

East Midlands Regional
Development Agency
and East Midlands
Regional Assembly

**Regional Funding
Advice**

Submission

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1 Introduction and Summary of Main Investment Priorities

1.1 Introduction

This submission sets out the East Midlands' regional funding advice for 2008 to 2011 together with strategic priorities up to 2019, on the basis of the planning assumptions presented by Government¹. The region welcomes the opportunity to set out its priorities for economic development, transport, housing and regeneration, and skills funding. Preparation of this advice has been a valuable process. Engagement with and between regional partners has helped to confirm that our long-term strategies remain the right ones, even in times of significant economic uncertainty.

1.2 The Region's Priorities

The East Midlands, like all regions is being affected by the severe economic downturn. A main message of this Regional Funding Advice is that ***the region re-affirms its commitment to the long-term strategic priorities to strengthening the regional economy set out in the Regional Economic Strategy, whilst changing the approach to delivery in the short-term*** to respond to changing economic conditions. To enable realisation of national and regional priority outcomes in the long term, flexibility will be required in the short-term to respond to new and emerging challenges. The region has in place the right policy framework to achieve this, which will be further strengthened through the production of the new Regional Strategy later in this spending period. This includes increasing the economic resilience and adaptive capacity of the regional economy. It also includes ***raising skill levels and encouraging innovation and enterprise to tackle the low-wage-low-skill equilibrium*** that holds back the region's economy.

A main theme of this advice is ***supporting the development of England's fastest growing region***. The East Midlands is forecast to be England's fastest growing region in terms of population, and housing delivery remains a top priority, particularly in the context of the changing housing market. Delivering the right type, range, and quality of homes in the right places will ensure that housing contributes to the regions wider policy objectives. Using the skills and expertise of the Homes and Communities Agency, in combination with those of local partners, the region is seeking to use new and innovative delivery models to support housing delivery, including a range of affordable housing types in urban and rural areas. Significant investment in infrastructure is needed to support growth, and the region is committed to investigating how best to integrate and lever funding for infrastructure with housing and regeneration investment. Economic development and skills investment will seek to deliver a step change in the quantity and quality of jobs to support and realise the opportunities stemming from significant plan-led population and housing growth.

Maintaining momentum with regeneration of cities, towns, the coalfield area, the Lincolnshire Coast and rural areas is a priority for the region. The main urban areas are the powerhouse of the regional economy, and investment in regeneration, raising the quality of the housing offer, transport and economic development will help strengthen their economic competitiveness. Investment will be coordinated to tackle persistent problems of deprivation and to tackle problems of worklessness and urban-rural migration. The region will seek to combine targeting funding on areas of greatest need as well as investing in urban and rural areas of change and potential. The region is committed strongly to the ongoing regeneration of the coalfields area beyond the ending of the ring-fenced coalfields programme in 2010. Regeneration of the Lincolnshire Coast is a regional priority. Investment in rural areas will focus on strengthening the economy, including strengthening housing delivery to tackle housing affordability problems.

The region has recommended ***transport investment to deliver wider priority regional outcomes***. Major investments in transport infrastructure, including the A46 and A453 improvements will help to maintain competitiveness in the region, and improve accessibility. Once these and other major capital schemes are delivered the region will have the opportunity to focus transport investment in the longer-term to help achieve the place-based outcomes necessary to support policy aspirations for the Housing Market Areas. The region has made an important start on this process, allocating funds in later years for such schemes.

Increasing funding flexibilities and enhancing the integration of investment across different policy areas and funding streams is a main theme of the region's advice. The region will continue to integrate investment to respond to different challenges and issues in the very different parts of the East Midlands. Strengthening and rolling out Local Area Agreements, Multi-Area Agreements, and a place-

¹ Regional funding advice: guidance on preparing advice, HM Treasury with DfT, CLG, DIUS and BERR, July 2008

based approach to coordinating investment are all important. The region's advice is to strengthen this funding flexibility and integration, as opposed to transferring funds between main RFA allocations.

1.3 Preparing the East Midlands Regional Funding Advice

East Midlands Regional Development Agency (*emda*) and East Midlands Regional Assembly (EMRA) have worked in partnership to facilitate the production of the Regional Funding Allocation (RFA) submission. A RFA Steering Group was established to agree key stages in the process. This group included senior officer representatives from Government Office East Midlands (GOEM), *emda*, EMRA, Homes and Communities Agency (previously English Partnerships and the Housing Corporation), Learning and Skills Council (LSC), and local authority representatives from Northamptonshire, Harborough and Nottingham City representing the counties, districts and urban unitaries respectively.

Within the context of the agreed regional strategies, the regional partners were keen to secure broad engagement and buy-in to the region's RFA submission. This RFA submission has been the subject of debate and inputs from the specific meetings with regional stakeholders and decision-making groups during October, November and December 2008².

An Issues Paper³ was produced and circulated in early November 2008. This was sent to regional partners and stakeholders, and set out details of the RFA preparation process in the East Midlands. Over 30 separate written submissions were received by the end of November 2008.

In addition, three stakeholder engagement events were held in November 2008 in Lincoln, Nottingham and Leicester. These events offered regional partners the opportunity for debate through facilitated workshops on the questions set out in the Issues Paper (see Section 2.12). These events were attended by over 140 delegates representing a broad range of constituencies across the region. Feedback from these sessions was positive with attendees having increased awareness of the RFA process.

Finally, the advice has also been signed off by the full Regional Assembly and by the *emda* Board.

² Meetings were held with *emda*, EMRA (including the Regional Housing and Transport Groups and the Housing, Planning, and Transport Joint Board), East Midlands Homes and Communities Agency Transition Group, East Midlands Rural Affairs Forum, East Midlands Urban Partnership Group, GOEM, Homes and Communities Agency for the East Midlands and the Regional Skills Partnership Executive Group for the East Midlands.

³ *Regional Funding Advice Issues Paper*, Arup for East Midlands Development Agency and East Midlands Regional Assembly, November 2008

2 Context

2.1 Introduction

This Section outlines the context within which this advice is situated. Discussion focuses upon the spatial context of the region, the policy context and the economic situation within the region viewed in light of the current market downturn. These factors frame the advice detailed in the remaining Sections.

2.2 Spatial Context

The East Midlands Region covers the Counties of Derbyshire, Leicestershire, Lincolnshire, Northamptonshire and Nottinghamshire and includes the unitary authorities of Derby, Leicester, Nottingham and Rutland, as well as part of the Peak District National Park.

The East Midlands is a large and diverse region with a polycentric settlement structure based on the three cities of Derby, Leicester and Nottingham and the growing regional centres of Lincoln and Northampton. These cities and their hinterlands are the economic powerhouse of the region.

A large proportion of the region's land area (88%) is rural, with 30% of the region's population living in towns and villages of less than 10,000 people. The region contains a large part of the Peak District National Park, the Derwent Valley Mills World Heritage Site, the National Forest, the Lincolnshire Fens, Wolds and coast, in addition to large rural areas in other counties.

2.3 Regional Policy Framework

Regional policy for the East Midlands is set out through the following main documents:

- the emerging Regional Spatial Strategy (RSS), which is at Secretary of State's Proposed Changes stage and will be issued in early 2009. A review of this document is currently being undertaken;
- the Regional Economic Strategy (RES) was finalised in 2006 and provides the framework for economic development in the region;
- the Regional Housing Strategy 2008-16 was published in November 2008, and sets out the main objectives, policies and investment priorities for delivering and improving housing in the region;
- the East Midlands Urban Action Plan produced in 2005 by the regional Urban Partnership Group provides the strategic framework for urban renaissance in the region;
- the East Midlands Rural Action Plan 2007-13 sets out the vision, priorities, and actions for rural development; and
- the high-level policy priorities for skills are set out in the RES, and the Employment, Skills and Productivity (ESP) Partnership Plan sets out specific priorities for action.

These strategies are high level documents and do not include detailed or specific investment programmes. Therefore the relevant implementation documents have been examined to specify the framework for investment in the short term, in transport, housing and regeneration, and economic development. For example, Growth Area and Point Programmes, and Local Transport Plans.

2.4 The Economy of the East Midlands

2.4.1 Overview

GVA per capita in the East Midlands is 96.9% of the English average. *emda's* base forecast predicts economic growth in the East Midlands at an average 2.6 per annum over the period 2004 – 14, in line with the UK average.

The service sector has been a major factor in the region's strong economic growth in recent years, and now accounts for 77% of the region's employment. This sector has been affected more adversely by recent economic problems, and business and consumer confidence has declined.

The manufacturing sector remains an important part of the regional economy outperforming the service sector. The sector accounts for 16% of the region's employment compared to 11% nationally, 23% of regional GDP and over 95% of the region's exports.

Small firms form a large proportion of the business-base compared to other regions, and are particularly vulnerable because of the challenges in securing affordable access to finance.

The region is aspiring to generate more knowledge-based businesses. The designation of Nottingham as a 'Science City' supports this aspiration by promoting international science and technology innovation in research and business. However the opportunities for innovation apply across all sectors.

The RES sets out the region's ambition to become a knowledge-led, high skilled economy, which requires a move away from a low skilled employment base. There are a number of structural weaknesses which the region needs to tackle to achieve this ambition. These issues include:

- the need to tackle the persistent 'low pay low skill equilibrium';
- the need to increase the resilience of the region's businesses to change;
- the challenge of increasing levels of innovation and research and development by businesses;
- the importance of increasing levels of business enterprise, start-ups, growth and survival;
- tackling areas of deprivation and worklessness, which currently hold back the region's economic performance, and promoting economic inclusion;
- improving the quality of the business environment, as well as the wider quality of places to make them more attractive for investment;
- realising the economic opportunities associated with the plan-led growth in the region; and
- developing a more resource efficient, low carbon economy able to adapt to changing international supply chains (for energy and resources) and the implications of climate change.

2.4.2 The Economic Downturn

The crisis that initially affected financial services, property and construction is now impacting on all parts of the economy. Whilst some sectors and businesses continue to perform well, economic output as a whole is falling, unemployment rising, and business confidence is low. Small to medium sized businesses are particularly vulnerable. It is unclear how deep or long the downturn will be.

The region's large manufacturing sector is now feeling the effects of the downturn, as finance becomes more difficult and expensive to access, and consumer markets contract. The reduced value of Sterling offers benefits to exporters and in-bound tourism businesses, but these benefits are in part off-set by the global nature of the downturn.

There are major concerns that the downturn will affect the region's long-term competitive position. The failure of businesses and the redundancies of workers could result in a reduction in the region's skills and knowledge base in some sectors that will be difficult to reverse. There is a risk that in response to short term pressures businesses will cut investment in innovation, research and development, and skills development, which would affect adversely the region's long term competitiveness.

Many regeneration projects, several of them vital to the renaissance of the region's towns and cities, are at risk of delay. Housing completions have fallen significantly and there are concerns that the reduction in the region's housing and construction industry capacity will take many years to reverse.

2.4.3 Changing Public Funding context

The starkly reduced availability of credit and declining property market are having a significant impact on models of delivering investment through public-private partnerships and capturing development gain. These changes are necessitating impacts on the rates of intervention from the public sector in order to deliver projects, and some schemes are currently becoming unviable. This will need to be factored into the assumptions that underpin the RFA advice, at least over the short-term, and a view will need to be taken regarding any long term implications and how public sector investment is used to lever private investment.

In the context of what are tight funding allocations, and over the longer term is likely to remain a tight fiscal context, it will be important that the region is realistic in its funding expectations. This means that the proposition from the East Midlands is based on how to use and lever funding more flexibly, as opposed to an "ask" for more money.

Map 2.1 The East Midlands

3 Main Overarching Investment Priorities

3.1 Introduction

This Section sets out the region's main cross-cutting priorities for investment. These have been identified through the discussions with stakeholders and the main regional policy making bodies. These priorities are consistent with the region's main strategies, and reflect changing economic circumstances and the opportunities created by new frameworks for delivering policy and investment.

Box 3.1 Main Conclusion from Stakeholder Engagement

Through discussions with stakeholders at the engagement events and written responses to the Issues Papers the following issues arose as key investment priorities for the region.

That the long term objectives of the RES are sound, but there may be a need to be flexible with delivery in the short term due to the current economic downturn.

The role of towns and cities as economic drivers should be recognised and investment should be focused on unlocking the potential of urban areas by providing quality premises of the right type, in the right locations.

That the growth agenda, in designated areas, and regeneration, of urban and coalfield areas and the Lincolnshire Coast, needs to be delivered.

That the public sector needs to support the de-risking of development sites.

To move from decent homes to decent neighbourhoods; to create a quality residential offer, within an attractive environment, well served by facilities.

The importance of aligning plan-led housing and employment growth with the infrastructure needed to support the region's development.

That there is a need to up-skill the population; to support economic growth and make the region more competitive.

To adopt an outcome focused approach to transport investment.

3.2 Main Cross Cutting Investment Priorities

3.2.1 Re-affirming commitment to the long-term strategic priorities to strengthening the regional economy, whilst changing the approach to delivery in the short-term

In the context of the economic downturn, the East Midlands will maintain a strategic focus, reaffirming its commitment to delivering the RES. The main issues the RES identified all remain valid. In fact these points are more pertinent now in the context of a steep and widespread economic downturn. Whilst the region will invest to respond to the changing circumstances, it will not divert focus or funding from tackling the structural issues that affect its long term economic competitiveness.

Where necessary, the region will change its tactics for delivering investment in the short term to take into account changing economic circumstances and needs on the ground as well as the increasing difficulties in using public money to lever private sector investment. In the context of the Government's Pre-Budget Report, some economic development, housing and transport investment will be brought forward. Economic development investment will be focused on supporting businesses seeking to safeguard jobs and encouraging and assisting businesses to continue to invest in innovation and skills development at a time when their cost bases are under pressure. Investment in skills will need to respond to pressures created by a more competitive labour market and increasing unemployment. Investment in housing and regeneration will be focused on maintaining momentum with delivery where possible, but in many cases will need to be focused on preparing sites and areas for the up-turn.

Across all areas, higher intervention levels will be needed for public investment, reflecting the difficulties in leveraging private sector investment. This Advice on funding reflects the need for flexibility in the current circumstances and uncertainty in how funding is used and the outputs that it generates.

3.2.2 Supporting the development of England's fastest growing region

The East Midlands is forecast to have the fastest growing population of any region in England. Recent projections from the Office of National Statistics indicate that the population of the Region will increase from 4.3 million in 2006 to 4.8 million in 2016 and then to 5.5 million by 2031.

