for Inner
, Bristol | SW Regional Science & Industry Council | **Minehead Regeneration Area** |
lumb Major Ind Estate - Phase 1 | Swindon Incubator Centre | Building Communities Ini
tive | Caradon Hill Heritage Regeneration Project | North Dorset Business Park | **Cabot**
eight Park | Bristol Foyer | Kuumba Project, Bristol | City Works Project, Gloucester | N
n Park & Ride Extension, Wareham | **400KW Wind Turbine Development** | Tiverton
siness Park - Phase 2 | SW Climate Change Impacts Partnership | Bradford on Avon Gas-
rks | **Beacon Technology Park** | Cheltenham Civic Pride | City Business Park, Plymout
he Cornish Way - China Clay Routes | SW Manufacturing Advisory Service | Mylor Yacht
rbour, Falmouth | Jaeger Factory | Tolvaddon Energy Park | Cricklepit Site Phase 1 | Cat-
market Site | Long Rock Ind Estate | **Dorset Broadband Partnership Project** | Exeter
iversity Innovation Centre | Wincanton Healthy Living Centre | St Austell Brewery Comp
| **Matson Lane Resource Centre** | Gloucester | Stonehouse Creek Community Centr
mouth | Coney Hill Community College, Gloucester | Knowledge Exploitation SW | Sour
Lake Railway Path | Poole Arts Centre | **Hengrove Park, Bristol** | Helston Business Par
eymouth Skatepark | Western Riverside, Bath | Eden Institute | St Austell | Frome Mark
wn Regeneration | **Next Generation Access – Broadband** | Kelly's Ice Cream Factory
P Falmouth Limited | Mere Rural Workspace Project | Swindon Incubator Centre | Cara
l Heritage Regeneration Project | **North Dorset Business Park** | TUC Learning Service
rnwall | New Swindon Company (URC) | Tintagel Heritage Regeneration | Torquay Har-
ur Waterfront Development | **ACT Now Project** | Dorset World Heritage Site | Cornwa
velopment Company | Plymouth Guild of Voluntary Service - One Stop Shop | South We
gional Infrastructure for Social Enterprise | Newquay Airport - Infrastructure Improveme
ude Stratton Business Park Extension | Carpenter House - University of Bath | Plymouth
y Growth Strategy | **SW Region Skills For Life** | Gloucester Urban Regeneration Comp
esearch Instruments | Bickland Ind. Estate | Exeter Airport Infrastructure | **Gloucester-**
ire Innovation Centre |Anaerobic Digestion | Newlyn Seafood Park | Bristol Zoo's Wil
nservation Park Development | Hurd's Spring Valley Watercress | Pathfields Industrial Si
annington College |Chronos Technology Ltd | Food Sector Research | Broadband4Devon
rincess Yachts Ltd | Business Start-Up Fund | **Eastbrook Organic Pig Farms** | Rural IC
ining Project | Rural Renaissance in Dorset | Innovation Relay Centre | Tresco Heliport
grade | South West Fishing Strategy | **Food and Drink Sector "Buy Local" campaign**
ondon 2012 Olympics - Sailing Venue Design | Camborne Pool Redruth URC | Museum o
rtmoor Life | HMS 'Scylla' | Kawasaki Precision Machniery (UK) Ltd | Dorset Village Bake