D2N2 LEP BOARD

Wednesday, 12 July, 2017 10.00 am – 12.00 pm
Edwinstowe House, Borough High Street, Edwinstowe Mansfield Nottinghamshire
NG21 9PR

1. Preliminaries
   1.1 Welcome and Introductions Verbal 10.00
   1.2 Declarations of Interest Verbal 10.05
   1.3 Minutes of last meeting and matters arising Paper 10.10

2. Updates for Information
   2.1 Chair’s Report, including:
       (i) Response to the Midlands Engine Strategy
       (ii) Update on D2N2 LEP review – report for information (app 1)
       (iii) Media Coverage Report (app 2)
          Peter Richardson Paper 10.15

3. Items for Decision
   3.1 Chief Executive’s Report, including:
       (i) Dashboard and state of the economy Review (app 1)
       (ii) Update on Social Inclusion Framework
       (iii) Productivity review and update (app 2)
       (iv) Updated Comms Plan 2017-18 (app 3)
          David Ralph Paper 10.25

4. Standing Items – Updates
   4.1 Skills update report Melanie Ulyatt Paper 11.25
   4.2 D2N2 Business Growth Hub Update Report David Williams Verbal 11.30
4.3 Item 4.3 (i) and (ii) is an exempt item under Local Government (Access to Information) Act.
D2N2 Enterprise Zone (i) and (ii) Nottingham and Derby

Peter Gadsby Paper 11.35

and

(iii) Markham Vale

Cllr Lewis Paper 11.35

4.4 Item 4.4 is an exempt item under Local Government (Access to Information) Act

GPF Report Capital Projects

Cllr Collins Paper 11.40

4.5 HS2 update report

Andrew Verbal 11.45

Pritchard

4.6 Infrastructure and Investment Board report

Cllr Lewis Paper 11.50

5. Any other business

Note date and venue for AGM:
Wed 26 July, 2017 (9am)
Derbyshire County Cricket Ground

6. Date of next meeting: Tuesday, 26 September 2017 (2.00pm Nottingham City Council)

*Tea/coffee will be available on arrival*
Item 1.3: DRAFT Key Decision/Action Points from Board

D2N2 LOCAL ENTERPRISE PARTNERSHIP BOARD MEETING

Friday, 19 May, 2017

Derbyshire County Council, County Hall Matlock DE4 3AG

Chair Peter Richardson
Minutes Sally Hallam

1. Present and Apologies

D2N2 Board Members in Attendance

Cllr Barry Lewis  Derbyshire County Council
Andrew Pickin  Business Representative
Cllr Kay Cutts  Nottinghamshire County Council
Cllr Bob Wheeler  S Derbyshire District Council
David Williams  Business Representative
David Williams (Geldards)  Business Representative
Ian Morgan  Business Representative
Cllr Jon Collins  Nottingham City Council
Cllr Ranjit Banwait  Derby City Council
Melanie Ulyatt  Business Representative
Peter Gadsby  Business Representative
Prof Edward Peck  H E Representative
Cllr Roger Blaney  Newark and Sherwood District Council
Dawn Ward  F E Representative
Jane Howson  V C S Representative

Also in attendance

Adrian Smith  Nottinghamshire County Council (sub for CEO)
Chris Henning  Nottingham City Council (sub for CEO)
Ian Stephenson  Chief Executive, Derbyshire County Council
Paul Robinson  Derby City Council
Andrew Muter  Newark and Sherwood District Council
Justin Homer  BEIS (sub for Area Director)

Officer Support

David Ralph  Chief Executive, D2N2 LEP
Matthew Wheatley  Growth Plan Manager
Lindsay Allen  Senior Programme Manager, D2N2 LEP

Observers
Apologies

These were received from Frank McArdle and Anthony May, who sent a substitute.

1.1 Welcome and Introductions

The Chair opened the meeting with a welcome to all new members joining Board for the first time and also welcomed Derbyshire County Councillor Tony King, portfolio holder for economic development, who was attending as an observer.

1.2 Declarations of Interest

Cllr Lewis declared an interest as CEO of UK Vineyards Association, whose members may be bidding for funding from the LEP in due course and more generally informed the committee of his role as Office Manager for one of the East Midlands MEPs.

1.2 Minutes of last meeting and matters arising

The Minutes of the meeting held on 10 March, 2017 were approved as a true record.

On matters arising, David Ralph confirmed that allocations for LGF 3 had been circulated as required. These were not yet in the public domain due to purdah, but had been agreed.

On HS2, DR confirmed that a working group had now been set up of DfT/Highways England/Network Rail to look at high-level shared issues.

There were no other matters arising other than those already covered on the agenda.

2. Updates for Information

2.1 Chair’s Report

The Chair introduced a report updating Members on Business Engagement, D2N2’s response to the Industrial Strategy consultation, the D2N2 review and next steps for Midlands Engine.

On business engagement, Andrew Pickin gave a verbal update to the group.

He reported that, despite uncertainties due to the forthcoming election and perceived risks associated with a hard Brexit, a presentation to the Growth Hub by the FSB had noted significant business confidence in the first quarter of 2017 from businesses in this area compared to others in the country. This was due in part to high export intentions and the availability of credit. Challenges remained over operating costs and finding suitably skilled staff.
Comments offered by Board in response included concerns over weak productivity and the view that, whilst a number of organisations such as CBI, FSB and East Midlands Chamber put forward business perspectives in the appropriate forums, there was no one single ‘business voice’ speaking for all.

Scott Knowles of EM Chamber indicated that Chamber worked collaboratively with both CBI and FSB and met quarterly with BEIS, albeit informally.

DR drew attention to the copy of the D2N2 response to the Industrial Strategy consultation that had been included for information with the papers. He corrected a typographical error – there were 4 sites within Nottingham Enterprise Zone, not 3.

David Williams (Geldards) gave an update on initial work undertaken on his D2N2 review, confirming that he still had to meet with some consultees. It had become apparent to him that a more detailed review to give greater credibility would be of more use and could include outcomes resulting from the general election such as any changes that were made to the Industrial Strategy. He proposed involving outside consultants and sought approval from Board to complete this work, with a view to producing a report for the September meeting instead of the next one in July. Ball park figures for cost were up to £20,000.

On next steps for the Midlands Engine, DR confirmed that he had recently chaired the Midlands Engine task force workshop to collate responses to the ME Strategy. A formal response would be submitted by the end of June following sign-off by the ME supervisory Board.

For Nottingham City Council, Chris Henning informed the committee that a £4m budget over 2 years for Midlands Engine had been agreed. Governance work was under way and it was intended to appoint a small team, including Programme Director, by the end of the summer.

In a short general discussion, concerns were voiced that government focus and support towards the new West Midlands Mayor may mean that without careful attention the East Midlands may be marginalised.

Board NOTED the report.
Board AGREED to progress the appointment of consultants to supplement review work undertaken by DW (Geldards).
ACTION: DW (Geldards) to liaise with DR.

3. Items for Decision

3.1 Chief Executive’s Report

David Ralph presented a report to Board including the Local Growth Fund Annual Accounts, measures to challenge poor project performance – particularly in the context of over-programming and thirdly, reporting on the SEP refresh.

DR referred to the accounts for LGF, which showed a full draw down of funding for the second year in a row. He reminded the committee that £500m worth of public money passed through the LEP, which was a sizeable responsibility and brought inevitable challenges to spending wisely. It had become apparent that many projects were failing
significantly behind the agreed timelines set out in their initial proposal or agreed Stage 1 or 2 business case.

Board was advised that a more rigorous business case approval process that had been produced by the IIB Officer Group, so that more detailed and accurate information would be required earlier in the decision-making process.

Cllr Collins welcomed initiatives to rule out risky projects that had little chance of completion so that money could be made potentially available to others. A degree of over-programming was in his view inevitable, as drop-outs occurred from time to time regardless of process.

DR also drew attention to the ongoing need to appoint to the programme management of the LGF programme, which had been operating for the last 6 months under interim arrangements with junior Accountable Body (AB) and LEP staff shouldering the burden of responsibility.

On the SEP refresh, Matthew Wheatley updated Board on activity so far to obtain evidence for the review, highlighting current gaps in infrastructure, housing and regeneration as well as in innovation. He asked Board to agree to the use of external consultant support to obtain this information.

Board NOTED the proposals to address slippage and weak project performance (particularly in the LGF programme). This would be considered further by IIB Board AGREED to implement additional LGF resource as set out in the D2N2 Business Plan Board NOTED the update on the SEP refresh.

4. Standing Items – Updates

4.1 Skills

Melanie Ulyatt introduced an update report on Skills work currently being undertaken.

The Skills and Employment Strategy had been redrafted in light of local authority comments. The Skills and Employment Commission would reconvene in July and it was hoped that plans for moving forward the SGS would be presented to it.

There was funding for one Institute of Technology per LEP area and bids would be looked at carefully to identify a good provider.

MU also drew Board’s attention to the 14-month pilot scheme for a Skills Portal. It was noted that tying in apprenticeships to business had been a longstanding challenge and this new facility would be a one-stop shop for skills bringing together students and employers in one digital platform. The portal had been endorsed by the Growth Hub Project Board, but required further clarity on the procurement process and key outcomes.

Board NOTED the report.
4.2 D2N2 Business Growth Hub Update Report

David Williams updated the meeting on progress with the Growth Hub, highlighting 4,101 interventions to date and an 88% satisfaction rating from the second customer satisfaction survey. He asked that those responsible for Growth Hub staff pass on thanks for helping to produce these good results.

Chris Pook had been appointed to be the new Growth Hub Manager and would take up his new job in June. Development going forward would focus on how the Hub should move on beyond signposting.

DW underlined the crucial role that skills would play in growing businesses and paid tribute to the work put in by Melanie Ulyatt on this.

Board NOTED the developments with Growth Hub in the Operational Activity report.

4.3 (i) and (ii) Enterprise Zone Nottingham and Derby

Peter Gadsby introduced an update report covering progress in the Enterprise Zone and invited any comments from Board.

Board NOTED the report.

4.3 (iii) EZ Markham Vale

Ian Stephenson presented a report updating Board on continued progress with Markham Vale and the Enterprise Zone in general.

Board NOTED the strong progress being made on infrastructure and development.

4.4 GPF Report Capital Projects

Cllr Collins presented a report updating Board on the status of the Growing Places Fund (GPF) programme.

He reiterated the previously reported need to consider alternative uses for funding than loans which were not attractive to borrowers.

David Ralph reported that Price Waterhouse Coopers had been asked to produce an options paper which would come back to Board in due course.

Board NOTED:

(i) the status of projects including due diligence,
(ii) the requests for deferment of loan repayments, and
(iii) the GPF review being undertaken.
4.5 HS2 Update Report

David Ralph presented a report updating Board on the development of the East Midlands HS2 Growth Strategy. He confirmed that the Growth Strategy would be submitted in July, 2017 setting out an economic model for achieving the Hub station at Toton, as well as development of Chesterfield station and the Staveley Depot. Further work would be undertaken to look at aspects of development including infrastructure connectivity.

Board ENDORSED progress on the development and delivery of the HS2 East Midlands Growth Strategy.

4.6 Infrastructure and Investment Board

Ian Stephenson spoke briefly to the Infrastructure and Investment Board update report, informing the group that one project, namely the Skills Hub remained high risk pending receipt of a full stage 2 business case.

The requirement for a stronger management role of the IiB and AB had been picked up and Board’s attention was drawn to revised Terms of Reference outlined on page 3 of the report.

Board NOTED the budget update and NOTED the update on LGF3.
Board APPROVED Phase 2 of the A46 Corridor ad Derby Cycling and Placemaking projects.
Board NOTED the change in Terms of Reference
Board RECEIVED an update on the Skills Hub and RECEIVED updates on all projects.

Item 4.6 (a) IiB Report – Midland Mainline

Board considered a confidential report on the Midland Mainline project.

Board AGREED to release £5m funding to LLEP for the Midland Mainline project.

5. Any Other Business

None.

6. Date of next meeting

Wednesday, 12 July, 2017 (11.00 am – 1.00pm)
Venue: Edwinstowe
INTRODUCTION

This report is for noting and updates three areas:

1. Business Engagement Update – verbal update
2. Board review – draft report Appendix 1
3. Next Steps for Midlands Engine

In addition, the media report is attached (Appendix 2)

2. RECOMMENDATION

2.1 Board is asked to NOTE the report

3. Business Engagement

Andrew Pickin, and our SME lead - Melanie Ullyatt, will provide a verbal update on issues within the business community.

4. D2N2 Review

David William is unable to attend the meeting but has included his initial draft report for information – attached in Appendix 1.