Significant housing growth is planned in the East Midlands to meet the needs of the projected increase in population. The Secretary of State's Proposed Changes to the RSS set out a requirement for at least 509,060 new homes to be built in the region from 2006 to 2026. The emerging RSS sets regional housing provision for each Housing Market Area (HMA) and Local Planning Authority in the region. To achieve these levels of growth a major step-change in the rate of housing completions will be required,

and substantial investment in infrastructure will be needed. Northamptonshire, in the south of the region, forms the largest part of the Milton Keynes and South Midlands (MKSM) growth area, one of the main growth areas set out in the Government's Sustainable Communities Plan. There are also a number of designated First Round and Second Round New Growth Points across the region, which are eligible for growth area funding. These include:

- 3 Cities & 3 Counties - Derby, Leicester & Nottingham (Derby City Council, Derbyshire CC, Leicester City Council, Leicestershire CC, Nottingham City Council, Nottinghamshire CC);
- Grantham (South Kesteven DC and Lincolnshire CC);
- Lincoln (Lincolnshire CC, City of Lincoln Council, North Kesteven DC and West Lindsey DC);
- Newark on Trent (Newark and Sherwood DC); and
- Gainsborough (West Lindsey DC, Lincolnshire County Council) (provisional status subject to confirmation through RSS Partial Review).

The possible implications of eco-towns on public funding have not been taken into consideration in the preparation of this Regional Funding Advice.

The region will continue to plan for and invest in delivering sustainable, high quality housing and employment growth. This will be achieved through the right balance of urban regeneration to deliver growth on brownfield sites as well as sustainable urban extensions. Investment in growth will be focused on Northamptonshire (part of the MKSM Growth Area) and the Growth Points. Significant investment in physical and community infrastructure will be vital to ensure this growth is sustainable.

Housing investment policy will support the delivery of housing of the right quality (in terms of condition, design, character and suitable density), range (in terms of type, tenure and size) and value (including through a range of tenures) appropriate to different places. The focus will be on tackling housing needs as well as achieving transformation in the roles of places to strengthen their economic position. Housing and regeneration investment will be planned and integrated with other funding through a "single conversation" between the HCA, *emda*, local authorities and other main agencies to respond to the needs and opportunities in different locations.

Economic development, regeneration, transport and skills investment will be used to develop the economy in the growing parts of the region, with an aim of creating a step-change in the volume and value of jobs. This includes (but is not limited to) supporting firms and people to exploit business and employment opportunities in sustainable construction, sustainable energy solutions and broader opportunities associated with a more resource efficient, lower carbon economy.

3.2.3 Considering how best to enhance investment in infrastructure to support growth, regeneration and economic development

Significant investment is needed to achieve a step-change in the capacity and capability of infrastructure in the East Midlands to support growth and regeneration as well as meeting the existing needs of businesses and communities. Economic uncertainty has severely impacted on housing delivery rates, and it is clear that housing delivery will be challenging in the short term. However, it is becoming evident that the levels of planning gain secured through development in the recent past are unlikely to be secured in the future, as a result of fundamentally changed development economics, perhaps returning to more of a long-term norm. Therefore achieving investment in infrastructure has become more challenging and has led to a reduction in investment that can be levered through planning gain.

As part of the process of producing this Regional Funding Advice the region has considered the potential merits of using its existing funding allocations to create a dedicated Regional Infrastructure Fund (RIF) to provide up-front investment in infrastructure which would then be repaid through developer contributions. Whilst some stakeholders considered there would be merit in such a fund, the balance of opinion within the region is that a compelling case remains to be made.

The region believes that the issue of infrastructure funding, including the possibility of a RIF, require further investigation and consideration, which will be led by GOEM. This should consider the costs and benefits of a RIF in the context of other infrastructure funding mechanisms and how the region identifies and plans for infrastructure investments, including:

- Utilising the existing powers and scope of *emda* and the HCA to fund upfront investment in infrastructure and recoup this through developer contributions once development takes place;

- Local authorities using their existing powers more effectively to adopt a strategic approach to planning for infrastructure and capturing developer contributions, as well as the enhanced powers and requirements that will be introduced through the Community Infrastructure Levy;
- Planning proactively for growth through statutory planning documents. This would include enhanced strategic dialogue with utility and infrastructure providers to align utility/infrastructure investment planning with spatial development priorities; and
- The region making its case to Government for investment from national funding streams, particularly on the basis of levels of planned growth.

The region will also seek to work with the Environment Agency and Government to secure greater levels of investment and a more flexible policy framework for enhancing flood protection and coastal protection in order to support growth and regeneration as well as safeguarding existing properties.

The current regulatory framework that applies to the networked utilities providers (gas and electricity in particular) dissuades pre-emptive network investment. A more strategic and integrated approach to infrastructure planning and investment would facilitate future economic and housing growth. Currently many economic and housing growth schemes have to directly subsidise network enhancements often at significant cost, thereby undermining viability or reducing the ability of public and private partners to fund other benefits. The region is committed to working in closer partnership with network operators, but there is a case for a changes to the regulatory frameworks to capitalise future revenue streams (arising from new infrastructure investments) thereby relieving the immediate costs associated with specific site developments.

3.2.4 Integrating investment across different policy areas and funding streams

Partners within the region are developing joined-up, focused and place-based approach to delivering public investment. Local Area Agreements (LAAs) and Multi Area Agreements (MAAs) demonstrate how funding can be coordinated and delivered more flexibly across different bodies and policy areas, and targeted at meeting specific identified priorities to respond to the needs and opportunities of different places at the most appropriate spatial level. The Leicestershire MAA and the Lincolnshire Coastal Study are examples of joined up working and a place based approach, see Boxes 3.2 and 3.3.

Box 3.2 Leicestershire MAA

The Leicestershire MAA, signed in January 2009, represents joint working between Leicester City and Leicestershire County Councils in association with *emda*, the Learning and Skills Council, JobCentre plus and three local universities (DeMonfort, Leicester, and Loughborough). By 2020 the MAA aims to make Leicester and Leicestershire a prosperous, enterprising and dynamic economy, driven by innovative businesses, creative people, a highly skilled, local workforce and a sustainable infrastructure. This will necessitate a concerted, coordinated and strategic programme of investment. Through the development of a 'train to retain' scheme, the barriers that prevent local people accessing a university education will be reduced and an increased number of graduates will remain in the region. This agreement will also improve the county's infrastructure, ensuring easier, more convenient access to jobs, businesses, shops and leisure across Leicester and Leicestershire.

David Parsons, Leader of Leicestershire County Council said, *"The City and County Councils have recognised the need for us to work together to ensure that our sub-regional economy is stable in the short-term and that it grows in the future. Through the MAA, we have established a new political relationship based on shared objectives, common goals and flexibility and we are confident that our partnership will deliver positive outcomes."*

Box 3.3 Lincolnshire Coastal Study: A Way Forward for the Lincolnshire Coast

Whilst the impact of climate change is an issue for the whole of the East Midlands, it has particular implications for the Lincolnshire Coast, which has some of the country's best and most versatile agricultural land, a successful tourism industry, but also some areas of considerable social and economic deprivation. The level of flood risk in this area means that decisions need to be taken about the scale and locations of future development and investment along the Lincolnshire Coast.

Through joint working between Lincolnshire County Council, the relevant District Councils, EMRA, *emda*, GOEM, *Natural England* and the Environment Agency a study has been commissioned to develop a long term strategic vision for the Lincolnshire Coast looking at leisure, housing and employment opportunities and constraints. In order to support the evidence base for the Partial Review of the East Midlands Plan and local LDF preparation.

The region's advice is that there should not be transfer of funding between the main allocations covered by the RFA at this stage; but the region is committed to adopting a flexible approach to integrating funding to deliver joined-up outcomes. The region will continue to work to integrate investment across different funding streams to respond to the different issues, challenges and opportunities in the very different parts of the East Midlands. This principle applies not only to the funding stream encompassed directly by the Regional Funding Advice, but also in relation to public investment more widely. The

region believes that more integrated and responsive approaches to planning and delivering public investment requires appropriate degrees of flexibility in how funding can be used.

This will include strengthening investment planning and providing greater flexibilities in how funding is delivered at sub-regional level. Many of the written stakeholder inputs to the process of producing this advice identified the scope for strengthening the planning and delivery of investment at sub-regional level, reflecting functional economic, housing market and travel-to-work areas rather than administrative boundaries. The proposals in the Government's response to the consultation on the Sub National Review (SNR), and in the Pre Budget Report provide significant scope for this, including rolling out and strengthening MAAs. In light of the SNR response, the region is considering the best approach to coordinating policy and investment between regional and sub-regional level.

At local authority level the Homes and Communities Agency (HCA) led "Single Conversation" will provide a means of coordinating housing and regeneration investment, with scope for wider investment to be integrated through LAAs. The East Midlands will focus investment across different policy areas and funding streams to achieve the outcome of creating of quality places with the right range, quantity and quality of housing and employment space, good accessibility and attractive environments to support economic competitiveness and cohesive communities. It is vital that housing and transport investment is focused primarily on delivering wider regeneration outcomes, not narrowly defined outputs.

3.2.5 Maintaining momentum with regeneration of cities, towns, and the coalfield areas

Although the region is growing there are some areas of serious economic disadvantage, in particular the former coalfield areas (Northern sub-area), inner areas of main towns and cities, and in more remote rural areas, including Lincolnshire Coast. Some of these areas have high levels of deprivation, worklessness, and in some cases significant wider social problems such as crime and ill-health.

The region will maintain momentum with regeneration by continuing to invest in the renaissance of its towns and cities, and the renewal of the coalfields area. Investment will be coordinated across funding streams and policy areas to tackle the multi-faceted and persistent problems of deprivation in some areas. This needs to be through a flexible approach that combines targeting funding on areas of greatest need as well as investing in urban areas of potential for change. Where appropriate investment should support growth within existing urban areas, enabling their wider regeneration.

The region re-affirms its commitment to regeneration of the coalfields area, including bringing forward major brownfield development opportunities, beyond the formal ending of the ring-fenced national coalfields programme in December 2012.

Regional partners are committed to investigating and agreeing a planning and investment framework for the Lincolnshire Coast, which will include investment in urban areas and flood defences.

3.2.6 Strengthening the economy and communities in rural areas

There has been a trend of population shifts from urban areas to rural areas, in common with most parts of England. Policy has sought to reverse this trend in recent years, but counter-urbanisation has resulted in housing growth and affordability problems in accessible rural areas, as well as problems in relation to social cohesion and housing market weakness in some of the inner urban areas.

Investment in rural areas will be focused on strengthening the economy. This includes investing in capacity to help increase housing supply where appropriate in order to tackle affordability constraints. It also means focusing investment in business space and communications infrastructure in the areas where it will have the greatest economic contribution, including main market and coastal towns.

3.2.7 Prioritising transport investment to deliver wider priority regional outcomes

In the decade up to 2003, the region saw the largest increase in road traffic of all the English regions, the resulting congested and unreliable transport routes have implications on the competitiveness and productivity of the region. A report produced on behalf of *emda* in 2007 details the 'economic costs of congestion in the East Midlands'. The report concluded that congestion costs the regional economy approximately £1 billion per year demonstrating a strong economic case to pursuing measures which tackle congestion on the major road network, and within more local road and urban areas.

East-west road and rail routes are generally poor compared to the main north-south routes, resulting in the east of the region being relatively isolated from key centres of economic activity. There has been growth along the East Coast Main Line, which provides the region with fast links to London and the north. However, both the East Coast and Midland Main Lines have capacity constraints. The planned housing and employment growth in the region is likely to place additional demands on the road and railway network, potentially worsening congestion. A combination of poor rail links and congestion on some key corridors causes poor connections between main centres within and outside the region.

The limited RFA investment earmarked for transport will be prioritised on improving strategic connectivity, supporting growth and regeneration of regionally significant locations, and tackling the problems of worst congestion. An affordable package of schemes has been identified to be delivered within the next five years. Beyond five years a series of specific outcomes have been identified where work is to be focused in investigating and working up proposals for suitable and affordable packages of transport measures, which are likely to be prioritised for future funding.

3.2.8 Climate Change and Energy Security

Since the last RFA process the issues of energy (and resource) supply/affordability and climate change have become more prominent in terms of policy and the economy. Responding to rising energy and commodity costs is a real challenge for households and businesses. Despite the recent drop in oil prices the long term cost trajectory for energy and commodities is upwards.

New EU and UK legislation will impact on the level of UK emissions and drive investment decisions towards less carbon intensive forms of energy. This is likely to be a particular issue for the East Midlands because of the importance to the regional economy of relatively energy-intensive sectors such as manufacturing, food production, and agriculture. Different parts of the region will experience these changes in different ways; for example, coastal areas in the Eastern sub-area are likely to experience increased flood risk. Regional partners are committed to developing responses appropriate to the region's diverse economic, social and physical landscapes.

As well as impacting on business productivity and competitiveness, climate change will have implications on regional transport, housing and regeneration policies and practices. These changes pose issues and opportunities at the regional level, including; developing the skills necessary for a low carbon economy; influencing new electricity generation and distribution infrastructure; supporting community energy solutions; exploiting the economic potential of new energy technologies; and providing support to businesses to improve their energy efficiency and adapt to climate change.

UK climate change policy is focused on actions that help reduce greenhouse gas emissions and hence tackle the causes of climate change (mitigation), and adaptation activities which reduce the risks, costs and harm that climate change will bring.

Regional partners are utilising investments to respond to climate change. This includes increasing the region's resilience to the impacts of climate change by seeking to secure better alignment of investment in flood and coastal prevention with plans for growth and regeneration, as well as ensuring existing properties are protected. *emda* are encouraging and supporting businesses to be more resource efficient, increasing resilience to changes in energy, carbon and commodity markets and fiscal measures. The region is committed to increasing the energy efficiency of new and existing residential and commercial buildings in line with national standards, and supporting the development of community and renewable energy capacity and solutions where appropriate and where value-for-money can be demonstrated. There is an opportunity to use investment to increase the region's skills and knowledge base to help people and firms realise the employment and business opportunities associated with the transition to a lower carbon economy.

3.2.9 Aligning skills investment more closely with economic development priorities and plans for housing growth

The region has an employment rate above the UK average. Despite this average skill levels and salaries are relatively low, with a large number of people with no qualifications. In particular, the East Midlands significantly lags behind the national average in higher level qualifications, and has one of the lowest proportions of its workforce educated to degree level in the UK.

