

'How to' guide

Understanding local economic performance: Investment

Introduction

Investment is an important driver of local productivity and output. This briefing will help local policymakers understand how to think about investment in their local area and develop appropriate policies.

This briefing is part of a series that provides guidance to help policymakers think about local economic performance. It overviews key economic concepts and provides guidance on data and analysis.

Contents

Introduction	1
Investment	3
What is investment?	3
Why is investment important for local economic performance?	3
Questions to understand local investment performance	4
Analysing data	4
Geography	5
Understanding local investment	5
Next steps	22
Annex 1: Public investment	23
Annex 2: Access to finance	26

Investment

What is investment?

Investment is spending to increase or improve capital stocks – i.e. the durable inputs used in the production of goods and services. Investment can be into:

- Physical assets such as machinery, buildings, and broadband cables – generally referred to as 'tangible capital stocks'.
- Non-physical assets such as software, intellectual property, and branding – generally referred to as 'intangible capital stocks'.

'Durability' distinguishes these inputs from intermediate inputs that are used up in production (such as steel, timber, cotton or sugar).

Capital stocks can be private or public.

- **Private capital** stocks are owned by individuals or businesses. Examples include machinery and warehouses. Private capital is excludable (i.e. it can only be used by, or with the permission of, its owners) and rival (i.e. it cannot be used by more than one person or business at the same time without reducing availability to others).
- **Public capital** stocks are provided and maintained by government for societal benefit. Examples include roads, hospitals, and schools. Pure public capital is non-excludable (i.e. everyone can use it) and non-rival (i.e. it can be used by multiple individuals or businesses at once without reducing availability). In reality, much public capital is partially excludable (for example, a bridge can charge a toll) or partially rival (for example, roads can be used by many individuals and businesses but congestion means not everyone can use at same time).

Investment into private capital stocks can be financed from retained income or profits, borrowing from banks or other financial institutions, issuing equity or through grants or loans from the public sector. Investment into public capital stocks is primarily financed through tax revenues or by issuing debt (such as gilts).

Investment into public capital stocks can 'crowd in' investment into private capital stocks by reducing risk and creating enabling conditions (for example, investment in ports or roads can reduce transport costs or open new markets for businesses, incentivising business investment). Investment into public capital stocks can also '[crowd out](#)' investment into private capital stocks (for example, subsidised housing projects, which offer rents below market rates, can affect private market rents, reducing developer returns, and discouraging them from investing in new housing units). At the national level, increased investment into public capital stocks can lead to interest rates increasing, affecting the cost of finance for the private sector.

Why is investment important for local economic performance?

Investment can directly increase local output. For example, building a house or road creates economic activity. Other types of investment (for example, purchasing new machinery or software) also creates economic activity but not necessarily locally.

More important, long term, is that investment is an important driver of productivity. Productivity measures how efficiently inputs (resources or factors of production) are converted into outputs (goods and services). If businesses want to improve productivity, they might invest in new machinery to speed up production, or new software to tackle more complex and higher value tasks. The amount of

machinery or technology available to each worker and the efficiency of machinery or technology can increase output per worker or reduce costs, increasing productivity.

Increasing productivity through investment in capital stocks might have a substitution effect on other inputs. For example, new machinery might replace (substitute) jobs in the short-term, increasing unemployment. Think of business investment in computers in the 1980s and 1990s, reducing the need for staff in a typing pool. In other cases, investment in capital stocks may have a complementary effect on other inputs. Businesses that invested in computers needed IT teams to resolve issues.

Public capital investment can also have powerful and lasting effects on productivity. For example, investment in roads, rail, ports, energy grids, and broadband reduces costs and time for businesses, and boosts efficiency, access to markets, and connectivity.

The quality of investment matters. Poorly targeted or inefficient investment can lead to low returns and wasted funds. If a project is driven by speculation rather than real value creation, it can divert investment (and other resources such as labour) away from more productive uses.

Investment may affect some demographic groups, businesses or areas, but not others. Assessing who benefits and who does not can help mitigate negative effects of investment.

Questions to understand local investment performance

Start by establishing the questions to be answered. Throughout the briefing, key questions are set out at the end of the introduction to each section.

Analysing data

Data analysis should reflect the questions to be answered, rather than being undertaken for its own sake. When selecting from multiple datasets and measures, consider which most closely aligns with the question. Also consider available geographies, frequency (one-off, biennial, annual, quarterly, monthly), and timeliness (i.e. the lag between collection and publication).

Most economic data relates to either:

- **Stocks** – which measure the quantity that exists at a specific point in time. Examples include the amount of labour, skills, machinery or infrastructure available in a local economy, or the overall size of the local economy.
- **Flows** – which measure changes over time. Examples include investment, or numbers gaining qualifications in a specific topic.

Data can be analysed in multiple ways, with a clearly defined research question setting the parameters (for example, by indicating that a comparison across areas or time is required).



Most analysis starts by looking at the **current position**. It is possible to look at the current position for both stocks and flows.



Comparison across areas allows benchmarking. It is important to select comparison areas carefully to ensure benchmarking is useful.



Comparison over time looks at how things are changing. It is good practice to pick a neutral time period (such as five or 10 years) but in some cases analysis will look at performance since a notable event (such as recession or election). It is possible to compare over time for both stocks and flows.



Analysing breakdowns can provide additional insights. For example, comparing different geographic areas or different groups within a population.



Combining data can provide additional insights. For example, combining data on productivity and income helps illustrate whether local people are benefiting from high productivity.

This briefing provides **examples** and is not intended to be exhaustive. Only publicly available datasets are suggested. For some questions, commercially provided datasets may be available and provide useful insights. Not all questions will be answerable using existing (secondary) data. In these cases, and where resources allow, primary data collection (for example, a survey of local employers) may be required.

Geography

This briefing uses the East Midlands Combined County Authority (EMCCA) as an illustration. This covers four upper tier local authorities:

- Derby
- Derbyshire
- Nottingham
- Nottinghamshire.

EMCCA has a population of just over 2.2 million and its output (Gross Value Added, GVA) was £61.6 billion in 2023. It has a higher proportion of employment in manufacturing than England as a whole (11.7% compared to 7.0% in 2024).

Comparing performance against other geographies can provide additional insights. The main options are to benchmark against higher-level geographies or against other similar areas. For this guide, England and the East Midlands region (which includes the Greater Lincolnshire, Leicester, Leicestershire, North Northamptonshire, Rutland, and West Northamptonshire upper tier local authorities in addition to EMCCA local authorities) have been selected as higher level geographies.

Many datasets on investment are not available at the local level, creating challenges in understanding local economic performance and designing effective interventions.

Understanding local investment

As outlined earlier, investment is the process of increasing or improving capital stocks – i.e. physical assets such as infrastructure, buildings, machinery and equipment and non-physical assets such as R&D, intellectual property, software, design, and branding used in the production of goods and services.

Ideally, local policymakers would be able to analyse timely data on both overall capital stocks and

investment. Currently no local data is available on overall capital stocks (although some data is available on specific types of public capital such as roads).¹

Data on investment has various constraints. Data on total investment (covering all businesses, households, and government) is available and includes useful breakdowns by asset type and sector – but is relatively out of date (2020). There is no breakdown of investment across businesses, households and government at the local level. Data on public investment is available at the regional level and is discussed in Annex 1.

Businesses require finance to fund investment. Whilst many are able to self-fund from retained profits, others will require external finance. Annex 2 discusses access to finance.

Key questions

- How does investment compare to other areas?
- How much investment is there in different asset types?
- How does investment vary across sectors?
- How much foreign investment is there in the area?
- What plans do businesses have for future investment?
- What plans does government have for future investment?

How does investment compare to other areas?



What to look for?

- How does investment compare to other areas?

