



Final evaluation of the Environmental Services Programme

Scottish Enterprise Forth Valley

August 2008



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Executive summary

Following a period of identifying and assessing the needs of local companies in the light of new EU legislation and a new Area Waste Plan, Scottish Enterprise Forth Valley launched the Environmental Services Programme. The programme ran from 2002 until end of March 2008 and aimed to involve a wide range of local SMEs in activities that would improve their profitability and reduce negative impacts on the environment. The programme provided support to businesses through environmental advisers and facilitated information flows through networking events.

The final evaluation of the Environmental Services Programme sought to:

- Evaluate the impact and effectiveness of the programme and how participants have benefited;
- Measure its success in contributing towards the objectives of both the original programme and Scottish Enterprise/ Scottish Government policy; and
- Assess customer satisfaction – both external and internal – on the effectiveness of the programme.

Programme delivery

The Environmental Services Programme delivered almost £190,000 of support to some 380 businesses across Forth Valley, 61% of which were SMEs. Many of the businesses benefiting from support were hotels or restaurants.

Over the six years the average amount of money spent per engaged business dropped significantly. This suggests the targeting has become more effective or that resources have been used more efficiently. So by the end of the programme more businesses were being supported with the same level of input.

More than a third of assisted SMEs achieved cost savings totalling £2.6 million, while advisers helped 12% to achieve an environmental award or accreditation. As with the overall costs, the cost per successful intervention also dropped over the programme period. This suggests sound management and effective learning about what works, which was backed up by stakeholder interviews.

SE account managers benefited from having environmental advisers available at close hand and this helped to embed environmental issues into wider business advice.

Most businesses were motivated by environmental concerns or by the prospect of cost savings. The vast majority of manufacturing businesses and those with higher turnover were motivated by cost savings. This could therefore be a useful way of marketing the benefits of environmental programmes to these types of business.

Businesses appreciated the tailored environmental advice they received and the single point of contact for information. They also appreciated the forum events for sharing experiences and learning. However some would have liked a follow-up visit from the adviser and a closer link to funding sources would also have made a greater impact. Overall the programme was very highly rated with 80% of respondents rating its effectiveness as 7 or higher on a scale of 0 to 10.

Programme impact

The available evidence suggests the programme had a positive impact overall. Key achievements have been that it has:

- Raised environmental awareness;
- Made business sense by lowering costs and improving efficiencies;
- Raised awareness of environmental legislation; and
- Developed case studies other businesses can learn from.

Because of the nature of the intervention cost savings were used as the additionality measure rather than GVA. Overall the programme contributed net cost savings of between £1.79M and £2.43M to the Forth Valley economy. However the outputs and impacts officially recorded for ERDF and SE purposes are only part of the overall impact. The findings of the business survey suggest that the actual impact the programme has had is greater than the reported cost savings or accreditations. For example, networking at forum events and activities that resulted from signposting seem to have had a significant impact on businesses' awareness and willingness to improve resource efficiency. Stakeholder interviews and survey results indicated that a wide range of unquantifiable benefits were achieved through networking, signposting and general day to day interaction with the Environmental Adviser, but these were not formally recorded.

Apart from cost savings, referrals to other agencies and access to funding, 40% of survey respondents reported improved knowledge and skills and 36% considered facilitated access to best practice a positive impact of the programme.

Evidence from our survey suggests that larger businesses may have benefited more from the support. This was probably because of SE's focus on account or client managed companies and larger companies being also more likely to have more resources for environmental changes. Also, manufacturing and hospitality businesses appear to have been more likely to benefit than other sectors. One possible explanation for more hospitality businesses benefiting is that advisers also worked with businesses under the Green Tourism Programme.

The Environmental Services programme successfully addressed the market failure it set out to address: lack of information among businesses. However, resource limitations meant the programme could only help a certain number of companies and there is reason to believe that the demand for support was greater than what ESP could provide.

Lessons from similar schemes

We looked at some other schemes that are available to help small businesses with environmental issues:

- Loan Action Scotland – a Scotland-wide programme providing interest-free loans to SMEs;
- Carbon Trust – a UK Government funded organisation which offers in-depth support – including interest-free loans – to larger businesses;
- Business Environment Partnership – which offers a range of environmental management assistance to Scottish SMEs; and

- Green Tourism Programme – an initiative by SE Forth Valley and SE Dunbartonshire targeting environmental support to tourism businesses in their areas.

A review of the schemes highlighted the importance of advisers in raising awareness and encouraging businesses to make changes. Close links and effective signposting between programmes providing information and advice and those providing funding help to increase impacts.

The Environmental Services Programme had a role in providing a wrap-around type service as it helped to make overall service provision smoother and more effective. Rather than duplicating existing support it filled a gap by linking them better and therefore addressed an identified market failure.

A changing policy context

Since the Environmental Services Programme started the strategic context has seen major changes. Most recently the new Government introduced the *Government Economic Strategy*¹ which takes into account the economics of climate change as set out in the *Stern Review*². Another key document will be the *Climate Change Bill* for which the consultation is live at the time of the evaluation. In the new policy context sustainable development is being mainstreamed rather than treated as a separate matter. While the Environmental Services Programme was relevant when it started, its message and activities have become even more relevant in the new context.

Restructuring at Scottish Enterprise meant that regional initiatives to deliver the environmental objective have been replaced by one single national initiative – the Environmental Management Initiative. It aims to provide a more consistent approach across all SE regions, although with a reduced budget. A greater role has been given to local authorities in supporting their local business base. This requires coordination and cooperation between Scottish Enterprise, local authorities, the Scottish Government and support bodies.

Points to consider

A review of the evidence identified some success factors for delivering environmental advice and support:

- Customised one-to-one support;
- Proactive support;
- Local delivery – especially having regular forum meetings in the local area;
- Forum events that combined specialist input with case studies from peers;
- A clear and effective referral system; and
- Training for account managers and other advisers.

¹ Scottish Government *Government Economic Strategy 2007*

² Sir Nicholas Stern *Stern Review on the economics of climate change 2006*

Having a sustainability specialist close to other business advisers and account managers can be a valuable source of information on an ad hoc basis. Lack of financial resources and limited access to funding support are a barrier for companies to implement resource efficiency measures.

Coordination and changing roles

A lot of support is on offer to reduce the impact of Scottish businesses on the environment and increase productivity at the same time. Businesses need a lot of customised support and hand-holding to make changes.

Major changes in Government policy and within Scottish Enterprise have implications on business support. With Scottish local authorities taking over most of the Business Gateway function they will have a stronger role in raising awareness and engaging businesses at a local level. The links and relationships with other schemes and support bodies are also important.

Our research suggests uncertainty among SE staff, councils and partners about how future support would work. Coordination will be key for providing effective support without duplication. Some effort is also needed to match up SE's national interest with councils' local interest.

The question is who will take the lead and what mechanism would be appropriate for keeping up the dialogue.

Follow up support

At the time when ESP ended many companies had become aware of the support or already started improvement projects. Seamless follow up support could ensure that the momentum does not get lost and that changes actually happen. The new regional advisers under EMI will have to take over these projects – if they have the capacity and are up to speed quickly enough.

Access to specialist knowledge

Having the environmental advisers around seems to have made SEFV staff aware how useful easy access to specialist knowledge and information is for their own work. We have identified a need for environmental experts in both policy and operational functions. SE account managers as generalists rely on specialists for their expertise.

Introduction

Background and rationale for Environmental Services Programme

The original proposal to set up the Environmental Services Programme recognised the need for Scottish Enterprise to engage in sustainable development. The main drivers were that:

- International treaty obligations and government commitments on sustainable development can only be achieved through major changes in business practices and consumption patterns;
- The commitment to sustainable development within the EU Treaty has extended throughout EU programmes; and
- Sustainable development has become a consistent theme of the then Scottish Executive – embedded in government strategies and influencing all public sector organisations.

The programme was the result of a mapping exercise of, and lessons learned from, existing activity. It addresses both the economic and environmental agenda.

At a local level an energy forum had existed since the early 1980s – the Central Scotland Energy Forum. With the backing of Falkirk Council the forum became independent from private sector sponsors as a new organisation. At that time support to raise awareness of energy efficiency was available from the Energy Efficiency Office but uptake in Central Scotland was extremely low.

In early 1999, the then Forth Valley Enterprise initiated a one year Sustainability Pilot Project with ten companies participating. The objectives were to test the practical application of sustainable development in an industrial context with individual businesses and to assess the need for a larger scale support programme. The pilot project involved students from Stirling University carrying out assessments of potential savings. The project found that significant savings could be made and that support would have to be tailored to the needs of individual companies.

In 2000/01 public sector partners sought to define the needs of local companies in the light of emerging EU legislation and the new Area Waste Plan for Forth Valley. A survey of 100 local companies showed that many businesses were interested in improving efficiency through waste minimisation. But only a few knew where to go for support and guidance.

Also in the time leading up to the programme, Falkirk College carried out an independent review of the Energy Audit programme. They found that despite higher awareness companies were not implementing sustainability measures and that they needed more support. The majority of companies did not know where they could get support. Scottish Enterprise Forth Valley decided to put the matter on the agenda at Forth Valley level and looked at ways of helping businesses to achieve increased competitiveness through resource savings. With support from the European Regional Development Fund (ERDF) they set up the Environmental Services Programme in 2002, within the Growing Businesses suite of support programmes as part of Business Gateway. The first phase ran until 2004 and the second phase ended on 31 March 2008.

Programme aims and activities

The Environmental Services Programme aimed to involve a wide range of local SMEs in activities that would improve their profitability and reduce negative impacts on the environment. The focus was on raising awareness of the issues and benefits associated with resource efficiency, promotion of best practice in environmental management and the implementation of practical and bespoke business efficiency measures.

Support under the programme was delivered through Environmental Advisors within the Business Gateway team at SEFV. Originally the intention had been to appoint a full-time adviser but because of budgetary restrictions and a head-count freeze an external contractor provided the service on a part-time basis, 2.5 days per week.

The support consisted of:

- **Contact with individual businesses** on a bespoke basis to provide information and achieve resource efficiency improvements. This includes initial contact and completing an **initial environmental performance assessment**, in many cases **signposting** to government funded specialist advisers for further assessment and recommendations;
- Contact with individual businesses seeking **formal accreditation** (for example ISO14001);
- Facilitation of information flows and business to business networking through monthly meetings of the **Forth Valley Resource Efficiency Forums**; and
- **Training seminars** for SEFV account managers and Enterprise Trust business advisers to embed environmental issues into general business support.

Key issues from the interim evaluation

An interim evaluation was carried out in 2004 which looked at the period 2002-04³. It found that the programme had made excellent progress towards achieving its objectives and provided a valuable service to businesses in Forth Valley. The report highlighted some key issues:

- A notable reluctance among businesses to recognise the relevance of and engage with the ISO14001 accreditation process;
- Eligibility difficulties for businesses in accessing government funding for implementing efficiency measures;
- A fragmented environmental regulation and advice sector which was of variable quality and difficult to penetrate for non-specialists;
- The need for bespoke resource efficiency solutions and assistance with accessing best practice.

The interim evaluation considered restricting access to the programme to high and medium impact companies as limiting its potential. It recommended an increase in staffing and stressed the urgency of developing a new business efficiency module for Premier Advisor training which incorporates resource efficiency and related issues.

³ Leclerc Associates *Interim evaluation of the Environmental Services Programme*, 2004

Our research took account of the findings and recommendations of the interim evaluation.

Final evaluation aims and objectives

The final evaluation aimed to assess the impact and effectiveness of the programme over its lifetime, building on the interim evaluation report. The findings will be used to:

- Apply specific lessons learned to future activities;
- Share generic learning messages with network colleagues and other partners; and
- Publicise any successes to partners and stakeholders.

As in the research brief the evaluation objectives were to:

- Evaluate the impact and effectiveness over the life of the programme of the activity, output and impact measures and how participants have benefited;
- Measure the success of the programme in contributing towards the objectives for both the original programme and Scottish Enterprise/ Scottish Government policy; and
- Assess customer satisfaction – both external and internal – on the effectiveness of the programme.

Method

In our method we combined desk research and fieldwork involving businesses and stakeholders.

Desk research

The desk research consisted of three distinct parts:

- A review of ERDF applications, monitoring data, claim forms and other relevant documents to assess the impact and effectiveness of the programme;
- A review of the changing policy background and strategic links with ESP; and
- Comparative research on similar schemes to identify lessons on effective delivery.

We complemented the desk research with information from the business surveys and talking to stakeholders.