The region will seek to align investment in skills with its economic development priorities. This includes being part of the region's response to the economic downturn, responding to the challenges of a more competitive labour market and rising unemployment. There will be an increased need to stimulate demand for skills development from businesses as firms' cost bases come under increasing pressures, and also in the context of the transition to a more demand-led basis for delivering skills development interventions. Looking to the longer term, our skills architecture and products will need to support the transition to a low carbon, resource efficient economy; both in terms of improving the generic 'energy' skills of business leaders and the technical skills our economy will need to adapt.

It is important that long-term planning of learning and skills provision takes into account proposals for significant housing and employment growth. This includes taking into account the quantity of provision needed, and also the aims to create new jobs to improve the quality and skill levels on that of the existing employment base. Investment needs to reflect changes in travel-to-learn patterns.

4 Transport

4.1 Introduction

Ongoing transport investment will be necessary to accommodate growth in the region and to maintain and improve the region's competitiveness. To assist in the production of the region's advice on the RFA for transport, consultants were commissioned to work with regional partners to develop and apply a methodology for prioritising schemes for investment across the region.

A significant proportion of the funding available for major schemes in this spending period is committed to schemes with programme entry with significant headroom opening up only from 2010/11 onwards, although much of that is then necessarily allocated to approved schemes. In the short-medium term this provides the region with little flexibility on how the major schemes fund is deployed and challenging decisions have been made.

Significantly, the Government announced additional direct funding for the A46 improvement in the November 2008 Pre-budget Statement to facilitate earlier delivery of this scheme. The region welcomes this intervention, which allows the A46 to be delivered sooner and at less overall cost, as set out below.

4.2 Current Issues and Priorities

Supporting growth is a primary driver of transport investment in the East Midlands. However, improving economic competitiveness and rural accessibility, supporting urban regeneration, and addressing the climate change agenda are all important objectives for transport funding in the region.

The Strategic Regional Policy Framework for Transport is set out in the RSS, which incorporates the RTS. The emerging RSS is currently at Secretary of State's Proposed Changes stage and is expected to be adopted in early 2009. The RTS includes a range of transport priorities set out by sub-area (identified in paragraph 2.2). The Transport Priorities seek to improve connectivity between major settlements and peripheral locations in the region, promote modal shift away from the private car, support housing growth and regeneration, and improve access to employment opportunities.

4.3 The Region's Advice on Investment in Transport

4.3.1 Introduction

The East Midlands has agreed a package of transport schemes to commence in the 5-year period 2009/10 to 2013/14. This allows certainty for scheme promoters in the short-term to continue scheme development. These schemes will continue to draw on the major scheme budget for virtually the whole period to 2019. Emerging headroom in the period 2014/15 to 2018/19 will be used to commence delivery of the A38 junction improvements (necessary to support future housing growth) with the remainder allocated on the basis of supporting growth in HMAs and inter-regional and intra-regional movements. However, in the intervening period, the region intends to develop a more detailed evidence base, based on Delivering a Sustainable Transport System (DaSTS), to support a more sophisticated approach to developing transport packages for investment, as set out in Section 4.4.2.

4.3.2 Available Funding

The Regional Funding Allocation for transport covers the regional major fund, together with the integrated transport and maintenance block funds. The block funds are committed in this spending period, and are therefore not considered as part of this advice. The RFA funding for this spending period is set out in Table 4.1.

Table 4.1 Transport Component of Regional Funding Allocation, 2008-2011 (£millions)

	2008/09	2009/10	2010/11
Majors Fund	£76	£77	£79

In the next spending period onwards, the block funding is not committed, with the possibility of virement between block components and the major scheme fund. The full extent of the transport funding, as set out in the planning assumptions, is shown in Table 4.2.

Table 4.2 Planning Assumptions for the Transport Component of Regional Funding Allocation, 2011-2019 (£million)

	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19
Majors Fund	£81	£82	£84	£86	£88	£89	£91	£93
Integrated Transport Block	£60	£61	£63	£64	£65	£67	£68	£69
Maintenance Block	£90	£92	£94	£96	£98	£100	£102	£104
Total	£231	£235	£241	£243	£251	£256	£261	£266

4.3.3 Assessment of Scheme Priority and Development of a Preferred Package

A robust and rigorous process been followed to identify the preferred package of transport schemes based on an assessment of regional policy fit and risk associated with delivery. Full details of the assessment methodology, the scoring, and individual schemes are provided in a separate report⁴ of the transport prioritisation process. To establish an acceptable spending profile, it has been necessary to suggest a delay to the start of some schemes. The issue of 'promoter burden' has also been considered in developing the preferred package, recognising the limited capacity of Local Transport Authorities to develop and deliver more than one major scheme concurrently.

4.3.4 The Preferred Investment Package

The regions proposed investment package for the major scheme listed in table 4.3 have been selected as they will deliver regional priorities. Delivery of the A46 scheme requires over-programming in the early years to facilitate delivery, together with the committed A453 scheme. The A38 Derby Junctions scheme is the only scheme specifically named to start beyond the 2013/14 spending period. This reinforces its status as a high regional priority, but also the need to manage expenditure over the full RFA period. Reflecting the need to move to a more outcome focused approach, in the medium to long term, priorities have been set for each HMA. This provides a framework for future investment in schemes (as yet undetermined) to address issues in HMAs and details are set out in Table 4.4.

This matter has been the subject of discussions with Department for Transport (DfT), and following amendments to the package, has been broadly agreed as acceptable on the basis that the 10-year budget balances. The A46 scheme and its implications are set out in Box 4.1.

The anticipated spend profile of these schemes is shown in Figure 4.1, in comparison with the likely available majors budget. The major scheme budget benefits from a 'payback' in the 2011/12 financial year as a result of trading with the East of England in the RFA1 period to facilitate delivery of the A1073 Spalding to Eye Improvement.

Box 4.1 A46 Newark to Widmerpool Improvement

The A46 is an important trunk road connecting the East and West Midlands, and provides a strategic east-west link between the M1 and the A1. The section between Widmerpool and Newark carries between 16,200 and 25,300 vehicles per day, of which up to 15% are heavy goods vehicles. This level of traffic gives rise to frequent congestion and delay. The design of the road can make safe overtaking difficult and it is made worse by many junctions and accesses to fields, farms, and houses, leading to a poor safety record.

Upgrading the Newark to Widmerpool section of the A46 will provide an almost continuous dual carriageway link between the M1 at Leicester and Lincoln via Newark and the A1. Whilst making an important contribution to the national strategic network (as part of a wider south-west to north-east route via the M69), the scheme also improves accessibility to and from the Eastern sub-area. This will support the role and status of Lincoln as a Growth Point and will benefit the wider economic performance of the Sub-area.

Funding the A46 scheme entirely through the region's RFA was a serious challenge. Despite this the region recognised the importance of the scheme and developed a solution which phased delivery over several years. The region welcomes the Government's recognition of the wider value of the scheme, and the additional investment has allowed delivery of the A46 to be accelerated and delivered at significantly reduced overall cost alongside other important transport investments in the region.

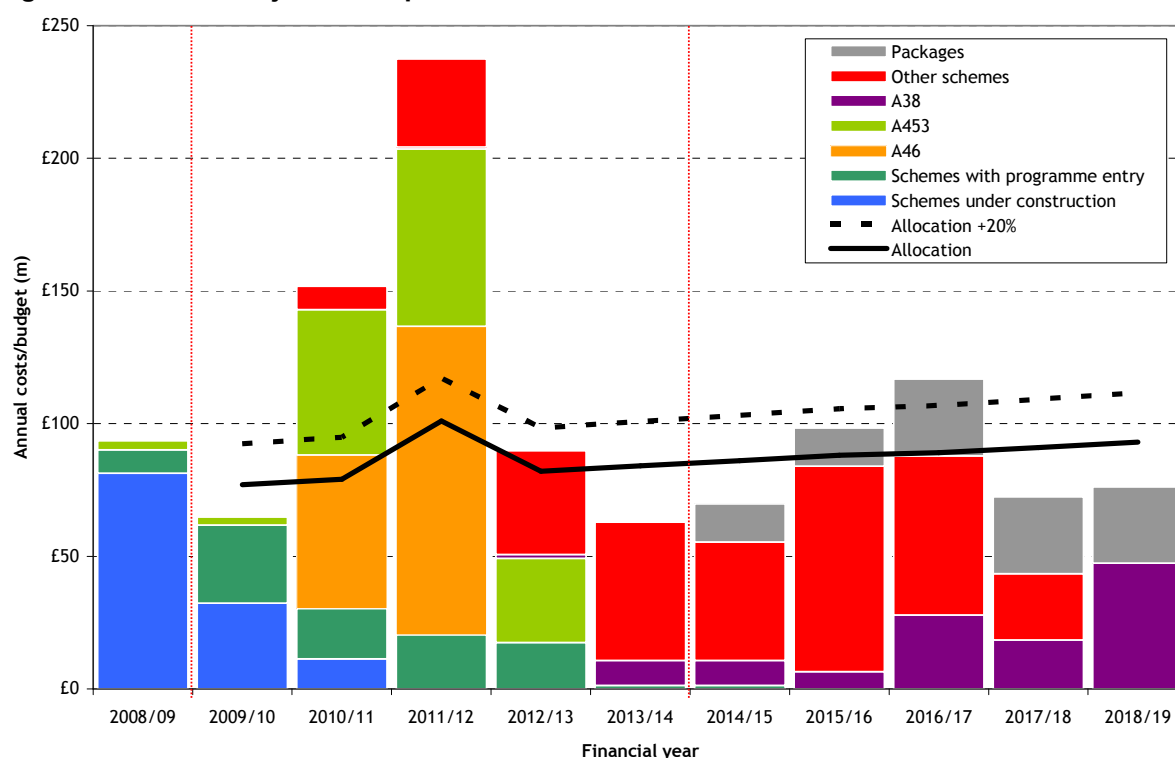
⁴ East Midlands Regional Funding Allocation Period 2 Transport Schemes Assessment, Steer Davies Gleave for East Midlands Regional Assembly, January 2009.

Table 4.3 Preferred RFA2 Package of Schemes

Scheme	Spend (£m)	Works Start	Description
Earl Shilton Bypass	0.0	Complete	New single carriageway with localised widening at junctions, approximately 5 km long, linking Hinckley Northern Perimeter Road to the A47 Leicester Road north-east of Earl Shilton, which will reduce local congestion and improve safety.
Ilkeston-Awsorth Link Road	0.0	Complete	New link road providing an alternative route from Ilkeston to Nottingham and the M1 Motorway to the existing A6096 Station Road, Ilkeston, which carries in excess of 18,600 vehicles per day, including a high proportion of goods vehicles, but is fronted by a dense mix of residential and industrial properties.
Upperton Road Viaduct	0.6	Complete	Major maintenance scheme to replace road bridge over canal and river on key orbital route to the SW of the city.
Burgh le Marsh	0.3	Complete	Improvement of the route to the Lincolnshire Coast.
Markham Employment Growth Zone	0.4	Underway	New junction with M1 Motorway (29A) and improved local roads to provide access to a major regeneration site centred on a former Colliery.
A1073 Spalding to Eye Improvement	37.9	Underway	A new 22 km highway constructed mainly off-line and parallel to the existing route from the A16 at Spalding to the A47 at Eye, east of Peterborough. This link will improve strategic inter-regional links at the southern end of the Eastern Sub-area.
A1 Peterborough to Blyth Junctions	4.6	Underway	Replacement of six at-grade A1 roundabouts with grade separated junctions between Peterborough & Blyth (Notts), which will reduce congestion and improve safety.
Connecting Derby Phases 2 & 3	10.1	2008	Completion of Inner Ring Road with associated improvements for public transport, pedestrians, and cyclists, which will support the delivery of the 6Cs Growth Point.
Mansfield Transport Interchange	7.6	2009	Relocation of bus station to a new site. Construction of 16 bay fully enclosed bus station with footbridge connecting to existing rail station.
A509 Isham Bypass	27.0	2009	A 4.3 km dual carriageway road between the A14 Pytchley roundabout and the A509 Kettering Road, bypassing the village of Isham to the west. The proposal includes two at-grade roundabouts junctions and will support the delivery of plan-led growth in the MKSM Growth Area
A46 Newark to Widmerpool	174.1	2009	A new 28km long two-lane dual carriageway from the A606 two level junction at Widmerpool to an improved roundabout at Farndon, just south of Newark. See Box 4.1.
Hucknall Town Centre Improvements	10.3	2010	Integrated transport proposals comprising pedestrianisation and construction of a small stretch of inner relief road, which supports the delivery of the 6Cs Growth Point.
A453 Widening (M1 J24 to A52 Nottingham)	156.4	2010	Widening of the A453 to a dual carriageway between the M1 and Mill Hill on the approach to Clifton, and to a four-lane single carriageway through Clifton from Mill Hill to Farnborough Road, which supports the delivery of the 6Cs Growth Point.
Loughborough Town Centre Transport Scheme	16.5	2010	Completion of the inner relief road, to allow an improved pedestrian environment on the A6 through the Market Place. Also new town centre bus facilities and junction improvements on the A6004 Ring Road. The scheme will support the delivery of the 6Cs Growth Point
A43 Corby Link Road	36.5	2010	A 6.5 km link road that includes a 4 leg roundabout at the southern end, and that will run to the east of and parallel with the Kettering to Manton railway line for approximately 4.0 km, which will support the delivery of the MKSM Growth Area.
Nottingham Ring Road	44.3	2011	Capacity improvements to improve orbital journey times and reliability for all modes, reduce city centre traffic, and support the delivery of the 6Cs Growth Point.
NET Phase 2 (Lines 2/3) prep costs	7.7	2011	Eligible preparatory costs for Phase 2 of the Nottingham Express Transit. The substantive costs are proposed to be met by PFI, outside RFA funds
Nottingham to Lincoln line speed improvements	51.0	2013	Increase line speeds to 90 mph for the entire route, except in any locations where cost-effectiveness dictates a slightly lower speed, which increases accessibility to the Eastern Sub-area by public transport.
Glenfield Park & Ride and QBC	24.5	2012	Park and Ride facility with bus priority to city centre from the north of the city.
London Road Rail Bridge + SITS Corridor	12.6	2013	An integrated package of bus priority, traffic management, accessibility and urban design measures incorporating ways of tackling congestion and promoting sustainable transport. Also the replacement of London Road Bridge, which crosses over the railway line running from Derby to Birmingham.
Lincoln Eastern Bypass	107.2	2013	A new dual carriageway road from A158 Wragby Road to the A15 Sleaford Road, approximately 7.5km long. Six junctions will be provided along the route consisting of five roundabouts and one major / minor junction. This will take existing traffic out of the historic core and facilitate the eastern expansion of the city in line with the Growth Point status.
Leicester City Centre Bus Termini	67.0	2014	New bus termini and routing, including a new high quality bus station and satellite termini, which will support the delivery of the 6Cs Growth Point.
Osmaston Road Strategic Integrated Transport Scheme	7.0	2014	A package of improvements to increase bus reliability and reduce bus journey times. The improvements are capacity neutral for general traffic and will have further benefits for pedestrians and cyclists by providing additional facilities and furthering road safety.
HMA Packages	115.3	2014/15	Funding set aside for schemes (as yet undetermined) to address issues in HMA.
A38 Derby Junctions	121.3	2017	This scheme will improve accessibility along the strategic A38 route, linking the M1 to Derby to Birmingham and the West Midlands, providing important inter-regional links and supporting the delivery of urban extensions to the south of the city, in line with the 6Cs Growth Point.