4. Midlands Engine Update

The Midlands Engine Supervisory Board met on 30th June 2017 to review the progress work on Governance – developed by the Nominations Group and the emerging action plan being progressed by the Midlands Engine Task Force. Officers who attended that meeting will be able to summarise next steps.

6. Engagements

Since the last Board Meeting, I have carried out a number of engagements, to promote the profile and activities of the D2N2 LEP, including:

- Meeting Cllr Cutts
- Meeting Cllr Lewis
- Metro Strategy meeting
- Meeting Councillor Greaves and Neil Taylor, Bassetlaw
- British Ambassador to Japan dinner
• HS2 East meeting, Leeds

**Future Engagements**

I have a number of future engagements already scheduled before the Board next meets in September 2017. They include:

- Meeting with Rowena Limb, BEIS
- Meeting with Cllr Neil Clarke, Rushcliffe
- Greater Broadmarsh Programme Board
- Meeting Cllr Carol Hart, Erewash

8. MEDIA ACTIVITY

I attach the regular **D2N2 Media Coverage Report (appendix 2)** for the Board’s attention, detailing media coverage (in print, on radio and television, and digitally/online) achieved by D2N2.

This report lists coverage by:
- publication/media source
- date of article
- headline or summary of the news item
- ‘reach’ (maximum potential readership, listeners, viewers or website users) who might have seen the article.

There is also a ‘Highlights’ section listing the top media ‘talking points’ for the period.

Copies of individual articles mentioned in the Media Coverage Report can be supplied to Board members on request. Contact our Social Media and Marketing Officer [Sam Burbage](#)

**Peter Richardson**  
Chairman
Introduction

As requested by the Chair and Chief Executive, I have been working on a review of the performance of our LEP. I have been assisted by Mike Carr, Pro Vice-Chancellor of Nottingham Trent University and Verna Bayliss, Strategic Partnership Manager, Communities and Place Directorate at Derby City Council.

The original intent was to produce the report for the July Board meeting but given delays caused by elections (and the fact that I am on holiday for the July meeting) we agreed to defer to September. However, I thought it might be helpful to let you have a brief interim report. We have now consulted with the majority of the stakeholders in D2N2 LEP and have been struck by how much the views expressed to date have in common.

I am also aware that the review may be causing disquiet in some quarters and that it is important that we make progress as quickly as possible.

Summary of findings

A number of consistent views have emerged to date and these are set out below:-

- there is general satisfaction of the performance of the senior management team (specifically Chairman and Chief Executive), in part recognising the difficulty of the roles being played;
- there are no specific concerns about the governance of the LEP;
- the strongest recurring question has been the clarity of purpose and role of the LEP;
- the commitment to collaborate across the LEP area and the wider Midlands region remains important;
- the LEP has a crucial role at present and for the foreseeable future as a conduit to and from Government, particularly for regeneration funding;
- given that we are one of the largest LEP economic areas, we appear to have one of the smaller operational teams;
- there was general acknowledgment that the Growth Hub was one of our successes; and
- the influence of the private sector on the LEP Board is weak.

Recommendations/Way Forward

To move on then to a suggested path for the improvement of the working of our LEP, some of the themes which are emerging are as follows:-

- the application of greater focus on the LEP priorities of economic growth, job creation and productivity; in both its strategic planning and programme delivery activities;
• the appointment of a Vice Chair (likely from the private sector) to support the Chair; to assume some specific responsibilities from him as well as to provide succession;

• acknowledging that Chesterfield and Bassetlaw are moving back into the fold, it is important to establish a clear working arrangement with Sheffield City Region. This could also be extended more formally to other LEPs that bound the LEP area;

• the establishment of a formal working group to apply a greater focus to ensuring that best value is being achieved from the future proposals for funding. This focus should also extend to the funds received, including looking at these as a collective “pool” of funding rather than individual allocations;

• bringing more rigour to the review and approval of funding applications to ensure that they will deliver the promised outcomes, specifically around economic growth, job creation and productivity (this may also involve increased private sector oversight);

• the agreement and implementation of a mechanism by which unspent funding allocations can be returned to the “pool” within a given timescale for reallocation;

• the establishment of a new resource plan for the management of the LEP, which is likely to require the resources from the local authorities to play specific LEP roles alongside their day-to-day activities under the coordination of the LEP CEO;

• alongside this, there needs to be a review of the role of all of the current LEP groups and meetings to simplify these, based on the improved focus. Only those that truly add value should be retained; and

• moving to a single accountable body (rather than the three as currently), partly to simplify the operation of the LEP and also increase the opportunities to optimise the use of the government funding provided.

**Conclusion**

If there is one theme which has emerged from all of the interviews it is that our LEP could be more effective if we were working to a simplified set of priorities. There is a strong argument for agreeing and focusing upon 3 or 4 big (exciting ?) programme deliverables for the area, perhaps driven by the area’s priority sectors. My suggestion will be that we organise an away day for the LEP Board this autumn with a view to establishing what those priorities are. At present, I am reluctant to expend funds on external consultancy for the review itself but would be minded to use some of those funds to provide external facilitation for the away day and the conclusions coming from it.

I trust that the above is of value and will be providing my full report in time for our September meeting.

*David Williams*

*5 July 2017*
## D2N2 MEDIA COVERAGE REPORT
### May 10 to Jul 5

<table>
<thead>
<tr>
<th>PUBLICATION OR MEDIA OUTLET</th>
<th>DATE</th>
<th>HEADLINE OR REASON FOR NEWS ITEM</th>
<th>MEDIA TYPE</th>
<th>REACH (Daily unless otherwise stated)</th>
</tr>
</thead>
<tbody>
<tr>
<td>BBC Radio Derby</td>
<td>June 14</td>
<td>Derbyshire and Nottinghamshire projects announced chosen to receive D2N2 Local Growth Fund round 3 £62.9m funding (subject to business plan)</td>
<td>Print</td>
<td>7,234</td>
</tr>
<tr>
<td>Bdaily business news website</td>
<td>June 14</td>
<td>Derbyshire and Nottinghamshire projects announced chosen to receive D2N2 Local Growth Fund round 3 £62.9m funding (subject to business plan)</td>
<td>Online</td>
<td>5,006</td>
</tr>
<tr>
<td>East Midlands Business Link</td>
<td>June 13</td>
<td>Derbyshire and Nottinghamshire projects announced chosen to receive D2N2 Local Growth Fund round 3 £62.9m funding (subject to business plan)</td>
<td>Print</td>
<td>6,894 (Weekday)</td>
</tr>
<tr>
<td>Derby Telegraph</td>
<td>June 15</td>
<td>Assembly Rooms replacement venue funding announced in announcement by D2N2 of projects chosen to receive £62.9m Local Growth Fund 3 funding (subject to business plan)</td>
<td>Print</td>
<td>71,199</td>
</tr>
<tr>
<td>Derbyshire Times</td>
<td>June 15</td>
<td>Assembly Rooms replacement venue and other business venues announced in announcement by D2N2 of projects chosen to receive Local Growth Fund 3 £62.9m funding</td>
<td>Print</td>
<td>7,372</td>
</tr>
<tr>
<td>Derbyshire Live</td>
<td>June 15</td>
<td>Derbyshire and Nottinghamshire projects announced chosen to receive D2N2 Local Growth Fund round 3 £62.9m funding (subject to business plan)</td>
<td>Print</td>
<td>6,851</td>
</tr>
<tr>
<td>East Midlands Business Link</td>
<td>June 15</td>
<td>Assembly Rooms replacement venue funding announced in announcement by D2N2 of projects chosen to receive £62.9m Local Growth Fund 3 funding (subject to business plan)</td>
<td>Print</td>
<td>32,167</td>
</tr>
<tr>
<td>East Midlands Business Link</td>
<td>June 15</td>
<td>Assembly Rooms replacement venue and other business venues announced in announcement by D2N2 of projects chosen to receive Local Growth Fund 3 £62.9m funding</td>
<td>Print</td>
<td>6,312</td>
</tr>
<tr>
<td>East Midlands Business Link</td>
<td>June 16</td>
<td>Derbyshire and Nottinghamshire projects announced chosen to receive D2N2 Local Growth Fund round 3 £62.9m funding (subject to business plan)</td>
<td>Print</td>
<td>15,000</td>
</tr>
<tr>
<td>East Midlands Business Link</td>
<td>June 16</td>
<td>Derbyshire and Nottinghamshire projects announced chosen to receive D2N2 Local Growth Fund round 3 £62.9m funding (subject to business plan)</td>
<td>Online</td>
<td>15,000</td>
</tr>
<tr>
<td>East Midlands Business Link</td>
<td>June 26</td>
<td>Public information sessions on Network Rail project for Market Harborough rail project, including Midland Main Line track straightening part paid for by D2N2.</td>
<td>Print</td>
<td>10,000</td>
</tr>
<tr>
<td>East Midlnds Business Link</td>
<td>June 30</td>
<td>Article on competition to help SMEs with university technical aid – project co-funded with D2N2 EU funding</td>
<td>Online</td>
<td>5,000</td>
</tr>
<tr>
<td>Business Desk News Website</td>
<td>July 2</td>
<td>Five star study reveals way forward for D2N2 area visitor accommodation</td>
<td>Print</td>
<td>10,000</td>
</tr>
<tr>
<td>Business Desk News Website</td>
<td>July 5</td>
<td>Midlands engine chart shows new frenzy building</td>
<td>Print</td>
<td>8,242</td>
</tr>
</tbody>
</table>

**Key Highlights**
- 40 Media Mentions
- 23,462 (average reach per day, over 56 days)
D2N2 LOCAL ENTERPRISE PARTNERSHIP
BOARD REPORT

DATE: 12 July 2017
REPORT LEAD: David Ralph
AGENDA ITEM: 3.1
TITLE: Chief Executive Officer’s Report

1. Introduction

This report considers:

- The key conclusion of the 2017 State of the Economy Review and D2N2 Performance Dashboard (to be published as part of the Annual Review at the AGM on 26 July 2017)
- The findings of the productivity review and next steps for SEP refresh
- Endorse Bids for National Productivity Investment Fund
- The 2017/18 D2N2 Communications Plan

2. Recommendations

The Board to:

- Note the key messages of 2017 State of the Economy Review and D2N2 Dashboard and the conclusions of the productivity review and next steps for SEP
- Endorse bids for National Productivity Investment Fund

3. Key Events since last meeting

Ministerial Appointments – Claire Perry MP, has been confirmed as the lead for LEPs and is the D2N2 sponsoring Minister. There are also other changes in junior ministerial positions.

Key Investment successes – Rolls Royce have announced a $1.5bn order and some £150m investment in its estate - a significant amount of which will be to deliver the Derby aerospace campus at Sinfin. Bombardier have secured a £890m contract to build 750 carriages for South-West trains.

Gold TEF results – all 3 D2N2 Universities (Nottingham, NTU and Derby) secured gold ratings in the recently published HEFCE Teaching Excellence Frameworks.

Arts Council England have published their 2018-2022 National Portfolio funding allocations.

Peter Richardson - received an OBE in the Queen’s Birthday honours.

4. D2N2 - State of the Economy and Performance Dashboard

The D2N2 AGM will take place at Derbyshire Cricket Club on 26 July, 2017 – it is sold out.

At each AGM we publish our Annual Report– which includes our accounts (reported at last meeting), a performance dashboard and the D2N2 State of the Economy review. These reports have been prepared in-house this year when we will also be publishing a D2N2 Impact Report – based on the summary report circulated to the Board at its March meeting.

This work has formed an integral part of our evidence base for the SEP refresh and summary findings of this analysis is attached in Appendix 1. Key messages will be discussed at the meeting. We have this
year also worked closely with the CBI on their regional evidence base and the University of Nottingham on
the productivity review and they will take the Board through the key findings.

It is intended this will kick-off a series of workshops over the summer, when we will be sharing our
evidence base ahead of bringing back our conclusions to the Board ahead of the SEP consultation in the
Autumn.

Following a discussion with private sector Board Members I have included an update on our activities to
reduce social exclusion and increasing social mobility – following the publication of our Social Inclusion
Framework in 2015. We are also currently out to advert for 4 posts to help deliver the Building Better
Opportunities programme.

D2N2 Progress on Social Inclusion – Rachel Quinn, Active Engagement Officer

Progress since 2016

Since last year’s Annual Conference, D2N2 has procured, via Big Lottery Fund, 3 large strategic projects
under Building Better Opportunities to deliver skills, employability, inclusion and financial capability support
for those most excluded in the D2N2 area.