What might affect performance?

- Investment depends on a wide variety of factors including availability and cost of finance, economic conditions (such as economic growth or business confidence), returns on investments of available projects, and existing assets.

Other things to be aware of

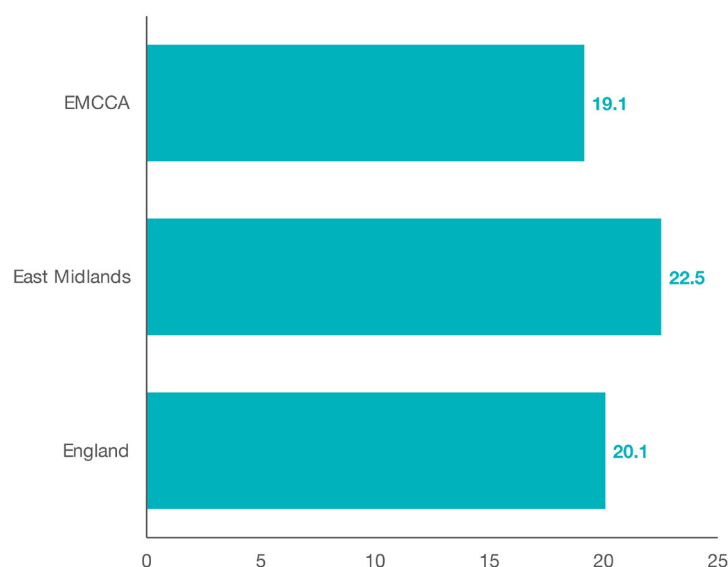
- Investment is a flow – i.e. the additional capital added during a time period (in this example, a calendar year). It does not measure existing capital stocks or consider depreciation.
- Investment is cyclical and is generally more volatile than output (GVA). This means investment tends to drop by more than GVA during downturns. Where possible, look at data over multiple time periods. When looking at a single year, consider the economic cycle.
- As areas vary in size, comparisons may be more meaningful if investment is divided by a factor that indicates the size of area. Options include population (per capita), GVA, and hours worked.

¹ Whilst no data is available on capital stocks, it is possible to calculate an estimate using the perpetual inventory method. An example of this is given in Brandily, P., Distefano, M., Donnat, H., Feld, I., Overman, H. and Shah, K. (2022). *Bridging the gap: What would it take to narrow the UK's productivity disparities?* [report](#) and [methodology annex](#). ONS have published a briefing on how they calculate at national level.

Suggested dataset	• Experimental regional gross fixed capital formation (GFCF) estimates by asset type (ONS). • Data is available for ITL 1, 2 and 3.² Unitary authorities and larger local authority districts tend to be the same as ITL 3. • These are experimental statistics, published in 2022. They have not subsequently been republished although a subset (focused on building investment) was published in 2023 (and included local authority district data alongside ITL 1, 2 and 3 data). ONS stated that they planned to publish GFCF buildings data on an annual basis and expand available data to cover other assets but no subsequent data has been published. • Additional data is needed for the denominator. Figure 1 uses GVA as the denominator, available from Regional gross domestic product (ONS).
Suggested measure	• Gross fixed capital formation as % of gross value added (GVA) (shown below). • Gross fixed capital formation as % of hours worked.
How good a match to the question is the available data?	• GFCF measures investment in buildings, infrastructure, machinery, equipment, R&D, software, etc. It does not include investment in financial assets, land (although it does include improvements to land) or transfers of second-hand assets. • GFCF covers the whole economy – including investment by businesses, households, and government . • GFCF includes both new capital stocks and improvements to existing capital stocks. • GFCF as a percentage of GVA is used for comparison rather than GFCF, as GFCF reflects area size and UK administrative geographies vary in size. • The most recent available data is for 2020, meaning it is not possible to understand more recent trends.
What other questions can this dataset help answer?	• How much investment is there in different asset types? • How does investment vary across sectors?

² ITLs are International Territorial Levels, a statistical geography defined by the Office for National Statistics. Across the UK, there are 12 ITL 1 geographies (Scotland, Wales, Northern Ireland and 9 English regions), 46 ITL 2 geographies, and 182 ITL 3 geographies. They are intended to be stable set of geographies and will only be amended periodically. More information on ITL geographies is available [here](#).

Figure 1: Gross fixed capital formation as % of GVA, selected geographies, 2018 to 2020 (three-year average)



Investment accounts for just under 20 percent of GVA in the EMCCA area, a slightly lower percentage than in East Midlands region and England.

Source: Experimental regional gross fixed capital formation (GFCF) estimates by asset type (ONS) and Regional gross domestic product (ONS)

Policy implications

- If investment as a percentage of GVA is lower than in comparator areas, there may be a need to intervene to increase investment. More evidence is needed to understand what intervention may be necessary.

How much investment is there in different asset types?



What to look for?

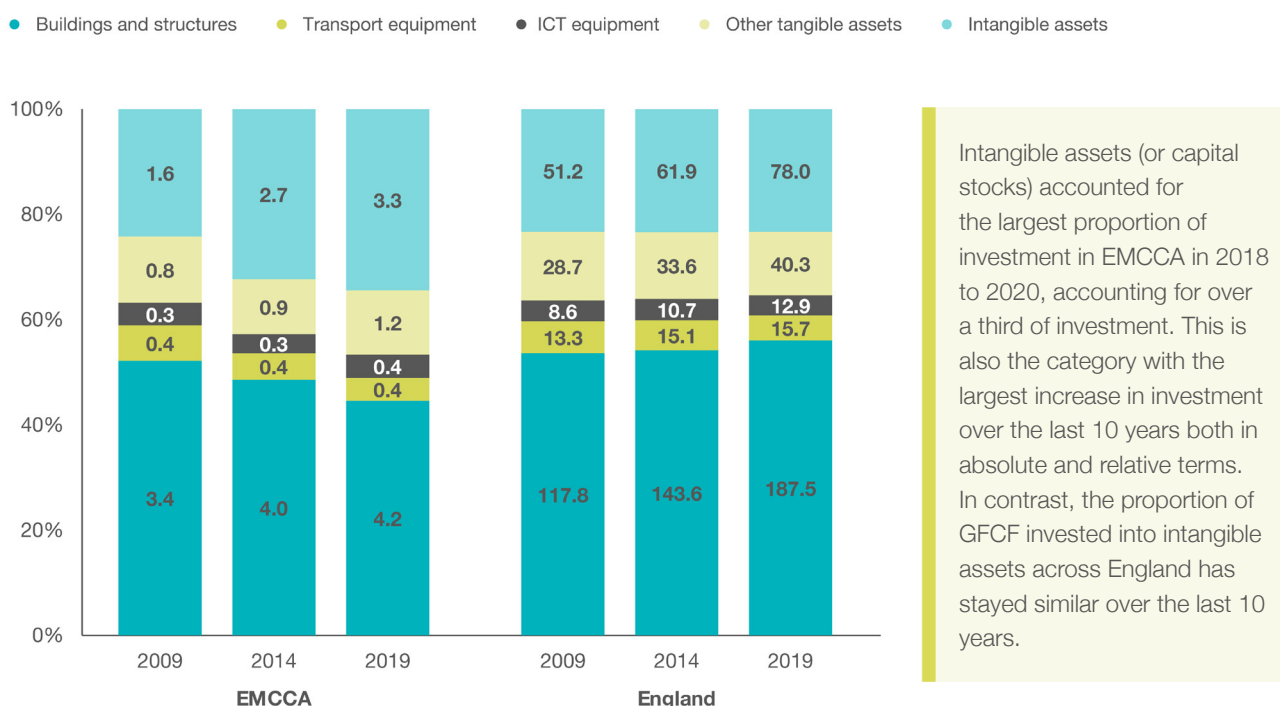
- How much investment is there in different asset types?
- How is investment in different asset types changing over time?