Business survey and interviews

To get businesses' views on the programme's effectiveness and impact, we carried out a survey of the 94 companies the programme supported and achieved a response rate of just under 50%. Respondents could opt to take part in a follow up telephone survey. We undertook seven telephone interviews to get more in depth information on the support businesses had received.

Stakeholder interviews

We carried out nine face-to-face interviews and one telephone interview with:

- The Head of Equity at SE National;
- SEFV Account Managers;
- A SEPA representative;
- Representatives from Stirling and Falkirk Councils; and
- The ESP Environmental Advisors.

The aim was to get information on the running of the programme and stakeholders' views on impact and effectiveness, as well as the strategic fit of the programme.

Report structure

Now that this introductory chapter has set the scene, the following chapters will explain our findings in detail:

- **Programme delivery** – looks at how the programme was delivered, to what extent it achieved its targets and how effective it has been from stakeholders' and businesses' perspectives.
- **Programme impact** – assesses how businesses and stakeholders have benefited through making savings, achieving accreditation, accessing funding and so on. This section also assesses the overall net impact of the programme.
- **Lessons from other programmes** – looks at linkages and delivery lessons from other environmental programmes targeting SMEs.
- **Policy context** – provides a review of the changing policy context for the Environmental Services Programme and its strategic links.

In the final chapter we will make recommendations for future delivery of resource efficiency support.

Programme delivery

In this chapter we look at how the programme was delivered – to what extent it has achieved its targets, who received support and how effective stakeholders and businesses thought it has been.

Delivering the Environmental Services Programme

Staffing

In 2002 SEFV contracted environmental consultants⁴ to provide the Environmental Services Programme. The contract was awarded through a competitive tendering process in 2002 and later in 2005, with a further extension until 31 March 2008, when the programme ended. The same consultancy also won a contract from SEFV's Tourism Team to deliver the Green Tourism Programme and the same advisers worked on both programmes. Local tourism companies were supported under the Environmental Services Programme, however those outside the SE Forth Valley area got support under the Green Tourism Programme.

For most of the programme duration advisers contributed 2.5 days per week, which was temporarily increased to four days per week for handover to a new adviser.

Activities

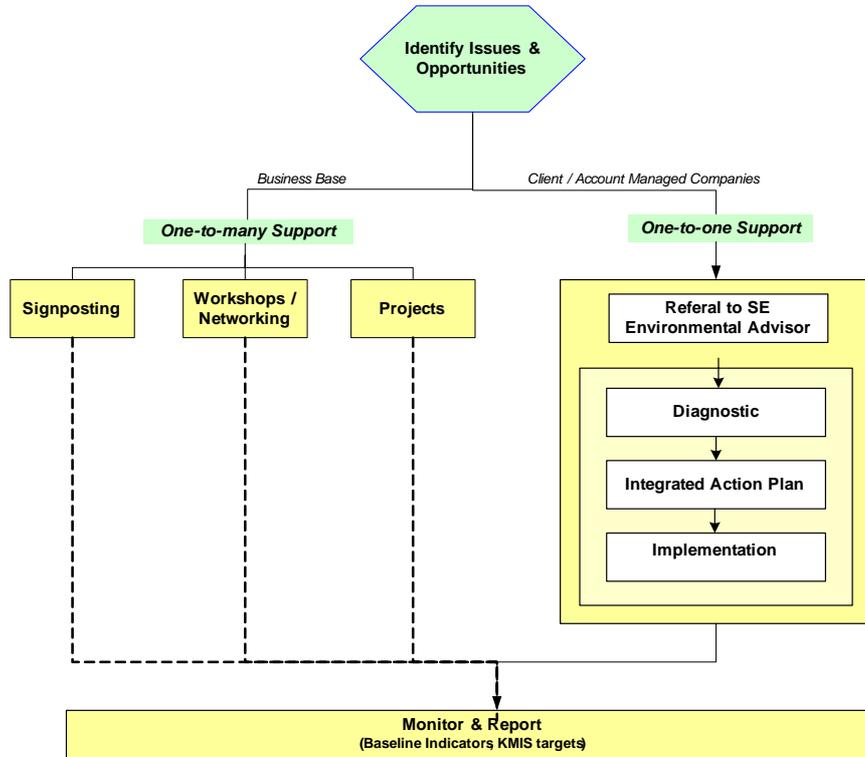
Advisors for the Environmental Services Programme provided different types and levels of assistance – from short enquiries and signposting to more in-depth desk research, liaison and site visit action plans. The programme also supported events through the Forth Valley Resource Efficiency Forum which took place every six weeks on average. Forum events had different topics such as environmental legislation.

Figure 1 gives an overview of the elements that make up the service. The key agencies for referrals were Envirowise (for waste audits), the Energy Saving Trust and Carbon Trust (for design advice).

The research for the interim evaluation had also covered the Resource Efficiency Directory of environmental information sources and contacts. The environmental adviser who was in post during the first phase of ESP had pulled together the directory with funding from SEFV, SEPA and the respective councils. The Business Waste Aware online version has now replaced the directory.

⁴ Wren and Bell

Figure 1 Delivery flowchart for Environmental Services Programme



Source: SEFV – Presentation from Advisor Training Session December 2007

As well as working directly with businesses the advisers had a role in working closely with SEFV account managers, client managers and Business Gateway advisers. This involved providing informal and formal information to SE staff, such as a checklist to help them assess a company’s need for support from environmental advisers. SE staff, in turn, made referrals to the advisers and encouraged companies to attend forum events.

Focus

The Environmental Services Programme was aimed at SMEs some of which had Designated Relationship Managed (DRM) status at SE. In 2003 SEFV management tried to narrow the focus of one-to-one adviser support within ESP to DRM companies but this did not happen in reality. The environmental advisers’ understanding was that Scottish Enterprise and ERDF had a different focus in that SE uses the account management approach while ERDF support only focuses on SMEs.

Funding

Figure 2 shows the level of funding allocated under the Programme since 2002. A total of just under £190k was allocated with the annual level of funding peaking at around £40,000 in 2007/08.

Figure 2 Amount of funding spent on the programme

| Year | ERDF grant | Public sector funding (SEFV) | Total spend on project |
|---------------|----------------|------------------------------|------------------------|
| 2002/03 | £7,964 | £9,393 | £17,357 |
| 2003/04 | £13,254 | £18,491 | £31,745 |
| 2004/05 | £14,271 | £19,905 | £34,176 |
| 2005/06 | £12,378 | £18,452 | £30,830 |
| 2006/07 | £13,699 | £21,428 | £35,127 |
| 2007/08 | £15,876 | £24,834 | £40,710 |
| TOTALS | £77,442 | £112,503 | £189,945 |

Source: SEFV

Achieving programme targets

ERDF measures

The ERDF measures monitored for this programme included three Physical outputs and two Outcomes (Interim Results) in line with the ERDF guidelines⁵ for Priority 1, measure 1.1 of the 2000-2006 programme. Figure 3 and Figure 4 below show the reported outputs and outcomes over the course of the ESP programme.

Figure 3 ERDF Physical Outputs

| Year | Number of existing businesses assisted | Number of instances of assistance of existing businesses (multiple interventions per business) | Number of instances of assistance to New Businesses ⁶ |
|--------------|--|--|--|
| 2003 | 13 | 30 | 5 |
| 2004 | 45 | 26 | 5 |
| 2005 | 33 | 45 | 2 |
| 2006 | 57 | 61 | - |
| 2007 | 75 | 75 | - |
| 2008 | 75 | 78 | - |
| TOTAL | 298 | 315 | 12 |

Source: SEFV

⁵ ERDF revenue support was in relation to Objective 2, Priority 1, Measure 1.1 as part of the 2000-2006 programme. It is important to note that the ERDF Physical Output target descriptions have specific technical meanings within EU programme rules and columns 1 and 2 in the table refer to the EU methods used for counting businesses which have gained support through multiple EU assisted projects such as ESP. (Source: SEFV)

⁶ A new business is defined as one trading for less than 6 months, existing businesses as those trading for 6 months or more. All relate to SME business support.

Figure 4 ERDF Outcomes (Intermediate Results)

| Year | Number of businesses achieving recognised quality award | Number of businesses undertaking environmental management |
|--------------|---|---|
| 2003 | 4 | 0 |
| 2004 | 2 | 4 |
| 2005 | 3 | 3 |
| 2006 | 6 | 8 |
| 2007 | 7 | 10 |
| 2008 | 5 | 7 |
| TOTAL | 27 | 32 |

Source: SEFV

In order to be able to claim a result against the ERDF measures four hours of Adviser time had to be spent on a one-to-one basis or £500 grant aid. A single instance of low level support – such as attending workshops or seminars – did not count towards the overall targets. All ERDF support related to SMEs.

Scottish Enterprise targets

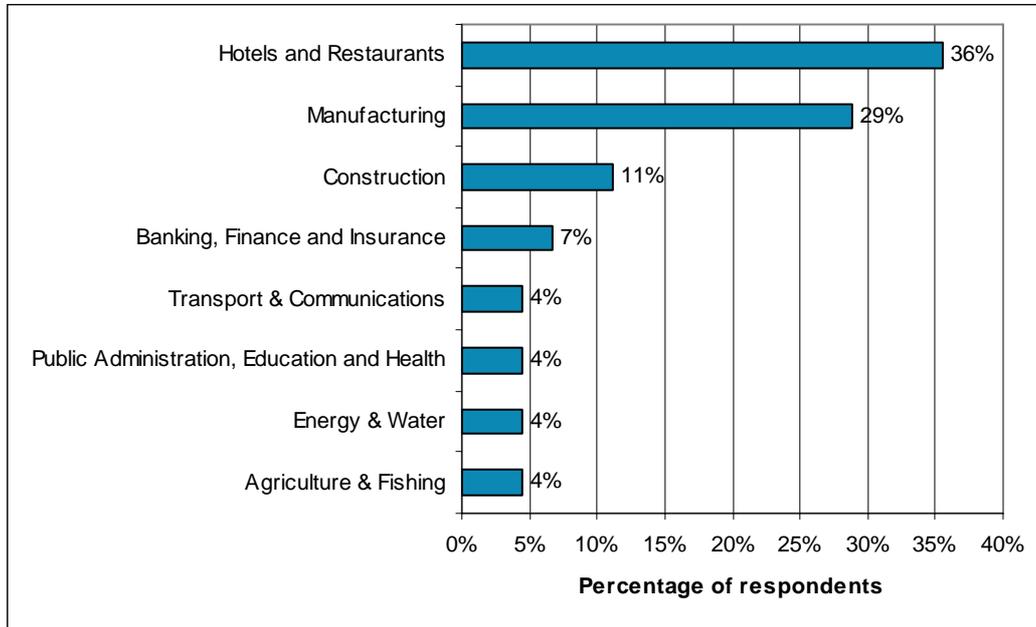
A number of companies supported by the Environmental Advisers were also reported against the Scottish Enterprise annual target of the *Number of businesses participating in environmental activities to achieve business benefits*.

A total of 85 companies were benchmarked and their performance improvements tracked to identify cost benefits and savings as well as improvements in environmental impacts. Savings of £2.6 million were reported through the SE Knowledge Management System (KMIS) over the course of the programme.

Companies receiving support

Information on which sectors companies are from was only available for some years. However, we asked supported businesses in our e-survey for sector and turnover and responses gave an indication of the spread across sectors and sizes by turnover. Figure 5 shows that more than a third of businesses that responded were hotels and restaurants. This may relate to the parallel role of the delivery agency in the Green Tourism initiative. A further third of responding businesses were manufacturing companies and the rest was made up from other sectors.