Projects total £7.8m of ESF (c£15m total project delivery) and focus on financial inclusion and capability
and addressing multiple barriers to progression towards work. Projects are all VCS-led and delivered via
local partnerships. The 3 projects launched in October ’16 (Opportunity and Change – multiple & complex
needs project led by Framework), November ’16 (Money Sorted in D2N2 – financial inclusion project led by
St Ann’s Advice Centre) and January 2017 (Towards Work – led by Groundwork Greater Nottingham).

These projects are still in early delivery phase but LEP officers are working closely with the project leads,
the Big Lottery Fund and partners to monitor progress and identify any remaining inclusion gaps to inform
future commissioning.

From a governance perspective the Board are fully committed to inclusion principles and keen to improve
performance in this area. Next steps are about how we do that and do it well. The aim is to continue to
make progress ahead of other LEPs.

Looking ahead

Over the next 12 months the following will further enhance inclusion outcomes locally:

- Launch of the Active Inclusion Grants Programme – small grants and capacity-building support to
  very local organisations working with excluded people.
- Launch of the Health & Wellbeing Pilot Programme – capturing added value in better alignment
  between economic and health outcomes e.g. improving workforce health in our SMEs or initiatives
to target growth of a local health workforce.
- Consultation with VCSE organisations over remaining gaps and changing needs.
- Actions to address the recommendations of the ‘Economic and Social Impacts of Emerging
  Communities in D2N2’ report

Planning for Inclusion

Since the first Social Inclusion Framework and ESIF strategy our understanding of social inclusion has
deprecated significantly. We are focusing less on interventions that address the disadvantage faced by
those that fall through the gaps in mainstream provision and more on growing an economy and related
support services that works better for all. Key aspects of this include:

- Refresh of the SEP and Social Inclusion Framework – building an examination of inclusive growth
  into the heart of this process;
- Working with Joseph Rowntree Foundation and the RSA to identify a better range of measures for
  both the rate of growth and distribution of the benefits of growth across the D2N2 economy;
- Working with NTU Civic Exchange and the RSA to identify actions that make significant impact on
  economic inclusion and could be rolled out locally;
- Engaging a wide range of organisations on how this agenda can be made a priority and owned by all D2N2 stakeholders and partners.
- Refreshing the role and membership of the D2N2 Social Inclusion and Equalities Sub Group it improve scrutiny and ability to hole the LEP to account.

5. National Productivity Investment Fund

The National Productivity Investment Fund (NPIF) is a £490m fund from the Department for Transport (DfT) aimed to increase and rebalance productivity through relieving congestion and delivering upgrades to local roads and public transport networks. All projects were required to facilitate one or more of the following aims:

1) To ease congestion and provide upgrades on important national, regional or local routes
2) To unlock economic and job creation opportunities; or
3) To enable the delivery of new housing developments.

All projects are required to be within the range of £2-£5m and only by exception should a submission be entered over £5m. The funding is split over the 2018/19 and 2019/20 Financial Year with £250m available in 2018/19 and £240m in 2019/20.

The guidance notes received for the funding state:

“The Department recognises that Local Enterprise Partnerships (LEPs) also play a significant role in influencing transport priorities to support housing and economic growth. In many areas, LEPs are responsible for prioritising and facilitating Local Growth Deals that included significant transport and transport-related investment. Given the strong housing, economic and productivity focus of this Fund, and our need to ensure that the resources are focused where they will have the greatest impact, it would be beneficial for the relevant LEP or LEPs to endorse the bid. Where appropriate, we will take the endorsement of a LEP into account as part of the bid assessment.”

Submissions

Each of the four upper tier authorities within the LEP area chose to submit 2 proposals to the fund each, the following submissions have been made:

**Derby City Council**
- **Derby Bus Station Extension (£3.6m)** – development of the bus interchange hub to connect to regional facilities such as the new HS2 station and airport. This will provide access and support growth of the Derby Urban Area including a further 18,000 homes up to 2028 and supporting regeneration in the city centre providing access to leisure facilities.
- **A5111 Transport Network Capacity Improvements (£5m)** – New works to support substantial growth, particularly in the south of the city and support the world leading businesses located within the city.

**Derbyshire County Council**
- **Staveley Spur (£5m)** – This will provide a short access road and bridge over the River Rother to unlock economic potential and support job creation on the disused Staveley Chemical Works Site.
- **Using Intelligent Transport Systems (£3.5m)** - This submission is centred on providing real time travel information to road and public transport users to assist them in making informed decisions around travel and therefore increase network efficiency.

**Nottingham City Council**
- **Informed Travellers and Congestion Relief (£3.2m)** – Variable messaging signs and Intelligent/Adaptive SCOOT junction linking along the A60 Corridor along London Road, Lower Parliament Street and Huntingdon Street between the A6011 Meadow Lane Junction and Glasshouse Street.
- **EMV Contactless Payment (£3.4m)** - Account Based ticketing on bus and tram across the Greater Nottingham Robin Hood Network which incorporates all major commercial and contracted public transport operators.

**Nottinghamshire County Council**
- **A611 Ashfield / Mansfield Corridor junction improvements (£2m)** – The improvement of two junctions to unlock economic growth potential and housing through the alleviation of congestion.
- **Access infrastructure to support proposed housing and employment development on Land East of Gamston (£4.8m).** The project involves the widening of the A52 near Gamston in to a dual carriageway.

All 8 projects were submitted to DfT on 30 June, 2017 alongside letters of support from the LEP with a decision set to be made in Autumn 2017.

6. **SEP Refresh**

The findings of the productivity review and joint work with the CBI are attached in Appendix 2.

7. **2017/18 Communications Plan**

The 2017/18 Communications Plan is attached in Appendix 3 for information

David Ralph  
July 2017
ITEM 3.1 (I) APP 1
STATE OF THE D2N2 ECONOMY

REGIONAL ECONOMIC CONTEXT AND TRENDS
SUMMARY

- In 2015 GVA increased 2.2% to more that £44bn
- Productivity gap with the national level widened slightly in 2015 to 14.6%
- 1,017,300 people are now in employment - an increase of 28,100 (16,700 employees and 11,400 self-employed)
- Increase in employment was driven by private sector full-time and part-time employees
- Business administration & support services, Manufacturing and Construction sectors accounted for most job gains while professional, scientific & technical services, public services, and Arts, entertainment & recreation services experienced losses
- The overall occupational and skills profile reflects concentration of employment in elementary occupations, skilled trades, and process, plant & machine operative roles
- Slightly slower expansion of dwelling stock compared to national figures
GROSS VALUE ADDED (GVA)

- GVA, the value of the output created in an economy) rose to over £44.0bn in D2N2 in 2015.
- 5-year GVA Growth is second highest despite slower year-over-year growth.
- Over the past year, Information and communication has been the fastest growing (8.9%) sector while wholesale, retail and transport registered the largest absolute GVA gain (£459 mil).
- The slow-down in overall growth was caused by the decline in real estate, public services and Agriculture as well as slower growth in Professional services and Construction.
Over the past 5 years manufacturing sector continued to dominate D2N2 value generation, recording almost 35% of total GVA expansion over the period.

Manufacturing and Wholesale, retail and transport expanded the most in terms of absolute GVA gains.

Mining, energy and water, manufacturing, information and communication, and professional services showed the largest percentage change.

Financial and insurance services contracted over the last 5 years.
• In 2015 GVA per hour worked decreased £0.5, while that of most other core city LEPs increased.

• Several measures of productivity (GVA per hour and GVA per FTE) estimate D2N2 productivity gap to be around 15% of the national level.

• Manufacturing sector’s productivity is on par with national level.

• Sectors with the biggest gap are Financial and insurance (34%), Professional and business services (32%), and Construction (23%)

• Research shows that policy interventions should target improvements in skills, investments (capital, infrastructure, R&D), management practices and international trade.

| Change in GVA per hour in England and core city LEP areas, 2015 (£) |
|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Greater Birmingham and Solihull | Sheffield City Region | Leeds City Region | England |
| 0.5                       | 0.6                       | 0.6                       | 1.2                       |

<table>
<thead>
<tr>
<th>D2N2, -0.5</th>
</tr>
</thead>
</table>
There are nearly 72,000 active businesses in D2N2, or 6% growth.

The growth in business base in 2015 was driven by Business administration & support (+1,840), Construction (+430), Professional, scientific & technical (+405) sectors, and Transport & storage (380).

Business density remains below national average at 50 businesses per 1000 working age residents in D2N2 compared to 61 across England. The gap in business density grew over the past 5 years from 8 to 11 businesses per 1000.

However, both the start-up rate and survival rates have risen slightly, which signals increasing competitiveness of the local economy.

Around 3 in 5 businesses survive for 3 years, while 2 in 5 survive for 5 years.
EMPLOYMENT, UNEMPLOYMENT AND INACTIVITY

Population: 2,161,365

Working age: 1,359,600

Economically active: 1,063,300

Employed (As of December 2016): 1,017,300

Increase from 2015: +27,700

Unemployed: 46,000

4.3% vs. 5.0% Nationally

Inactive: 296,300 (21.8%)

Inactivity by reason in D2N2, 2015:
- Long-term sick: 26.4%
- Looking after family: 24.5%
- Student: 24.3%
- Retired: 13.8%
- Other: 9.8%
- Temporarily sick: 1.1%

Employment rate:
- 95.7% vs. 95% Nationally
In 2015 the number of employees in D2N2 has increased by 26,092 (2.9%), out of which 18,652 were full time and 7,440 part time.

Private sector employment grew faster in D2N2 (3.8%) than nationally (3.0%)

In contrast to the composition of the national workforce, which expanded its full-time workforce and decreased part-time component, D2N2 gained both part-time and full-time employees. However, private sector job gains were driven by an increase in full-time jobs in D2N2.

Job gains have been concentrated in Business administration and support services, Manufacturing, Construction and Retail

Job losses were driven by Professional, Scientific &technical, motor trades, Arts, entertainment and recreation and Public administration & defence
OCCUPATIONS

- D2N2 occupational profile reflects concentration of employment in manufacturing with higher percentage of workers in Process, plant, and machine operatives, skilled trades and elementary occupations.

- A lower proportion of workers are employed in highly skilled associate professional, technical, professional and managerial occupations.

<table>
<thead>
<tr>
<th>Occupation</th>
<th>D2N2</th>
<th>England</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managers, directors &amp; senior</td>
<td>8.3</td>
<td>10.9</td>
</tr>
<tr>
<td>Professional</td>
<td>10.9</td>
<td>18.7</td>
</tr>
<tr>
<td>Associate prof. &amp; tech</td>
<td>18.7</td>
<td>20.4</td>
</tr>
<tr>
<td>Administrative and secretarial</td>
<td>14.0</td>
<td>14.6</td>
</tr>
<tr>
<td>Skilled trades</td>
<td>11.2</td>
<td>10.2</td>
</tr>
<tr>
<td>Caring, leisure &amp; other service</td>
<td>10.2</td>
<td>9.5</td>
</tr>
<tr>
<td>Sales &amp; customer service</td>
<td>9.5</td>
<td>9.0</td>
</tr>
<tr>
<td>Process, plant &amp; machine operatives</td>
<td>7.8</td>
<td>7.4</td>
</tr>
<tr>
<td>Elementary</td>
<td>12.6</td>
<td>10.6</td>
</tr>
</tbody>
</table>
• In 2016 there has been a decrease in NVQ4+ and NVQ3 and no change in proportion of population with no qualifications.

• D2N2 working age population remains below the national level for NVQ4+

• The replacement demand qualifications profile suggests that employers may find it difficult to find qualified individuals to satisfy current and future replacement demand
• There were 6,550 dwellings built in 2016, bringing the dwelling stock to 956,060.

• Since 2011 the dwelling stock in D2N2 increased 2.6% compared to 3.3% nationally.

• The ratio of median house price to annual salary continues to rise and is slightly below the pre-recession levels.
BREXIT

Direct Impact

• Exports and jobs
  • Sheffield University estimates that East Midlands goods exports to the EU amount to £1,866 per capita which is about 9% of the D2N2 GVA per capita
  • HM treasury estimates that around 8.5% of the jobs in East Midlands are related to EU exports:
    • 86,000 D2N2 jobs may be exposed to the direct impact of any tariffs levied on exports of goods
• EU Workforce in East Midlands:
  • Around 5% of the East Midlands working age population are EU nationals, compared to 4% in other regions, excluding London (13%)
  • Out of 116,000 employed EU nationals more than 90% are employed in the private sector
  • 2/3 have middle to high skills
1. Introduction

1.1 The current D2N2 Strategic Economic Plan, published in 2014, sets a target to create 55,000 new private sector jobs by 2023, in response to the key challenge to ‘rebalance’ the local economy. Since then, the annual D2N2 State of the Economy reports have shown that we have made positive progress towards that target but productivity performance in D2N2 remains below the national average and inclusion challenges remain. Therefore, D2N2 LEP is currently gathering evidence on the local economy to inform the review of our Strategic Economic Plan.