What might affect performance?

- 'Assets' is another term for capital stocks.
- The asset types reflect where business, households, and government see opportunities. For example, businesses may choose to invest in buildings if they are looking to expand into a new geographic area, whilst they may choose to invest in new software (a form of intangible capital) if they are looking to improve productivity.
- Change across asset types over time can indicate the underlying drivers. For example, increasing housing investment often reflects the credit cycle, whilst increasing investment in machinery or R&D may indicate improving business confidence. Government priorities can also affect spend at local level.

Other things to be aware of	• The direct contribution of investment to local output will vary across asset type, depending on extent to which it draws on local labour and supply chains. For example, investment into new software provided by a US-based multinational is unlikely to contribute to local output, whilst a project to build new commercial space might have an impact if local suppliers are used or local construction workers are hired. • The contribution of investment to improving productivity will vary across asset type. Investment by businesses (for example, into machinery or intellectual property) is most likely to translate into productivity improvements, whilst investment by households (for example, DIY) is least likely. • GFCF data is published in current prices – i.e. 2020 GFCF is published in 2020 prices, 2019 GFCF is published in 2019 prices, etc. Inflation can lead to investment appearing to increase, even if it stayed stable or decreased. This is a particular issue given the data lag (with the most recent data available being 2020 or 2022 for building investment).
Suggested dataset	• Experimental regional gross fixed capital formation (GFCF) estimates by asset type (ONS). • Data is available for ITL 1, 2 and 3.³ • These are experimental statistics, published in 2022. They have not subsequently been republished although a subset (focused on building investment) was published in 2023 (and included local authority district data alongside ITL 1, 2 and 3 data). At that point, ONS stated that they planned to publish GCFC buildings data on an annual basis and expand available data to cover other assets but no subsequent data has been published.
Suggested measure	• GFCF (£ million) by asset type (shown below). • % of total GFCF by asset type (shown below).
How good a match to the question is the available data?	• GFCF measures investment in buildings, infrastructure, machinery, equipment, R&D, software, etc. It does not include investment in financial assets, land (although it does include improvements to land) or transfers of second-hand assets. • GFCF covers the whole economy – including investment by businesses, households, and government. • GFCF includes both new capital stocks and improvements to existing capital stocks.
What other questions can this dataset help answer?	• How does investment compare to other areas? • How does investment vary across sectors?

Figure 2: Gross fixed capital formation by asset type (£ billions, current prices) and breakdown (% of total), EMCCA area and England, selected time periods



Source: Experimental regional gross fixed capital formation (GFCF) estimates by asset type (ONS)

Notes: Each time period is three-year average (e.g. 2019 is average of 2018, 2019, and 2020).

Policy implications

- An increase in investment in an asset type can indicate where businesses are seeing opportunities for growth or productivity gains, helping inform other interventions (such as business support or skills).
- A decrease in investment, especially in a category where the local area is already below average, may suggest intervention is needed. For example, low or declining levels of investment in buildings and structures may suggest there is a market failure in the local housing or commercial property market and intervention is needed.
- Investment by asset type can vary significantly year-on-year. Avoid making policy decisions based on change over a single time period. Longer term trends and looking at changes alongside the current position can provide a fuller picture for policymaking.

How does investment vary across sectors?



What to look for?

- How does investment vary across sectors?

What might affect performance?

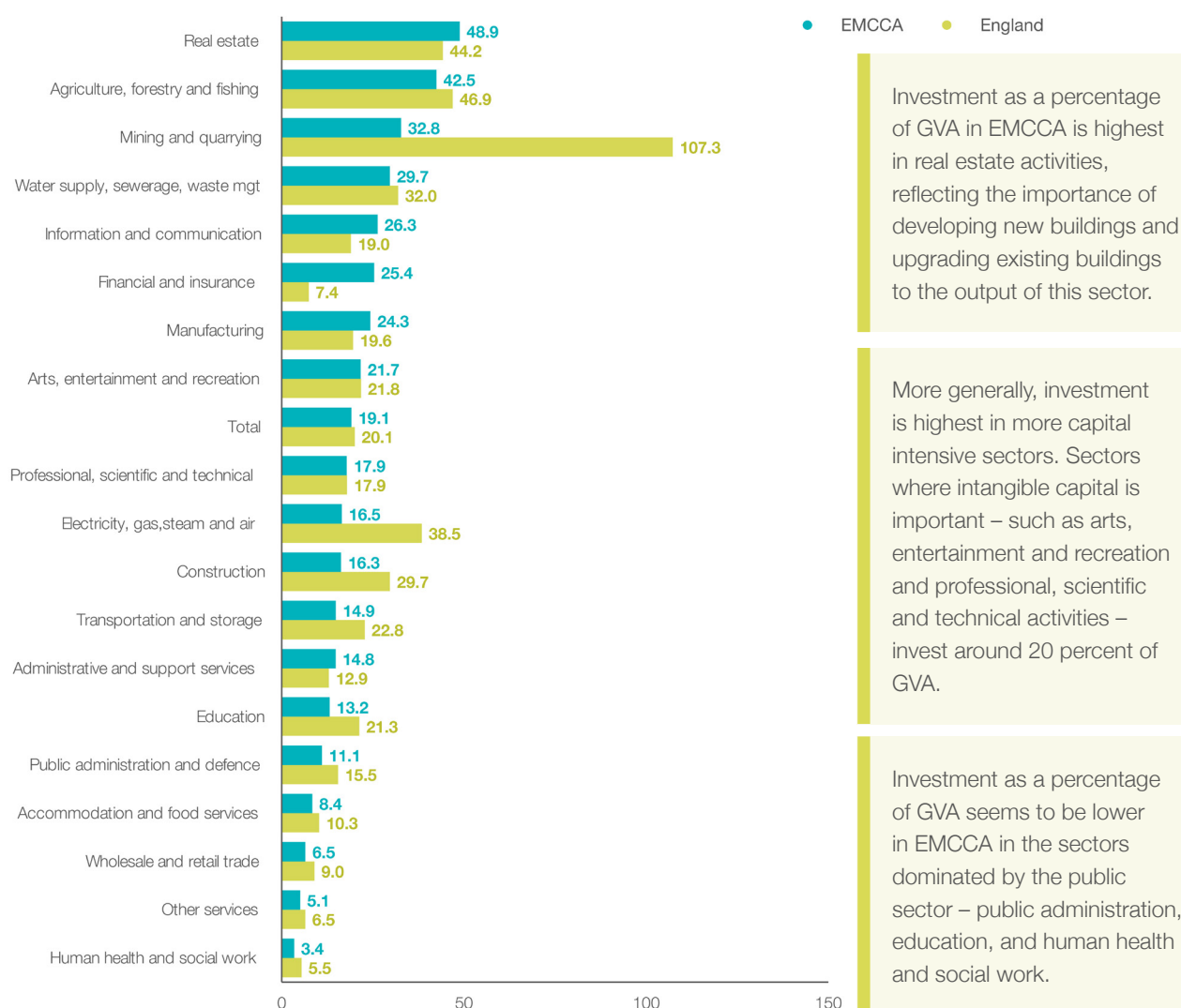
- Investment depends on wide variety of factors including availability and cost of finance, economic conditions (such as economic growth or business confidence), returns on investments of available projects and existing assets. Many of these will vary across sectors.
- Some sectors are more capital intensive than others (referred to as 'capital light'). For example, manufacturing tends to require large amounts of buildings, machinery, and intangible capital. Generally, capital intensive sectors are more likely to have high investment rates – although it can depend on how often capital needs to be replaced and where the sector is within capital cycle. Generally, returns on investment will be higher when capital stocks are low relative to demand for the sector's goods and services.
- The contribution of investment to local output will vary depending on extent to which it draws on local labour and supply chains. For example, if a business requires specialist equipment, this will often need to be imported from another area, limiting the impact on the local economy.