Table 4.4 HMA Priority Transport Outcomes to be Addressed Over Medium to Longer Term

Housing Market Area	Transport Priorities
Derby HMA	Continued investment is required to tackle congestion in central Derby and build on the Connecting Derby scheme. The large number of new homes planned will require extra transport, particularly between Derby city centre and the urban extensions on the edge of the city. Peak congestion on the A38 and will increase with planned housing growth must be mitigated by large scale transport investment. Outside the Derby PUA there are pockets of congestion, particularly in the Swadlincote area, which will also worsen by additional development and require mitigation. Development in the rest of the HMA will not suffer the same level of congestion, but it has less poorer non-car accessibility. Improving accessibility to jobs and services by public transport is a key transport issue to be addressed.
Leicester & Leicestershire HMA	There is a need for a step change improvement in transport provision in and around Leicester to accommodate significant plan-led housing growth. This includes sustainable urban extensions around Leicester and in other locations including Loughborough and Melton Mowbray, where there are long standing proposals for a bypass. The number of homes in the Leicester PUA is due to grow by between 19-25% in the period to 2026. Increasing job numbers in the HMA must also be planned for. A step change in the quality and capacity of public transport, both to and around the City, will be required. In the county implications of growth in Hinckley and in Blaby to the south of Leicester for the local road system around Sharnford will need to be addressed.
Nottingham Core HMA	Transport investment must be focussed on managing the additional pressure on the existing transport networks brought about by the significant levels of housing provision in the RSS. Large scale transport interventions will be required across the conurbation to enable development to take place in a sustainable way. Capacity increases are required to link the proposed infill and urban extensions to the city and district centres and improving orbital links between the outer suburbs, including the A52 ring road. Inter and intra regional links will also need to be developed for future economic growth. An adequate level of surface access capacity will be required for East Midlands Airport expansion plans.
Central Lincolnshire HMA	Most of the housing allocation for the HMA is in the Lincoln PUA, to the west, north east and south east of the built up areas although Gainsborough also now has Growth Point status. Current travel patterns are relatively self-contained and major congestion limited to Lincoln. Further development through urban extension will require improvements in sustainable transport and enhancement of the limited local road network to the south of Lincoln. Investment is also required to improve rural accessibility and road safety.
Coastal Lincolnshire HMA	Transport improvements to enhance the existing road and public transport networks linking the main settlements in the HMA are required to allow for housing growth. Enhanced inter-urban transport (within and beyond the HMA) are also needed to support the coastal tourist economy, improve rural accessibility, and reduce the HMA's peripherality.
Peterborough Partial HMA	The HMA is large and diverse without a principal urban area but with a focus on Peterborough. Investment in transport should focus on enhancing access to jobs and services in Peterborough and in supporting concentration of new development in Grantham. Road realignment to reduce the negative effects of traffic of communities located on rural 'A' roads may be required.
Nottingham Outer HMA	Continued investment is required to support new development concentrated in and around Mansfield/Ashfield and the growth point of Newark. In addition to highway enhancements in the M1 and A1/A46 corridor, there is a need for transport improvements (including rail) to the regeneration areas to the north and east of Nottingham as well as to Nottingham itself.
Northern HMA	Transport investment should support housing provision in Chesterfield and Worksop and better access to jobs outside the HMA (both within and outside the East Midlands). Isolated transport problems, such as congestion in Chesterfield, require attention predominantly through developing a more integrated sub-regional public transport network, but also incorporating work to address highway capacity in key locations.
Peak, Dales & Park HMA	Housing growth in the HMA is low compared to elsewhere in the region. There is a requirement to address low public transport accessibility and avoid excessive car-based travel across the HMA towards the North West. Traffic amelioration projects may be required and investment will continue to be needed to tackle rural road safety issues. Transport improvements between district centres and growth areas will be required to enable development to take place in a sustainable way
North Northamptonshire HMA	There is a requirement to support high levels of growth planned in the HMA (which is part of the MKSM Growth Area) in Corby, Wellingborough and Kettering. In particular, transport investment is required to enable the second phase of development of the extension to northwest Wellingborough and the east of Kettering. Highway improvements are required to overcome the high economic costs of congestion, especially in the A45, A14 and A509 corridors. Improving public transport connections between the main urban centres and to/from the rural areas is also a priority.
West Northamptonshire HMA	As with North Northamptonshire HMA, the area is earmarked for significant growth, particularly around Northampton. Transport investment must support the strengthening of the roles of Northampton as a PUA through intensification and planned sustainable urban extension and strengthening of the sub-regional role of Daventry and Towcester. Investment is also required in sustainable transport within Northampton, highway and public transport connections and capacity between the main centres in Northamptonshire and Milton Keynes, especially along the A45/43 and A5 corridors, and improving the accessibility of deprived urban communities and rural areas.

Figure 4.1 RFA Major Fund Spend Profile

4.3.5 CO₂ Impacts of the Preferred Package

In assessing the schemes selected for the package, consideration was given to their potential carbon impacts. Promoters were asked to provide whatever quantitative evidence was available and, inevitably, the quality of the information supplied varied to a degree which makes simple addition of all carbon impacts to present an aggregate picture unachievable.

The information provided showed, as one would expect, that integrated and public transport schemes, which account for approximately 20% of the funding, can claim end-user carbon benefits as a result of modal shift from private vehicles to public transport, walking and cycling (although the true impacts taking account of electricity generation mix is less clear-cut). However, in most cases, the relatively low public transport mode share at present in the region means that carbon savings from modal shift are relatively small, and may be no greater than the dis-benefits arising from emissions from generated or induced traffic.

The major highway schemes have a major influence on the carbon impact of the overall package. On this basis of information set out in appraisals, and without undertaking a substantial research exercise, the five major highway schemes shown in Table 4.5, together with other schemes, would result in a net increase in CO₂ emissions of approximately 85,000 tonnes per annum. This is equivalent to 0.75% of transport emissions in the East Midlands in 2006. These net figures take account of the increase in vehicle kilometres resulting from the new highway schemes but also the reductions in congestion levels and stop-start traffic conditions (either online or elsewhere) which result in fuel efficiency, and therefore emissions, savings.

Table 4.5 CO₂ Impacts of Major Highway Schemes

Scheme (forecast year)	Net annual impact (tonnes of CO ₂)
Lincoln Eastern Bypass	750
Nottingham Ring Road (2021)	730
A38 Derby Junctions	6,800
A46 widening (2016)	21,000
A453 widening	45,000

Many of the schemes in the package will however reduce the need to travel by car, either by encouraging modal shift to public transport or by promoting sustainable development. This includes the

road schemes themselves which, by reducing city centre congestion or removing bottlenecks, will improve operating conditions for bus services. The 85,000 tonnes of emissions from the road schemes above will therefore be partially offset by reductions in emissions resulting from other schemes.

4.4 Future Issues

4.4.1 Introduction

In the medium to long term, beyond the current programme period, there will be new opportunities to make smart transport investments in the region. Committed major scheme investments, notably the A453 and A46 road schemes, will be complete. This will increase headroom in the budget, and allow the region to start realising the benefits of a more integrated approach to transport investment, which complements other investment streams and contributes towards the region's objectives more effectively. This Section identifies some of the issues and opportunities this presents.

The region recognises the need to take a more sophisticated approach to transport investment to ensure that it contributes to realising wider local objectives and outcomes. Transport has a vital role in delivering growth regeneration and improving the region's economic competitiveness.

4.4.2 A More Sophisticated Approach to Transport Appraisal

Many stakeholders have expressed frustration with the narrow way that transport schemes are currently appraised. Schemes that deliver journey time benefits perform particularly well in transport appraisal, at the relative expense of projects which make a significant contribution to area-based initiatives (such as growth and regeneration objectives) through improved accessibility. In many cases, delivering growth and regeneration objectives may have a negative impact on end-end journey times for some transport users. The region supports national efforts to broaden transport appraisal.

The region therefore welcomes the national move to defining transport priorities, expressed as outcomes, and the wider agenda being developed through the DaSTS⁵. Although the region has not yet reached the stage where it can prioritise transport outcomes for investment in given corridors, or to address specific problems, it is committed to developing the framework to do so in future rounds of the RFA process. The emerging approach for future HMA packages will contribute to this approach.

Notably, it is anticipated that the region can develop a number of more-affordable investments that are intended to make better use of existing infrastructure through incremental improvements or better management techniques.

4.4.3 Minor Majors and Packages of Schemes

Allied to the issue about the narrow scope of existing transport evaluation methodologies is the current £5million threshold for major schemes. It is considered that the current inflexible approach leads to some relatively modest schemes being expanded to meet the major scheme criteria. Similarly, local transport authorities are currently dissuaded from progressing large, sub-£5million pound, schemes where these might have a disproportionately large impact on limited integrated block budgets. Often it is these modest schemes, or packages of them that can provide very significant area-based benefits, making a real contribution to wider agreed outcomes. The region is committed to examining this issue in more detail to identify what opportunities exist for more effective approaches, including the possibility of ring fencing a specific minor majors fund. Such an approach would need to demonstrate that it offers a more effective approach than the status quo.

4.4.4 Virement

This advice makes no recommendations for virement within the different elements of the available funding in the RFA for transport after 2011. There is interest in pursuing the opportunities that this presents, for example to promote minor Major schemes of less than £5m. However, it is considered that currently there is an insufficient evidence base to justify any specific adjustments.

4.4.5 Funding Transport for and from Housing Growth

In the medium to long term the reduction in planning gain through housing development outlined in Section 3.2.3 may place additional demands on the region's transport funds if high levels of growth are to be delivered. Growth Funds, including the Community Infrastructure Fund are therefore likely to become more important components of transport funding in the growth areas and New Growth Points. This issue also underlines the need to ensure that the proposed Community Infrastructure Levy (CIL) is formulated in a way which maximises available funding whilst ensuring delivery rates are maintained. The use of Special Purpose Vehicles, including the intervention of the HCA could also be a more effective means of securing transport investment from development; these approaches are being

⁵ *Delivering a Sustainable Transport System, Department for Transport, November 2008.*

developed and refined in the Growth Areas, and it is anticipated that revised good practice will emerge during this spending period.

4.4.6 National Networks with Regional Impacts

The region welcomes recent announcements on the national approach being developed through DaSTS, in particular making better use of existing networks and adoption of a 'strategic corridors' approach. The outcomes of ongoing national studies related to this agenda are of particular interest to the region.

The Midland Main Line is an obvious candidate to deliver significant benefits through 'electrification', which could provide improved inter- and intra- regional services. The region welcomes the announcement in January 2009 that DfT Rail will investigate the case for this project. There has been growth along the East Coast Main Line, which provides the region with fast links to London and the North. However, both the East Coast and Midland Main Lines have capacity constraints. Journey times on the Midland Main Line and to the North are slow in comparison to other national north-south rail. However, there are encouraging signs of development with the planned re-opening of passenger services to Corby and the resumption of a regular through rail service from Lincoln to London. There is a growing body of evidence that there will be a strategic need for a new north-south high speed line, not least to provide additional rail network capacity. Routeing a new north – south high speed line through the region offers the benefits of relieving capacity problems on both the existing Midland and East Coast Main Lines, but should not be seen as an alternative to Midland Main Line electrification. The East Coast Main Line in particular faces an imminent capacity crisis, and there is merit in creating capacity on the Midland Main Line to accommodate improved intra-regional and sub-regional services to address new demand for sustainable travel generated in the growth areas in the Southern sub-area in particular.

More work will need to be undertaken to understand what the next cohort of regional schemes might consist of. However, it seems likely that taking a more integrated approach to investment in the transport network may lead to a requirement to develop additional park-and-ride schemes, to improve sustainable access to a number of the region's main urban areas.

The Government has also recently announced improvements to the strategic national road network in the region. This includes:

- improving the M1 junction 19 interchange with the M6 and A14, with an anticipated start date of 2011/12;
- widening of the A14 between junctions 7 and 9 at Kettering, with an anticipated start by March 2012;
- introduction of traffic management technology on the A14 between the M1 and Felixstowe, with work anticipated to start shortly;
- introduction of hard shoulder running on the M1 between junctions 28 and 31 with anticipated start of works by 2015;
- development of a scheme of major junction improvements for the M1 at junctions 21-21a (Leicester) and junctions 23a-24 (south of Long Eaton); and
- plans for the development of a hard shoulder running between junctions 13 and 19 of the M1.

These schemes will significantly improve strategic accessibility within and beyond the region, making better use of existing assets in many cases.

5 Housing and Regeneration

5.1 Introduction

The RFA for housing and regeneration consists of the Regional Housing Pot, the former English Partnerships investment funding (including the Coalfields programme), and Growth Area Funds (including CIF2 when allocation announcements are made). The majority of this funding will now come to the region via the new HCA, established on 1 December 2008.

Delivering housing growth is a priority for the East Midlands, which is forecast to have the fastest growth in population of any English region. Between 2001 and 2016 it is anticipated that the number of households requiring accommodation will rise from 1.7 million to just under 2.1 million – an increase of almost 20%.