1.2 There will be a series of Board and partner thematic workshops to consider the evidence gathered, identify the key challenges for the D2N2 economy and consider the implications for strategy.

2. Actions

2.1 A summary note on productivity and the key conclusions of 2 relevant detailed reviews of productivity in D2N2 are attached;
   a. ‘The D2N2 Productivity Gap’ by Professor Richard Kneller of the University of Nottingham and
   b. ‘Unlocking Regional Growth’, by the Confederation of British Industry

2.2 The Board will receive brief presentations on their findings and are asked to consider their implications for the revision of the Strategic Economic Plan. In particular, the Board are asked to consider?

1. Do you recognise the story that this research is telling

2. Should closing the productivity gap be a priority for the D2N2 SEP?

3. In terms of ‘what we need to do’ to tackle the productivity gap, do you;
   a. Recognise the importance of the issues suggested?
   b. Think we need to do pursue different interventions, look to refocus and co-ordinate activities that we are already pursuing, or a combination of both?
   c. Adopt ‘measures’ of productivity when measuring our success or choosing what to invest in?

3. Some of the issues identified by the research are directly within the remit of the LEP, some are led by others. What can your organisation do to address them?

Matthew Wheatley
Appendix A: Productivity Summary Note:

What is Productivity?
Productivity is the ratio of outputs to the inputs used in production. Productive firms produce as much output as possible, i.e. goods and services, using the minimum amount of inputs such as capital, labour and materials.

Why is it important?
Productivity is key to long term economic competitiveness and living standards. Over the long run, it has been found to explain more of the variation in income levels between economies than differences in skills or differences in capital (machinery, ICT etc). The CBI describe productivity as ‘the foundation of wages, living standards, opportunities and prosperity.’

How does D2N2 Perform?
There are various measures of productivity, but the most commonly used one is GVA (or output) per hour worked. This is a measure of labour productivity.

The UK as a whole falls behind on international comparisons of productivity. Productivity in the UK is 19%-points lower than the average for the rest of the G7.

There are wide variations between levels of productivity within the UK with the CBI estimating that the most productive area of the UK is now almost 3 times as productive as the least. The Office for National Statistics estimates that in 2015 D2N2 productivity is approximately 88% of the UK average, meaning an overall output gap in that year of approximately £8.2 billion.

The ‘productivity Gap’ between D2N2 and the UK varies over time, but the presence of the gap persists.

Why do we have a ‘Productivity Gap’?
This has been the subject of a lot of research at national level, but locally there are two recent relevant studies;

1. CBI Research into how D2N2 performs against various ‘factors’ of productivity identified by their national research, built on consultation with their members and access to the Officer for National Statistics Virtual Micro Data Laboratory.
2. Research undertaken by Professor Richard Kneller – University of Nottingham – into the productivity of a sample of D2N2 businesses using business data.

Their summary conclusions are attached and from a key part of the evidence base for the review of the Strategic Economic Plan. Whilst both studies examine the issue using different approaches and data and present their findings in different ways, there is a considerable ‘read across’ between the reports.

What can we do about it?
Whether and how D2N2 wishes to respond to our ‘Productivity Gap’ and factors behind it is for consideration as part of the SEP review, which will be informed by a wider consideration of issues.

---

1 Unlocking Regional Growth, CBI, 2016
Appendix B: Summary of Findings: The D2N2 Productivity Gap
by Professor Richard Kneller (full report attached as Appendix F)

In D2N2 our Sector profile does not explain our Productivity Gap
D2N2 has productive firms across the geography and in a variety of sectors. D2N2’s productivity gap is not explained by its sectoral mix, but by the average productivity of firms and the size of productive and unproductive firms (allocative efficiency). Therefore prioritising sectors or geographies for support is not an efficient way of supporting aggregate productivity growth. Any firm, of any size, in any sector, in any place can become more productive.

To increase aggregate productivity, the SEP should focus on;
   a helping small but productive firms to grow
   b helping medium sized firms with below average productivity to become more productive

Supporting Productivity Growth requires a combination of interventions
The report examines various factors that are commonly asserted to have a positive impact on productivity. It finds that they do have a correlation with productivity, but ‘causation’ is harder to attribute.

There is no single ‘magic’ solution to increasing productivity and a combination of approaches will be required. For example, at firm level, adopting new or innovative processes, responding to export opportunities, changing leadership of management practices, deploying technologies or being acquired by a foreign multi-national firm may lead to additional investment in the firm, raise the levels of skills required, lead to greater firm productivity and growth in revenues.

Continued investment to improve ‘external to the firm’ factors such as market access (such as transport infrastructure and digital connectivity) and availability of investment remain important to support the competitiveness of D2N2 as a business location – but it needs to combined with firm level developments to maximise its impact on productivity.

Policy areas that are relevant to supporting productivity growth include;

Employment and Skills
Although investments in skills and employment by themselves have a marginal impact on productivity, the ‘gap’ in skills performance is so large that addressing it will impact significantly on the productivity gap. Particularly effective approaches combine firm investment in practices or technologies (particularly ICT) to improve productivity with investment in the skills required to operate the practices / technologies.

Competition and Start-Up
Competition and start-up are important to a dynamic local environment, incentivising businesses to invest

Export and Foreign Direct Investment
Exporting can particularly help productive firms grow and expose other firms to competitive pressures
Innovation
The most productive firms invest in Research and Development and policy should continue to support this however, adoption of innovative practices by the average firm (investment in technology, processes, product quality) will have a greater impact on aggregate productivity than a pure focus on R&D.

Leadership and Management
Quality of firm management and leadership are important factors in determining firm productivity and the approach of the firm to making the changes that will improve its productivity.

Infrastructure
Enhanced competition and market access encourage firms to invest in technologies and processes to promote productivity. Areas with better transport infrastructure grow more quickly than those with weaker access.

Evaluation
Whilst many activities and initiatives have been subject to evaluation, very few of them have examined their impact, intentional or otherwise, on firm productivity. The activities that flow from the revised SEP should build this in from the outset to build understanding of ‘what works’.
Appendix C: Summary of Findings: Unlocking Regional Growth


By the CBI

Using access to ONS Micro-data, in their 2016 report ‘Unlocking Regional Growth’, the CBI identify ‘four main drivers of regional productivity’ differences. They are:

1. Educational attainment of young people at 16 and skills
   - A strong school performance and ensuring children get the best result at GCSE (or equivalent) is the single most important driver of productivity differences
   - There is also a crucial role for businesses to help get things like ‘in-work’ training and development right

2. Transport links that widen access to labour
   - A greater pool of skills and talent leads to greater connections between business and supply chains and higher productivity in the local area.
   - Improved connections between the UK’s largest cities can help to drive growth
   - Further gains can be made by improving local transport links and reducing congestion

3. Better management practices
   - There is great potential for firms to increase their productivity by closely examining their management practices and adapting.

4. A higher proportion of firms who export and innovate
   - Firms with higher productivity are more likely to export, but exporting also makes firms more productive

Success can come from any sector mix
A further key recommendation is that local areas should ‘accentuate the positive: success can come from any sector mix.’ The type of sectors within a region matters less for productivity – it is possible to be a high productivity region with almost any sector composition, suggesting that regions and nations should focus on what they do well. In general, productivity differences between firms within the same sector are wide and firms in a sector in an underperforming region are less productive than firms in the same sector in a higher performing region. However the report notes that some areas including Torbay and Nottingham have ‘lower productivity sectors which bring down their average productivity levels’

Other / more detailed findings include:

Education and Skills
- D2N2, like the wider East Midlands, has poor comparative education and skills performance.
- Productivity in local areas is linked to achievement of secondary school leavers
- Better links between businesses and school pays dividends for local productivity
- Building skills throughout careers is vital
- Firms are increasingly looking to hire high-skilled workers
- Attracting and employing more professional graduates also pays productivity dividends
• Joined up investment in education and skills is important. This can be more effectively delivered at local level. Need transformative interventions given scale of the challenge.
• Management practices are a significant driver (i.e. 'leadership and management' are key. – see Charlie Mayfield's ‘How good is your business really?)
• Areas with more professional graduates are significantly more productive than those with fewer – importance of HEI innovation and business hubs
• Nottingham is an identified ‘opportunity area’ for schools performance

Business
• Firms are the key to competitiveness and productivity. Other interventions can support the firm – but changes in firm’s practices are the biggest driver of increased firm productivity.
• Disjointed initiatives frustrate business. Need a single ‘shop window’ for business support
• Scale Up firms with rapidly increasing turnover have higher productivity than non-scale ups. Areas with more high growth firms are more productive.
• Innovation is a factor. Firms with a higher propensity / plans to invest in R&D or spend a higher share of turnover on software development are more productive
• Export – competitiveness of international market places drive productivity improvements. Need for targeted support to firms that have the potential to export successfully.

Place
• Graduates from the best universities often migrate to London leaving other areas drained of top talent
• There is an opportunity to attract mobile young families out of London
• Migration within the UK is low. Lack of high quality homes and high costs of moving hold back mobility
• Areas with more foreign born residents are generally more productive;

Transport / infrastructure
• High quality infrastructure and transportation links matter. Enhancing the size of city labour markets provides agglomeration and competitiveness benefits. Need for joined up infrastructure investment plans.
• Ensuring that digital infrastructure is prepared for the challenges of tomorrow is pivotal

The CBI have considered the performance of LEP areas (and more local ‘NUTS3 areas’) against the key drivers identified above, with recommendations for local action. D2N2’s performance is summarised in Appendix D (attached), with the differing performance of ‘NUTS3’ areas within D2N2 illustrated in Appendix E (attached).
**APPENDIX D**

**LEP Region**

**East Midlands**

---

**Derby, Derbyshire and Nottinghamshire**

---

### Productivity

- **GVA per hour – percentiles**
  - 4th: 81st (High priority)
  - 6th: <24 (Low priority)

- **GVA per hour – £**
  - 67th (Medium priority)
  - 86th (Low priority)

- **Productivity in Derby, Derbyshire and Nottinghamshire is in the 57th percentile for the UK, meaning it is more productive than 58% of NUTS3 areas in the UK.**

- **Productivity of NUTS3 areas in Derby, Derbyshire and Nottinghamshire ranges between the 4th to 6th percentiles in the UK.**

- **Productivity range of all NUTS3 areas in the UK.**

---

### Education & Skills

#### School outcomes
- 19th (High priority)

#### Business interaction with schools
- 12th (Medium priority)

#### In-work training
- 12th (Medium priority)

#### Share of graduates in the workforce
- 17th (High priority)

---

### Business practices

#### Business growth aspiration
- 38th (Low priority)

#### Presence of high-growth firms
- 9th (Medium priority)

#### Exporting propensity
- 29th (Medium priority)

#### Turnover from innovative products
- 23rd (Medium priority)

---

### Infrastructure & Connectivity

#### Mobile connectivity (4G)
- 24th (Low priority)

#### Size of economic area (agglomeration)
- 51st (Medium priority)

#### Additional population within 30-45 min commute time
- 4,602,396

---

### Economic outcomes

#### GVA per head – £ per person
- 19,987

#### Employment rate – %
- 72.0

#### Participation rate – %
- 77.2

#### Average hours worked per week
- 32.3

---

1. Economic outcomes are plotted on an absolute scale showing the 5th – 95th percentile of NUTS3 areas in the UK. Productivity scores are plotted on a percentile scale of all NUTS3 areas in the UK.