Other things to be aware of

- Investment is cyclical and is generally more volatile than output (GVA). This means investment tends to drop by more than GVA during downturns. Where possible, look at data over multiple time periods. When looking at a single year, consider the economic cycle.
 - As areas vary in size, comparisons may be more meaningful if investment is divided by a factor that indicates the size of area. Options include population (per capita), GVA, and hours worked.
 - GFCF data is published in current prices – i.e. 2020 GFCF is published in 2020 prices, 2019 GFCF is published in 2019 prices, etc. Inflation can lead to investment appearing to increase, even if it stayed stable or decreased. This is a particular issue given the data lag (with the most recent data available being 2020 or 2022 for building investment).
-

Suggested dataset	• Experimental regional gross fixed capital formation (GFCF) estimates by asset type (ONS). • Data is available for ITL 1, 2 and 3.⁴ • These are experimental statistics, published in 2022. They have not subsequently been republished although a subset (focused on building investment) was published in 2023 (and included local authority district data alongside ITL 1, 2 and 3 data). At that point, ONS stated that they planned to publish GFCF buildings data on an annual basis and expand available data to cover other assets but no subsequent data has been published.
Suggested measure	• GFCF as % of GVA by sector (shown below).
How good a match to the question is the available data?	• GFCF measures investment in buildings, infrastructure, machinery, equipment, R&D, software, etc. It does not include investment in financial assets, land (although it does include improvements to land) or transfers of second-hand assets. • GFCF covers the whole economy – including investment by businesses, households, and government. • GFCF includes both new capital stocks and improvements to existing capital stocks.
What other questions can this dataset help answer?	• How does investment compare to other areas? • How much investment is there in different asset types? • How is investment changing over time?

Figure 3: Gross fixed capital formation as % of GVA by sector, EMCCA area and England, 2018 to 2020 (three-year average)



Source: Experimental regional gross fixed capital formation (GFCF) estimates by asset type (ONS)

Policy implications

- Understanding the sectoral profile of investment can help policymakers target intervention.
 - If investment in a sector is low compared to other areas, it may suggest need for business support services to help businesses identify, develop or fund suitable investment opportunities.
 - If investment in a sector is high, it may indicate that the sector is entering a period of growth, allowing business support to be targeted at accelerating this growth (for example, through complementary skills investment or assistance with exporting).
- Interventions are likely to be more effective when analysis of sectoral GFCF is combined with other data on the sector. For example, understanding sectoral specialisms and what functions (such as head offices, R&D, manufacturing, sales, etc.) are based locally can provide context for GFCF, whilst data on business numbers, employment and GVA can provide other insights.

How much foreign investment is there in the area?



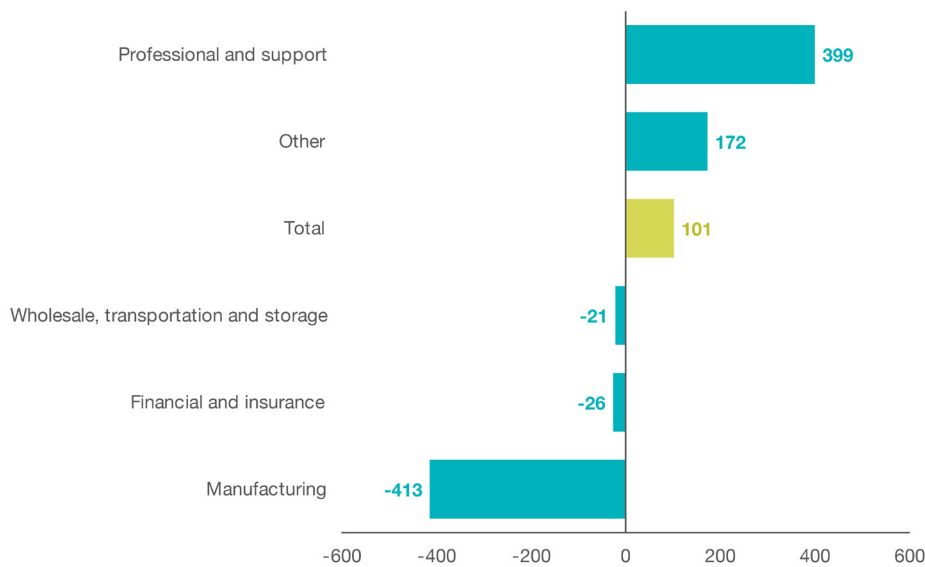
What to look for?	How much foreign investment is there in the area?
What might affect performance?	- Foreign direct investment (FDI) is a form of business investment. Inward FDI is direct investment in the UK from non-resident businesses, whilst outward FDI is the direct investments of UK-resident businesses in other countries. - Inward FDI into a local area reflects combination of factors including access to markets and other resources, labour and other costs, interest rates and exchange rates, and broader economic conditions. - The importance of these factors will vary across different FDI projects. For example, a business may choose to invest a manufacturing site within an area because it offers access to raw materials or customers, whilst having workers with specialised skills and experience may be more important for a life sciences R&D project.
Other things to be aware of	FDI can be either into a new site or follow-on investment (for example, into new machinery on an existing site).
Suggested dataset	Foreign direct investment involving UK companies by UK country and region, (directional): inward (ONS). - Data is available for regions (ITL 1), ITL 2 and city regions.⁵ - Data on outward FDI is also available – Foreign direct investment involving UK companies by UK country and region, (directional): outward (ONS).
Suggested measure	- Inward foreign direct investment – either total or broken down by industry, country, or continent of foreign countries - For ITL 1 and 2, 'foreign direct investment international investment position' (i.e. capital stocks) is also available.

How good a match to the question is the available data?

- The main source of information for this dataset and the accompanying dataset on outward FDI is an annual survey of businesses undertaken by ONS (Annual FDI Survey). Survey responses are used to estimate or impute FDI values for every business in the UK's inward and outward FDI populations. This is combined with data from other sources. From 2020, a new commercial data source has been used to inform the inward and outward FDI populations. These statistics link FDI responses to subnational corporate information from the commercial data source, the Inter-Departmental Business Register (IDBR) and the Business Register and Employment Survey (BRES).
- FDI flows measure the movement of funds within global enterprise groups. These are presented as net measures (investment minus disinvestment), meaning that any flow from the parent company to the affiliate can be offset by transactions from the affiliate to its parent company. FDI flows include changes in shareholdings (equity), debt and unremitted profits (re-invested earnings) associated with the stock of FDI.
- FDI position measures the financial balance sheet value of UK businesses, which includes buildings, property, and equipment (i.e. the stock of investment held at a point in time).
- For each business, total UK value of FDI is apportioned to a region or sub-region based on the business's employment in each region. This creates challenges as regional allocations of labour and capital may vary within a business.
- Both positive and negative FDI values are apportioned. A negative FDI position for a region or sub-regional area can reflect a apportioned negative value for a business that is not offset by positive values for other businesses located in area.
- Regional and sub-regional data excludes FDI related to banks, bank holding companies, property and public corporations. These are included in UK data (meaning they are not directly comparable).
- Data is available from 2015 but changes in 2020 mean care should be taken when comparing data pre- and post-2020.

What other questions can this dataset help answer?

- How is inward (outward) FDI changing over time?
 - How does inward (outward) FDI compare to other areas?
 - What is overall FDI position (i.e capital stocks)?
-

Figure 4: Inward foreign direct investment by sector (£, millions), EMCCA area, 2024

Overall, there were inward FDI flows of just over £100 million into EMCCA area during 2024. However, this conceals significant churn, with large net investment in 'professional and support' sector and large net disinvestment in 'manufacturing'.