The housing delivery challenge is significant, particularly in the context of the economic downturn. Delivery of affordable housing has relied heavily on the delivery of market housing; at a time of sharply declining housing completions this is a real challenge. The need to deliver new housing of all types will therefore intensify even further during this spending period and into the next.

The HCA will have an important role in helping the region respond to these challenges and regional partners look forward to working together to further developing the necessary responses to continue delivery of the regions housing and regeneration priorities.

5.2 Current Issues and Priorities

5.2.1 Regional Policy

This RFA Advice is based closely upon the Regional Housing Strategy (RHS) 2008-2016, '*Managing Growth, Managing Change*' on 7 November 2008⁶. The RHS sets out the following vision for housing investment and management in the region:

"To help create sustainable communities in which the housing needs and choices of all the people of the East Midlands can be met at a price they can afford"

Six themes are set out which frame the RHS; affordability & access to housing, design quality & sustainable homes, sustainable & cohesive communities, rural housing, housing for vulnerable people, and planning for an ageing population.

The 'housing and regeneration' allocation represents only a small component of public sector investment in housing, regeneration and neighbourhoods. Realising the wider 'place-shaping' agenda requires a co-ordinated and concerted effort by all partners around places and neighbourhoods, to deliver real improvements to communities. The HCA's 'single conversation' model will help to achieve this investment alignment, and LAAs and in future MAAs have an important role in setting out place-based priority outcomes. These provide a means for aligning several funding streams, including RFA expenditure. This approach will ensure local outcomes are delivered, but also contribute to regional and national outcomes through the alignments already secured through the LAA process, and the emerging RSS.

5.2.2 Delivering Housing Growth

Household growth is occurring throughout the region, and the RSS responds by proposing some degree of housing growth in all areas. The majority of housing growth will be focused in and around the region's main urban areas in line with national policy objectives to promote sustainable patterns of development and to support urban transformation objectives.

Northamptonshire is planned to accommodate significant growth as part of the MKSM Growth Area. In addition, the region also has five New Growth Points packages in Lincoln, Grantham, Newark, the 3 Cities & 3 Counties, and Gainsborough.

The region is committed to working with all partners to facilitate housing growth and delivery. However, there are instances where a better working relationship and a common set of goals can facilitate this. The role and influence of statutory consultees is particularly important in enabling housing delivery. Better alignment of funding priorities, including by the Environment Agency, utilities providers and others

⁶ This reflects a three year programme of housing research which has been undertaken to inform the joint regional housing and planning evidence base. It also takes account of the findings of SHMAs which have been produced in the region. The RHS was subject to extensive consultation within the region to ensure robustness. It is not possible to reproduce this evidence base in the RFA advice but all source material can be found at www.emra.gov.uk

would assist in timely delivery of housing growth. The infrastructure issues are considered in more detail in Section 3.2.3.

5.2.3 Urban Renaissance and Regeneration

The region is committed to deliver urban renaissance, in particular by transforming the urban offer to make the region's cities more attractive places to live. Research recently published by *emda*, *Capturing the Urban Offer*, confirms the potential for urban transformation to assist in delivery of the region's spatial and economic aspirations by making the region's cities more attractive places to live. This approach requires the adoption of a broad and integrated approach to places within which new housing is delivered and existing neighbourhoods are managed. Careful attention is needed to deliver the right types of homes in the right places and at a high quality, and this must be done alongside wider investments in quality of place, education and transport. The region is keen to achieve against this agenda to help counter the urban-rural migration that has led to worsening rural affordability and unsustainable commuting patterns. This approach is reinforced by research recently published by the Housing Corporation, which reinforced the impact that housing and quality of place have on wider economic outcomes.

The Meden Valley Making Places (MVMP) joint venture demonstrates how this approach is working to reshape the residential offer in the former coalfields in the Northern sub-area (see Box 5.3). MVMP also underlines how growth and regeneration can be delivered in parallel in the right circumstances.

The Government's regeneration policy approach is increasingly shifting towards an employment and skills focus, as evidenced by the recent consultation on the Regeneration Framework (CLG, 2008), the 'Working Neighbourhoods' fund approach together with the outcomes of the Hills Report into Social Housing. The region recognises that the transition away from neighbourhood renewal funding will mean local outcomes will need to be delivered through the coordination of a range of funding within and beyond the RFA. The region's LAAs provide a powerful tool to ensure that investments are aligned to deliver local outcomes for places.

5.2.4 Housing Affordability

Affordability pressures remain acute across the region, although prices have reduced slightly in recent months, finance is now significantly more difficult to access. There are an increasing range of affordable housing products available, including intermediate options which are likely to be more important in the future, as well as traditional social rented housing. The region is also looking at new ways of delivering affordable housing products, and the Nottingham Local Housing Company is a good example of the innovative models available, as set out in Box 5.1.

Box 5.1 New Homes Nottingham Local Housing Company

New Homes Nottingham (NHN) is a partnership created to transform Nottingham's neighbourhoods to create sustainable developments, and thus sustainable communities. This Local Housing Company (LHC) will work in partnership with developers who have experience in these fields and social infrastructure.

The development of the NHN is an objective identified in Nottingham's Housing Strategy 2008-2011, the Strategy is 'owned' by the Housing Strategic Partnership, a theme group of One Nottingham (the LSP). Therefore there is a wider partnership involvement and support in NHN and once established they will be looking to the partners for collaboration in areas such as healthy housing, key worker accommodation, capacity building and so on.

The Nottingham LHC is only one of four pilots in the Country and the HCA is a strong supporter of NHN and has already contributed to the set up costs. Additionally, *emda* are engaging in detailed discussions about their role within the company. There is also potential for wider partnership working with other Local Authorities, for example Greater Nottingham, and the growth point.

Rural housing affordability presents particular challenges. The rural economy tends to support lower than average wage levels in areas where property prices are significantly higher than the regional average. This leads to a number of negative social and transport outcomes. Matthew Taylor MP's recent review identified the economic importance of strengthening housing (particularly affordable housing) delivery in rural areas. The review highlighted the issue of skills and capacity to bring forward rural affordable housing schemes (particularly on exceptions sites).

Stakeholders in the region have highlighted the valuable role that rural housing enablers play in facilitating the delivery of rural affordable housing to meet local needs. However, the current funding model is challenged by short-term continuity, which makes it difficult to achieve results. The example of Miracle Court set out in Box 5.2 demonstrates the beneficial outcomes that carefully developed rural affordable housing schemes can deliver.

Box 5.2 Miracle Court Rural Housing Scheme, Bakewell, Derbyshire

Miracle Court flats were built as part of the redevelopment of the site of the Army Cadets centre in Bakewell. The cadets were re-housed as part of this scheme and the site in the centre of the town was therefore available for residential development. As part of this scheme six rented flats were provided for older people. The location of this development is ideal for older people as it is situated in the centre of the town, near to local services, and on flat land.

This development was completed through a series of partnerships that exemplified the benefits of joint working. The primary partnership was between the Army Cadet and Reserve Force and the Housing Association. Derbyshire Dales District Council also played a significant part in ensuring that the scheme went ahead. This involved providing a portion of the funding and the transfer of a strip of land for amenity space to the Housing Association. This contribution not only assisted in the provision of six flats but also enhanced local environmental quality and the quality of life of the tenants.

The scheme has received many accolades, for example it was given an award by Bakewell Civic Society. It was also featured in the Prince of Wales's Affordable Rural Housing Initiative Design Guide and in the East Midlands Rural Affairs Forum's Good Practice Guide.

5.3 The Region's Advice on Investment in Housing and Regeneration

5.3.1 Introduction

The profile of funding for housing and regeneration in this spending period is shown in Table 5.1, and reflects the announcements made on growth funds in December 2008.

Table 5.1 Housing and Regeneration Component of Regional Funding Allocation, 2008-2011

Fund	2008/09	2009/10	2010/11
Regional Housing Pot	£146,500	£155,500	£157,500
Growth Funds	£44,770	£48,817	£53,299
English Partnerships	£33,000	£76,000	£102,000
Total	£224,270	£280,317	£312,799

Notes:

- all figures in £millions, rounded to the nearest £1,000 and combine revenue and capital
- 2010/11 figures are provisional, but only subject to change in exceptional circumstances
- the 'English Partnerships' funding is based on earlier business plan estimates on levels of capital receipts, which are unlikely to be realised at anticipated levels due to the economic downturn

5.3.2 The Regional Housing Pot

The agreed Regional Housing Investment Strategy 2008-2011 sets out the region's agreed funding priorities for housing in this spending period. The following main areas for investment have been identified as follows:

- **Renewing and revitalising the private sector:** Local Authorities are tasked to reduce the proportion of vulnerable households living in non-decent accommodation within the private sector, as specified PSA7;
- **Decent homes in the social sector:** there is a need to bring homes in the social sector up to Decent Homes standard by 2010. The allocations in this RFA advice take full account of the plans and assumptions in signed off options appraisals for Decent Homes, which were reconfirmed by Local Authorities during summer 2008;
- **Affordable homes and market renewal:** 100 million of the Regional Housing pot is being fed into this investment area, with the ability to deliver 7200 new affordable homes including market renewal in areas identified as at risk of low demand or having unpopular housing;
- **Gypsies and travellers accommodation:** responsibility for meeting the identified needs rest with Local Authorities - accommodation need is being examined through a series of Gypsy and Traveller Accommodation Assessments across the region, to which the Regional Housing Group contributes funding; and
- **Investment in housing research and sub-regional development:** provision is made for housing research based on the priorities established in the RHS including research into strengthening sub-regional housing market assessments.

During the preparation of the Regional Housing Investment Strategy 2008-2011, consideration was given to how any increase or decreases in available funding would impact on the overall distribution of funds against the funding priorities. This approach was re-endorsed by the region during the preparation of this advice, and is set out in Table 5.2 below.

Table 5.2 The Region's agreed Regional Housing Pot Funding Priorities for 2008 – 2011

	Current Funding Mix	Higher Funding Scenario (+10%)	Lower Funding Scenario (-10%)
Affordable home and market renewal including gypsies and travellers site grant	70%	73%	69%
Research and developing sub-regional working	<1%	<1%	<1%
Decent homes in the social sector (maximum)	17%	14%	19%
Decent homes vulnerable households private sector	13%	13%	12%

It was decided that funding for decent homes in the social sector should remain the same in all scenarios, with disproportionate increase in affordable homes and market renewal activity in the event of an increase, with a proportionate increase for decent homes in the public sector. In the event of a reduction in available funding, decent homes in the social sector remains a steady commitment, taking up a greater proportion of the smaller budget, with cuts in the other funding areas to achieve this.

The region has considered its housing and regeneration funding priorities for the period 2011-19. For this period, it is assumed that delivery against the Decent Homes Programme has concluded, and a new funding theme of 'Improving the sustainability of the region's existing stock' is introduced, which is explained in more detail below. In this context, the region has agreed a broad split for housing funding in the period 2011-2019 as set out in Table 5.3.

Table 5.3 The Region's Agreed Broad Funding Priorities for 2011-19

	Remodelled Funding Mix	Higher Funding Scenario (+10%)	Lower Funding Scenario (-10%)
Affordable homes and market renewal including gypsies and travellers site grant	73%	76%	72%
Research and developing sub-regional working	<1%	<1%	<1%
Improving the sustainability of the region's housing stock	26%	23%	27%

The funding breakdown, identified in Table 5.3, is indicative at this stage and may need to change in response to policy considerations, the outcomes of the 'single conversation' process, and in response to unknown future implications of economic change. At this stage, the region plans to focus increased resources on affordable homes delivery in the higher funding scenario, whilst maintaining and improving the sustainability of existing stock, at constant levels, in both higher and lower funding scenarios. This reflects the relative importance of affordable housing delivery in the region.

The creation of the HCA provides the region with an opportunity to respond to both housing and regeneration priorities as well as the impact of the current economic climate. It is recommended that the HCA flexibly reviews its inherited funding streams and assets in the region and considers movements between them to maximise housing and regeneration delivery in the future. As such there is effectively one budget bringing together Housing, Regeneration & Growth activities which reflects the remit of the newly established HCA. In particular, the region asks the HCA to actively consider early infrastructure to prepare or unblock sites as well as investigate innovative methods of delivery and procurement such as equity-funding and risk sharing with other partners. This should be done in full consultation with regional partners and with reference to the emerging new regional governance arrangements in preparation for the implementation of SNR. Consequently there are no detailed output numbers made as part of this submission as these will follow the consultation process itself.

5.3.3 Growth Funds

Table 5.4 shows the known levels of growth funds available in the East Midlands for the current spending period, which will be augmented by the CIF2 funds when the distributions are announced.

Table 5.4 Confirmed Growth Funds for the East Midlands, 2008-2011

Fund	Area	2008/09	2009/10	2010/11
MKSM Growth Area	North Northamptonshire	£11,988	£11,558	£11,593
	South Northamptonshire	£13,382	£12,741	£12,484
New Growth Points	3 Cities and 3 Counties	£12,974	£15,995	£18,948
	Grantham	£1,950	£2,397	£2,808
	Lincoln	£2,893	£3,045	£3,576
	Newark on Trent	£1,483	£2,488	£2914
	Gainsborough	£100	£593	£975
Total		£44,770	£48,817	£53,299

Notes: - all figures in £millions, rounded to the nearest £1,000 and combine revenue and capital
 - columns may not sum due to rounding
 - 2010/11 figures are provisional, but only subject to change in exceptional circumstances

This funding includes revenue funding to support work to develop the evidence base and policy to support growth, including developing the projects which growth funding will help to deliver.

5.3.4 Former English Partnerships Funding

The funding identified under the English Partnerships (EP) heading comprises funding from a number of streams, including what remains of the Coalfields Programme. HCA inherits from EP an ongoing programme of interventions in the coalfields in the Northern sub-area in particular, and these investments are likely to be ongoing throughout this spending period and into the next. The programme of interventions in the coalfield communities has been addressing environmental degradation and transforming neighbourhoods and communities, bringing new economic uses to those sites in suitable locations. The EP programme has been integrated with the work of other regional and local partners to deliver wider benefits, and the HCA will build on this success. The MVMP Special Purpose Vehicle (SPV) is an excellent example of joint working using former EP funding with that of other regional partners in practice, as described in Box 5.3.