2. Outside England, special sub-regions have been created to capture economic co-systems, approximating the geographical size of the 39 LEPs in England.
## APPENDIX E: NUTS 3 Productivity Performance in D2N2

<table>
<thead>
<tr>
<th>Area</th>
<th>Local Authorities</th>
<th>Good Performance</th>
<th>Average</th>
<th>Poor</th>
</tr>
</thead>
<tbody>
<tr>
<td>South Nottinghamshire</td>
<td>Broxtowe, Gedling, Rushcliffe</td>
<td><strong>GVA per head (72)</strong>, Grads in Workforce (81), High Growth firms (79)</td>
<td>In work training (52), Mobile Connectivity 4G (40),</td>
<td>School Outcomes (20), Growth Aspirations (27), Exporting propensity (19)</td>
</tr>
<tr>
<td>Derby</td>
<td>Derby</td>
<td><strong>GVA per head (81)</strong>, High Growth firms (82), Mobile Connectivity 4G (100),</td>
<td>Grads in Workforce (49), Exporting propensity (54), Growth Aspirations (56),</td>
<td>School Outcomes (2), In work training (17),</td>
</tr>
<tr>
<td>Nottingham</td>
<td>Nottingham</td>
<td>In work training (93), High Growth firms (99), Mobile Connectivity 4G (100), Exporting propensity (69)</td>
<td>Grads in Workforce (59),</td>
<td><strong>GVA per head (4)</strong>, School Outcomes (1), Growth Aspirations (31),</td>
</tr>
<tr>
<td>East Derbyshire</td>
<td>Bolsover, Chesterfield, NE Derbyshire</td>
<td><strong>GVA per head (70)</strong>, School Outcomes (78),</td>
<td>High Growth firms (44)</td>
<td>In work training (1), Grads in Workforce (4), Growth Aspirations (12), Exporting propensity (31), Mobile Connectivity 4G (24)</td>
</tr>
<tr>
<td>South &amp; West Derbyshire</td>
<td>Amber Valley, Derbyshire Dales, Erewash, High Peak, South Derbyshire</td>
<td><strong>GVA per head (73)</strong>, School Outcomes (78), Grads in Workforce (66), Growth Aspirations (77),</td>
<td>High Growth firms (44)</td>
<td>In work training (1), Exporting propensity (9), Mobile Connectivity 4G (25)</td>
</tr>
<tr>
<td>North Nottinghamshire</td>
<td>Ashfield, Bassetlaw, Mansfield, Newark and Sherwood</td>
<td>High Growth firms (79)</td>
<td>In work training (52), Mobile Connectivity 4G (40)</td>
<td><strong>GVA per head (13)</strong>, School Outcomes (20), Grads in Workforce (11), Growth Aspirations (17), Exporting propensity (2),</td>
</tr>
</tbody>
</table>

Centile indicated in brackets. The higher centile score the better the performance.
APPENDIX F

The D2N2 Productivity Gap: Summary

1. Productivity, the ratio of output to the inputs used in production, matters for living standards over the long-run and has been found to explain more of the variation in income levels between economies than differences in skills or differences in capital (machinery, ICT etc.).

2. According to ONS data D2N2 productivity is about 88% of the rest of the UK. In 2015 this meant that an average worker in D2N2 produced around £10,700 less in gross value added (GVA) than an average worker in England. Aggregating across all employees in D2N2 this amounts to a productivity gap of more than £8.2 billion.

3. Aggregate productivity can be calculated as the weighted sum of each individual businesses within an economy, where these weights are measured by the relative size (sales) of each firm. Productivity within the D2N2 region therefore depends both on the productivity of each individual business and the weights assigned to each firm. Regions with high productivity are typically characterised as having many productive firms that are large and unproductive ones that are small. Unproductive regions have more productive firms that are small and unproductive ones that are large! This correlation between size and productivity is known as allocative efficiency.

4. Using a dataset on businesses in D2N2 and the rest of the UK allows us to consider whether the D2N2 economy is held back by the sectoral-mix of its economy, by the productivity of the average firm, or by low allocative efficiency. The answer would appear to be that all three act to lower aggregate D2N2 productivity. Ranking them we find the negative effect of low allocative efficiency to be stronger than the effect from the lower productivity of the average firm, with both of these having a much stronger effect than the industrial composition. As productive firms can be found in all industries, industrial composition matters much less than is commonly thought.

5. Further investigation of the data reveals that the lower productivity of the average firm in the D2N2 region is not explained by a long tail of very unproductive firms. Nor is it because there are too few exceptionally productive firms (although the best D2N2 firms are below the best UK firms). That is good news and shows both that the D2N2 economy is capable of producing exceptional firms and those firms can thrive here. It also shows that whatever allows unproductive firms to survive is no worse in this region than elsewhere in the UK.
6. More important for the productivity gap are the differences in the middle, where a greater proportion of firms in D2N2 are to the left of the average productivity of the UK firm. D2N2 has too many ‘below average but not very weak’ firms and too few of the ‘above average but not exceptional’ firms.

7. Allocative efficiency of the D2N2 economy is also below that of the rest of the UK, although the reason also seems to be the gap between the average D2N2 and the average UK firm.

8. Productivity enhancing policy for the D2N2 economy would ideally seek to raise productivity of the below average productivity performers and ensure that low productivity firms do not grow at the expense of high productivity firms. The ‘small & productive’ firms are an obvious target group for support to achieve such an outcome.

9. Productivity enhancing polices often include the following list

<table>
<thead>
<tr>
<th>Policy</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>R&amp;D</td>
<td>Evidence shows that this makes firms more productive and grow. However tends to be undertaken by the most productive firms and D2N2 under-performance is not of those firms.</td>
</tr>
<tr>
<td>Skills</td>
<td>The evidence indicates only a small causal improvement in productivity from this. However, as D2N2 scores poorly on these measures, closing this gap would have an important effect on aggregate productivity.</td>
</tr>
<tr>
<td>Investment</td>
<td>Strong evidence that this matters for productivity. Investment includes all types of capital, but investment in productivity enhancing effects from ICT have been shown to be complementary to changes in organisation and skills. No evidence on D2N2 performance on these measures.</td>
</tr>
<tr>
<td>International Trade</td>
<td>Firms that export or are multinational are more productive than non-exporters. The literature concludes this is mostly due to self-selection. There is evidence of only a small causal impact of starting to export, with a stronger effect on the growth of firms. There is also evidence that being acquired by a foreign multinational increases productivity. Some indication that exporting from D2N2 is lower than rest of the UK.</td>
</tr>
<tr>
<td>Management</td>
<td>Differences in managerial quality matters for productivity. Some indicators suggest that D2N2 firms perform poorly here.</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>There is evidence that infrastructure matters for both market access and competition, both of which have been associated with higher productivity and higher growth.</td>
</tr>
</tbody>
</table>

10. Policies targeted specifically at improvements in productivity are rare. This suggests that knowledge of ‘what works’ is relatively limited, and will remain so unless robust policy
evaluation exercises are conducted. That would ideally include both past and future policy interventions, in which case it needs to be built into the design-phase of policy making.

11. Policies targeted at the growth of firms are common, but are not necessarily productivity enhancing. Evidence from a past UK-wide policy of this type found that they were successful at increasing in employment. However, there was no evidence that they led to any increase in productivity. In addition, the firms that received support had on average lower productivity, such that their employment growth came at the expense of high-productivity firms, thereby lowering aggregate productivity.
The D2N2 Productivity Gap

It is often said that productivity, the ratio of output of an economy to the inputs used in production, is easier to define than it is to measure. The effort to generate such measures is worthwhile, and we should be concerned when we observe obvious and persistent productivity gaps for two reasons. Firstly, productivity it is the driver of living standards over the long-run. While investment in new capital (machinery, computers etc.) or in skills (human capital) is valuable in increasing the growth rate of income per capita, eventually this growth will be constrained by the rate of productivity growth. Secondly, productivity is the key reason behind differences in income gaps across economies. To put this differently; when comparing the gap in income levels it has been found that the differences in the type of machines, computers etc. that are available, or in the skills of workers, are much smaller than the differences in productivity. Income gaps are therefore not solved solely by accumulating more objects (investment) or education, and policy solutions that are focused on increasing productivity are warranted.

Labour productivity is calculated as the ration of output to employment, while total factor productivity (TFP) accounts for the other inputs used. Labour productivity is the simplest measure of productivity to calculate and is typically the most commonly used measure. Calculating total factor productivity requires knowledge of all of the inputs that are used to produce a unit of output, but also the precise way that they are combined. For an individual product that can be quite straightforward, but given the thousands of products that are produced and the myriad of ways that they might be produced, for the aggregate economy that is a more complex matter. In this report we focus on labour productivity, although where possible we try to verify whether TFP estimates are likely to differ from this. Typically we find that they do not.

As shown in Error! Reference source not found., according to ONS data the labour productivity of the D2N2 economy is about 88% of that of the UK as a whole (about 95% when excluding London). In 2015 this meant that an average worker in D2N2 produced around £10,700 less in gross value added (GVA) than an average worker in the UK as a whole. Aggregating across all employees in D2N2 this amounts to a productivity gap of more than £8.2 billion.

This productivity gap has been a persistent feature of the D2N2 economy for a long period of time, although the precise estimate has drifted upwards and downwards slightly (see Error! Reference source not found.). To understand why it exists, and therefore what policy levers might be targeted to remove it, requires an investigation of its causes.
To enable a more granular analysis of the D2N2 productivity gap, we use firm level data on financial statements from a commercial data provider (Bureau Van Dijk). There are advantages and disadvantages of this data, the main disadvantage being one of coverage. The data includes sufficient information to construct productivity estimates for a sub-set of firms, where these tend to be larger firms on average (the sample includes 911 companies in D2N2 and a further 35,368 for the rest of the UK). Given the relatively small sample of firms for D2N2 we concentrate on analysis at the aggregate level and provide little discussion of particular local authorities or industrial sectors. Despite these data limitations we estimate D2N2 productivity to be 83% of the UK value using this data, close to the estimate of the productivity gap found from ONS data.

Using this data we can re-calculate aggregate labour productivity as the sum of the productivity of each individual business, weighting each business by its overall importance to output or employment (we use output). Under this measure productivity depends both on the productivity of each individual business but also the weights assigned to each firm. Regions with high productivity are typically characterised as having more productive firms that are large, while the unproductive firms are small. Unproductive regions have productive firms that are small and unproductive firms that are large! The correlation between size and productivity is known as allocative efficiency.

The micro level data allow us to consider if the D2N2 productivity gap is characterised as a problem with the productivity of firms, how big they are, or if they are in the wrong sectors. In practice all three play some role, but the allocative efficiency and the productivity of individuals businesses are much more important. Evidence on the productivity of the average firm and the benefit of allocative
efficiency are shown in Error! Reference source not found. below where we calculate aggregate productivity along with that total broken down into average productivity and allocative efficiency for D2N2, the UK less D2N2 and London, UK less D2N2 and London. The figure shows that D2N2 underperforms on this aggregate as well as each component. It also shows that allocative efficiency, while a relatively small share of the total, has an important role in explaining the productivity gap between these various regions.

Figure 2

Weighted Average Productivity (logged), 2015

To push at this further we consider what would happen to aggregate D2N2 productivity if:

1. we changed the industrial composition to match the rest of the UK
2. increased the average firm productivity to that of the rest of the UK
3. increased allocative efficiency to the rest of the UK.

As already mentioned the effect of changing the industrial composition is relatively small. According to our data the productivity of the D2N2 economy would reach 84%, up from 83%, if we change it to match the UK’s industrial structure. The effect is small because while D2N2 has relatively little employment in a high labour productivity sector such as finance, it has relatively more in high labour productivity manufacturing. Therefore the productivity boost brought about by increasing finance is to a large extent offset by the productivity decline brought about by decreasing
manufacturing employment to match the UK average. That the industrial composition plays relatively little role in explaining productivity differences is a point also made by CBI (2016).

Aggregate productivity also depends on the productivity of the individual firms in the economy. On average firms in D2N2 have lower productivity then those in the rest of the UK; the efficiency of the average firm is about 94% of that of the average firm in the rest of the UK. Closing this gap to the average UK firm would clearly help reduce the aggregate productivity gap. We calculate that increasing productivity in the average D2N2 firm to that of the average UK firm would boost overall productivity to 88%. This suggests that, if successful, a strategy of improving the productivity of D2N2 firms to the UK average would have an effect on aggregate productivity about 5 times larger than a strategy of matching the industrial composition of the UK.

Finally, we find calculate that for both the UK and for D2N2 allocative efficiency is positive, meaning that employment shares are usually bigger for the more productive firms in both regions. However, the value of this allocative efficiency is smaller for D2N2 than it is for the rest of the UK, again implying a potential productivity boost if this could be altered. According to the data improving this feature of the D2N2 economy to match the rest of the UK would suggest that D2N2 productivity would reach 95% of the UK value. This allocative efficiency term, along with firm productivity, are therefore the most important explanations for the D2N2 productivity gap and are worthy of further analysis.

Before turning to this task we consider whether these productivity gaps exist for all of the sectors that make up the D2N2 or whether there are some that buck this trend. The gap does differ across sectors and there is one sector, real estate activities (105%), for which weighted labour productivity is higher than for the rest of the UK. In other sectors, such as construction (94%), accommodation and food (93%) and manufacturing (92%), the gap is small, whereas it is large in finance and insurance (87%) and particularly in administrative and support services (57%). This result for admin and support services is important as these firms account for a large percentage of sales in the data (12%) and is explained by both lower productivity for the average firm and a negative allocative efficiency value.