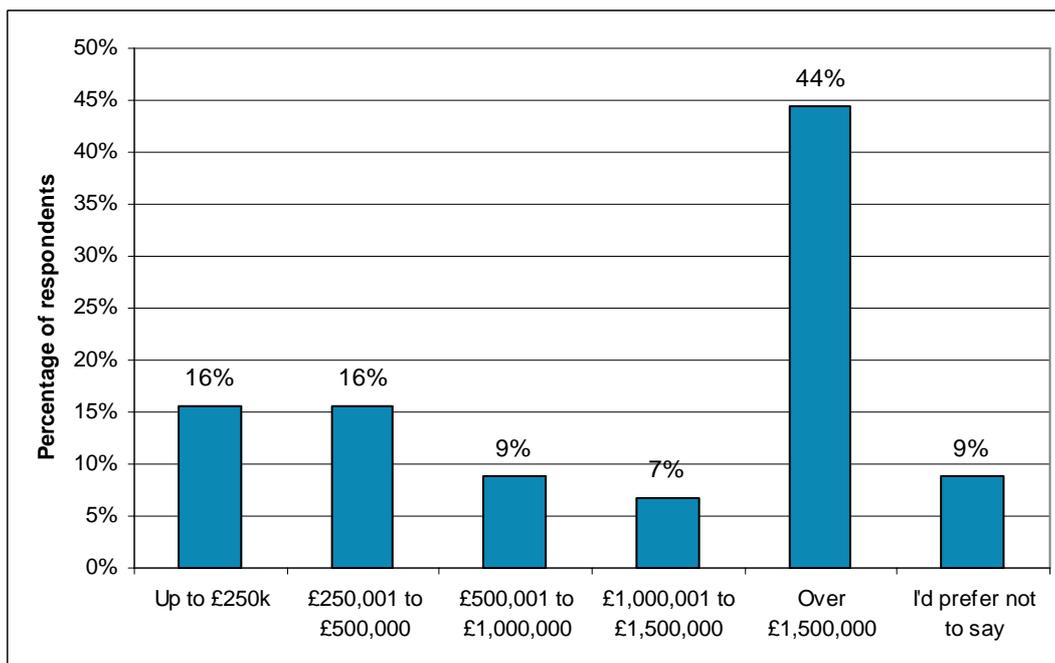
Figure 5 Respondents by sector



Source: Hall Aitken e-survey, n=45

And Figure 6 below looks at the gross turnover of responding companies. Of those who gave an indication of their annual turnover 44% stated it was over £1.5 million. However around one third of businesses supported had an annual turnover of less than £500,000.

Figure 6 Gross turnover of businesses responding



Source: Hall Aitken e-survey, n=45

As Figure 7 below shows the amount of support to businesses has generally dropped over the life-time of the programme. Between 2002 and 2004 an average amount of £877 was spent per supported enterprise. However this figure dropped to between £308 and £479 between 2005 and 2007/08. This may reflect a greater efficiency and better targeting in the available resources and an overall drop in the cost of energy efficiency measures.

Figure 7 Cost for each enterprise engaged

| Year | Target | Actual | Cost per company engaged (Total funding spent / actual result) |
|-------------------|--------|--------|--|
| 2002/03 – 2003/04 | 60 | 56 | £877 |
| 2004/05 | 10 | 95 | £360 |
| 2005/06 | 16 | 100 | £308 |
| 2006/07 | 18 | 100 | £351 |
| 2007/08 | 2 | 85 | £479 |
| TOTALS | 46 | 436 | Average £436 |

Source: SEFV

Achievements against targets

Figure 8 pulls together the support activities – as recorded - which took place since the interim evaluation. It shows that some 380 businesses were involved in the programme since 2004, with 253 of these being SMEs. Of these some 37% identified that they had achieved savings through their support and 12% achieved environmental awards or accreditation.

Figure 8 Summary of client ESP activity

| Year | No. of companies engaged | SME assist | No. of SME assist instances | Sign-posting | Desk assist | Visits | SMEs achieving savings | SMEs achieving Env Awards | SMEs attending events |
|---------------|--------------------------|------------|-----------------------------|--------------|-------------|--------|------------------------|---------------------------|-----------------------|
| 2004/05 | 95 | 45 | | | | | 19 | 5 | 162 |
| 2005/06 | 100 | 57 | 61 | 100 | 67 | 58 | 18 | 6 | 57 |
| 2006/07 | 100 | 75 | 75 | 80 | 80 | 60 | 24 | 14 | 154 |
| 2007/08 | 85 | 76 | 78 | 76 | 70 | 67 | 30 | 5 | 100 |
| TOTALS | 380 | 253 | 214 | 256 | 217 | 185 | 91 | 30 | 473 |

Source: SEFV

Figure 9 below compares the actual number of companies achieving environmental awards with the target figures. It shows that overall the target was exceeded by one third. Whilst during the first two years the actual figure was the same or below the target, the target was far exceeded towards the end. This may be due to more effective targeting of activity on those businesses most likely to benefit or from more cost-effective approaches to involving businesses.

Figure 9 Number of companies achieving environmental awards

| Year | Target | Actual |
|-------------------|-----------|-----------|
| 2002/03 – 2003/04 | 15 | 2 |
| 2004/05 | 3 | 3 |
| 2005/06 | 7 | 6 |
| 2006/07 | 7 | 14 |
| 2007/08 | 1 | 5 |
| TOTALS | 18 | 30 |

Source: SEFV

Stakeholders' views on delivery

Stakeholders' comments on how well the programme was managed and delivered were mostly positive. Most agreed that ESP had been managed to a high standard and improved continuously. Interviewees recognised that the advisers had made the most of limited staffing resources as they were "competent and high energy" and "knowledgeable and enthusiastic individuals". But since companies needed extensive hand-holding the programme would still have benefited from more staffing resources. And one stakeholder thought there was an issue with recruiting consultancy staff to deliver the programme which had caused confusion about roles and responsibilities.

SE account managers appreciated having the advisers around for ad hoc conversations which they considered a good source of information. One account manager said advisers had "spoon-fed" them with useful advice and information when they needed it. Account managers received formal training through the environmental advisers at least once per year and there were one-to-one meetings. Advisors also produced handouts and checklists for awareness raising which they sent to business advisers and account managers on an ad hoc basis.

Interviewees saw the key benefit of the service in its role as a portal for businesses and said signposting had worked well. When it came to implementing resource efficiency measures the programme itself could not provide funding for this, as some businesses may have expected. But some client-managed companies could draw down funding for consultancy support. One stakeholder raised the question as to whether the project had been more successful at targeting and reaching large companies, mainly because they often have a dedicated environmental manager.

Aside from one SE account manager who appeared to not fully understand the role of the forum, stakeholders commented positively on the forum events. They had been well-attended "and by the right people" since participants included production, technical and facilities managers. Interviewees thought the events saw a good mix of people with real expertise and companies presenting best practice as case studies.

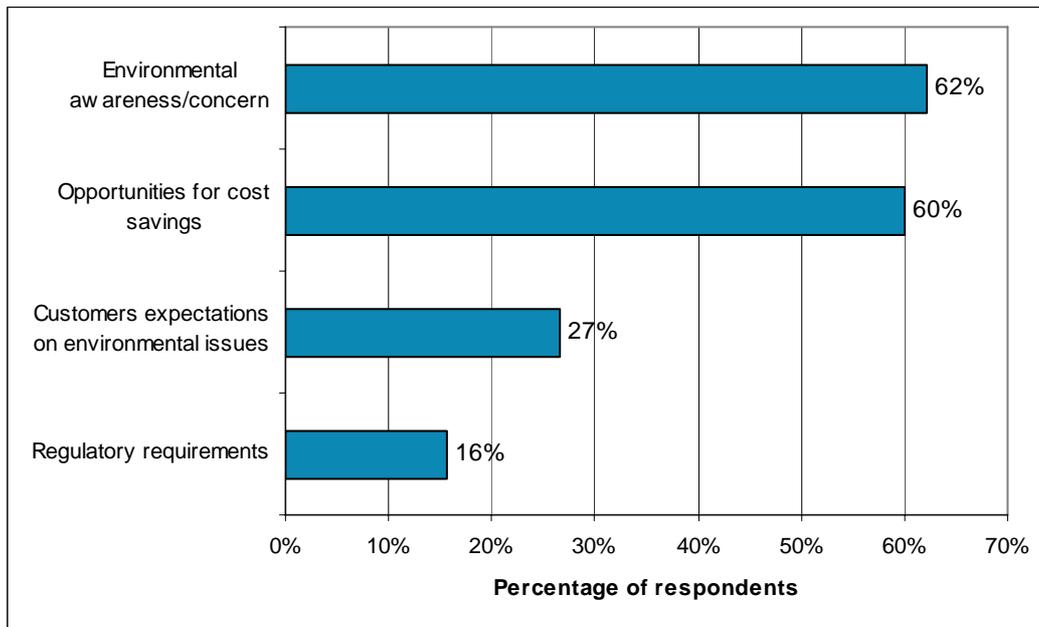
Business' views on delivery

This section sets out the findings from our e-survey of businesses the programme supported. Survey findings on the impact the programme has had are in the next chapter.

Motivation for getting involved

We asked businesses what had motivated them to get involved in the Environmental Services Programme in the first place. Figure 10 below shows the analysis of responses.

Figure 10 Motivation for getting involved



Source: Hall Aitken e-survey, n=45

A majority of manufacturing businesses (92%) said that their motivation was opportunities for cost savings (compared with 60% for all businesses). However opportunities for cost saving become more important as a motivating factor as the turnover of the business increases as Figure 11 below shows. This was a motivating factor for less than a third of those businesses with the smallest turnover (29%) compared with 86% of those with a turnover between £500,000 and £1.5M. This suggests that for manufacturing companies and those with a turnover above £500K, cost savings could be a key incentive to use in marketing support to businesses.

Figure 11 Opportunities for cost saving as motivation by turnover size

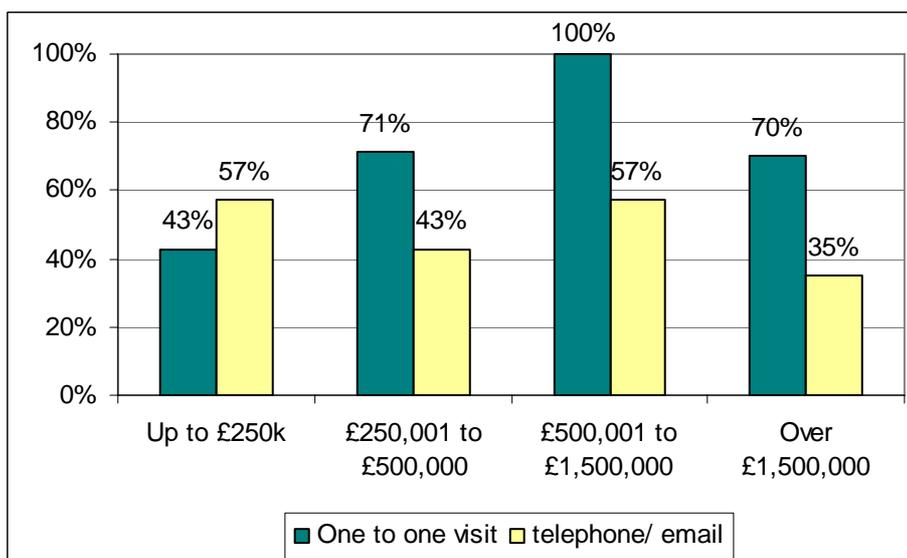


Source: Hall Aitken e-survey, n=45

What help companies received

Two thirds of respondents (67%) had received at least one one-to-one visit from an environmental adviser and for 44% the advisers carried out an initial environmental assessment. Less than a third of responding companies (27%) had attended FVREF events. Figure 12 shows that the type of support provided varied depending on the size of the business with larger ones more likely to receive a visit. Fewer than half of businesses with a turnover below £250k received a visit (43%).

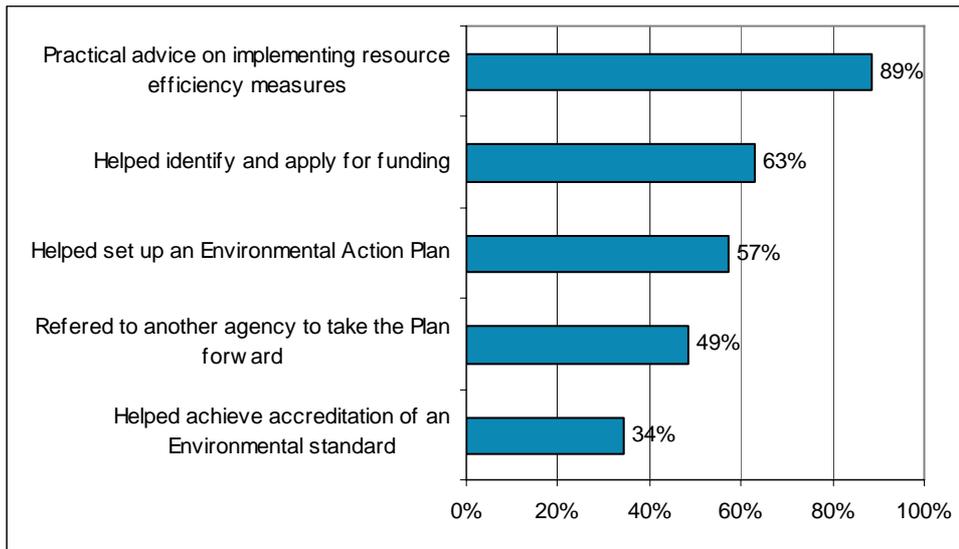
Figure 12 Type of support by turnover size



Source: Hall Aitken e-survey, n=45

When we asked what the support was about a large majority of 89% said they had received practical advice on implementing resource efficiency measures as Figure 13 shows. Almost two thirds received help with identifying and applying for funding. Around half of respondents were referred to another agency to take the plan forward and just over one third (34%) got help to achieve accreditation of an environmental standard.