Box 5.3 Meden Valley Making Places

Meden Valley Making Places (MVMP) is a joint venture company owned jointly by the HCA, *emda*, Bolsover District Council and Mansfield District Council. The local pit closures of the 1980s and early 1990s precipitated a dramatic decline in many neighbourhoods. MVMP was established to reverse this, and to catalyse regeneration in association with local, regional, and national partners. Its focus is on rejuvenating the housing stock and residential environments in the Meden Valley area to transform the area. The time-limited arrangements were due to conclude in 2009, but following excellent audit results and ongoing success in delivery funding partners are now committed until 2011.

MVMP places won the British Urban Regeneration Association Award for Best Practice in Regeneration in 2007. Recognising the remarkable impact the joint venture was having, the judges noted:

"MVMP has given residents a boost in confidence and provided local employment opportunities through the construction of much-needed quality homes, re-housing businesses in improved facilities and attracting private capital to complement the construction process. Through imaginative and innovative work with local people, individual masterplans have been created – and are being delivered – for eight settlements. The flagship restoration of 160 properties in Creswell Model Village – a village originally constructed in the 19th Century to provide better housing for the workers at a colliery – is a testament to the organisation's abilities."

MVMP is an excellent example of the benefits that joint working can deliver, aligning the skills and expertise of several partners with a focus on place. The particular value of the time-limited SPV model is also highlighted through this example.

The former EP component of the housing and regeneration RFA is based on business plan assumptions, which assume a significant income from the recycling of capital receipts from land sales. The region recognises that the economic downturn means that these receipts are unlikely to be received either as quickly, or at the same levels, as previously assumed.

5.4 Medium to Long Term Priorities for the Region

5.4.1 The Implication of Changing Funding Models

It is becoming evident that the economics of housing development are fundamentally changing, with a likely return to longer-term norms. There is ongoing uncertainty, but if this proves to be the case it has a number of important implications:

- delivery of affordable housing will need to become significantly less reliant on funding from the private sector – in the short term there is significant evidence for this, particularly where scheme viability is based on now out-of-date assumptions or agreements on land values and costs;
- there is likely to be significantly less funding available from developers to contribute towards infrastructure to support growth; and
- it is likely that much greater levels of public sector intervention, both in terms of funding and use of powers (such as to facilitate land assembly or form Special Purpose Vehicles) will be necessary to deliver both regeneration and growth priorities than has previously been the case.

In the short term this will place additional demands on the growth funds allocated to the Growth Areas and New Growth Points, as anticipated match funding from the private sector will not meet earlier expectations. In the longer-term the implications need be considered in the context of proposals for the CIL and alongside investment in transport in particular. This will be an early challenge of the HCA. The over-riding need to provide more homes persists, and housing growth will remain as a regional priority.

Development-led regeneration has benefitted significantly through increased development values (particularly in the residential sector), which has facilitated the delivery of physical regeneration and helped to fund wider regeneration benefits. However, it is likely that a return to longer-term norms will mean that it is much more difficult to extract value in regeneration areas on the back of high returns on new housing.

Regional partners are keen to work with Government and the HCA to understand the implications of this, especially at a time when a number of area-based regeneration programmes are now concluding. There is an ongoing need to continue to work to transform the former coalfields and many of the region's urban areas in an integrated way to realise the economic and social benefits that this can offer.

Importantly, urban transformation in particular offers the ongoing opportunity to deliver sustainable housing growth through recycling of sites alongside more traditional forms of housing growth. It may prove difficult to maintain recent rates of delivery, particularly on more challenging brownfield sites with issues of contamination and other abnormal development costs.

Above all, the region remains committed to delivering housing growth. In delivering housing growth it will be important that the approach is not overly focused on housing numbers, but also focuses on the challenge of achieving the right residential offer to support economic competitiveness and sustainable communities.

5.4.2 A New Approach to Investment in Improving the Condition of Existing Stock

The existing decent homes programme is coming to a conclusion. There is a significant ongoing issue of stock condition to address. The region is committed to examining how the long-term sustainability of its existing housing stock can be improved, and has identified a future funding stream under this theme that will supersede the existing decent homes theme. The region intends that future investment contributes to the wider outcomes for places and is not narrowly housing focused, to ensure that the sustainability of homes and neighbourhoods is improved in the broadest sense. Difficult decisions need to be made about the extent to which the public sector should invest in improvements to private homes and is looking at the role of equity release and loans schemes to address this.

5.4.3 Climate Change Mitigation and Adaptation

Sustainability and climate change are major issues now and in the longer-term, and this will be a major focus for the investment outlined above. The thermal performance of significant elements of the existing stock is likely to compromise the region's carbon targets. Improving the energy efficiency ("retrofitting") of the existing stock is a major social and environmental issue to address. New homes will need to perform to higher environmental standards with the increasing implementation of the standards in the Code for Sustainable Homes. This will create new employment opportunities, and links with sustainable construction skills will be made.

Adaptation to climate change is also likely to become an increasingly significant issue in the medium term, particularly in relation to managing flood risk (fluvial and coastal). The ongoing work examining the implications of coastal flooding on the Lincolnshire Coast indicates the type of approach that will be necessary in future in response to climate change.

6 Economic Development

6.1 Introduction

emda's funding and the European Regional Development Fund (ERDF), whilst not insignificant, is modest in the context of the whole regional economy. *emda* seeks to have a positive impact disproportionate to the scale of its powers and resources for direct intervention. This means focusing on maximising leverage of private investment and working with and through others to align economic development investment with investment from other sources. The RES is owned by the region, and has an important role in achieving this, providing a context for investment by all regional partners.

6.2 Current Issues and Priorities

6.2.1 The Regional Economic Strategy provides the overarching framework

The framework for economic development investment in the region is set out in the RES, *A Flourishing Region, Regional Economic Strategy for the East Midlands 2006-2020*. The structural themes and strategic priorities of the RES are set out in Box 6.1.

The RES was developed from the basis of robust analysis of the strengths and weaknesses of the regional economy. They include the need to tackle the low pay low skill equilibrium whereby high employment rates are sustained by a high proportion of low paid jobs; the challenges and opportunities for the economy stemming from rapid forecast population growth whilst continuing to tackle areas of persistent deprivation the importance of increasing investment in research and development and innovation, to build on progress in stimulating business enterprise and meeting the challenges of ongoing economic restructuring in the context of the sectoral mix of the regional economy (with manufacturing as an important component). The main areas for action and intervention were identified through a clear intervention framework, focusing investment and action on tackling areas of market failure.

Box 6.1 Structural Themes and Strategic Priorities of the RES

Raising productivity levels in the region. This means raising skill levels and stimulating enterprise, growth and investment, which will result in a rise in wage levels, in order to make the region more competitive and innovative.

Ensuring sustainability through investing in and protecting our natural resources, environment and other assets such as infrastructure. This is vital so that higher productivity and economic growth result in wider social and environmental well being and economic progress is sustained.

Achieving equality by realising the population's full potential and working effectively together to enrich the lives of communities. It is very important to ensure that the benefits of economic growth are shared. Whilst unemployment in the region is low, there is scope to enhance productivity and help achieve inclusion, through increasing employment rates in some locations.

The ten Strategic Priorities fit underneath the three interrelated structural themes:

Raising Productivity:

- *Employment, Learning and Skills* – move more people into better jobs in growing businesses.
- *Enterprise and Business Support* – become a region of highly productive, globally competitive businesses.
- *Innovation* – develop a dynamic region founded upon innovation and knowledge focused businesses competing successfully in a global economy.

Ensuring Sustainability:

- *Transport and Logistics* – improve the quality of regional infrastructure to enable better connectivity within and outside the region.
- *Energy and Resources* – transform the way we use resources and use and generate energy to ensure a sustainable economy, a high quality environment and lessen the impact on climate change.
- *Environmental Protection* – protect and enhance the region's environment through sustainable economic growth.
- *Land and Development* – ensure that the quality and supply of development land and balance between competing land uses, contributes towards sustainable growth of the regional economy.

Achieving Equality:

- *Cohesive Communities* – increase life chances for all leading to stronger and more cohesive communities, a dynamic society and a stronger economy.
- *Economic Renewal* – ensure all people and communities have the opportunity to create new and sustainable economic futures.
- *Economic Inclusion* – help overcome the barriers of market failures that prevent people from participating fully in the regional and local economy.

6.2.2 The Regional Economic Strategy remains valid in the context of the current economic downturn

The current economic downturn has led the region, as part of the process of producing this RFA submission, to consider the implications for the RES. The main message from the region is that the RES remains relevant and should form the basis of the region's RFA submission. This is the view not only of *emda*, but also the consensus amongst partners. This view has been made clear throughout the workshops and written submissions from stakeholders in relation to the RFA process.

The analysis and rationale that underpins the RES and interventions proposed all remain valid and some points are more pertinent now as a result of the economic changes. There is a need to step up the focus on business support and infrastructure provision in the short to medium term, and to give greater priority to climate change and energy issues in the longer term. The issues of climate change and the economic opportunities and risks it presents and the national and internal policy responses have increased in significance since the RES was published.

Strengthening the long-term competitiveness of the East Midlands economy to become more resilient in the future is central to all aspects of the region's RFA submission. It will be important to have flexibility to respond to changing economic circumstances and this is reflected in this RFA submission.

In short, the region will hold its nerve in continuing to focus on the strategic interventions needed to tackle structural issues to strengthen the competitive position and deliver the sustainable growth of the East Midlands economy over the long-term. The region will change its tactics in terms of delivery in the short-to-medium term in order to respond to changing circumstances on the ground.

To deliver the flourishing vision and to bring a long term transformation of the East Midlands economy, the RES has an overarching framework covering three inter-related structural themes with a number of priorities that should be pursued to optimise impact against RES objectives.

6.2.3 A flexible approach to delivery will be needed in the short to medium term to mitigate the effects of the current economic downturn

The global economic downturn is affecting East Midlands businesses severely and poses a significant threat to regional aspirations to stimulate economic growth through raising productivity. The economic downturn is now affecting all sectors of the economy, as set out in Section 2.4.2. The key structural theme contained within the RES is to Raise Productivity and *emda* is therefore mobilising resources to help businesses respond to the current rapidly changing conditions.

The publication of both the joint *emda*, HM Treasury (HMT) and Department for Business, Enterprise and Regulatory Reform (BERR) document "**The East Midlands Economy - A joint response to changing economic circumstances**" (www.emda.org.uk) in August and the new regional Business Support Strategy 2008 -11 entitled, "**Encouraging Business Success**" (www.emda.org.uk) launched in October, provided an overview of the regional services to help businesses adapt to changing economic conditions. The tough economic conditions mean that *emda* has had to work much closer with RDA colleagues and with central government. *emda* will continue to react quickly to take the necessary steps to address business needs and review and adapt existing programmes to meet changing needs.

On 17 October Phil Hope MP, Minister for the East Midlands, established a new "**Regional Economic Cabinet**" for the region. The Cabinet meets every 4 – 6 weeks to gather and share intelligence on the state of the economy and to identify actions needed to mitigate any problems. It is intended that the Cabinet will also feed intelligence into other national structures such as the Council of Regional Ministers and the Regional Economic Council.

6.3 The Region's Advice on Investment in Economic Development

6.3.1 *emda* Corporate Plan

emda's Corporate Plan identifies investment across the corporate objective themes for the spending period 08/09 to 10/11, as set out in Table 6.1. There will be some variation between and reduction in the Strategic Priorities to reflect flexing to address the current downturn and refocusing of national budgets.

Table 6.1 RDA Single Budget Funding (£000s)

Strategic Priorities	2008 – 9 Total	2009 – 10 Total	2010 – 11 Total
Employment , Learning and skills	4,533	4,044	3,921
Enterprise and Business Support*	39,232	38,568	37,678
Innovation	14,449	15,587	17,768
Transport and Logistics	581	581	331
Energy and Resources	4,721	2,104	1,596
Environmental Protection	2,159	2,099	1,494
Land and Development	25,557	25,953	24,800
Achieving Equality	3,970	3,448	2,521
Strategic Programme	1,656	1,550	1,300
Total Allocation	96,858	93,934	91,409

Note: Includes Tourism and international trade and inward investment funding and £1.5 in 2009/10 and 2010/11 for the delivery of Train to Gain.

6.3.2 European Regional Development Funding

The East Midlands 2007-2013 ERDF allocation is €268.5m (approximately £261m) and this funding is included within the economic development strand of RFA total budget. The region's strategy for delivering ERDF is set out in the East Midlands Operational Programme (EMOP) and it is not intended to depart from this through the RFA. ERDF funding will be used to support two Priority Axes:

- **Priority Axis 1:** Innovation and sustainable business practice; and
- **Priority Axis 2:** Sustainable economic and enterprise activity in disadvantaged communities.

Priority Axis 1 is concerned with increasing productivity through innovation and sustainable business practice. Resources are thematically targeted to focus on increasing commercialisation of innovation in Small and Medium Enterprises (SMEs) in priority sectors and in businesses with high growth potential to create higher value added products and services. It includes support for SME engagement in Research and Development (R&D) for emerging and enabling technologies. It also promotes and supports innovation to improve resource efficiency.

Priority Axis 2 aims to increase sustainable economic and enterprise activity in disadvantaged communities. It is targeted spatially to focus resources on the most disadvantaged areas whilst exploiting linkages to adjacent areas of economic growth. The aim is to create new indigenous economic opportunities by building local capacity, resources and support; reviving local infrastructure and environments and stimulating and supporting enterprise and new market opportunities.

6.4 Priority programmes and investments to deliver the economic development objectives

6.4.1 Introduction

The RES belongs to the region and as a region the East Midlands will deliver the priorities identified to improve competitiveness and resilience. The priority programmes and investments are delivered by joint working between *emda*, local authorities and partners through Single Programme and ERDF funding and cover the following areas. *emda* are moving towards establishing arrangements with Local Authorities in developing local investment plans, which will clearly align the RES, the Tasking Framework, LAAs, MAAs, and local community strategies.

6.4.2 Employment, Learning and Skills

Raising skills levels is a major priority for the RES, and the economic downturn and the changes in planning and delivery structures for learning and skills will pose challenges (Section 7 covers investment in skills in more detail).

- **Train to Gain:** *emda* have the lead brokerage role in relation to the Train to Gain initiative. The support available through Train to Gain has been tailored and enhanced to better meet the needs of smaller businesses.
- **Pan Regional Redeployment Project:** This project was developed to support the retention and development of engineers within the engineering sector and has been expanded to encompass the Construction sector with an additional £400k of funding. It comprises a range of services for those

facing redundancy including careers guidance and job search support, together with vocationally specific training and development opportunities.