Source: Foreign direct investment involving UK companies by UK country and region, (directional): inward (ONS)

Notes: Data for 'mining and quarrying' and 'information and communication' sectors has been suppressed to mitigate disclosure. See the table for an explanation of how to interpret negative investment.

Policy implications

- Analysing FDI flows can help understand an important component of business investment in an area. It also provides insights into how attractive an area is for investment and its areas of competitive advantage. These can help shape policy interventions. As FDI data is available on a sectoral basis, it can provide useful intelligence about where best to target interventions.

What plans do businesses have for future investment?



What to look for?

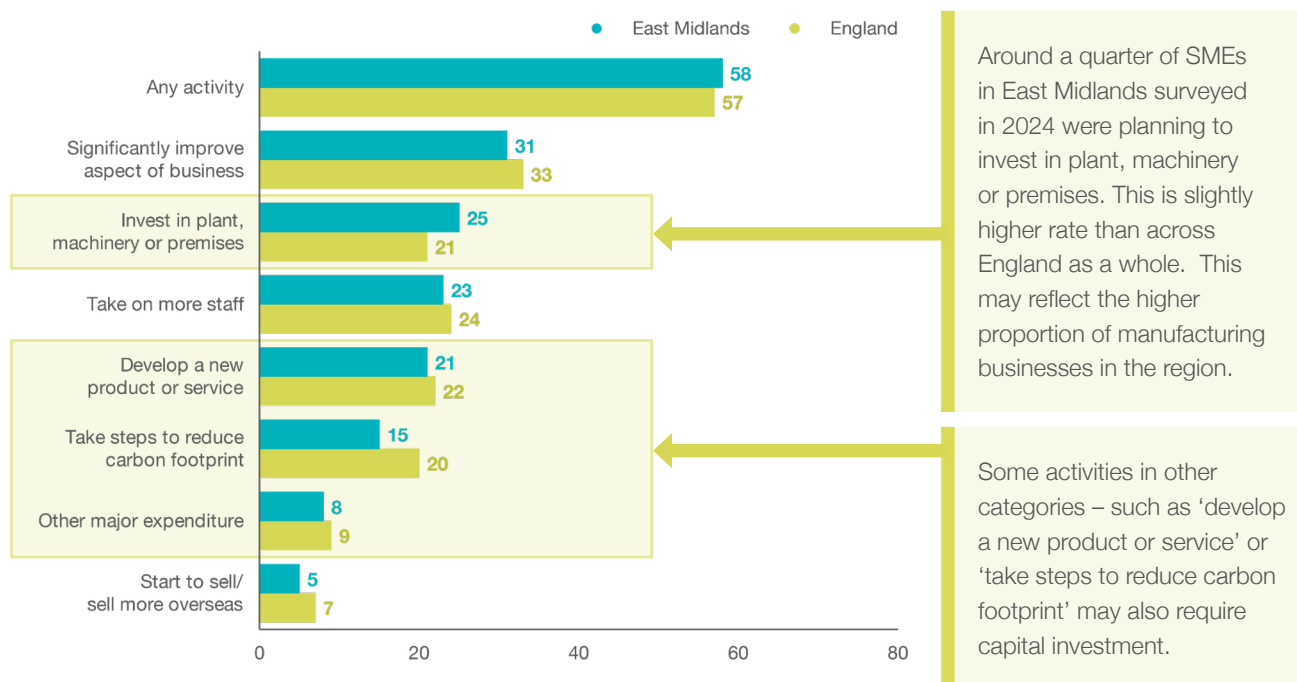
- What plans do businesses have for future investment?

What might affect performance?

- Businesses chose to invest in tangible (such as warehouses, offices, machinery, and vehicles) and intangible capital stock (such as software, design or branding) hoping to increase profits. From a local economic perspective, this investment can increase output, productivity or employment.
- Investment will not always translate into improved output or productivity as some investments will fail to deliver their anticipated outcomes.
- Successful investment requires businesses to identify suitable projects. This requires a good understanding of their market, the potential costs and benefits of the investment, and its likelihood of success.
- Decisions to invest reflect the expected returns on investment, including comparison with other uses for available funds.
- Investment payback periods vary across projects. For example, investment in a new production line can have high upfront costs and a long payback period, whereas upgrades may have shorter payback period. Some sectors require large upfront investment that must take place in advance of revenue generation (for example, film production or investment in pharmaceutical R&D), while in many other sectors investment can be more incremental.
- Wider economic conditions also play a role. Businesses tend to be more willing to invest if they are confident in the future. Stable, supportive policy environments can help provide confidence.
- Businesses must be able to access finance to fund investment. This is often internal – i.e. retained profits – but some businesses will require external finance. For external debt finance, the cost of finance (interest rates) will influence whether investment is worth pursuing. Access to finance is discussed in Annex 2.

Other things to be aware of	• Not all businesses will go ahead with planned projects. • Understanding scale of investment is more useful than understanding how many businesses plan to invest. • Public capital investment (for example, into digital infrastructure) can help 'crowd in' business investment by improving the returns on investment. • Where businesses in an area are competing for sales, investment by one business may have negative effects on another, limiting the impact of investment on local economic performance. This is a particular problem for non-tradeable businesses serving local markets. • Investment (and plans to invest) can vary by a lot year-on-year. For example, businesses may be less willing to invest during recessions.
Suggested dataset	• SME Finance Monitor: Annual Regional Report (BVA BDRC). • Data is available for regions and nations only.
Suggested measure	• % of small- and medium-sized enterprises (SMEs) planning growth activities (Table 4a in 2024 report).
How good a match to the question is the available data?	• Provides insights into future plans of businesses, based on large national survey. Not all businesses will carry through with stated plans. • The survey only provides insights into how many businesses plan to invest, not the amount of planned investment (which is more important). • Based on survey of SMEs – i.e. businesses with less than 250 employees – so does not include larger businesses. Likelihood to invest tends to increase with business size. • Data is available for UK nations and regions but not at the local level. This survey – and others such as DBT's Small Business Survey – provide insights into how plans vary across business sizes and sectors. Combining this with data on the business profile of the local area should give further insights into how investment activities might vary from the regional picture.
What other questions can this dataset help answer?	• Are businesses able to access debt finance? • What constraints do businesses face?

Figure 5: % of SMEs planning growth activities, East Midlands region and England, 2024



Source: SME Finance Monitor: Annual Regional Report (BVA BDRC)

Policy implications

- Understanding businesses’ investment plans can help inform design and delivery of business support policies.
 - When a low proportion of businesses are planning to invest, the focus may need to be on helping businesses identify future investment opportunities or on removing barriers to investment (such as improving digital connectivity or local skills).
 - When a high proportion of businesses are planning to invest, policy may be more usefully targeted at helping businesses assess the viability and impact of potential investments and on ensuring they are able to access finance.

What plans does government have for future investment?



What to look for?

- What plans does government have for future investment?

What might affect performance?

- Considerations include tax receipts, fiscal rules, other spending commitments, political priorities, needs and opportunities, interest rates and return on investment.
- Given government has to meet competing demands across policy and geographic areas, investment is likely to be higher where there are projects with a strong economic case.