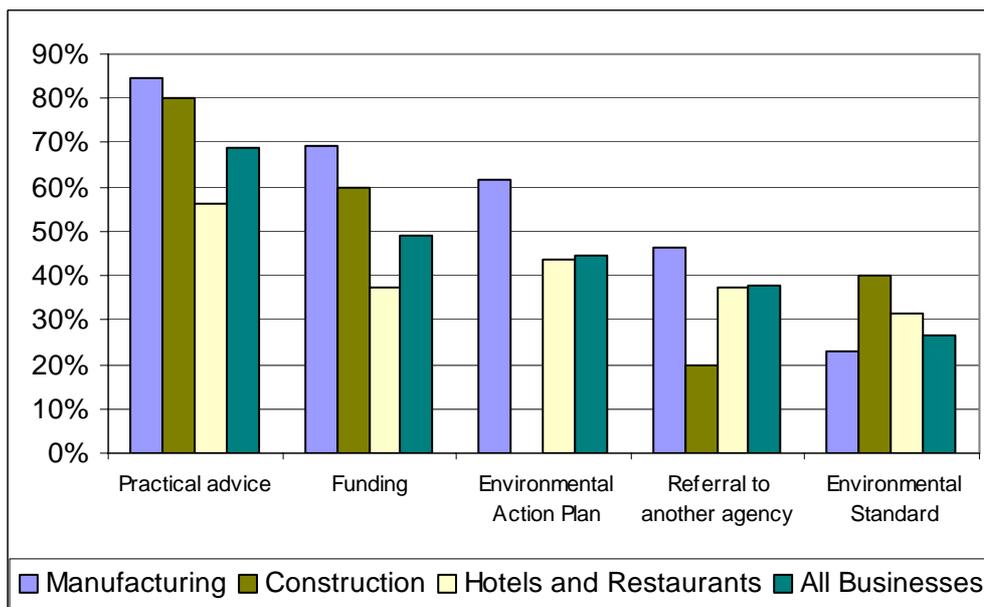
Figure 13 What advice or help did you receive from the Environmental Advisor?



Source: Hall Aitken e-survey, n=35

There were differences in the type of support received by different business sectors as Figure 14 below shows.

Figure 14 Type of support by business sector

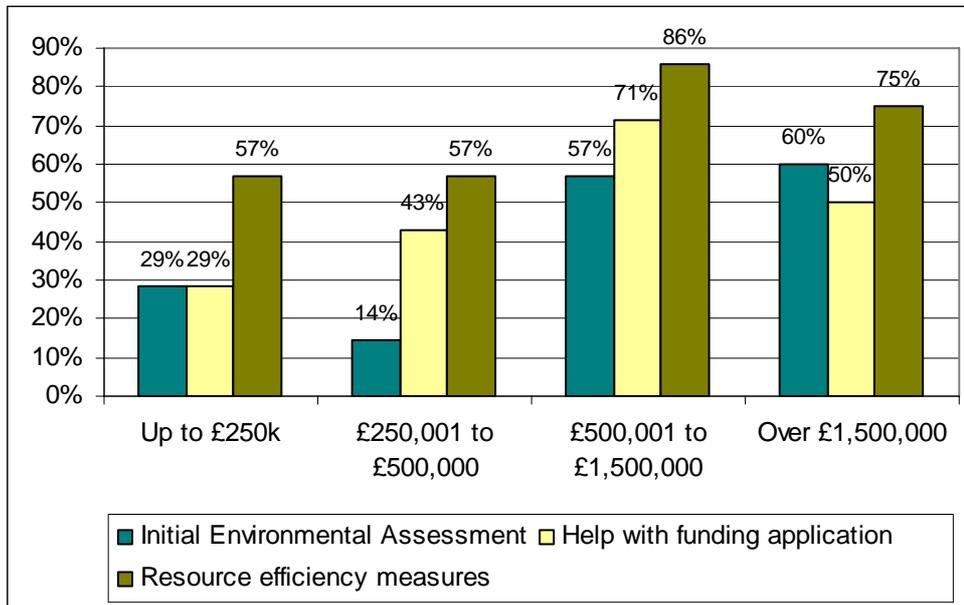


Source: Hall Aitken e-survey, n=35

The programme provided bespoke support, depending on the needs and requirements of companies. Manufacturing businesses were most likely to use practical support, help in applying for funding or support with an environmental action plan. Construction businesses were also more likely to get practical advice and funding support but were most likely to get help in achieving standards. Hotels and restaurants were less likely to make use of practical advice or funding support.

As Figure 15 shows there were also differences relating to the turnover size of businesses. Those with larger turnovers were more likely to have received support for resource efficiency measures and Initial environmental appraisals.

Figure 15 Support received by size of turnover



Source: Hall Aitken e-survey, n=35

In addition to the above types of support, businesses said they had received general advice – such as waste management - or help with publicising their achievements, for example through writing a case study.

Most useful aspects

The most useful aspect of the service was the general advice from the environmental adviser. Businesses liked the personal support during one-to-one visits and the fact that the adviser was made suggestions targeted to their business: *“We have individual problems due to various factors and the adviser was most helpful in a general sense.”* They liked the fact that they had one clear contact who would make simple suggestions on energy and waste: *“We had someone to ask for help when we needed it”.*

Businesses found the assistance with getting an award particularly useful, such as the Green Tourism Business Scheme or help towards getting ISO 14001.

Finally businesses liked the forum events and the fact that these gave them the opportunity to network with other businesses and share approaches to common problems.

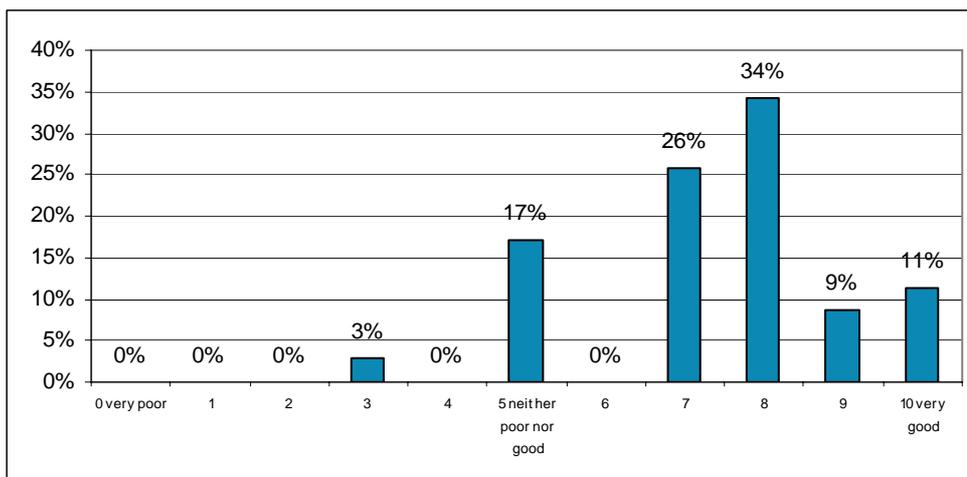
Areas for improvement

Respondents made very few suggestions for improvements. Some however suggested that a follow-up visit would be good. Others missed having access to funding for implementing identified measures. One respondent commented on the number of people they had to discuss the same things with. It might be that instead of signposting to other services advisers could have made enquiries on behalf of the company.

Overall business satisfaction

As Figure 16 shows a majority of 80% of responding businesses rated the effectiveness of the service above average. And only 3% said they could have managed the same changes or improvements without the help from the adviser.

Figure 16 Overall effectiveness of the service in responding to business needs



Source: Hall Aitken e-survey, n=35

Our survey confirmed that companies appreciated the support they received through the Environmental Services Programme.

Conclusions

The Environmental Services Programme delivered almost £200,000 of support to business across Forth Valley since it began in 2002. Overall it interacted with some 374 businesses in some way, 61% of which were SMEs. From our survey it appears that many of the businesses benefiting from support were hotels or restaurants.

Over the six years that the programme has been running the average amount of funding spent per business engaged dropped significantly. This suggests that the targeting has become more effective or that the resources have been used more

efficiently. This means that by the end of the programme more businesses were being supported with the same level of input.

Of those SMEs assisted, more than a third have achieved cost savings while 12% have been helped to achieve an environmental award or accreditation. As with the overall costs, the cost per successful intervention has also dropped over the programme period. This suggests sound management and effective learning about what works. These findings were backed up in interviews with key stakeholders.

The Account Managers at SEFV benefited from having environmental advisers available at close hand and this helped to embed environmental issues into wider business advice.

Most business were motivated by environmental concerns or by the prospect of cost savings. The vast majority of manufacturing businesses and those with higher turnover were motivated by cost savings. This could therefore be a useful way of marketing the benefits of the programme to these types of business.

Businesses appreciated the tailored environmental advice they received and the single point of contact for information. They also appreciated the Forum for sharing experiences and learning. However some would have liked a follow-up visit from the adviser and a closer link to funding sources would also have made a greater impact. However, overall the programme was very highly rated with 80% of respondents rating its effectiveness as 7 or higher on a scale of 0 to 10.

Programme impact

This chapter assesses the impact the Environmental Services Programme has had. Using the data environmental advisers recorded, as well as the information companies provided through the survey, it gives an indication of the difference the programme has made.

Overall impact

According to the available evidence the programme has had a positive impact overall. Key achievements have been that it has:

- Raised environmental awareness;
- Made business sense by lowering costs and improving efficiencies;
- Raised awareness of environmental legislation; and
- Developed case studies other businesses can learn from.

Stakeholders felt that it has helped build up the business base through the forums. The events were good for getting likeminded people together. As one account manager put it: *“One company’s waste could be another’s raw materials”*.

Quantifying the impact has been difficult as often baseline information – such as detailed figures on how much companies spent on certain things before the change - was not available. Stakeholders agreed that Scottish Enterprise has been underselling the impact of the programme because:

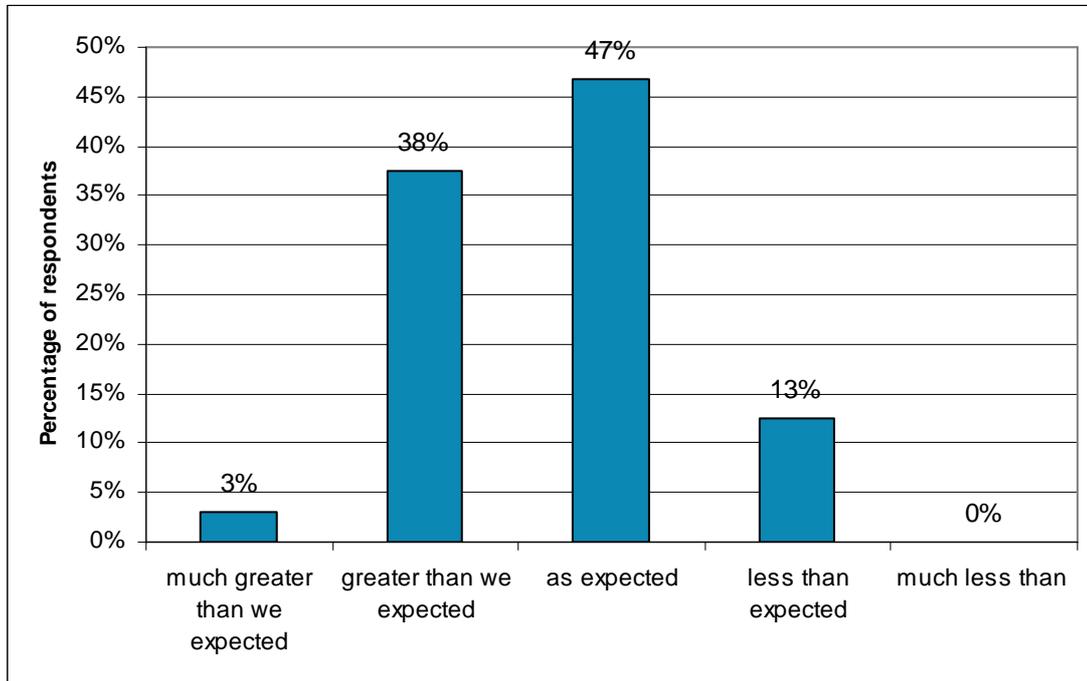
- It did not capture support of less than four hours one-to-one time; and
- A lot of impacts have been large but not quantifiable – especially from signposting and networking or from advisers helping SEFV with policy development.