6.4.3 Enterprise and Business Support

In the context of the economic slowdown, and evidence that many regional businesses have relatively low-skilled workforces, and often operate in highly competitive markets, it is essential that businesses in the East Midlands are provided with the support they need to face the challenges ahead.

The Business Support Strategy, '**Encouraging Business Success**', sets out a range of challenging actions and measures that will help achieve sustained and lasting improvements in the productivity and competitiveness of the region and its businesses. The strategy has the flexibility necessary to enable the region to respond quickly and effectively to short term difficult and changing economic conditions; however its focus is on the region's vision and aspirations for business support over the long-term. Specific interventions are set out below.

- **Reform and Promotion of Business Support:** The delivery of services to businesses in the East Midlands has been enhanced and simplified in line with the national simplification of business support. Public sector partners are sharing information so that each involvement with an individual business complements or builds on others, rather than repeats or conflicts as has sometimes been the case in the past. The approach to providing business advice has been revised to help guide businesses through the current conditions. All advisers have undergone additional training to enable them to deal with a range of credit crunch questions and scenarios.
- **Transition Loan Funds:** In recognition of the tightening of credit conditions being experienced by businesses, *emda* along with other RDAs are keen to establish a Transitional Loan Fund. These funds will be in place for a limited period (until the commercial lending market has returned to a level of normality), and potentially could lend up to £250k per business. The total value of the loans for the East Midlands will be circa £4 million.
- **Supporting Exports:** The provision of international trade services is a key part of the region's business support activity, increasing the ability of East Midlands businesses to successfully exploit overseas markets. In addition to the UKTI budget for international trade services, *emda* has established both the East Midlands China Business and India Business Bureaux to proactively develop the opportunities arising from the growth of the Chinese and Indian economies, matching the strengths of East Midlands companies with market demand.

6.4.4 Innovation

Increasing innovation is a priority of the RES. It will be important in an economic downturn to support and stimulate investment in innovation to enable businesses to respond to changing market conditions, create and exploit market opportunities. A large proportion of business spend on R&D in the region is from a small number of large companies, and there are major challenges in encouraging innovation across a wider base of businesses. These challenges have been increased as a result of the economic downturn. There has been a reduction in business demand for *emda*'s two largest grant to business programmes (the Grant for Business Investment and the Grant for Research and Development). This reflects an apparent lack of confidence by businesses in making investments, and the difficulty in raising matched commercial funding.

emda are responding by seeking to increase flexibilities in terms of eligibility and intervention rates. There will be particular need to develop awareness about innovation, including the services, networks and funding available to support innovation. This will include focusing on developing innovation within the RES priority sectors, and within the manufacturing sector in line with the National Manufacturing Strategy. ERDF Priority Axis 1 funding will also support innovation.

6.4.5 Transport and Logistics

emda will continue to invest in developing transport projects that have the potential to support economic development. *emda*'s investment in this area is relatively modest in proportion to the regional funding allocation for transport, on which advice is set out in Section 4.

6.4.6 Energy and Resources

In summer 2008 *emda* launched an additional £1m of support through the Resource Efficiency Business Transformation Grant to help businesses reduce their energy, waste and water costs. *emda* will be delivering a series of events (working title 'Survival of the Fittest') from late January 2009, which will focus on linking cost savings and the improvement of business processes with the sustainable use of natural resources and minimisation of waste. Improving resource efficiency, making the region's businesses and communities more robust to withstand the impacts of climate change, and encouraging investment in renewable energy and green technologies are long term priorities for *emda*.

6.4.7 Land and Development

Investment in land and development will be based on wider regeneration and economic development investment to support the quality of place agenda and the need to create a business environment that attracts inward investment in to the region. *emda*'s investment in land and development will continue to be focused around thematic programmes, as set out below. *emda* will work with partners to target and coordinate its investment with that from others to support regeneration across the region. This will include:

- supporting the provision of high quality employment sites and premises to meet the competitiveness needs of businesses, addressing weaknesses in the range and quality of employment land available in the region (an excellent regional example of this is the Sherwood Park Enterprise Zone, where high quality premises have attracted high skilled businesses - see Box 6.2);
- *emda* are looking to realise regeneration opportunities around regionally significant transport interchanges;
- bringing brownfield land back into beneficial use, creating developments which realise economic, social and environmental benefits;
- *emda* will continue to support physical regeneration in the region's main cities and towns to create business and employment opportunities, and work with others to improve the attractiveness of urban areas as places to live and work – including for skilled and creative people –addressing issues of social exclusion and migration from cities to more rural areas;
- HCA and *emda* reaffirm their commitment to supporting the regeneration of the Coalfields area beyond the completion of the English Partnership's coalfields programme;
- Regional partners are committed to investigating and agreeing a planning and investment framework for the Lincolnshire Coast, including investment in urban areas and flood defences;
- *emda* and partners will invest in the Growth Areas to help realise the opportunities stemming from growth for repositioning and strengthening the economy, helping ensure the quality and quantity of jobs growth is commensurate with the proposals for creating sustainable communities; and
- *emda* will continue to invest in projects that help strengthen the economy of rural areas.

The economic and property market downturn, as well as constraints on *emda*'s capital funding will affect delivery of physical regeneration. Investment will be focused on maintaining momentum with regeneration where possible, and preparing schemes for the up-turn through refocusing investment in site assembly and infrastructure as opposed to scheme delivery.

Box 6.2 Sherwood Park Enterprise Zone

Sherwood Park was granted Enterprise Zone status in 1995. The site was developed through a joint venture between Kodak, English Partnerships and *emda*, with public sector support needed to contribute towards infrastructure costs and fees to allow the creation of a high quality business park on the site.

The site offers businesses high quality premises in an attractive setting, with landscaping and sustainable urban drainage built into the development. The Park has attracted a wide range of firms, including those specialising in IT, engineering, pharmaceuticals and Advanced Manufacturing businesses, including Rolls Royce, TST Technologies, Perot Systems Europe, Raleigh and Boots the chemist.

The site has created 4,500 jobs and has diversified the employment premises market to provide a high quality employment site providing the type of premises needed to support the economy of the East Midlands.

6.4.8 Achieving Equality

The economic downturn could exacerbate problems of deprivation and worklessness. *emda* will continue to work with partners to invest in projects to promote cohesive communities and positive social participation. Tackling problems of long-term worklessness will require a coordinated and sustained policy response, which will need to differ from that used to help people made redundant recently get back into work (see Section 7 for more details). *emda* will continue to promote enterprise and create an entrepreneurial culture amongst all social groups in the region.

7 Skills

7.1 Introduction

This Section sets out the priorities for employment and skills in the East Midlands. The region takes the view that skills and employment issues cannot be separated and must be dealt with using an integrated system, which includes vocational and work-related learning for those aged 14-19 as well as provision for higher level skills, whether delivered in the work place or in more formal settings.

There is strong commitment across the region to the principles of the RES, supporting the drive for quality employment, a more knowledge-intensive economy and a culture of enterprise and innovation in which skills and knowledge are seen as major drivers of growth and business improvement. To underpin this, a flexible and collaborative skills infrastructure is required; stakeholders see this as a continuum of learning and skills provision, offering wide opportunities for participation and progression at all levels. The role of the region's higher education sector in this is crucial, as is its ability to engage with employers to link skills with innovation and the application of knowledge. The current economic downturn poses challenges in terms of consolidating recent improvements in the regional labour market, and in balancing a focus on long-term priorities with dealing with the serious problems presented by increasing job losses and business downturn.

This Section of the RFA has been informed by a wide range of evidence and existing government policy and investment plans, LSC Regional Strategic Analysis, and regional policy documents.

7.2 The Regional Context for the Skills Priorities

Employment rates and economic activity in the East Midlands are currently stable and are near or above the national average. There is significant sub-regional variation in levels of economic activity. A high proportion of the workforce is employed in low skilled occupations compared to England and a lower proportion in high skilled occupations. There are signs that this may change during the current economic decline. In December 2008, Jobcentre Plus reported a 78% increase on new Job Seekers registrations compared to the same month in 2007.

The qualification level of the East Midlands is improving. The proportion of the population without any qualifications decreased between 2001 and 2007. Adult participation in learning has been declining over recent years; reversing this trend will be essential. Despite recent improvements, the region is the third highest region in the country for those without a Level 2 qualification.

Graduate retention in the region is poor, with many new graduates moving to London and the South East. 27% of the working age population are qualified to Level 4 and above, compared with the English average of 30%. The current regional progression rate to full-time Higher Education is 31%.

The East Midlands has an ageing population; 80% of the workforce needed for 2020 is already in employment. Older workers must therefore be a focus of long-term labour market and educational policy. Growth in the 16-19 cohort of the population will peak in 2009 and flatten out, falling gradually thereafter. However, in Northamptonshire and Lincolnshire, this cohort has seen continued growth.

Actions to implement skills priorities inevitably cross regional boundaries and must complement plans for Transport, Regeneration, Housing and Economic Development, not just in the East Midlands, but in adjoining regions and City Regions. The East Midlands has two pathfinder City Strategies, in Leicester and Nottingham. The skills priorities in these cities are concerned primarily with increasing the employment rate by at least 3% and reducing the numbers of people on work-related benefits.

In the north of the region, five district councils fall within the influence of the Sheffield City Region. Cross-regional collaboration with the Sheffield City Region partnership on agreeing skills priorities has already taken place and actions are underway to stimulate demand for skills and meet local regeneration objectives. In the south of the region, the Milton Keynes/South Midlands expansion will place additional demands on the skills system.

7.3 Investment Priorities

7.3.1 Current Investment Priorities

The current investment priorities are outlined in the RES, and have the full support of the Regional Skills Partnership (RSP).

Employment priority actions are: enhancing employability of the most disadvantaged; addressing worklessness; and improving diversity of the workforce.

Skills priority actions are: developing the skills levels of the current and future workforce; stimulating business demand for skills; improving the infrastructure and responsiveness of skills supply; and exploiting the opportunities of Higher Education.

There is a further need to sustain investments in skills to increase prevalence of NVQ level 2 and level 3 skills in the economy.

Employment and skills actions are delivered in a unified way, by all RSP partners in the region, supported by other priority actions which address enterprise, business support and growth objectives.

7.3.2 Emerging Investment Priorities

1. Supporting businesses and individuals in the current economic downturn

emda provide a Pan-business Redeployment Service to co-ordinate a response to major redundancies. The *emda* 'Hotspots' group also ensures that local intelligence on redundancies is actioned urgently. Jobcentre Plus have a regional Rapid Response plan in place to provide extra capacity to respond to local redundancies. Extra resources are in place to ensure that staff provide immediate advice and assistance to both businesses and employees, supported by contact centres and local offices.

2. Integrated Employment and Skills

Integrated Employment and Skills is a major priority for the RSP and enjoys strong regional commitment to the joint agenda set by the Department of Innovation, Universities and Skills (DIUS) and Department for Work and Pensions (DWP). An increase in joint activity between the LSC and Job Centre Plus is already underway; this will build on the successful work already being carried out at local level across the region. This collaboration has extended to securing £18m from ESF funds to provide a multi-agency approach to enhance services for the most disadvantaged groups through regional JobMAETS and Skills for Jobs programmes. Further resources will be committed to this joint approach by the LSC, as indicated in their Regional Commissioning Statement. Job Centre Plus will also pursue a joint commissioning strategy. A regional Next Step contract is already in place.

3. Encouraging sub-regional skills and employment infrastructure

The development of Employment and Skills Boards (ESBs) is an important step forward in local employment and skills infrastructure. The East Midlands has seen the growth of effective ESBs, which are closely linked to local authorities, led by local employers and closely supported by Jobcentre Plus, the LSC and Sub-regional Strategic Partnerships (SSPs). Further development of ESBs is seen as the best way to engage with local priorities. Local Employment Partnerships (LEPs) are succeeding in delivering employment opportunities to the most deprived people in local communities. Over 3,000 national and local companies are involved so far; as well as placing people into jobs, the LEPs are also committed to making use of regional Train to Gain funds to support new employees by ensuring they receive training to upgrade their skills.

Box 7.1 Capital Commitment

To support current and emerging skills priorities, regional LSC capital approvals for 2008-09 will be £282m, of which the LSC contributes £200m. Some capital funds will be opened up to private sector providers. The Skills Capital Projects Fund and the Regional Skills Capital Development Fund will support more specific activities with private providers and Third Sector organisations to support Apprenticeship and Train to Gain skills priorities, so that businesses can access industry-specific facilities for current and future employees.

The Higher Education sector has capital plans in hand, totalling £168m from HEFCE over the 2008-11 period; over and above these funds, institutions will obtain capital from several other sources; this investment will not only enhance research facilities, but will increase capacity for higher level skills provision. As a general principle, efforts are being made to bring forward start dates for capital projects, to support the regional economy and protect jobs.

7.4 Advice to Government

7.4.1 Overview

The region's advice is to provide more impetus, stronger collaboration and further investment to achieve maximum impact of the actions underway already. There is a need to adopt more flexible short-term tactics to support the region in the current economic climate, for example, by prioritising use of resources to minimise the impact of economic downturn in the most vulnerable locations. Flexibility is vital to ensure investment responds to changing circumstances, fill gaps and meet genuine needs.

7.4.2 Integration

Employer support for Diplomas and Apprenticeships during the economic downturn will decline; intervention will be necessary to counter this and will require flexibility in the use of all funding sources.

Central government needs to recognise the impact of the economic downturn on rural areas, where access to services, housing and transport is already an issue. The East Midlands is the third most rural region in England and rural communities may need further support with employment and skills services if they are not to suffer disproportionately.

The business support simplification process and the skills simplification process are welcomed and will assist in aligning funding to more effectively deliver support where it is required. A new Integrated Brokerage Service will commence in April 2009 - to provide both business support and skills services. However, to enable this to function at maximum efficiency, more investment is required to ensure wider sharing of contact and activity information via the current regional information system.

Closer working between the Higher Education Funding Council for England (HEFCE), the LSC and the Skills Funding Agency (SFA) is essential; not just to ensure higher levels of progression and participation, but also to serve the needs of employers for flexible access to higher level skills provision in flexible packages, rather than accredited modules or full awards. Further funding support for the 'Beyond Brokerage' (a specialist high level skills service) project might need to be considered, if it is to address the current gaps in communication and achieve genuine impact with the HEFCE Employer Engagement funds made available to Universities. In addition to this, action may be taken to support re-training and career change for older, professional workers; HEFCE rules prevent institutions from funding a second Level 4 qualification, but some Foundation Degree programmes are suitable for career change training and could prevent older graduates from leaving the region, if some funding support were to be made available.