Other things to be aware of	No single list of public investment is available so building a comprehensive picture will require gathering data from different sources.
Suggested dataset	UK Infrastructure Pipeline (National Infrastructure and Service Transformation Authority).
Suggested measure	List of projects, clients, and values.
How good a match to the question is the available data?	- The Infrastructure Pipeline provides a ten-year forward look of investment into major UK capital infrastructure, providing information on projects which are in construction or under development. It also includes data on funds and regional settlements. - It draws on data from 13 central government departments (and their arms-length bodies), nine combined authorities, 21 major infrastructure bodies in the private sector (such as airports and utility providers), and five regulators and independent public bodies. - The Infrastructure Pipeline does not include all public investment. It focuses on larger and more mature projects. It only includes projects that have been announced by their sponsoring body. Projects in development that have not been announced are not included. - Devolved governments publish their own pipelines – Infrastructure Delivery Pipeline and Construction Pipeline Forecast Tool (Scotland); Infrastructure Investment Strategy and Project Pipeline (Wales); and Investment Strategy for Northern Ireland 2050 (Northern Ireland). - The level of geographic information is mixed. Some projects are listed as (for example) 'England'. These may involve some investment in the local area, but it is not possible to tell unless further information is provided (for example, in the project description).
What other questions can this dataset help answer?	Detailed information available on projects (description, annualised cost data, financing, procurement, project status, etc.).

Figure 6: Infrastructure pipeline projects at March 2026, EMCCA area

Project	Client	10 years forward look capital cost (£m, 2024/25 prices)	Start of works
Projects in EMCCA area			
A38 Derby Junctions	National Highways	N/A	N/A
A46 Newark Bypass	National Highways	N/A	N/A
A52 Nottingham Junctions	National Highways	N/A	2017-01-16
A614/6097 MRN Corridor Junction Improvements	Nottinghamshire County Council	4.26	2026-06-01
Building our Future Locations Programme	HM Revenue & Customs	N/A	2016-01-05
Chesterfield Staveley Regeneration Route	Derbyshire County Council	2.19	2029-03-31
Derby Flood Risk Management Scheme	Environment Agency	1.51	2025-05-06
HyMarnham	GeoPura and JG Pears	N/A	2025-07-30
National Facility for ultra-high field human MRI scanning	University of Nottingham	2.89	2023-06-30
Nottinghamshire Mine Water Treatment	Severn Trent Water	3.74	2038-12-31
Spherical Tokamak for Energy Production	UK Industrial Fusion Solutions	N/A	2026-03-31
Projects in East Midlands region that may include spend in EMCCA area			
Cost Beneficial Mains	Cadent	N/A	2026-04-01
Iron Mains Risk Reduction Programme (IMRRP)	Cadent	N/A	2026-04-01
New Hospital Programme East Midlands	NHS England and Department for Health and Social Care	1.05	N/A
Onshore Wind – Region: East Midlands	National Energy System Operator	1.34	2025-04-01
Solar PV – Region: East Midlands	National Energy System Operator	3.45	2025-04-01

There are 11 projects in the EMCCA area in the UK Investment Pipeline, plus five East Midlands projects that may include spend in EMCCA. They include a mix of transport, energy, health, flood defence, and other projects. Capital costs were not available for all projects – but projects were generally between £1 million and £5 million.

Source: UK Investment Pipeline (National Infrastructure and Service Transformation Authority)

Notes: Only includes projects. Data on funds and regional settlements also available.

Policy implications

- Understanding government's investment plans can help inform:
 - Skills planning for the local area (both for construction and end use phases).
 - Current gaps in public investment programme.
- Data on public investment should be considered alongside other local data to identify priorities for future investment – i.e. knowing what investment is already scheduled is useful but policymakers need to identify and demonstrate need for additional investments.

Additional topics to explore

Other analysis that may be useful to undertake includes:

- Considering alternative comparator areas (for example, benchmarking against other mayoral strategic authorities).
- Looking at change over different time periods.
- Analysing investment (GCFC) by asset type and sector.
- Using investment (GCFC) data to estimate capital stocks.

Next steps

The guide provides suggestions about data that may be useful to explore to understand investment. To get started with analysis:

- Consider what questions to answer. This will help determine the data to analyse and how best to analyse it.
- Establish what data and measures are available. [ONS](#), [Department for Business and Trade](#), [British Business Bank](#), [UK Finance](#), and the devolved governments and their agencies are the main sources of data.
- Select the dataset and measure. The main consideration should be which dataset and measure most closely aligns with the question being answered. Other considerations include geographies available, frequency, and timeliness of data.
- Consider what geography and comparator areas to use.
- Consider whether analysis should look at current position, change over time or both.
- When analysing change over time, consider what time periods to use. When looking at change over time, the main options are a neutral time period (for example, five or 10 years) or from a point of interest (for example, since policy introduced).

Annex 1: Public investment

Public investment increases the capital stocks provided and maintained by government for societal benefit such as roads, rail, broadband, hospitals, and schools. Many of these capital stocks are used in the production of goods and services but may also have other benefits such as health and wellbeing. As with business investment, investment payback periods will vary across projects.

When public investment reduces risk or creates enabling conditions, it can 'crowd in' private investment (for example, investment in decontamination of a former industrial site alongside investment in improving its transport and digital connectivity could incentivise businesses to invest into new buildings and machinery on the site).

It can also 'crowd out' private investment. Crowding out occurs because increased government spend increases interest rates, making private investment more costly. The extent of crowding out depends on underlying economic conditions (being more likely when the economy is performing strongly) and the type of investment. At the local level, some projects also crowd out investment by competing with private sector (for example, building commercial property, making private investment into similar units less viable).

Poorly targeted or inefficient public investment can lead to low returns and wasted funds. Deadweight can also be an issue, especially where the private sector would have invested if the public sector had not. Even where public investment is well targeted, its impact on local economic performance can be limited, given the high level of existing public capital stocks.

Public investment may have distributional impacts across different groups (individuals, businesses or areas). For example, property owners near improved transport infrastructure may benefit from increased property prices, whilst renters may be disadvantaged. Assessing who benefits and who does not can help mitigate negative effects of public investment.

One final issue is that investment in public capital stocks usually requires continued expenditure on maintenance to keep the capital working efficiently.

A range of data on public investment is available. For example, the Ministry for Housing, Communities and Local Government publishes data on local government capital expenditure, whilst Department for Transport publishes data on volume and quality of capital stocks (for example, number of miles of maintained roads, number of passenger carriages on light rail, tram or subways). Whilst this is often useful in specific circumstances, each dataset provides only a partial picture of public investment.

Key questions

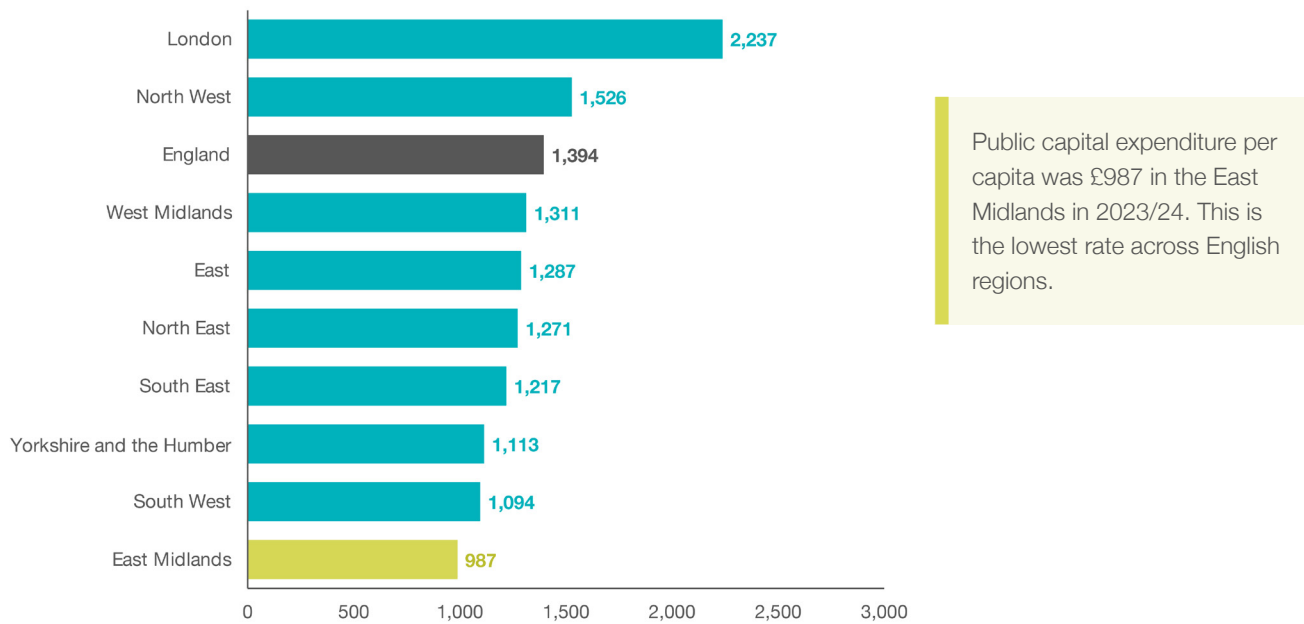
- How does public investment compare to other areas?