From companies’ point of view the benefits from using the service had exceeded expectations in many cases. Our evidence suggests that the programme could help them make improvements but much of that was not quantifiable. Figure 17 below captured how survey respondents would finish the statement *“Overall, I feel the benefits of using the environmental support from SEFV have been...”*.

It shows that four out of ten responding businesses thought the benefits were greater than expected. They commented that, for example, they learned about sources of funding they had not known about. Only one in eight thought the benefits were less than they anticipated.

Because of the nature of the intervention cost savings were used as the additionality measure rather than GVA.

Figure 17 Benefits compared to expectations



Source: Hall Aitken e-survey, n=32

Cost savings

The data environmental advisers recorded included figures on cost savings some companies had achieved. Figure 18 below sets out total cost savings and average cost savings per year. But the figures should just be looked at with caution as actual savings are likely to be higher.

Figure 18 Total and average cost savings

| Year | SMEs achieving savings | Total cost savings of companies helped (£) | Average cost savings of companies helped (£) |
|---------|------------------------|--|--|
| 2004/05 | 19 | 231,176 | 28,897 |
| 2005/06 | 18 | 295,460 | 16,414 |
| 2006/07 | 24 | 635,353 | 25,414 |
| 2007/08 | 30 | 208,405 | 6,947 |

Source: SEFV monitoring information

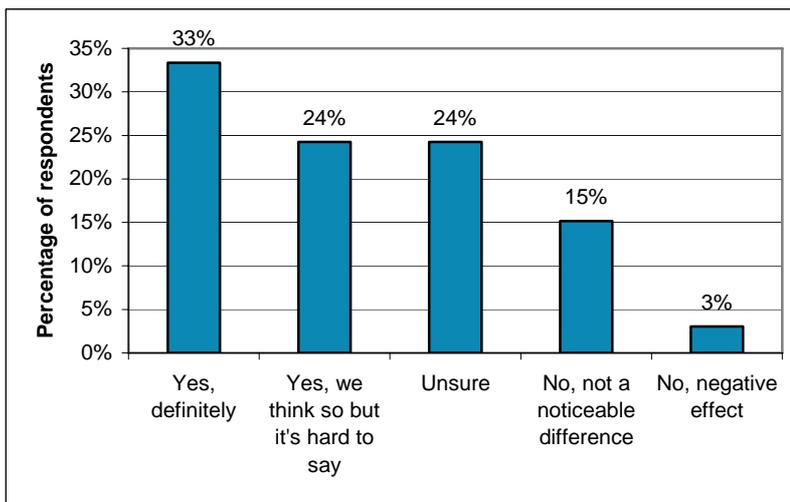
As the report of the interim evaluation already highlighted, it is impossible to identify an average scale of impact on profits. This depends on the size of the company. However, the interim evaluation provided a formula that can give an idea of such impact⁷. According to this, the potential impact on profits for an SME with a net margin within a typical range of 3% to 5% is that every £10,000 of annual cost savings through resource efficiency is the equivalent of respective turnover improvement of between £330,000 and £200,000 annually. The higher the

⁷ Leclerc Associates *Interim evaluation of the Environmental Services Programme, 2004*

profitability of the company the lower is the resource efficiency project's savings impact.

When we asked businesses in our survey if changes following the support had led to cost savings one third were sure that it had. Just under a quarter of respondents thought so and another quarter was unsure, as Figure 19 shows. Three per cent even reported a negative effect of the changes. Most companies who knew they had made savings found it difficult to quantify them.

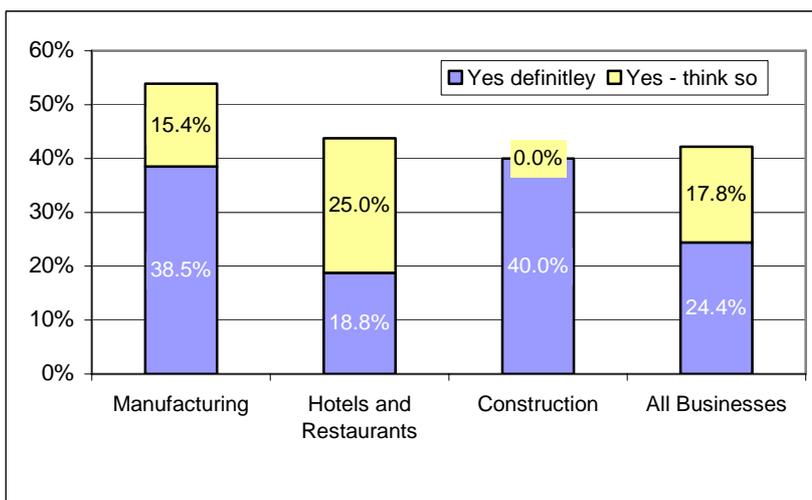
Figure 19 Cost savings resulting from changes



Source: Hall Aitken e-survey, n=33

An analysis of sectors as in Figure 20 showed that manufacturing and construction businesses were more likely to be sure they had made savings than hotels and restaurants.

Figure 20 Cost savings across sectors

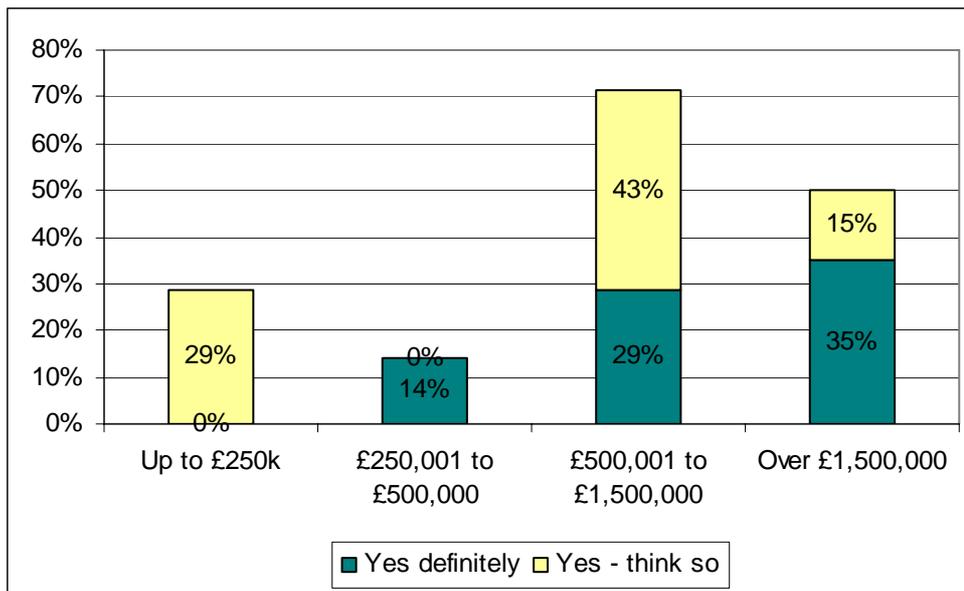


Source: Hall Aitken e-survey, n=33

More than half of respondents from manufacturing knew or thought they had made savings.

The analysis by turnover (Figure 21) implies that none of the companies with a turnover of up to £250k was sure they had saved costs. However almost three quarters of businesses in the £500k to £1.5M bracket, on the other hand, either knew or thought they had made cost savings as a result of the ESP support. And more than a third of those businesses with turnover above £1.5M could definitely attribute cost savings to the programme.

Figure 21 Cost savings by company turnover



Source: Hall Aitken e-survey, n=33

A few businesses found it difficult to say if they had made any savings for a variety of reasons (for example they had grown since the award and as such costs had grown too). Most businesses felt they had reduced energy and waste disposal bills but found it hard to quantify how much. Only a few companies quantified their cost savings, for example:

- A large business reduced their utility bill by £10,000 and their waste reduction from landfill to recycling by approximately £25,000;
- One manufacturing business uses drums for transporting specialist lubricants for the oil industry. For the disposal of the drums they used to pay £500 per drum, but the support from the environmental adviser helped them find a company that takes them away at no cost.

The case studies in Appendix 2 give further examples.

Accreditation

According to programme monitoring records, 28 companies in total – ten more than the target figure of 18 – achieved environmental awards with support from ESP. One third of survey respondents said the environmental adviser had helped them achieve

accreditation. Half of them had achieved or were close to achieving ISO 14001, the other half got accreditation from the Green Tourism Business Scheme.

Whether businesses have environmental accreditation is becoming more important to customers and many now ask for this. So accreditation strongly benefits companies' marketing. Schemes like the Green Tourism Business Scheme also give businesses – especially small businesses – a good practical framework to work in to reduce their environmental impact.

Signposting

Just over half of survey respondents were referred to another agency to take their Environmental Action Plan forward. The most common target agencies were Energy Saving Trust and Envirowise. Others included Carbon Trust and Loan Action Scotland. Two respondents could not remember where they had been referred to and a few had spoken to several agencies.

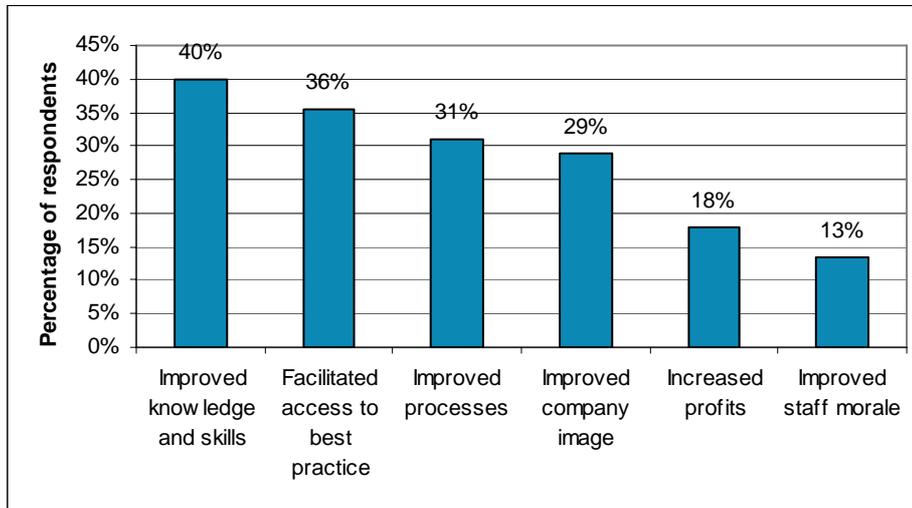
Access to funding

Around two thirds of respondents in our business survey said the environmental adviser had helped them identify and apply for funding. Some had, as a result, received funding through Loan Action Scotland, others from Energy Saving Trust, to purchase capital equipment for instance. A few respondents received funding from Scottish Enterprise to cover consultancy costs for achieving ISO 14001. Some companies had not yet applied for funding or they found they were not eligible.

Other impacts

Companies who responded to the survey also reported other impacts from the support. Around one third of businesses had experienced other – less tangible – impacts, such as improved knowledge, skills and processes as Figure 22 outlines.

Figure 22 Other impacts on businesses



Source: Hall Aitken e-survey, n=45

Cross tabulation by sector (as in Figure 23 below) shows high percentages of around 50% of manufacturing businesses – the sector that had also achieved the most cost savings - felt they had achieved improved knowledge or skills, access to best practice and improved processes. While over 40% of hotels and restaurants had reported cost savings less than a third – or even only 12% for improved staff morale – reported other impacts. Although no construction business taking part in the survey reported increased profits, 40% benefited from the support as it had given them improved processes and access to best practice.

Figure 23 Other impacts by sector



Source: Hall Aitken e-survey, n=45

Although only 27% of survey respondents had attended forum events, those who had much appreciated this opportunity for networking. As one company we followed

up with over the phone put it: *'Being able to meet and share ideas with those who have already tried the things you are considering, or who have other things for you to consider, has been invaluable.'*

Net impact of the programme

To establish the overall net impact of the programme, we need to consider the gross impact before looking at some of the factors that will impact on the level of attribution of these to the funded activities. To do this we need to review:

- Deadweight – that is what would have happened anyway without the intervention from Scottish Enterprise.
- Substitution – where the intervention has simply replaced a similar intervention.
- Displacement – where the intervention results in market share being lost from elsewhere in the target group.
- Leakage – where some of the impacts go to groups outside of the target businesses or geographical area.
- Multipliers – the wider effect of positive impacts on other aspects of the economy.