The Productivity of Firms

As already noted the data indicate that the productivity of the average firm is below that of the average UK firm. That average arises of course from comparing across lots of different firms. In both regions we find that the best firms outperform the worst firms by a long way. In D2N2 firms at the 90th percentile of the distribution have a value of labour productivity some 10 times that of firms at the 10th percentile. In the UK as a whole the comparison suggests the best firms produce 19 times
more revenue per employee. Even when we focus within industries significant heterogeneity remains: for example in wholesale and retail the best firms in D2N2 (UK) produce 9 times more revenue per employee than firms at the bottom of the distribution (a multiple of 13 in the UK as a whole) and in manufacturing the figure is close to 5 times (a multiple of 6 in the UK as a whole). Those differences are typical and have been found using other data sets on UK firms, or indeed other country settings and even when very narrowly defined industries are used.

Three other notable features of the productivity distribution are:

1. the performance of D2N2 firms and other UK firms at the bottom of the productivity distribution is similar, indicating that the minimum productivity required to survive in both regions is also similar.
2. as in the rest of the UK, the D2N2 economy also has a small number of firms with very high labour productivity. These high productivity firms are spread across all industries and can also be found in every local authority. The best D2N2 firms are however some way short of the very best in the UK.
3. the differences between the D2N2 region and the rest of the UK are instead more apparent in the middle of the distribution. The D2N2 economy has too many firms that are to the left of the average productivity of the UK firm and too few that are at or above this average.

These key patterns are neatly summarised in Error! Reference source not found. below. Starting from the left tail of the distribution it is evident from this figure that the productivity distributions of D2N2 and the rest of the UK overlap; the productivity of the weakest firms is similar. Differences in performance then appear just below the peak of the distribution, where this peak for D2N2 is to the left of that for the UK as a whole, indicating that average productivity is lower. The peak for D2N2 is also noticeably higher indicating that there are more D2N2 firms clustered around this mean value. Moving to the right of this peak point is where firms outside of the D2N2 region really begin to outperform those inside. These are above average but not exceptional firms. At the extreme right hand tail there are some D2N2 firms as well as UK firms.

We are also able to demonstrate that this difference is statistically significant. This pattern repeats itself when we consider this at the industry level and we again find statistically significant differences for manufacturing; administrative & support services; Professional, scientific & technical; and Transportation & storage.
Having identified large differences in productivity between firms and also between D2N2 and the rest of the UK a natural question to ask is how much of this is explained by the characteristics of industries and the regions in which they reside and how much is explained by differences in the characteristics of the firms themselves. Unfortunately the data do not allow us to answer this second question and we are left to appeal to the academic literature to identify potential explanations.

We can get a limited sense of the first question with the data we do have available. To study this point we regress the productivity of firms in the UK, including those in D2N2, against the industry and the local authority of the firm. We focus on these regional characteristics and benchmark everything against Derby. The results are displayed in Error! Reference source not found.. They indicate that within the D2N2 region there is evidence of a significant positive effect on productivity from the agglomeration within Amber Valley, Erewash, High Peak, South Derbyshire and North East Derbyshire. Negative effects of location on labour productivity are found for Bolsover and Nottingham. For everywhere else we find from a statistical perspective at least, that the productivity of firms in those local authorities is at the same level as in Derby.

But how important are these regional characteristics? The answer is not very. Using these local authority dummies we can explain a little over 3% of the variation in productivity across firms. It is worth noting that by adding industry dummies we can do a little better, such that with both industry and region dummies together we can explain just over 13% of the variation in the data.
Table 1

<table>
<thead>
<tr>
<th>Productivity is significantly lower than Derby</th>
<th>Productivity is the same as in than Derby</th>
<th>Productivity is significantly higher than Derby</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bolsover</td>
<td>Chesterfield</td>
<td>Amber Valley</td>
</tr>
<tr>
<td>Nottingham</td>
<td>Derbyshire Dales</td>
<td>Erewash</td>
</tr>
<tr>
<td></td>
<td>Ashfield</td>
<td>High Peak</td>
</tr>
<tr>
<td></td>
<td>Bassetlaw</td>
<td>North East Derbyshire</td>
</tr>
<tr>
<td></td>
<td>Broxtowe</td>
<td>South Derbyshire</td>
</tr>
<tr>
<td></td>
<td>Gedling</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Mansfield</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Newark and Sherwood</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Rushcliffe</td>
<td></td>
</tr>
</tbody>
</table>

We next consider whether there are measurable characteristics of these regions which leads to high productivity. We include here measures of education attainment, entrepreneurship (entry and survival), agglomeration (persons per sq km), broadband infrastructure and occupation. In these regressions we can explain 20% of the variation in productivity across firms. Still much remains unexplained and most of the action is what is happening within the firm!

Considering the variables individually, we find that local authorities in which more of the population has qualifications at NVQ4+, a faster rate of enterprise births and occupations at management level tend to have higher productivity. Broadband speed and agglomeration appear to have no consistent role. Before moving on to consider by how much these factors matter it is worth noting that none of these factors explain the tendency for firms in the different local authorities in Error! Reference source not found. to have above or below average productivity. To put that differently; the differences in Error! Reference source not found. are not explained by differences in the availability of skilled workers, broadband, the types of occupations etc.

Again, the ability of these variables to explain variations in productivity is quite limited, although for skills as the gap to the rest of the UK is big this has a larger impact. The proportion of the workforce with NVQ level 4+ is 43.66% in the UK versus 30.04% for D2N2. According to the regression results increasing the skills of D2N2 workers to the UK average would add 0.18 log points to the productivity of the average firm. This represents 3.6% of an increase in the productivity of the average (median) firm. For the other variables the effect is even smaller: increasing the rate of enterprise births in D2N2 to the UK average would add 0.03 log points and increasing the proportion of senior managers would add 0.04 log points (an increase of less than 1% for the average firm).
Given the absence of data we answer the question on what makes firms’ more productive by appealing to academic research on this topic. We might split these factors into those that are internal and those that are external to the firm. The most often researched internal factors are management, investment, skilled labour, R&D and globalisation. The external factors include market access, competition and agglomeration (including spillovers).

An important note to point out before discussing this evidence is that the volume of research that has found a correlation between these various factors and productivity is much greater than the volume of evidence that has reliably demonstrated causation. As an example, a large number of academics have researched the question whether being an exporter leads to higher productivity. These two variables are positively correlated as one would expect, but when we follow firms that start to export we find that they were already amongst the best non-exporters. This indicates the causation may in fact go in the opposite direction: there is the self-selection of the best firms into exporting. Untangling this inter-relationship is not easy but a few studies have successfully done so and have been able to conclude that exporting also brings a productivity benefit to the firm of about 1-3%. This is a little smaller than the productivity gain that research has found on the benefits from being acquired by a foreign multinational firm.

The benefits to exporting and FDI accrue in particular when the firm is encouraged to invest and adopts improved technology into its production process, or is able to upgrade the quality of its products. Exports and FDI increase productivity because they incentivise firms to invest through access to larger markets and access to better technologies. A point worth highlighting for a post-Brexit UK. This result mirrors the evidence of capital investment more generally, where there is strong evidence that this matters for productivity.

Perhaps the most studied type of investment in capital has been in ICT. Here again, it is typical to find that the most productive firms are the quickest adopters of new types of ICT, but there is some evidence of small additional productivity gains from this investment. These effects are typically unevenly felt across firms and accrue in particular to those firms that improve in staff training (or employ higher skilled workers) or alter the way they manage and organise themselves. This type of complementarity between investment in new improved capital and skills is typical in the literature, where there is little evidence of a direct productivity pay-off skill upgrading. For productivity, improved training and education appears to matter instead when performed in conjunction with some other activity.

The economics literature has made rather large strides in the last few years in trying to quantify how much management matters for productivity. Again, disentangling causality is rather difficult
here, in particular separating the difficult to replicate characteristics of the manager, their x-factor if you like, from the aspects of management science which are. The most reliable estimates from the literature indicate that improving the management of a firm at the 25th percentile of the management quality distribution up to that of a firm at the 75th would increase its productivity by about 3-7.5%, which is about 10-23% of the productivity gap between those two firms. Clearly management matters, but it is not everything

Finally, many discussions of productivity usually start with a discussion about R&D and technological progress. The underlying basis for this is a top-down approach to the productivity problem and a theoretical model, the Solow model, that underlies this. Bottom-up approaches to productivity such as this one, tend to view R&D as one factor amongst many others. This largeoly stems from the realisation that the by far the majority of firms don’t undertake any formal R&D, and that the firms that do are already the most productive firms. The OECD has a useful characterisation of firms at various points in productivity distributions of the type shown in Error! Reference source not found. They label the best firms as ‘frontier firms’, those above the mean but below this as ‘national champions’ and those below the mean as ‘productivity laggards’. Innovation matters at the top, for the frontier firms. For the majority, for the national champions and the laggards, innovation is less important than investment in new advanced types of capital that embodies the R&D and management innovations of these frontier firms or imitation of their management and other organisational practices. That is not to suggest that product and process innovation are not important for aggregate productivity, but the evidence presented here does suggest it is not the root of the D2N2 productivity gap.

Economic research has found it easier to demonstrate that external factors, in particular those around competition and market access matter for the productivity of firms. Weaker competition and limited market access tend to be associated with lower productivity, in part because they discourage investment in new types of capital and in R&D. Disentangling the effects of agglomeration has proved more difficult, although cities with better transport infrastructure (including road, rail, airports and information highways) have been found to grow more quickly than those with weaker access.

Allocative Efficiency

To understand differences in the efficiency with which the market allocates resources across firms in the D2N2 region versus the UK average we plot the market share of firms (relative to the industry average) against their labour productivity (relative to the industry average) in Error! Reference source not found..

Figure 4
In Error! Reference source not found. we then separate the four quadrants of the diagram and label the firms in those quadrants as ‘small & productive’, ‘large & productive’, ‘large & unproductive’ and ‘small & unproductive’. To a large extent the patterns for the UK and D2N2 appear similar, notwithstanding the fact that there are more firms in the rest of the UK. This is borne out by the number of firms in each of these quadrants reported in Table 2. Comparatively the UK has more firms in the ‘small & productive’ and ‘unproductive and large’ quadrants, whereas D2N2 has a relatively greater share of firms in the ‘large & productive quadrant’ and ‘unproductive and small’. This is of interest, as that pattern would tend to be associated with D2N2 having higher, not lower allocative efficiency.

Further investigation suggests that this comes because the gap in productivity to the average is bigger than for the rest of the UK. To put this differently, the low allocative efficiency of D2N2 stems from the gap in firm productivity evident from Error! Reference source not found., and closing that gap would help to improve allocative efficiency also.

Table 2

<table>
<thead>
<tr>
<th>Productivity/Size</th>
<th>D2N2</th>
<th>UK (less D2N2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Productive/Large</td>
<td>19%</td>
<td>17%</td>
</tr>
<tr>
<td>Productive/Small</td>
<td>31%</td>
<td>33%</td>
</tr>
<tr>
<td>Unproductive/Large</td>
<td>31%</td>
<td>33%</td>
</tr>
<tr>
<td>Unproductive/Small</td>
<td>19%</td>
<td>17%</td>
</tr>
</tbody>
</table>
What are the determinants of allocative efficiency? That is a difficult question to answer as it requires us to model the many institutional features of an economy all at once. The economics literature has only recently begun to develop those models, although an early conclusion would be that distortions, including policy distortions, to market access, competition, access to finance, the allocation of inputs (including labour) generate effects on aggregate productivity that are large.

A greater volume of research has considered the determinants of firm growth for the type of internal (management, investment, skilled labour, R&D and globalisation) and external factors (market access, competition and agglomeration) discussed above. To generalise from this literature, it is often much easier to find effects on the size of the firm (employment and sales) than it is productivity. For example, while it appears to be the case that the best firms simply self-select into becoming exporters and there is little productivity benefit from doing so, it has been consistently found that these firms grow more quickly than they would otherwise have done. Higher productivity firms growing more quickly implies higher allocative efficiency and therefore higher aggregate productivity. Similar results have been found for a number of other variables including R&D, FDI and investment.

Policy

Two perhaps obvious guiding principles for productivity policy that might be drawn from the above analysis would be that:

1. Firms at the top, middle and bottom of the productivity distribution are different and their productivity determinants also differ. Innovation matters more for productivity at the top of the distribution and imitation and investment are more important at the middle and bottom. To the extent that the determinants of innovation are different from those of investing and imitating in order to catch-up, any policy actions should also differ. A factor common to both would be the size of the market firms’ can access. Better access to larger markets increases innovation and investment.