How does public investment compare to other areas?



What to look for?	How does public investment compare to other areas?
What might affect performance?	- Public investment levels are determined by government. Considerations include tax receipts, fiscal rules, other spending commitments, political priorities, needs and opportunities, interest rates, and return on investment. - Given government has to meet competing demands across areas, investment is likely to be higher where there are projects with strong economic case.
Other things to be aware of	Where spending is high in region, this may reflect a small number of major projects (for example, in the 2010s, investment in London was high due to Crossrail).
Suggested dataset	Public Expenditure Statistical Analyses (HM Treasury).
Suggested measure	- Total public capital expenditure. - Total public capital expenditure per capita (shown below). - Total public capital expenditure as % of GVA.
How good a match to the question is the available data?	- PESA provides a range of information about public spending at the national and regional level. - All regional analysis is based on 'expenditure on services' framework. This is based on National Accounts definitions and covers spending by the whole of the public sector. - No local data is available. However, as this the only dataset that includes all public spending at sub-national level, it can provide a useful starting point for understanding public investment in the local area. - Total public capital expenditure per capita is used for comparison, as total public capital expenditure reflects area size and English regions vary in size. - Data is provided in both current and real terms. When analysing expenditure over time, use real.
What other questions can this dataset help answer?	- What proportion of public expenditure is on capital investment? - How is public investment changing over time? - What is being funded by public investment?

Figure A1: Total public capital expenditure per capita (£), English regions, 2023/24 outturn



Source: Public Expenditure Statistical Analyses (HM Treasury)

Policy implications

- More information is needed (for example, on trends over time, on which functions have lower investment levels, on what is driving higher investment in other areas, etc.) to determine whether low investment levels need to be addressed and what investment is needed. Investment requires a strong economic case.

Annex 2: Access to finance

Investment requires funding. Many businesses are able to self-fund investment from retained profits, whilst others will require external finance. For this reason, it can be helpful to understand whether businesses are able to access the external finance they require. However, not all external finance will be used for investment, with only around a third of businesses seeking finance want it to assist with business growth, with most looking for working capital. This makes extrapolating lessons about investment from access to finance data more difficult. It should be considered a broad indicator of whether businesses are likely to be able to secure finance for investment projects, with comparison (to other areas or over time) important to provide context.

Two types of data are available on access to finance – data from financial institutions and data from business surveys. Generally, data from financial institutions is more reliable as it reflects activity (for example, value of lending) whilst surveys can reflect bias or misunderstanding (for example, where businesses believe they will not be able to access finance but have not previously tried). Both financial institutions and surveys provide backwards-looking data (i.e. on lending received), whilst surveys can also provide data on whether businesses plan to seek finance going forward. The latter is more useful in determining future investment levels but cannot provide insights into the operation of the financial markets (i.e. likelihood of businesses securing finance). This annex includes one example of each.

The vast majority of external finance is debt finance (loans, credit cards, trade finance, etc.) with equity finance (business angels, venture capital, and private equity) accounting for only around one percent.

What Works Growth's briefing on [assessing the impact of improving access to debt finance on local economic growth](#) provides further information on how to think through this topic.

Key questions

- Can businesses access debt finance?
- Can businesses access equity finance?

Can businesses access debt finance?



What to look for?	Are businesses able to access debt finance?
What might affect performance?	- Financial institutions assess applications for loans or investment on a commercial basis, selecting those where the risks and returns are most attractive. This can result in lending being below the optimal level, if there are projects that have social and economic benefits that exceed costs but do not meet the criteria of financial institutions. - Financial institutions know less about the business than owners or managers, and this makes it difficult to assess the risk of lending. This is a type of market failure known as 'information asymmetries'. Information asymmetries are particularly likely if the financial institution has not assessed something similar before – for example, the business is developing a new technology. - Businesses may struggle to access debt finance if they are assessed as higher risk. For example, investing in businesses in sectors with lower survival rates is generally riskier. - A lack of collateral can also prevent businesses from securing debt finance. Access to collateral is not equally distributed across the country. - The personal characteristics of the owner such as gender or ethnicity may play a role. In some cases, this may be due to a subjective assessment of risks, but in others may reflect discrimination. The balance between these two factors is unclear.
Other things to be aware of	- Not all businesses need to access external finance to fund investment. - Not all debt finance is used for investment. Evidence from the British Business Bank suggests around half of debt finance is sought for working capital (the funds a business needs to be able to operate from day to day), with only one-quarter of businesses seeking finance to purchase fixed capital or invest in business growth. - Care should be taken when interpreting survey responses on access to finance. Businesses often perceive barriers to accessing debt finance but these may be unfounded.
Suggested dataset	SME Finance Monitor: Annual Regional Report (BVA BDRC). - Data is available for regions and nations only.
Suggested measure	Survey includes wide range of indicators. For illustration, we have used 'Outcomes as % of applications for new or renewed loans or overdrafts' (Table 3e in 2024 report) below.

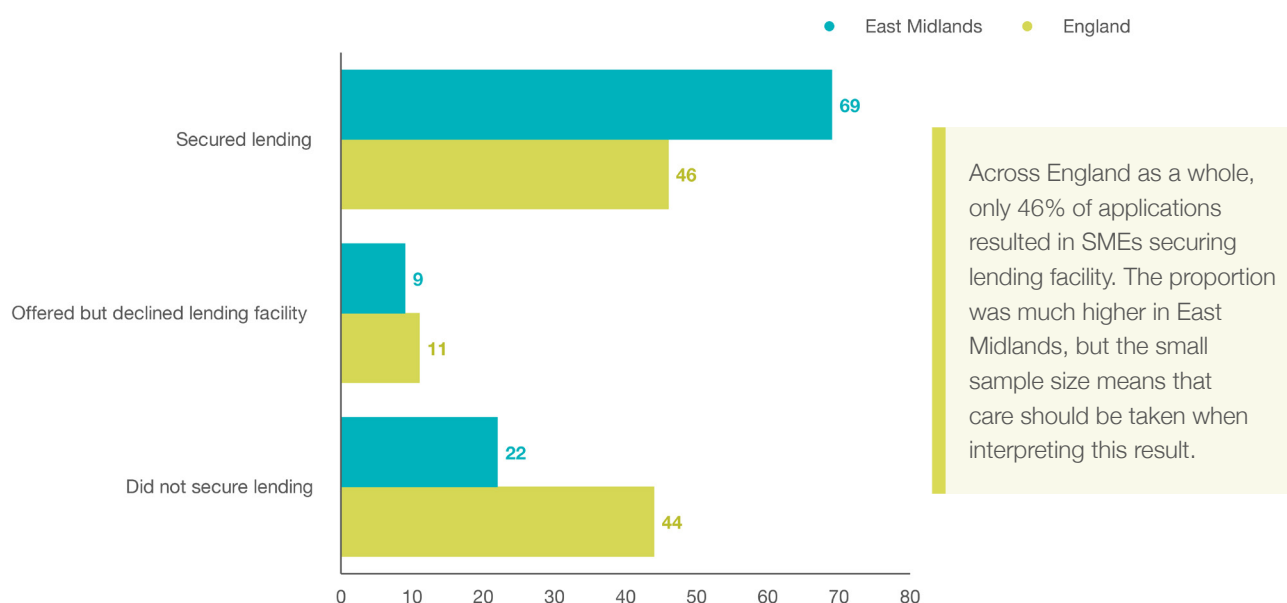
How good a match to the question is the available data?