Gross impact

From data which was collected by the Programme Manager since 2004 we can say that 91 businesses identified savings of around £1.44M (at 2007 prices). However these businesses were only the SMEs within the programme and if all businesses are considered then this would mean 149 businesses making savings out of the 380 participating since 2004. This is equivalent to 39.3%.

Using the data gathered since 1994, the average saving per business can be calculated as £15,878. We will apply this figure as the average saving as it is the best estimate available – however given it is based on only SMEs, the overall average is likely to be higher.

Our survey of businesses that benefited from the programme provides another method of estimating savings. We have assumed (from our survey responses) that all those businesses who definitely made a saving did so, half of those who thought that they may have done did so and one third of those who were unsure did so. This means that at the programme level a total of 233 businesses would have achieved savings since the programme began as shown in Figure 24 below. This is equivalent to 53.4% of all 436 businesses which took part in the programme.

Figure 24 Estimated number of businesses making savings

| | Total Number | Net Number | % making saving |
|--------------|--------------|------------|-----------------|
| Definitely | 145 | 144 | 100% |
| Probably | 106 | 52 | 50% |
| Unsure | 106 | 35 | 33% |
| No saving | 79 | 0 | 0% |
| Total | 436 | 233 | 53.4% |

Source: developed from Hall Aitken Survey of businesses

These two approaches give us a range of between 39.3% and 53.4% of businesses having made savings. Applying the average saving per business of £15,878 would mean total gross estimated savings across the programme of between £2.72M and £3.67M. However given the former estimate is based on only SMEs and that larger businesses were more likely to identify savings, this suggests that the latter figure is more likely to be accurate.

Deadweight

Deadweight refers to assessing the extent to which impacts would have occurred without the interventions. It is likely from reviewing the impacts over time that the level of deadweight at the start of the programme was low. This is because environmental issues and resource efficiency were less well publicised when the programme started. One of the key drivers for the programme was the low take-up rate of energy efficiency advice among local businesses. However, over time awareness has improved and other sources of advice and signposting have become available. So the level of market failure was higher at the start of the programme than in the latter years.

One of the key benefits of the programme has been enabling businesses to save time by giving them advice and sign-posting them to appropriate funding sources. If this happens effectively then the impacts will always be slightly ahead of the baseline case. We feel that the advice and guidance around energy and resource efficiency, while higher quality today, is still complex and fragmented.

For these reasons we would consider that the level of deadweight over the programme period is low and would apply a figure of 25%.

Leakage

Leakage refers to the proportion of impacts which fall to those outside of the intended target group. While the ERDF element of the funded activity was targeted towards SMEs, Scottish Enterprise's remit extends to all Scottish businesses. So, although only 61% of beneficiary businesses were SMEs, for the programme as a whole there is no leakage as such because all businesses supported were based in Scotland.

Displacement

Displacement occurs where the interventions funded lead to market share being taken away from elsewhere in the target area. We would consider there are two areas where there might be some minor displacement from the Environmental Services Programme:

- Displacement of private sector consultancy services; and
- Displacement of economic activity around waste disposal and energy provision.

However these would amount to a very low level of displacement over the whole programme, we would estimate around 10% of activity.

In the base case displacement would be lower with the assumption that some of the businesses would seek advice and consultancy from the private sector in the absence of the Scottish Enterprise support.

Substitution

Substitution occurs when a business substitutes one (subsidised) activity for an existing one. As there is no direct funding associated with the Environmental Services Programme there is unlikely to have been any substitution of activity within businesses.

The potential diversion of private consultancy activity has been addressed as displacement.

Multipliers

While much of the impact on businesses is difficult to put a direct value on, we can make some assumptions on the level of savings that businesses have identified. However given the main impact of the programme is on reducing expenditure rather than increasing income we cannot apply multipliers to these savings with any certainty.

While it is likely that some of the savings and increased profit would have been re-invested in the local economy this cannot be assumed.

Net impacts

Overall the Environmental Services Programme was 90% additional and the deadweight scenario would have delivered around 25% of the benefits (at 95% additionality). Using the Scottish Enterprise Additionality calculator we can identify that the net additional savings from the programme were between £1.79M and £2.43M for the local economy.

Conclusions

The outputs and impacts that were officially recorded for ERDF and SE purposes are only part of the overall impact. The findings of the business survey suggest that the actual impact the programme has had is greater than the reported cost savings or accreditations. To establish the true impact you need to consider that:

- Many companies did not count towards ERDF targets as they were not SMEs; and
- There is evidence that the programme has had a lot of unquantifiable benefits, especially from networking and signposting.

Evidence from our survey suggests that larger businesses may have received more support. This was probably because of SE's focus on account or client managed companies. Larger companies are also more likely to have more staff resources to deal with environmental changes but also financial resources to implement them. But it is important to see the amounts saved in the context of what size a company

is. Sectors like the hospitality sector have typically more small businesses so any savings they make are likely to have an impact on profits.

Also, manufacturing and hospitality businesses appear to have been more likely to get and use support from the programme than other sectors. One reason for hotels and restaurants benefiting more might be that the environmental advisers may have been more proactive in targeting these types of companies as they also provided support under the Green Tourism Programme.

The net impact of the programme to the local economy is between £1.79M and £2.43M, with a high overall level of additionality and a low level of deadweight.

Lessons from similar schemes

This chapter looks at some of the other schemes available to help small businesses with environmental issues. It considers relevant lessons on delivery from the Loan Action Scotland programme, Carbon Trust scheme, Business Environment Partnership and the Green Tourism Programme.

Loan Action Scotland (LAS)

The Loan Action Scotland programme has been running since 1999, offering interest-free loans to small and medium sized businesses in Scotland for work to improve energy efficiency. It offers unsecured interest free loans of between £5,000 and £100,000. The loans help businesses save energy through paying for improvements such as more efficient plant and controls, heat recovery, insulation and lighting.

The programme calculates loan amounts based on the potential financial savings over a maximum of five years. An independent energy audit highlights the areas for the business to address.

Key features of the programme include:

- Promotion by regional business advisers who give advice and support to applicants;
- A free energy audit of the business; and
- A review of the financial strength of the business by an accountant.

Since it began in 1999 the scheme has undergone significant changes. In 2004, the Wise Group, the then administrator of the scheme, also took on the role of managing agent from the Energy Saving Trust. In 2006 there were talks of the Carbon Trust taking over the LAS. But this has not happened and the LAS still exists alongside the Carbon Trust.

Geographical take-up

Loan Action Scotland is marketed through a network of six business advisers across Scotland. However, geographical uptake of the loans is uneven. There is a higher level of uptake in some rural areas while in many urban parts of Scotland it is low compared with the overall business base.

Business sectors

Hotels, restaurants, other manufacturing and textiles sectors make up a greater proportion of participant businesses than in the Scottish business base. On the other hand, business services as a rapidly growing sector is underrepresented in loan applications.

Funded measures

Around two thirds of the measures funded through LAS were in the space heating category (67%).

Marketing and awareness

Six regional business advisers, based in the Energy Saving Trust, are responsible for promoting the scheme. But the LAS report⁸ found that local enterprise companies were slightly more important as a source of referrals. The real strengths of the adviser network were in guiding businesses through the application process.

The way the programme is designed did not lead to a strong marketing drive. The target for loan applications is low and business advisers were not aware of how much money is left in the LAS pot. Also, business advisers' marketing and sales skills vary widely.

Linking with sector-specific business development organisations was successful, for example in the Green Tourism sector. But the programme needed to be more proactive in targeting these bodies, and integrating more with their existing work.

Management and process

Satisfaction with the managing agent was high among loan recipients. Our business survey and interviews indicated that Loan Action Scotland is an easier fund to apply for than other public funds.

Hall Aitken's evaluation report of the scheme in 2006 recommended to:

- Check eligibility as early on as possible;
- Streamline the application process (for example by using credit checks for lower value loans);
- Improving the energy audit through appropriate specialist skills, better recording and better information for businesses about the audit.

Following our recommendations the financial appraisal process has been simplified using a credit profiling system which has made it more cost effective⁹.

Impacts

The scheme aims to help meet the government's emissions reduction target¹⁰. Our review of the Loan Action Scotland management database allowed us to estimate¹¹ that:

- The annual reduction in Carbon was 2,652 Tonnes per year.

⁸ Survey carried out by Hall Aitken as part of the evaluation of the scheme 2006.

⁹ Halcrow Group Limited for Scottish Government Social Research *Review of energy efficiency and microgeneration support in Scotland 2007*

¹⁰ Cadogan Consultants *Loan Action Scotland Development Plan 1999*

- Carbon saved to date was 3,939 Tonnes.
- The total Carbon savings over the lifetime of the measures implemented would be 36,951 Tonnes.

Carbon Trust (CT)

The Carbon Trust is a UK Government funded organisation. Its role is to help the UK move to a low carbon economy by helping business and the public sector reduce carbon emissions and capture the commercial opportunities of low carbon technologies.

The Carbon Trust offers in-depth support to larger businesses and organisations. One activity is the Interest Free Loan Scheme which supports SMEs to finance carbon saving projects. They use installers to sell energy efficiency improvements and this has the potential to increase loan volume and coverage. The Carbon Trust scheme does not offer energy audits for businesses with energy spend of less than £50,000. Also, advice and support is through telephone support from Leeds.

The scheme offers quick eligibility checks and a streamlined financial assessment process. Its loan ceiling is higher than that of LAS and it achieves economies of scale in providing the loans.

Business Environment Partnership (BEP)

The Business Environment Partnership provides free and subsidised assistance with environmental management to small to medium sized businesses in Scotland. The aim is to allow companies to:

- **Make cost savings** through waste management, energy efficiency, reduced effluent production, reduced water and raw material consumption;
- **Reduce risks** through compliance with environmental legislation; and
- **Improve competitive advantage** by developing new products and services; and by enabling companies to operate in supply chains that demand specific environmental credentials, such as ISO14001 and the Green Tourism Business Scheme.

BEP services include:

- An exchange forum: companies, organisations and individuals can donate unwanted furniture and equipment providing a source of free second hand furniture to those who need it;
- A business environmental adviser to provide businesses with a free site review (covering materials, energy, water, effluent waste), an action plan and support with implementing the action plan, as well as information on funding and other support;
- An Environmental Placement Programme for placing students with Scottish businesses to undertake projects with an environmental focus;
- Assistance to companies to achieve standards such as ISO 14001 or Green Tourism Business Scheme (through the Environmental Management Systems Programmes);

- Biodiversity reviews for companies;
- Advice to companies on sustainability (for example renewable energy); and
- Business environmental events and workshops (for example on new environmental regulations).

Research carried out for the Scottish Government in 2007¹² found that businesses were most satisfied with the services provided by the BEP, which received consistently high ratings across all areas. Businesses liked the structure of BEP support which offers a holistic approach to resource efficiency as well as the personalised and ongoing high quality support they provide.

Green Tourism Programme (GTP)

SE Dunbartonshire and SE Forth Valley have developed a strategic approach to investment within Loch Lomond and The Trossachs National Park. The Green Tourism Programme is part of this agenda. The Green Tourism Programme focuses on developing green tourism and its associated sustainable business practices. The strands of delivery include:

- One-day high profile conferences around green tourism and sustainability issues – *Green in the Park*;
- One-to-one business support and advice;
- Green Tourism Business Scheme (GTBS), a pan-UK sustainable tourism certification scheme. Businesses opting to join are assessed by a qualified grading adviser against a rigorous set of criteria;
- Energy audits;
- Signposting to other schemes, including the Energy Saving Trust, Carbon Trust, Envirowise; and
- Workshops for businesses.

The evaluation of the scheme in 2007¹³ made a series of recommendations, including:

- To focus one-to-one support on companies that can demonstrate their project will help to expand the market and/ or wish to work towards GTBS accreditation;
- To broaden the scope of companies to be supported; and
- To develop case studies that demonstrate the financial benefits that can come out of environmental improvements.

Conclusions

Loan Action Scotland was one of the schemes the Forth Valley Environmental Services Programme made referrals to. The evaluation of the scheme highlighted the role of advisers in making businesses aware and encouraging them to apply for

¹² Halcrow Group Limited for Scottish Government Social Research *Review of energy efficiency and microgeneration support in Scotland 2007*

¹³ EKOS *Evaluation of Green Business Programme 2007*

funding. The Interest Free Loan Scheme of the Carbon Trust is similar to the LAS but has a greater loan volume and targets mainly larger businesses.