The use of MAAs promises great potential to deal more holistically with skills and innovation, supporting employment growth and plan-led housing growth. Further use of this approach could be encouraged, to avoid policy being driven by administrative boundaries and not by local needs.

7.4.3 Flexibility for Responding to Changing Economic Circumstances

Some large employers are considering implementation of a four day working week and offering skills development to employees on the fifth day; DIUS will need to consider whether Train to Gain funding could be made available for this, especially if the skills being promoted are related to emerging technologies or new business practices designed to avoid immediate downsizing of the work force. Additionally, DIUS should consider extending the bite-size learning flexibilities open to SMEs employing up to 250 people to larger companies, many of which could use this option to re-skill the work force to avoid redundancies.

It is already planned that European Social Fund (ESF) funds will be used not just to increase learner volume but to also provide the support that learners facing multiple barriers to learning need in order to access and progress in learning and into sustainable employment. The use of remaining ESF funds must be concentrated on meeting specific regional and local needs. A temporary suspension of national targets set for the LSC, Jobcentre Plus and other bodies is advisable, in order to focus attention on dealing with the more pressing short-term needs arising from redundancy and business downturn.

7.4.4 Flexibility to Address Sub-Regional Needs and Implement the Recommendations of the Sub-National Review

A high priority will be given to enabling Local Employment Partnerships (LEPs) to link pre-employment training seamlessly into Train to Gain provision for those already in employment. LEPs could facilitate better partnership working at local level, but only if the guidance rules on setting up LEPs are relaxed to suit local conditions.

ESF funds will need to be used to add value to mainstream provision for young people, for specialist Entry to Employment and other measures to reduce the number of young people not in education, employment or training. The flexibility afforded by the use of ESF funds is essential for reaching those who are most in need.

8 Integration of Investment

8.1 Introduction

This final Section sets out how investment will be integrated across different policy areas. The issues and challenges for the East Midlands are complex and multi-faceted, and require a coordinated approach to targeting and joining up investment from different organisations and funding programmes. This Section also sets out how the Regional Funding Advice from the East Midlands will help deliver against relevant Government Public Service Agreement (PSA) targets.

8.2 Alignment of Transport and Housing Investment

Transport investment is crucial for supporting the spatial development of the region, and in particular, for supporting housing growth and transformation. Schemes that form part of the first five year package of transport schemes will help to achieve this. Many of the schemes will improve accessibility in the main urban areas, with associated improvements for public transport users, pedestrians and cyclists. These schemes support urban transformation objectives, making the main urban areas more attractive places to live. This includes a number of specific public transport schemes (Leicester Bus Termini, Mansfield Interchange, NET Phase 2 preparation), and scheme packages to improve town centres (Hucknall, Loughborough). Other schemes will support housing growth, including a number of bypasses, such as the Lincoln Eastern Bypass which will help to support the Growth Point ambitions.

In moving towards a more outcomes-based approach to scheme development in line with the national DaSTS approach, the region has already started thinking what transport needs to achieve in each of the HMAs so that appropriate transport solutions can be developed. This approach will be strengthened and will ensure even greater alignment of transport and housing investment in future years.

8.3 Alignment of Transport and Economic Development Investment

There are close-links between the economic development and transport priorities. The package of transport schemes to be implemented in the first five years will support strategic economic objectives. The A46 improvement will transform accessibility from the Lincoln and Newark areas to the Three Cities and the strategic national network. The A453 improvement will support Nottingham's role as a key business location by improving access to the M1 and East Midlands Airport, and road improvements within Derby, Leicester and Nottingham will support the development of each of the three cities as economic hubs. New roads in the Corby and Lincoln areas will support plan-led economic as well as housing growth.

Longer-term the priority transport outcomes are focused on supporting the economy. The region is moving to a more outcomes-based approach to identifying transport priorities, informed by evidence on the wider economic and agglomeration benefits of transport interventions. Improvements to and mixed-use development around regionally significant transport hubs have been identified as of strategic economic importance to the region.

8.4 Alignment of Housing and Regeneration and Economic Development Investment

Housing and regeneration and economic development investment will be aligned to seek to achieve economic transformation through plan-led growth, by ensuring that the right quantity and type of new jobs are created and accommodated in the MKSM Growth Area and Growth Points Areas. The scale of expansion in the Growth Area provides the opportunity to strengthen agglomeration, creating a main regional economic hub centred around Northampton. To achieve this ambition there will be a need to achieve a step-change in the quality and value of jobs in this area. The RDAs, Regional Assemblies, local authorities and LSS of the 3 regions in the MKSM area are working together to achieve this.

The region will tackle deprivation and worklessness by using economic development investment alongside the wide range of housing, regeneration and neighbourhood renewal investments to tackle persistent, complex and multi-faceted problems of deprivation, particularly within urban areas.

Investment will be focused on helping improve the quality of place and housing offer to support economic competitiveness. This approach of "capturing the urban offer" means delivering housing of the right quality, range (in terms of tenure, size, type) and value within a wider framework of quality of place to improve the position of cities and towns in the region to attract and retain a skilled and creative workforce necessary to drive forward the knowledge economy, and to address the trend of urban-rural migration.

The region will seek to strengthen the economy of rural and coastal areas by aligning investment in rural enterprise, and physical regeneration of key rural and coastal towns, to align with measures to increase housing delivery to tackle affordability problems in rural areas.

The region recognises the economic opportunities (as well as providing support to deal with current pressures) for the housing and construction sectors. Investment will help including support businesses to strengthen their skills and product base to respond to the challenges and business opportunities associated with delivering low-carbon housing and communities.

8.5 Alignment of Skills Investment

8.5.1 Alignment of Economic Development and Skills Investment

Improving the region's skills base is central to the RES. In the economic downturn, supporting business and people in developing skills will be particularly important in the context of an increasingly competitive labour market and pressures on business cost bases. These points were endorsed and emphasised in the discussions with and written responses from stakeholders. Further details on links between economic development and skills priorities are integral to the advice set out in Sections 6 and 7 of this document.

8.5.2 Alignment of Transport and Skills Investment

It will be important that strategies for investment in skills take into account changing travel-to-learn patterns, including those that cut across administrative boundaries. Investment in transport, particularly through local transport plans, should address the need to improve access to services, including education and training, from peripheral and / or deprived areas.

8.5.3 Alignment of Housing and Regeneration and Skills Investment

There are three main areas where investment in housing and regeneration and skills must be aligned.

First, it is vital that long-term planning of skills investment takes into account the changing population and economic profile (in terms of growth, age and occupational structure) that will stem from plans for housing growth. It is important that the economic opportunities stemming from growth are reflected in skills investment; and that learning and skills interventions are focused on supporting the development of higher value employment in the Growth Areas, not just employment based on existing sectoral and occupational profiles.

Second, the region's ambitious growth proposals provide labour market changes and opportunities in housing and construction, and relevant supply chains. The challenge of delivering lower-carbon development, and the opportunities to move to more sustainable and efficient construction techniques will require a step-change in the skill base in these sectors. Ensuring the region has the skills and workforce capacity in these sectors is a priority, and will be a particular challenge in the context of recent and ongoing job losses as a result of the housing market downturn.

Third, investment in tackling worklessness needs to be coordinated across different policy areas, including housing and regeneration. There is strong evidence on the links between the tenure profile of housing, deprivation and worklessness.

8.6 Main Spatial Impacts by Sub-Area

8.6.1 Eastern Sub-area

Comprising Lincolnshire and Rutland, this is a predominately a rural area including the City of Lincoln and the towns of Boston, Grantham and Spalding. Lincoln, Grantham, Newark and Gainsborough are all New Growth Points, and will benefit from housing and regeneration investment. Transport investments such as the Eastern Lincoln Bypass will support housing growth, and the A46 improvements and the Nottingham-Lincoln rail improvements will significantly improve connectivity with the rest of the region and beyond. The region is committed to regenerating and strengthening the economy of the main towns on the Lincolnshire Coast, working with partners to ensure investment in regeneration is coordinated with that in flood / coastal protection (see Box 3.3, page 8). Strengthening delivery of housing in market towns and villages, including through the work of Rural Housing Enablers, is an ongoing priority to address affordability constraints. Part of the solution here will be the delivery of urban renaissance outcomes in the Three Cities in particular.

8.6.2 Northern Sub-area

This sub area comprises the former coalfield areas of north Derbyshire and north Nottinghamshire. Parts of the sub area are within the Sheffield City Region and it has also developed functional links with the Three Cities sub-area. The area has been the subject of significant economic restructuring and

investment will continue to be focused on diversifying the economy and raising skills levels. The region re-affirms its commitment to investing in the physical and economic regeneration of this area, the formal ending of the ring-fenced national coalfields programme in December 2012. Housing and regeneration investment will be focused on transforming the quality of place and residential offer, including tackling pockets of housing market weakness. Transport investment in local accessibility schemes such as Mansfield interchange will improve accessibility to employment and retail.

8.6.3 Peak Sub-area

The Peak Sub-area, comprising the Peak District National Park and the surrounding non-designated Peaks is largely rural in character and is a major visitor attraction. The national park is an important recreational resource for the Greater Manchester and South Yorkshire conurbations as well as the East Midlands (in particular the three cities and Northern Sub-area). Investment in delivering affordable housing (including through rural housing enablers) is a particular priority. There is potential to invest in public realm, local public transport, micro renewable energy, advice to land management businesses, and tourism initiatives to strengthen the economic contribution of this area.

8.6.4 Southern Sub-area

Comprising Northamptonshire, this sub-area has an increasing functional link with the wider south east of England and is part of the Milton Keynes and South Midland Growth Area. Significant investment in housing growth, alongside urban regeneration and investment in the main town centre is required to deliver the substantial levels of plan-led growth in this area. Investment in transport schemes including the A43 Corby Link Road, A509 Isham Bypass, together with national schemes to improve the A14 and M1 junctions will be instrumental in helping to deliver against this agenda. The introduction of direct rail links to Corby anticipated in 2009 is also important to facilitate sustainable growth. Economic development investment will focus on helping realise the economic opportunities stemming from growth, ensuring jobs growth is commensurate with housing growth, and to deliver a step-change in the quality and value of jobs. Skills investment will focus on sectors linked to housing growth, as well as taking into account changing population profiles and travel to learn patterns.

8.6.5 Three Cities Sub-area

Derby, Leicester and Nottingham and the surrounding areas contain almost half the region's population. The cities are the major drivers of the regional economy, but there are pockets of acute deprivation within these cities. Urban – rural population movement has been an issue, and regional partners are committed to transforming the urban offer as a key part of addressing this and to accommodate growth. Major transport investments including the A453 widening, Nottingham Ring Road, public transport improvements for Leicester, the A38 Derby junctions and integrated packages of town centre improvements in Hucknall and Loughborough will all support this wider agenda.

8.7 Contribution to Delivering Public Service Agreement Targets

Government has set out a range of Public Service Agreement (PSA) targets to focus and guide the coordination of investment across different departments. The statutory targets are summarised below:

PSA 1: Raising the productivity of the UK economy: The East Midlands has had strong economic growth in recent years with the service and manufacturing sectors performing well. There will be a need to respond to the challenges, issues, and opportunities posed by the structure of the region's economy and the resilience of the region through the financial crisis. Strengthening the long-term competitiveness of the region's economy is central the RFA submission. A flexible response to the changing economic circumstance is important and this is reflected in the submission.

PSA 2: Improve the skills of the population on the way to ensure a world class skills base by 2020: The East Midlands currently suffers from a 'low pay low skills equilibrium', with a high level of the population having few or no skills. The region is promoting a range of training schemes to improve skills in the region as discussed in Section 7 of the Regional Funding Advice. It is important that the population of East Midlands is upskilled to make the region more competitive and improve its resilience.

PSA 5: Deliver reliable and efficient transport networks that support economic growth: The transport schemes recommended for spend in the first five years of the spending period have all met the DfT Transport Appraisal Guidance and therefore contribute towards this national PSA target. In the longer term the region intends to adopt an outcome focused approach to transport investment prioritisation, which will focus on place based outcomes. Achieving national objectives will be mainstreamed through this process.

PSA 6: Deliver the conditions for business success in the UK: This advice confirms that the analysis and rationale behind the RES remains relevant and valid. There is however a need to step up

the focus on business support and infrastructure provision in the short to medium term. The region will provide business support and skills training to existing businesses and promote growth in the RES priority sectors. The public sector within the East Midlands are committed to providing a high quality environment and premises needed to support business success in the region.

PSA 7: Improve the economic performance of all English regions and reduce the gap in economic growth rates between regions: This advice sets out how investment will be coordinated across different policy areas to improve the long-term economic competitiveness and economic performance of the East Midlands. The region's proposition for investment is based on realising the opportunities and tackling problems within the region, in the context of strengthening the national economy. This means taking action to respond to the economic downturn whilst also the long-term structural issues that affect economic competitiveness as set out in the RES. The region's advice on transport investment is based on evidence of how transport will support the economy. The advice on housing and regeneration investment is focused on delivering housing growth to support the economy as well as raising the quality of existing places in a way that contributes to economic competitiveness.

PSA 20: Increase long-term housing supply and affordability: The East Midlands is the fastest growing region in England, with the MKSM Growth Area and a number of Growth Points across the Region. Through these Growth Areas and Growth Points housing growth will be accelerated. However there are pockets of housing market failure that need to be tackled simultaneously. Rural housing affordability is a major issue and the RFA highlights the important role played by rural housing enablers.

PSA 27: Lead the global effort to avoid dangerous climate change: The East Midlands have indicated in this advice that they will respond to climate change by: supporting and encouraging businesses to be more resource efficient, better alignment of investment in flood and coastal prevention with plans for growth and regeneration, improve energy efficiency of existing residential and commercial properties, develop community and renewable energy capacity and solutions and increase the region's sustainable development skills.

PSA 28: Secure a healthy natural environment for today and the future: The region is committed to supporting the development of the Lincolnshire Coast, including the marine environment and land management in the area. The RFA details the regions dedication to influencing new electricity generation and distribution infrastructure; supporting community energy solutions; exploiting the economic potential of new energy technologies. These initiatives would support improved air quality in the region.