2. Aggregate productivity is also determined by allocative efficiency. Productivity enhancing policy for the D2N2 economy would also ideally give thought to the effect on allocative efficiency and ensure that policies do not support growth of low productivity firms at the expense of high productivity firms. The ‘small & productive’ firms are an obvious target group that would support increases in aggregate productivity through increases in allocative efficiency. While this would seem obvious, evidence of past UK-wide policies indicates that employment promoting policies led to the growth of low-productivity firms at the expense of high-productivity firms, lowering aggregate productivity.
The evidence also indicates that the productivity gap between the D2N2 region and the rest of the UK is explained in part by an under-performance in the middle of the productivity distribution and low allocative efficiency. There are too many 'below-average but not very weak' productivity firms and not enough 'above average but not exceptional' firms. Low allocative efficiency seems to occur from the same reason.

The D2N2 productivity gap has much less to do with the sectoral composition of the economy; because of a long tail of underperforming firms; or because the best firms in D2N2 are not amongst the best nationally or internationally. That is good news as it shows both that the D2N2 economy is capable of producing exceptional firms; that those firms can thrive there; and that whatever allows unproductive firms to survive is no worse in this region than elsewhere in the UK. This suggests that to address the D2N2 productivity gap policy actions would not be targeted at those groups of firms. The evidence also indicates that they should not be targeted at particular industries, at the cost of productive firms in other, less fashionable ones.

Unfortunately, data limitations prevent us from providing further diagnosis of the reasons for the productivity gap amongst middle productivity firms and therefore our ability to offer a more detailed policy description. From the academic evidence we do know that firms in this part of the distribution are more likely to be non-exporters than exporters (or export relatively little), to have lower management scores and use more recent technologies less intensively. That might be a useful starting point for thinking about appropriate support for these firms.

The academic literature suggests that the direct effect of improvement in education and training on productivity is small, although these do appear to help leverage the effects of ICT and management. However, because the increase in education necessary to bring D2N2 back to the UK average would be large, this could generate a productivity impact of some importance.

Policies targeted at improving productivity are rare. This suggests that knowledge of ‘what works’ is relatively limited and will remain so unless a robust policy evaluation exercise is conducted. The methodologies required to achieve such a robust evidence base are well-understood and have been applied in many settings including those around firms. Evaluations of policy would ideally include all future policy interventions, in which case it needs to be built into the design-phase of policy making, but could also include past-interventions (in particular those designed to support the growth of firms).

Professor Richard Kneller
University of Nottingham
D2N2 Local Enterprise Partnership

Communications Plan 2017/18

Report by
Sean Kirby,
D2N2 Communications Manager
D2N2 LEP Communications Plan 2017/18

Overview

The D2N2 LEP and its D2N2 Growth Hub offer a wide range of activities and services. To spread the word about these services and D2N2’s successes, the D2N2 Communications Team take a multi-platform approach to addressing the media (print, TV and radio, digital and social media).

D2N2’s main channels of communications for which content is provided are:

- Distributed press releases/news articles
- Regular newsletters (currently fortnightly)
- Websites (LEP, Growth Hub, Skills and soon Technical Assistance)
- Social media (Twitter, LinkedIn, Google Plus, YouTube, Facebook)
- Events
- Marketing publications
- Internal communications.
- External partners’ channels.

Achievement against targets/objectives set in the 2016/17 D2N2 Communications Plan

<table>
<thead>
<tr>
<th>Target/Objective</th>
<th>Measure</th>
</tr>
</thead>
</table>
| Negotiate and approve new D2N2 publications package with Post/Telegraph (or other provider) for 2016/17: | ACHIEVED Publications –
- Monthly D2N2 news pages, authored by Communications Team, appeared in both Nottingham Post and Derby Telegraph business magazines throughout the year.
- Plus CEO’s Business column every third week for Derby Telegraph Business Weekly.
- Annual Review publication – Appeared in both Post and Telegraph, and glossy A4 version produced given out at Annual Conference and events across the year. |
| Stage events to raise awareness of D2N2 services and ‘brand’. | ACHIEVED Events –
- Staged July 2016 Annual Conference at West Notts College venue – 160 delegates attended, plus exhibitors.
- Delivery of six Business Breakfasts in October/November across LEP area – Around 230 delegates attended events.
- Joint D2N2 & East Midlands Chamber Autumn Statement 2016 event staged for business leaders, giving live comment on Chancellor’s announcement. |
<table>
<thead>
<tr>
<th><strong>Increase social media followers (suggested target set last year of approx. 5,800 by end of 2016/17).</strong></th>
<th><strong>ACHIEVED</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current D2N2 LEP Twitter followers (as at July 4) – 5,883. Compared with 4,307 at March, 2016.</strong></td>
<td></td>
</tr>
<tr>
<td><strong>D2N2 currently ranks 9th among 38 LEPs in terms of Twitter followers, up from 11th in August 2016.</strong></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Improve D2N2 websites and grow their visitor traffic.</strong></th>
<th><strong>ACHIEVED</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>D2N2 LEP website</strong> – In the last year the LEP website has achieved the following:</td>
<td></td>
</tr>
<tr>
<td>** Visitors: 39,543**</td>
<td></td>
</tr>
<tr>
<td>** Page views: 155,682 pages.**</td>
<td></td>
</tr>
<tr>
<td>** New Users: 59.67% (23,595)**</td>
<td></td>
</tr>
<tr>
<td>The D2N2 LEP website acquired 80% more users in the last year than its annual average of 21,638 (a figure derived from the total number of users the D2N2 LEP website has ever had - 129,830 - divided by the six years it has been running).</td>
<td></td>
</tr>
<tr>
<td>30% of all users of the website in its six year history were acquired in the last year.</td>
<td></td>
</tr>
<tr>
<td><strong>D2N2 Growth Hub LEP website</strong> – GH website – April 2015 – March 2016: Received 31,440 unique visits.</td>
<td><strong>VS</strong></td>
</tr>
<tr>
<td>April 2016 – March 2017: Received 38,419 unique visits</td>
<td>An increase in visits of <strong>22.2%</strong>.</td>
</tr>
<tr>
<td><strong>ACHIEVED</strong></td>
<td></td>
</tr>
<tr>
<td>Website(s) Review delivered to Chief Executive, June 2017.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Write options strategy for website, to be submitted to CEO by end of June 2016.</strong></th>
<th><strong>ACHIEVED</strong></th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th><strong>Creating influence –</strong></th>
<th><strong>ACHIEVED</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Programme of internal communications to celebrate and raise D2N2 staff awareness of LEP achievements</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Create and act on Communications Plan to better engage with D2N2 area MPs</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Communications with D2N2 LEP area MPs, reminding them of D2N2’s work generally and of projects in MP’s own constituency, were sent to all area MPs Pre-General Election. Chair and Chief Executive’s planned meet-ups with MPs post-Election will be supported by research by Communications Team.</strong></td>
<td><strong>ACHIEVED</strong></td>
</tr>
</tbody>
</table>
Develop multi-media platform strategy to better engage with national level general/specialist media and journalists. Once approved (CEO/Board) act on and log progress via Board media coverage evaluation reports.

**Ongoing.**


All coverage logged via Board Media Evaluation reports.

In addition:

- National media contacts lists enhanced.
- National media directly approached for joint D2N2/East Midlands Chamber Autumn Statement 2016 event.
- D2N2 partnership and co-sponsorship of Nottingham in Parliament Day (October 25, 2016) – which was covered by BBC 2’s Daily Politics, and on national BBC and ITV Twitter channels.
- Communications Team now using social media ‘help a journalist’ apps – including JournoRequests email service – to directly engage with national/regional/features/freelance journalists via email or Twitter.

### 2017/18 D2N2 Communications Plan – New targets/objectives

<table>
<thead>
<tr>
<th>Target/Objective</th>
<th>Measure</th>
</tr>
</thead>
</table>
| Raise D2N2 profile externally/internally through business engagement and communications. | **Externally:**
  - **Publications** – Negotiate and deliver value for money 2017/18 D2N2 publications package with Post/Telegraph. To include D2N2 Comms’ production of *Annual Review*, demonstrating LEP impact.
  - **Events** – Stage 2017 Annual Conference and Business Breakfasts series – and examine opportunities to link in HS2 Strategy and SEP refresh consultation content, to aid D2N2 business engagement.

**Internally:**
- Offer media training sessions to senior staff, to widen ‘pool’ of available spokespeople for media.
- Assist with content writing of SEP to make language more accessible.
- Internal communication of D2N2 successes.
- Attend senior officers’ Ops Meetings.
- Update office environment (subject to CEO approval).

**Increased media coverage of D2N2 activities**

- **Social media** – Increase followers for all SM channels. EG - Twitter follower increase to approx. 7,000 by end of 2017/18 and increase D2N2 ranking to at least 8th out of 38 LEPs (now 9th).
- Explore new, relevant social media options/channels.
- **National media** – Widen media databases to enable exclusive D2N2 ‘offers’ to national media.
- Continue current use of free JournoRequests email service – national/ freelance journalists request help services – and investigate other channels of this kind.

**Coverage to be regularly evaluated via Board reports.**

**Improve D2N2 websites and grow visitor traffic.**

- Follow up on Website Review (now with CEO) on ways of better drawing together content/style of 3 (soon to be 4) D2N2 websites. Second report to CEO.
- Regularly review website targets with suggested improvement options (min. 2 in-depth presentations/briefings to CEO in 2017/18), including means of improving transparency/accessibility of website.

**Raise D2N2 profile with influencers, regional and external.**

- **Intelligence gathering** – Collate/distribute to senior D2N2 staff regular briefings on recent area MP activities/campaigns/issues – enabling officers to then pro-actively approach MPs with relevant D2N2 projects/results they’re working on.
- **Networking and advocacy** – Closer partnership working with external partners (LAs, business support organisations, Government offices) to gauge concerns and feedback to D2N2, and ensure fair D2N2 ‘credit’.
- **Comms Manager representation** of D2N2 on key partnership groups (Nottingham City Hub comms team, LEP Network comms group, Midlands Engine comms group, etc).
D2N2 LOCAL ENTERPRISE PARTNERSHIP
SKILLS & EMPLOYMENT REPORT TO BOARD

DATE: July 2017
BOARD LEAD: Melanie Ulyatt, Chair of Skills & Employment Commission
D2N2 LEAD: Katrina Woodward, Commissioning Manager

TITLE: Item 4.1 - Skills & Employment Report

1. Key Messages

1.1 A report on skills mismatches in Derby, Derbyshire, Nottingham, and Nottinghamshire LEP

The D2N2 LEP has commissioned a skills mismatch report from The Centre for Progressive Capitalism. An overview of the report is:

The report on the skills mismatches in the Derby, Derbyshire, Nottingham and Nottinghamshire (D2N2) Local Enterprise Partnership provides a number of insights into the composition and dynamics of the area’s labour markets.

The research provides detailed mapping of the supply and demand for technical and skills in a local economy. The project employed a new approach to classifying technical courses, apprenticeships and jobs into 5 primary and 59 secondary occupational groups to enable meaningful analysis of supply and demand. The design of this new approach involved analysing more than 400 college-based courses, almost 200 apprenticeships frameworks and pathways, and 228 technical occupations. Sources for the development of the approach included the ONS’ SOC Code Manual, careers guidance published by the Skills Funding Agency and other organisations, and the websites of qualification bodies.

The mapping is used to analyse the supply of technical skills using data from the Skills Funding Agency’s Data Cube on completions of college-based courses and apprenticeships. For the demand for technical skills, job vacancy data from Burning Glass is used along with data from the Labour Force Survey on qualification levels.

For 2015/16, this report analyses more than 19,000 college-based course completions, nearly 13,000 apprenticeships and around 200,000 job vacancies across the D2N2 area.

The report also gives a broad overview of employer demand within the local economy and includes analysis of raw data from UKCES’ 2015 Employer Skills Survey. UKCES surveyed 3,127 employer establishments in D2N2 on a range of questions on recruitment, skills and training. Latter sections of this report focuses on the proportion of vacancies that were ‘skills shortage vacancies’, defined as those vacancies which were proving difficult to fill due to the establishment not being able to find applicants with the appropriate skills, qualifications or experience.

The key findings are:

- Technical education will play a key role in unlocking D2N2’s future economic success. The report identifies a number of ways technical education provision in D2N2 could be re-balanced to better capitalise on these opportunities.
- While in many ways course provision reflects the needs of local employers, there is also potential significant under and oversupply of certain courses.
- Under the wider definition, technical vacancies make up 62% of vacancies in D2N2, slightly higher than the 60% recorded nationally. Of this, 31% are semi-technical, 19% are core technical, 5% are public sector technical and 5% are privately funded training.
The health and social work sector is the largest source of employer demand in the area, with 24% of the total, followed by 17% for manufacturing and 15% for education.

The core technical occupations have an average advertised salary of £30,600 in D2N2, compared to £25,700 for semi-technical.