The Business Environment Partnership support has had a particularly strong impact on skills and knowledge transfer and on enhancing social responsibility, while the Carbon Trust had the strongest impact on cost savings and on carbon emission reduction¹⁴. The Green Tourism Programme has a sectoral focus and also signposts businesses to other schemes.

Our review only looked at a few of the schemes that are available but it has shown that there is a role for local advisers for businesses on the ground. It is important that an effective signposting – and handholding – mechanism is in place. Now that ESP has ended companies in the Forth Valley region are likely to notice the gap as it had a role in linking up services by providing some form of “wrap-around” service. The Environmental Service Programme helped to make overall support provision smoother and more effective, thus addressing a market failure.

Companies, account managers and environmental advisers commented on the fact that businesses did not receive funding for implementing measures under ESP. That is where LAS and the Carbon Trust are important for keeping up momentum. Effective advice is important. This may be through more proactive marketing from LAS side or advice under the Environmental Management Initiative. Advisors can also make a difference to uptake across regions and sectors. Partners involved need to keep up the dialogue to provide joined up support. Figure 25 below summarises some key points.

Figure 25 Summary of similar schemes

| Title | Key activity | Targeting | Comments |
|---|---|--|---|
| Loan Action Scotland | Interest free loans of £5k to £100k for energy efficiency measures Independent expert advice on what to buy | Scotland-wide SMEs | Businesses value independent expert advice Relative uptake higher in some rural areas and among manufacturing businesses, hotels and restaurants Most successful where linking with sector-specific business development organisations (e.g. Green Tourism) |
| Carbon Trust | In-depth support to help businesses and public sector reduce carbon emissions Interest-free loan scheme Telephone support | UK-wide Larger businesses (£50k energy spend threshold) | Strong impact on cost savings and carbon emission reductions |
| Business Environment Partnership | Assistance with environmental management measures Exchange forum Free site review, action plan and implementation advice Student placement programme Events and workshops | Scotland-wide SMEs | Holistic approach and high business satisfaction levels Strong impact on knowledge and skills transfer and on enhancing social responsibility |
| Green Tourism Programme | Conferences and workshops One-to-one support and advice | SEFV and SE Dumbartonshire areas | Well received by tourism sector Evaluation recommended broadening scope of companies supported and |

¹⁴ Halcrow Group Limited for Scottish Government Social Research *Review of energy efficiency and microgeneration support in Scotland 2007*

| | | | |
|--|--|---|--|
| | <p>Green Tourism Business Scheme Energy audits Signposting</p> | <p>Sectoral focus on tourism businesses</p> | <p>focussing one-to-one support on higher impact companies</p> |
|--|--|---|--|

Environmental Services Programme in a changing policy context

This section provides a review of the policy context for the Environmental Services Programme. It explains how the key strategies that informed the programme originally have changed and what the government's new approach to sustainable development looks like. Against this background we will give an outline of the new national initiative that replaces ESP. We will also draw some conclusions on the links between ESP and its strategic context.

When the programme started

Considering the changes in recent years, we only want to outline briefly which strategies the Environmental Services Programme set out to support in 2002. As we have mentioned in our discussion of the rationale for the programme, both the green agenda and the business agenda – at EU, UK, Scottish and local level - form its background. At EU level, sustainable development objectives as well as the objectives of the Lisbon Agenda were translated into the requirements for obtaining ERDF funding.

At Scottish level, the key strategy ESP aimed to support was the original *Smart Successful Scotland* strategy (2000) which itself was underpinned by the *Framework for Economic Development in Scotland* (2000). In April 2002, the Scottish Executive Environment Group had published a document that set out the priorities, actions and targets for sustainable development in Scotland¹⁵. The document identified resource use as a priority area. An indicator called Sustainable Prosperity measured progress using the index of CO2 emissions divided by GDP but no target was set – instead the document emphasised that a reduced trend was desirable.

A document worth mentioning here is the *National Waste Strategy for Scotland*¹⁶ published in 1999 by the Scottish Environment Protection Agency (SEPA). Driven by a combination of European legislation, environmental pressures and public expectation, the strategy outlines how Scotland can set about decreasing the amount of waste being landfilled and increasing the amount being reused and recycled.

At local level the economic strategy for Forth Valley - Global Change Local Challenge – and the evolving Forth Valley Area Waste Plan as part of the National Waste Strategy informed the programme.

How the context changed

Since the programme started the strategic context has seen major changes. In 2004, the *Framework for Economic Development in Scotland* was updated and *A Smart, Successful Scotland* refreshed. In December 2005, the Scottish Executive published a sustainable development strategy for Scotland¹⁷, and – also in 2005 – it launched

¹⁵ Scottish Executive Environment Group, Paper 2002/14: *Meeting the needs....* 2002

¹⁶ SEPA *National Waste Strategy for Scotland* 1999

¹⁷ Scottish Executive *Choosing our future: Scotland's sustainable development strategy* 2005

the *Green Jobs Strategy*¹⁸. In 2003, SEPA and the Scottish Executive launched the *National Waste Plan* to implement the *National Waste Strategy*, bringing together Area Waste Plans for the different strategy areas.

Framework for Economic Development in Scotland (FEDS)

As the overarching economic development strategy, FEDS set out the key factors of competitiveness to promote economic growth. It explained the rationale for government intervention to support economic development and its vision for economic growth:

‘to raise the quality of life of the Scottish people through increasing the economic opportunities for all on a socially and environmentally sustainable basis.’

Sustainable development – in economic, social and environmental terms - was one of the four key outcomes. And the importance of sustainability was one of the underlying principles for achieving the outcomes. The strategy recognised that economic development had much to gain from making more efficient use of resources and from reducing the high costs from environmental degradation. It took account of the UK Government’s approach to sustainable consumption and production as set out in the *Changing Patterns* (2003) framework.

FEDS referred to the *Green Jobs Strategy*, published in 2005, for action on resource productivity.

A Smart, Successful Scotland

A Smart, Successful Scotland (2004) describes the strategic direction for the Enterprise Networks and provides an enterprise strategy for Scotland, taking forward several of FEDS’ key priorities. It promotes the vision of ‘a Scotland where the quality of life of our people is raised through increasing the economic opportunities for all on a socially and environmentally sustainable basis’. The three broad organising themes are:

- **Growing businesses:** Taking forward entrepreneurial dynamism and research and development to deliver innovative companies growing in scale;
- **Learning and skills:** Developing skills to make best use of our human capital and to prepare for tomorrow’s labour market;
- **Global connections:** Taking forward aspects of physical and electronic infrastructure, together with building the global connections of Scottish businesses to create world class locations, part of Europe and connected to the global economy.

Under the SSS Priority *Developing more businesses of scale*, the Environmental Services Programme supports the objective to improve business performance by assisting business to improve environmental performance as set out in the Green Jobs Strategy. Progress against this objective is measured through the number of businesses participating in environmental activities to achieve business benefits.

¹⁸ Scottish Executive *Going for green growth: a green jobs strategy for Scotland 2005*

Sustainable development strategy

Choosing our future: Scotland's sustainable development strategy gives businesses a crucial role in helping Scotland make the successful transition to a low-carbon economy. It highlights the financial savings to be gained and sets out a range of actions businesses should undertake:

- Improve productivity and competitiveness by using resources more efficiently;
- Develop a clear environmental policy for the company which is well understood by all employees;
- Explore market opportunities for new, greener products and technologies;
- Work to identify and reduce their impact on the external environment and, where appropriate adopt good neighbour agreements with their local communities;
- Help employees to reduce their environmental impact - providing cycling facilities or having their own travel-to-work strategy;
- Routinely monitor resource use and environmental impact, report publicly on them and invite feedback from stakeholders;
- Consider how they might work more closely with other local businesses to share experience and reduce collective impact; and
- Introduce training programmes to raise awareness and develop skills.

Looking to the future – Scottish Government policy

With a new government in place, Scotland is taking a new approach to economic and sustainable development. Sustainable development is being mainstreamed rather than treated as a separate matter. It is therefore unlikely that there will be a separate sustainable development strategy under this government.

At the core of the policy context for this research is the *Government Economic Strategy*¹⁹. It takes into account the economics of climate change as set out in the *Stern Review*²⁰. The review sees climate change as 'the greatest and most significant market failure ever seen' and states that 'the transition to a low-carbon economy will bring challenges for competitiveness but also opportunities for growth'. Another key document will be the *Climate Change Bill* for which the consultation is live at the moment.

Work is also ongoing on a new national waste framework from which a new national waste plan will be developed. Unlike the existing waste strategy it has a focus on commercial and industrial waste, recognising that municipal waste only accounts for about one fifth of waste.

As the Head of Sustainable Development Policy at Scottish Enterprise confirmed, it is notable that the level of ambition has much increased in this changed policy context.

¹⁹ Scottish Government *Government Economic Strategy* 2007

²⁰ Sir Nicholas Stern *Stern Review on the economics of climate change* 2006

Purpose

The Government has identified its overarching purpose as:

'to focus government and public services on creating a more successful country, with opportunities for all of Scotland to flourish, through increasing sustainable economic growth.'

The Government's budget statement outlines a strategy for matching Scotland's economic performance to that of the UK as a whole, and the Arc of Prosperity countries that neighbour Scotland. To do this it will focus on:

- improving productivity and competitiveness;
- increasing labour market participation; and
- stimulating population growth.

The Government has moved towards an outcome-based approach to measuring progress towards overall policy goals making it both transparent and accountable. To support the overall purpose the Government has identified five strategic priorities supported by 15 objectives and 45 outcome targets.

The Government expects this new outcomes-focused approach to performance to enable and encourage more effective partnership working across the public sector and with stakeholders. A key feature is to 'leave the detailed management of services to those who can best understand and tailor their resources and activities in line with local priorities²¹' through Single Outcome Agreements with local authorities.

Strategic Objectives

The Scottish Government's five strategic objectives are a Scotland that is:

- **WEALTHIER & FAIRER** - Enabling businesses and people to increase their wealth and more people to share fairly in that wealth;
- **SMARTER** - Expanding opportunities for Scots to succeed from nurture through to lifelong learning, ensuring higher and more widely shared achievements;
- **HEALTHIER** - Helping people to sustain and improve their health, especially in disadvantaged communities, ensuring better, local and faster access to health care;
- **SAFER & STRONGER** - Helping local communities to flourish, becoming stronger, safer places to live, offering improved opportunities and a better quality of life; and
- **GREENER** - Improving Scotland's natural and built environment and the sustainable use and enjoyment of it.

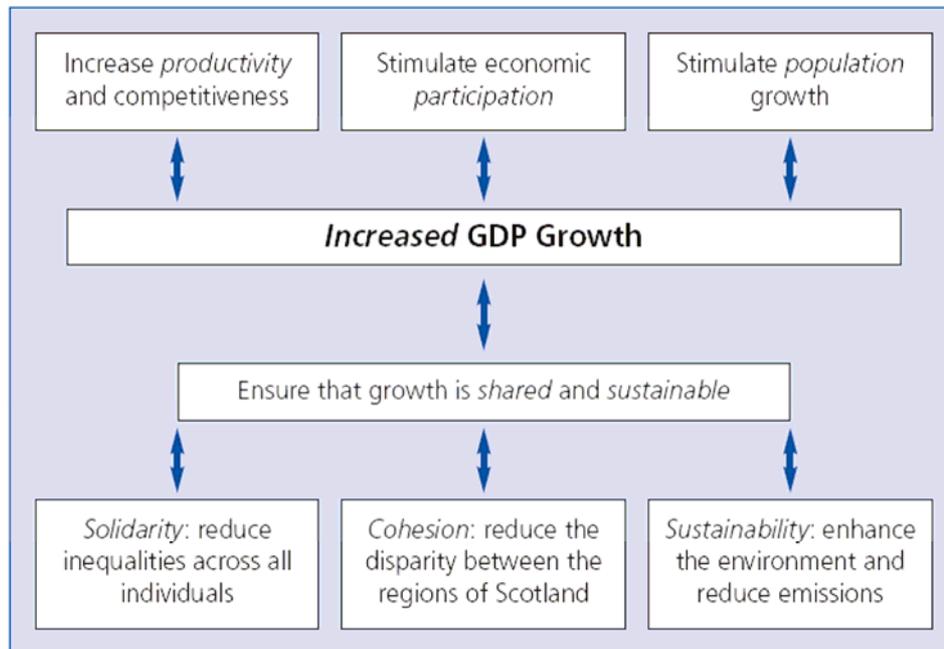
A greener Scotland

The Scottish Government is committed as part of its overall purpose to reducing energy emissions in Scotland by 80%, and to provide a global example. The aim is for a prosperous, low carbon economy. Figure 26 below shows sustainability in the

²¹ Scottish Government *Scottish Budget Spending Review 2007*

context of the Government Economic Strategy. The strategy follows the principle of sustainability equity by enhancing the environment and reducing emissions.