- Provides insights into access to finance, based on large national survey.
- As based on survey of SMEs – i.e. businesses with less than 250 employees – does not include larger businesses. Access to finance tends to improve with business size.
- Data is available for UK nations and regions but not at the local level. This survey – and others such as DBT's [Small Business Survey](#) – provide insights into access to finance vary across business sizes and sectors. Combining this with data on the business profile of the local area should give further insights into how investment activities might vary from the regional picture.
- Recommend combining survey data with data on bank lending activity (such as UK Finance's [SME lending within UK postcodes](#) or British Business Bank's [Nations and Regions Tracker](#)).

What other questions can this dataset help answer?

- How many businesses are planning to invest?
- What constraints do businesses face?

Figure A1.1: Outcomes as % of applications for new or renewed loans or overdrafts, East Midlands region and England, 2024



Source: SME Finance Monitor: Annual Regional Report (BVA BDRC)

Notes:

1. All applications made between Q4 2024 and Q4 2024 and have received a response by date of survey.
2. Number of cases for East Midlands is small (80).
3. Those securing lending facility including those offered lending facility they applied for and accepted it, those who were offered and accepted an alternative lending facility, and those who accepted lending facility after issues.

Policy implications

- A large number of factors can affect access to debt finance and there are a range of indicators available at different geographic levels. For this reason, policymakers should look ensure policies are not developed in relation to a partial picture. It is also important to recognise that most indicators are backwards-looking and may not reflect future access to finance. Intervention should only be pursued if there is evidence that viable projects are not able to access debt finance.
- Policy options include supporting businesses to improve financial readiness, directly lending to businesses, guaranteeing loans provided by commercial lenders, or supporting alternative sources of finance (such as community development finance institutions, CDFIs) to develop.

Can businesses access equity finance?



What to look for?

- Are businesses able to access equity finance?

What might affect performance?

- Equity finance is where finance is provided in exchange for an ownership share of the business. Equity finance can be provided by either the private sector (with options including business angels, venture capital, and private equity) or the public sector (for example, by [British Business Bank](#), [National Wealth Fund](#) or [Scottish National Investment Bank](#)).
- Equity investors will consider the financial position of the business (revenues, cash flow, profits, debt), its market position and growth potential, management and governance, and broader economic conditions.
- Multiple studies have identified that equity finance is concentrated in London and the South East. More generally, recent [research](#) by Centre for Cities has found that equity investment is primarily urban with around 80 per cent of equity deals and values in cities. London, other large cities (such as Manchester, Leeds, and Glasgow), and Oxford and Cambridge dominate. They find that much of the geographic variation in equity deals reflects where investable small firms are located.

Other things to be aware of

- Only around one percent of businesses access equity finance.
- Not all equity finance is used for investment (for example, it may just be a transfer of ownership) but it is more likely to be used for investment than debt finance.

Suggested dataset	British Business Bank analysis of Beauhurst data (contained within its Nations and Regions Tracker), combined with Business demography (ONS) data on high growth enterprises (HGE) to allow comparison across areas.
Suggested measure	- Number of announced equity deals per 100 HGEs. - Value (£m) of announced equity deals per 100 HGEs.
How good a match to the question is the available data?	- Only includes announced equity deals. There may be other equity investments that have not been announced. - Data is available for UK nations and regions but not at the local level. - High growth enterprises are used as denominator as proxy for investable businesses. High growth enterprises are defined as enterprises with average annualised growth in number of employees greater than 20 percent per year, over a three-year period.
What other questions can this dataset help answer?	None.

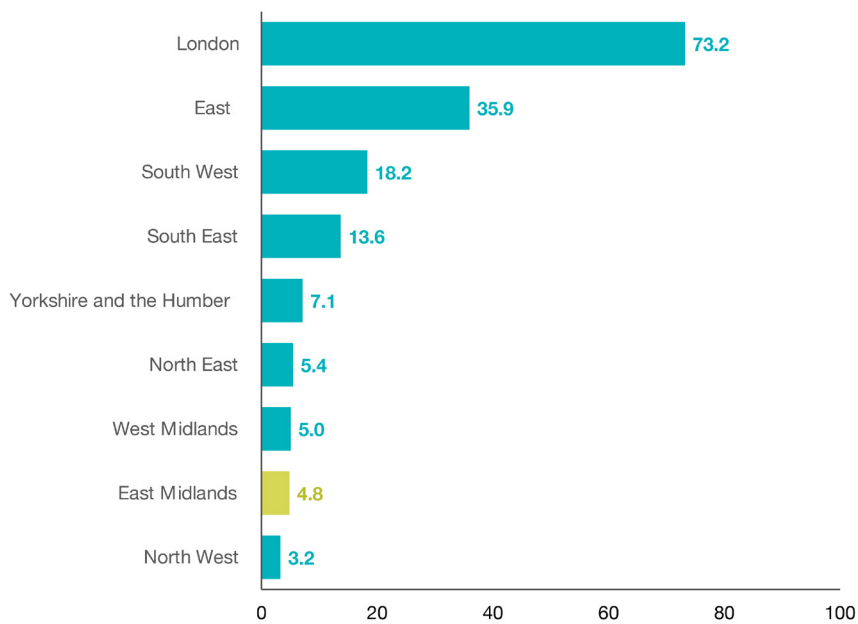
Figure A2.2: Number of announced equity deals per 100 high growth enterprises, English regions, H1 2024



Roughly three equity deals were announced in H1 2024 for every 100 high growth enterprises in the East Midlands. This is less than a third of the number of deals announced in London.

Source: British Business Bank analysis of Beauhurst data and Business demography (ONS)

Figure A2.3: Value (£ millions) of announced equity deals per 100 high growth enterprises, English regions, H1 2024



£4.8 million of equity deals were announced for every 100 high growth enterprises in East Midlands during H1 2024, the second lowest rate of English regions. London and the East regions received the most investment, reflecting both larger number of deals and larger deal values.

Source: British Business Bank analysis of Beauhurst data and Business demography (ONS)

Policy implications

- Equity investment is relatively rare. Evidence suggests that geographic disparities reflect the location of investable businesses. This means that when an area has a low number or value of equity deals, investments into business support (to grow the pool of investable businesses) may be most effective.

This work is published by the What Works Centre for Local Economic Growth, which is funded by a grant from the Economic and Social Research Council, the Department for Business and Trade, the Ministry of Housing, Communities and Local Government, and the Department for Transport. The support of the funders is acknowledged. The views expressed are those of What Works Growth and do not represent the views of the funders.

Every effort has been made to ensure the accuracy of the report, but no legal responsibility is accepted for any errors omissions or misleading statements.

The report includes reference to research and publications of third parties. What Works Growth is not responsible for, and cannot guarantee the accuracy of, those third party materials or any related material.

July 2026

What Works Centre for Local
Economic Growth

info@whatworksgrowth.org
@whatworksgrowth

www.whatworksgrowth.org

© What Works Centre for Local
Economic Growth 2026



HM Government



Economic
and Social
Research Council