According to employers, 31% of core-technical vacancies in D2N2 are difficult to fill due to skills shortages. This is significantly higher than for semi-technical, with 19%, suggesting employers are struggling to find the higher skills they need in the current local labour market.

There were an estimated 2,700 more skills shortage vacancies for core technical roles than relevant FE course completions in 2015/16. Breaking this down reveals a potential undersupply of 1,520 for IT engineers and technicians, 920 for metals, tools and instruments manufacturing and 870 for electricians and electronic trades/technicians/engineers FE course completions relative to skills shortage vacancies.

A roundtable workshop on the morning of 13th July 2017 has been arranged at which the Consultants of the report will present their findings. Key stakeholders from across FE, HE and Local Authority have been invited to attend. The workshop aim is to also look at ways in which we can engage with the education sector to communicate the key messages of the report. In addition, the Consultants with present the findings of the report at the Sector and Skills Event on the afternoon of the 13th July 2017. The report content will be used as supplementary evidence to the Skills and Employability Strategy and emerging SEP.

1.2 ESF Technical Assistance Consultancy Work

The D2N2 LEP has awarded the ESF Technical Assistance (TA) Consultancy Work to Chimera Consultancy. The project amount is £6K, and is part funded through the ESF TA programme.

The overarching aim of this work is to improve the alignment between the supply of skills in D2N2 and employer demand by making the skills system more responsive, ensuring young people and adults are better informed about skills needs and ensuring all our young people have the opportunity to acquire the skills and aptitudes they need for work and for them to gain work which leads to a career. The work will support the D2N2 and the ESF Technical Assistance Programme to provide a detailed insight into the effectiveness of existing provision across the D2N2 area and highlight opportunities for further improvement. The findings will be used to inform future D2N2 strategy and commissioning.

The consultancy work is expected to capture:

- The usefulness of the pre-events to potential bidders.
- The effectiveness of local activities which have supported collaboration and partnership working (between stakeholders and providers). And what in the future could be done differently or introduced.
- What improvements and or changes can be applied when procuring and commissioning the future programme (2018-2020)
- The usefulness of the local information contained in the specifications and how this could be changed.
- The appetite and or availability of match funding to support the future programme (eg where opt-ins may not be available).
- Gaps, strengths and weaknesses in current provision at individual programme and overall programme level. What these are and what changes can be incorporated into the future programme, including the added value they would bring.
- Capture information relevant to urban and rural needs.
- Significant under or over provision against any identified delivery objective / target beneficiary group.
- Changes nationally / locally and the impact on future commissioning these may have, and what measures the D2N2 LEP should take in view of future procurements and commissioning.
1.3 Skills Portal for D2N2 Growth Hub

Procurement of a system is being progressed. A draft SLA has been developed which outlines the Purpose, Aim and the Role of Stakeholders. A meeting with key skills private board members is taking place on 6 July 2017 to look at the governance of the portal and the pilot and to discuss engagement with the FE and HE sector.

**Purpose:** The D2N2 LEP is procuring the services of a suitably qualified web developer organisation (known as “The Organisation from here on) to scope, develop, build and provide support for, a Skills and Employability Portal (known as “The Portal” from here on). The Portal will provide a holistic and single point for employers, industries, and schools to interact with skills and employment services, opportunities and activities across Derby, Derbyshire, Nottingham and Nottinghamshire. Employers will sit at the heart of and be the driving force of The Portal. The Portal will be the outwardly facing mechanism to support skills and employment interactions badged and housed within the virtual D2N2 Growth Hub.

**Aim:** The Portal will provide a mechanism to support the aim of the D2N2 Strategic Economic Plan (SEP) of creating 55,000 new private sector jobs by 2020, outputs of the ESIF Strategy in relation to social inclusion, employment and skills, the key priorities of the Skills and Employability Strategy and the Social Inclusion Framework. The Portal will be the vehicle to deliver a step change to skills and employability provision so that it is demand led focussed on local economic needs and supports the key priorities of the D2N2 Skills and Employability Strategy.

**Role of Stakeholders:** The D2N2 LEP has the responsibility for governance, strategic oversight and management of the Contract and will be the Data Controller. The East Midlands Chamber of Commerce will be the accountable body who will procure The Portal on behalf of the D2N2 LEP. The initial Contract and pilot of The Portal will be funded by a range of stakeholders including D2N2 Growth Hub; Futures Advice, Skills and Employment; learndirect Limited; DBC Training; and CT Skills. Funding support will include utilising ESF funds from current ESF programmes operating across the D2N2 area, and BEIS money to support development of the D2N2 Growth Hub. The key organisations listed along with the East Midlands Chamber and D2N2 LEP will commit time and resource to provide membership to an Operation Delivery Group. This group will inform the operational design of The Portal, and aid with the recording of and output delivery of the ESF programmes (EMPLOY Local, SKILLS Local and Youth Engagement D2N1). Chaired by a board member of the D2N2 LEP a Project Steering Group of key stakeholders will be formed to provide strategic oversight. Membership will include Local Authority, FE, HE, CEC, Business and Schools. The Steering Group will feed into the D2N2 Growth Hub and Skills & Employment Commission.
1.4 Careers & Enterprise Company (CEC)

Enterprise Adviser Network Update. A Grant Offer letter has been received by the LEP for the continuation of the EAN Network for a future 3-years. 17/18, 18/19 and 19/20. SLAs have been sent to each partner match funding current Enterprise Coordinators.

We have appointed a new CAREERS Local Enterprise Coordinator who will take up post, working to the D2N2 LEP, from 24th July 2017. The role will be to support schools bidding for CAREERS Local and who wish to be involved with the EAN network, but who are not already working with a school. This will provide additional capacity to support up to 20 schools to access the EAN Network and schools to be able to submit bids to CAREERS Local.

A replacement Enterprise Coordinator to operate across Amber Valley, North Dales and High Peak will be appointed from September 2017. The post is being match funded by Lady Manners School in Derbyshire for a 2-year term.

Progress:

<table>
<thead>
<tr>
<th>Area</th>
<th>Derby</th>
<th>Derbys</th>
<th>Nottingham</th>
<th>Notts</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Enterprise Advisers</td>
<td>14</td>
<td>29</td>
<td>29</td>
<td>19</td>
<td>91</td>
</tr>
<tr>
<td>Number of matched Enterprise Advisers</td>
<td>8</td>
<td>26</td>
<td>14</td>
<td>17</td>
<td>65</td>
</tr>
<tr>
<td>Number of schools engaged</td>
<td>14</td>
<td>36</td>
<td>14</td>
<td>23</td>
<td>87</td>
</tr>
</tbody>
</table>
1. **INTRODUCTION**

This report provides an update on Markham Vale and the Enterprise Zone.

2. **RECOMMENDATION**

2.1 To note the strong progress being made on infrastructure and development activities, securing new occupiers and other updates regarding the Enterprise Zone in general.

3. **PROJECT PROGRESS**

3.1 **East of the M1**

3.1.2 Construction of the speculative development is progressing towards the planned completion date of summer 2017. The development by Priority Space Ltd comprises 13 workshop and office units totalling 25,621 sq. ft. Two units are currently under offer.

3.1.3 Negotiations are at a detailed stage with a prospective purchaser of the two remaining areas on Plot 5 comprising 1.6 and 1.1 acres.

3.1.4 Three previously occupied units in Waterloo Court have become vacant during the year due to company rationalisations etc; however two 5,000 sq. ft. units are currently under offer whilst marketing of the remaining 4,000 sq. ft. unit continues.

3.2 **West of the M1**

3.2.1 Draft terms have been agreed with a potential occupier for a 43,000 sq. ft. warehouse, manufacturing, laboratory and office unit on 2.8 acres adjacent to the motorway. Subject to securing all necessary approvals, occupation will take place in Q3 2018 creating in excess of 70 new jobs.

3.2.2 Options for financing the construction of two speculative built units are being investigated by the Council.

3.3 **Markham Vale North (Seymour)**

3.3.1 The German car components company Ferdinand Bilstein are ahead of target for completing the fit-out of their 220,000 sq. ft. advanced logistics and office centre for late summer 2017 with an official launch event planned for mid-September.
3.3.2 Derbyshire based contractor Bowmer and Kirkland are progressing the construction of the 480,000 sq. ft. advanced logistics centre on part of Plot 13 for Great Bear; this is the second investment that the company has made at Markham Vale. Construction completion is programmed for September 2017, followed by a further fit-out period.

3.3.3 Planning permission has been secured for the development of a 69,125 sq. ft. state-of-the-art building for a technology company to be located on part of Plot 13. Subject to securing all approvals, construction will start early August 2017. This development is expected to create up to 35 jobs in the first phase and increase significantly when the second phase building is constructed.

3.3.4 Derbyshire based construction company, G.F. Tomlinson, are making good progress on the construction of a 90,760 sq. ft. chilled food distribution facility on Plot 16. When fully operational the development will create up to 200 employment opportunities.

3.3.5 Discussions for a further development on Markham Vale North are at an early stage.

4. MARKETING AND WIDER SITE

4.1 Marketing of the development opportunities continues, using a variety of forums and techniques briefly comprising general and development specific press releases, fixed advertising at strategic locations adjoining the motorway, Social Media, sponsorship and attendance at community and business events and awards and direct mailing.

4.2 The Markham vale website has been redesigned and will be relaunched in the next few weeks along with revised marketing brochures.

4.3 The recently completed annual jobs survey recorded 1076 full-time-equivalent employees working at Markham Vale. This total is expected to significantly increase over the coming months as businesses have stepped up their recruitment activities, with several new vacancies, including multi-number ones, advertised each week.

4.4 A further phase of the Walking Together Mining memorial will be unveiled at a ceremony on 21st July; the additional 8 figures will bring the total installed to 27 out of the total 106 planned; sponsorship and funding continues to be sought in order to complete the installation.

4.5 Sheffield City Region have removed the two additional EZ sites from their EZ Business Plan due to their unwillingness to allow Business Rates uplift income from Markham Vale to be retained for investment in future infrastructure projects within Derbyshire. The remaining sites are those originally designated and comprise Plot 1 and part of Plot 13.
1. INTRODUCTION

This report provides an update on the June Infrastructure and Investment Board (IIB).

2. RECOMMENDATION

To appoint the Chairman and Vice Chairman, to note the project update and high risk, annual accounts, Local Growth Fund 3, Quarter 4 2017 monitoring outputs and to approve the changes to the Local Assurance Framework.

3. PROGRESS

June IIB

The June IIB was held on the 30th June 2017 at County Hall, Matlock, it considered the following agenda items:
- Appointment of Chairman and Vice Chairman
- Project Update and High Risk Projects
- Annual Accounts
- Local Growth Fund 3 update
- Quarter 4 2017 Monitoring Outputs
- Changes to the Local Assurance Framework

- Cllr Barry Lewis from Derbyshire County Council was appointed Chairman and Cllr Jon Collins was appointed as Vice Chairman.

- A short description of each project from the Local Growth Fund 1 and 2 was given. Two projects remain on the high risk report. These are the Nottingham City Hub who will remain as high risk until they have submitted a full stage 2 business case to the LEP/AB and the Gedling Access Road which has been delayed by 12 months because a Compulsory Purchase Order is required. Both promoters provided a paper updating the IIB of progress, also there was a presentation from the Colleges regarding the City Hub. The IIB agreed to continue support for the City Hub and ask the Colleges to come back to the IIB following the Planning Permission submission in November 17. The IIB also agreed to continue the support for the Gedling Access Road and ask the promoter to return to the IIB in 6 months’ time for a further update.

- The Annual Accounts for 2016/17 were presented showing all funding streams that Derbyshire County Council are the Accountable Body for.
A brief description was given for the projects in Local Growth Fund 3. The IIB agreed the recommendation that promoters through the Officers Group will provide funding profiles for these projects up until 2020/21, they must submit this before the next IIB in July.

Quarter 4 monitoring outputs. A summary of the quarter 4 actuals was presented by the Accountable Body showing only 24% of the jobs target had been met and 0% of the homes target. Each promoter supplied a brief explanation of why targets had been missed but in line with the Terms of Reference for the IIB the Board approved the recommendation that these projects will be highlighted as high risk and that the IIB will write to each promoter requesting a formal written response detailing why the project output targets have not been met. If the IIB are not satisfied with the response then the IIB can request that the funds are repaid to the LEP or decide not to release any future years funding.

Changes to the Local Assurance Framework. A review has been carried out by the LEP and IIB officers and the IIB agreed to change the process from a 2 stage process to a 3 stage process, this is by formalising the original expression of interest to get onto the Pipeline. Other changes mostly increase the requirements at the second stage (Outline Business Case) to enable there to be increased scrutiny and improve the quality of the business cases. The updated Local Assurance Framework will be published on the LEP’s website.