Figure 26 - Components and characteristics of growth



Source: Scottish Enterprise

The National Outcomes to work towards include:

- o *'We value and enjoy our built and natural environment and protect it and enhance it for future generations*
- o *'We reduce the local and global environmental impact of our consumption and production'*.

The budget spending review gives an outline of the measures for achieving the outcomes. Actions for reducing the impact of consumption and production range from consultation on legislation to establishing mandatory targets and monitoring arrangements to introducing new initiatives such as a new Climate Challenge Fund.

Scottish Climate Change Bill

In January 2008 the Scottish Government published the consultation on a new Climate Change Bill for Scotland. The Bill aims to create a long-term framework for the current and successive administrations in Scotland to ensure that emissions are cut by 80% by 2050. It also seeks to establish an independent committee to advise on the level of carbon budgets, create enabling powers and reporting requirements. The Scottish Bill will be the driver for devolved climate change policies.

The proposals recognise that resource management will be a key skill for businesses. They have been welcomed by the Scottish Climate Change Business Delivery Group which considers a lower carbon economy a once-in-a-generation opportunity. The Bill is likely to go through the formal parliamentary process by the end of this year and come into force in 2009/10.

A new vision for waste

One of the National Indicators and Targets within the National Performance Framework is to 'reduce to 1.32 million tonnes of waste sent to landfill by 2010'. To achieve this, the Scottish Government announced and proposed to consult on its new direction on waste in January 2008 which would involve new targets for waste recycling and reduction.

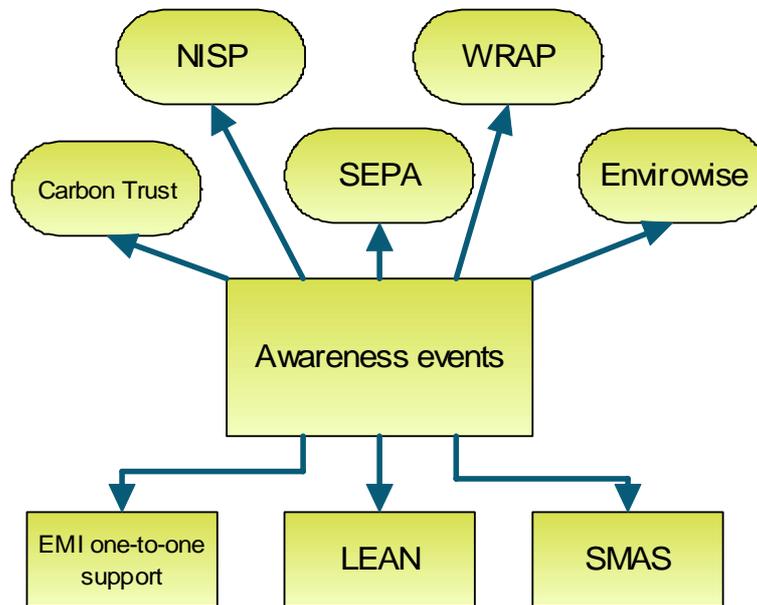
Environmental Management Initiative (EMI)

Restructuring at Scottish Enterprise mean that regional initiatives to deliver the environmental objective are being replaced by one single initiative across SE's area – the Environmental Management Initiative. Officially in place since 1 April, the programme aims to provide a more consistent approach for environmental support for businesses across all SE regions. Also on 1 April, Business Gateway contracts have been transferred to Scottish local authorities, with Scottish Enterprise only retaining a role in terms of national aspects of Business Gateway.

EMI is open to all companies and will run for three years. It uses a mix of one-to-one support and workshops for businesses. The starting point will be a series of themed seminars for groups of around 60 to 100 companies across Scotland. The aim is to raise awareness of the benefits of resource efficiencies. From there referrals will be made to other public sector provision of support, such as Carbon Trust, WRAP and Envirowise. By the end of each seminar, companies should have signed up for follow-up activity. But EMI also contains an element of one-to-one support which is important in rural areas where it is more difficult to get groups together. Companies will get a minimum of half a day of one-to-one support, some will get up to two days to scope out a high level action plan. To deliver EMI a full-time person is in post in each of the five regions. The ESP project manager has helped inform the new initiative to ensure that lessons were considered.

Figure 27 below illustrates the role the awareness raising events have in signposting companies to either follow on support through EMI, LEAN or SMAS (Scottish Manufacturing Advisory Service), or to other public sector provision.

Figure 27 EMI signposting



Source: Hall Aitken Stakeholder interviews

The challenge will be to get companies – particularly the right people – to come along to events.

Conclusions

While the Environmental Services Programme was relevant when it first started, the activities it provided and the message it aimed to get across have become even more relevant when the policy context changed. Changes companies are making as a result of the support help to improve productivity and competitiveness by using resources more efficiently. This means that programmes such as the Environmental Services Programme need a higher profile than they maybe have at the moment.

The new programme – EMI - is Scottish Enterprise’s contribution towards achieving strategic objectives within a reduced budget. Local authorities have a stronger role now in complementing this with support to their local business base. There needs to be a two-way flow of activity and information. Local authorities and Scottish Enterprise, in turn, need to coordinate their approach with other providers, such as Envirowise and the Carbon Trust. Other support bodies will be driven by their own targets over which SE has no control. And SMAS runs to UK standards for measuring success. Data protection can be a barrier for effective cooperation.

However at the moment there is no steering group or similar to ensure a joined up approach.

Making sense of the findings

In this final chapter we summarise the key points that have come out of this evaluation. We identify lessons for future activities and highlight some things to consider.

Environmental Services Programme summed up

The evidence from this research showed that the Environmental Services Programme was successful in achieving its targets. It was well managed and delivered effectively, probably partly because the individuals who provided the service were well suited for the post. But ESP could only scratch the surface in addressing market failure because of resource restrictions. The programme could have worked with many more businesses.

The limitations of the recording system mean that the real impacts of programme activities were much greater than what it claimed against ERDF and SE targets. And much of the perceived impact is not quantifiable, such as the benefits from networking or signposting. In fact, by signposting to other schemes, such as the Energy Saving Trust, ESP added particular value as it provided a wrap-around type service rather than duplicating existing provision.

The findings suggest that larger companies benefited more. And more manufacturing and hospitality businesses appear to have been engaged than businesses from other sectors.

Acting on the interim evaluation

We used our evidence to assess if the points the interim evaluation report had highlighted were still valid:

- A reluctance among businesses to go for **ISO 14001 accreditation** – Business awareness of the relevance of the accreditation appears to be higher and where appropriate companies engage in the process.
- **Eligibility difficulties** in accessing government funding for implementing changes – This problem still seems to exist and it is particularly difficult for small businesses to fund resource efficiency improvements.
- A **fragmented regulation and advice sector** that is difficult to penetrate for non-specialists – This is still the case so recent and current changes could be an opportunity to improve the situation.
- The need for **bespoke** resource efficiency solutions and assistance with accessing best practice – This evaluation confirmed this need again. Especially small companies need a lot of support and hand-holding and they appreciate networking opportunities.
- ESP would benefit from an increase in **staffing** – Staffing resources remained at the same level. Evidence suggests that additional staffing could have increased impacts further.

The interim evaluation had also stressed the urgent need to develop a new business efficiency module for SE Premier Advisor training which incorporates resource efficiency and related issues. According to Scottish Enterprise this module is still under development.

There is evidence that - since the interim evaluation took place – businesses have become more proactive in seeking support as resource efficiency is more topical now.

Lessons from the Environmental Services Programme

A review of the evidence identified some success factors for delivering environmental advice and support:

- Customised one-to-one support;
- Proactive support;
- Local delivery – especially having regular forum meetings in the local area;
- Forum events that combined specialist input with case studies from peers;
- A clear and effective referral system; and
- Training for account managers and other advisers.

Having a sustainability specialist close to other business advisers and account managers can be a valuable source of information on an ad hoc basis.

Lack of financial resources and limited access to funding support are a barrier for companies to implement resource efficiency measures.

The lessons from the Environmental Services Programme have informed the design of the new Environmental Management Initiative.

Points to consider

Coordination and changing roles

Sustainability has moved up on the policy agenda since the Environmental Services Programme started. A lot of support is on offer – in the form of advice but also financial support – to reduce the impact of Scottish businesses on the environment and increase productivity at the same time. Our research suggests that businesses – especially small businesses – need a lot of customised support and hand-holding to make changes.

Major changes in Government policy and within Scottish Enterprise have implications on business support. Future programmes need to be directly aligned with the Government's productivity and carbon emission priorities. Scottish Enterprise is replacing regional initiatives with the Environmental Management Initiative. A reduced budget makes it impossible to provide advice and run events as locally as, for example, under ESP. It will be a challenge to get the right people to come along to awareness raising events if it involves travel. But with Scottish local authorities taking over most of the Business Gateway function they will have a

stronger role in raising awareness and engaging businesses at a local level. Falkirk Council, for instance, has plans to continue resource efficiency forums for local businesses. The links and relationships with other schemes and support bodies are also important.

Speaking to stakeholders for this evaluation gave the impression of uncertainty among SE staff, councils and partners about what would replace ESP in the short term. Councils seem to have some plans for local activities in their areas but there are no obvious intentions to coordinate these with SE or other partners. Coordination will be key for providing effective support without duplication. Some effort is also needed to match up SE's national interest with councils' local interest. Scottish Enterprise would like to focus on larger projects with larger companies in future although EMI will be open to all companies. Councils want to help at micro level and link activities to community-based action. They recognise that, for instance, social enterprises also need support with environmental measures.

The question is who will lead on this in future and what mechanism would be appropriate for keeping up the dialogue. What role will other bodies, such as the Federations for Small Businesses have? What is the Scottish Government's role and are they aware of successful models like ESP?

Follow up support

At the time when the Environmental Services Programme ended many companies had become aware of the support or already started improvement projects. Seamless follow up support could ensure that the momentum does not get lost and that changes actually happen. The new regional advisers under EMI will have to take over these projects. The question is if they will have the capacity and will be up to speed soon enough.

Access to specialist knowledge

Having the environmental advisers around seems to have made SEFV staff aware how useful easy access to specialist knowledge and information is for their own work. We have identified a need for environmental experts in both policy and operational functions. SE account managers as generalists rely on specialists for their expertise.

Appendix 1 – Business survey questionnaire

Appendix 2 – Case studies

Below are some case study examples from a leaflet produced by Scottish Enterprise.

Recycled materials had environmental and financial benefits

Falkirk based Central Blasting & Painting (CBP) saw an opportunity to trial recycled blasting media to reduce costs and environmental impact. An SE Forth Valley Environmental Advisor helped CBP to access funding to set up the trials and bring together partners and stakeholders from industry and academia. The waste glass media trials exceeded performance expectations, and using it reduced the cost of raw materials and material disposal as well as reducing environmental impact, health risks and legislative liability.

“We could not have achieved this without the support of Scottish Enterprise Forth Valley.” John Cooper, Central Blasting & Painting.

Reducing waste results in savings of £66k per annum

Amid rising costs, Falcon Foodservice Equipment accessed free energy and waste audits to pinpoint potential efficiencies and savings.

With the help of an SE Forth Valley Environmental Advisor, Falcon has made savings of over £33,000 per annum through reducing metal offcut waste by using laser cutting equipment and by segregating and recycling waste. A further £38,000 per annum was saved with management of heat and light.

“I would recommend that any company which is keen to save money through simple waste minimisation procedures takes advantage of these support services.” David Wilson, Falcon Foodservice Equipment.

Efficiencies saved £13,000 per annum and secured Green Award

Castle Campbell Hotel and Restaurant tapped into information and support to help draw up an action plan and guide the Hotel through implementation. Waste was reduced by bulk buying, supplier take back schemes, and recycling of paper, glass and cardboard. More efficient use of power and water brought further savings. As a result, the business improved efficiency, reduced annual costs by approximately £13,000 and achieved the Green Tourism Business Scheme’s Gold Award.

“It’s a good business practice lowering our operating costs and so it’s definitely worth doing.” Esplin Chapman, Castle Campbell Hotel.

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