## D2N2 LEP BOARD – AGENDA

**Monday, 16th July 2018, 2pm-4pm**

**County Hall, Matlock, Derbyshire DE4 3AG**

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<tbody>
<tr>
<td><strong>1.1</strong></td>
<td>Welcome and Introductions</td>
<td>Verbal</td>
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<td><strong>1.2.</strong></td>
<td>Declarations of Interest</td>
<td>Verbal</td>
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<td><strong>1.3.</strong></td>
<td>Minutes of last meeting and matters arising</td>
<td>Paper</td>
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### 2. Strategic discussion

#### 2.1 Chair’s Report, including:

a) Rolls Royce Action Group  
b) Prime Ministerial LEP meeting  
c) Ministerial Review of LEPs and D2N2 Governance Action Plan  
d) Collaborative working initiatives  
e) Nominations Committee update  
f) The D2N2 Annual Conference  
g) Media Coverage report.

- Peter Richardson  
- Partners  
- Paul Harris

#### 2.2 D2N2 (Interim) Chief Executives Report

a) D2N2 Strategic Economic Plan  
b) State of the Economy Dashboard  
c) Senior Sponsor  
d) Energy Strategy  
e) Strength in Places Bids  
f) Skills and Employability update  
g) NAMRC update

- Matthew Wheatley  
- David Wallace  
- Lindsay Wetton

### 3. Standing Items

#### 3.1 D2N2 Enterprise Zone

a) Implementation progress  
   (i) Nottingham sites  
   (ii) Infinity Park  
   (iii) Markham Vale  

*Exemt item under Local Government (Access to Information) Act*

- David Williams  
- Cllr Lewis  
- Cllr Collins

#### 3.2 Growth Hub & Business Engagement Report

- Melanie Ulya

#### 3.3 GPF Report Capital Projects

- Cllr Collins
### Exempt item under Local Government (Access to Information) Act

<table>
<thead>
<tr>
<th>3.4</th>
<th>Infrastructure and Investment Board report</th>
<th>Cllr Lewis</th>
<th>Paper</th>
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</table>

### 4. Any other business

| 4.0 | 15.50 |

### 5. Date of next meeting: Monday, 24th September 2018 (2pm – 4pm), Nottinghamshire County 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 18 May, 2018

Derby Arena, Royal Way, Pride Park Derby DE24 8JB

Chair   Peter Richardson, OBE
Minutes Sally Hallam

1. Present and Apologies

D2N2 Board Members in Attendance

Cllr Tony Ashton         High Peak Borough Council
Cllr Roger Blaney        Newark and Sherwood District Council
Cllr Jon Collins         Nottingham City Council
Cllr Kay Cutts, MBE      Nottinghamshire County Council
Peter Gadsby             Business Representative
Paul Harris              Business Representative
Jane Howson              VCS Representative
Cllr Barry Lewis         Derbyshire County Council
Justin Homer             Assistant Director, BEIS (sub)
Cllr Martin Rawson       Derby City Council (sub)
Ian Morgan, OBE          Business Representative
Prof Edward Peck         HE Sector Rep
Melanie Ulyatt, MBE      Business Representative
Dawn Ward, CBE           FE Sector Representative
David Williams          Business Representative
David Williams (Geldards) Business Representative

Also in attendance

Scott Knowles           East Midlands Chamber Chief Executive
Anthony May             Nottinghamshire County Council CEO
Chris Henning           sub for Nottingham City Council CEO
Mike Ashworth           representing Derbyshire County Council
Christine Durrant       representing Derby City Council
Simon Baker             High Peak Borough Council CEO

Allen Graham            Rushcliffe Borough Council
David Wallace           SEP Consultant

Officer Support

Matthew Wheatley        (Interim) Chief Executive, D2N2 LEP
Lindsay Wetton          Senior Manager – Business Engagement, D2N2 LEP
Sajeeda Rose            (Interim) Deputy Chief Executive, D2N2 LEP
Apologies

Apologies were received from Andrew Pickin and Sanjiv Kohli.

1.1 Welcome and Introductions

The Chair welcomed all to the meeting, including Allen Graham and attending press.

He noted that this would be the last Board meeting for Cllr Blaney, who was stepping down as Leader of Newark and Sherwood District Council and recorded thanks to him for his contribution to the work of this Board.

1.2 Declarations of Interest

The chair reminded all Members that Declarations of Interest should be stated to be recorded where an interest arose. Cllr Collins declared an interest in respect of exempt item 3.2 Enterprise Zone and took no part in discussions under this item, nor voted on action agreed thereunder.

1.3 Minutes of last meeting and matters arising

The Minutes of the meeting held on 19 March, 2018 were approved as a true record. There were no matters arising other than those already covered on the agenda.

2. Items for Strategic Discussion

2.1 Chair’s Report

The Chair introduced his report updating Members on developments since the last Board meeting, notably:

(a) the outcome of the ‘Annual Conversation’ follow-up meeting and the implementation of the D2N2 Governance Action Plan, the current Ministerial Review of LEPs and its potential implications and Accountable Body rationalisation.
(b) Progress in collaborative working, including Midlands Engine, Metro and East Midlands
(c) Board refresh process update – Nominations Panel and VC roles.

The message from the April follow-up meeting to the LEP’s ‘Annual Conversation’ was that D2N2 had undertaken some good work since the autumn and was now in a better place on governance.

Justin Homer for BEIS confirmed that the final report of the Ministerial Review of LEPs was still on track to be published before the summer recess, the new Secretary of State was being briefed intensively to get up to speed on this.

The Chair confirmed that D2N2 LEP’s sponsor was Susan Caldwell, Director of Business and Investor Relations at the Department for Investment and Trade and an early meeting would be sought with her. As a result of the wait for review findings, there was still some uncertainty over future steps for D2N2 which would be clarified in light of these once
published. The Chair asked David Williams (Geldards) to offer interim comments. DW(G)
reiterated the outstanding issue of whether the LEP’s priority was to act as a place to
agree how to divide up funds or to agree common goals and referred to the need for
further conversation about those priorities as part of the SEP refresh process.

Matthew Wheatley drew Board’s attention to the request that Board ask its private-sector
members to nominate a Vice-Chair from July, 2018 to work alongside the local authority-
appointed Vice-Chair. The focus for the former would be on business engagement, whilst
the latter would concentrate on governance, transparency and accountability.

The Chair then invited verbal updates on major developments within Midlands Engine and
Metro Strategy.

Anthony May spoke briefly to update Board on opportunities currently under way on a
range of priority projects and reported that further large-scale priority projects would be
longlisted, then shortlisted for conversations with Treasury. Meetings were ongoing and
included a meeting already scheduled with Robert Jenrick, MP.

David Williams (Geldards), Chair of the Metro Strategy Board gave a short update on its
launch and activity to date. He reported that this Board was a voluntary coalition of private-
and public-sector members seeking to work for the benefit of cities, counties and the wider
surrounds generally. The Board had so far met twice and by the second meeting had
considered a draft Metro Economic Plan which would support the D2N2 SEP. Mindful of
concerns that schools within the two main cities fell within the lower quartile for skills, the
next meeting would be focusing on ways to address that.

Cllr Barry Lewis informed Board of work to develop a East Midlands strategic alliance of
cities and counties working to underpin economic regeneration initiatives coming through
Midlands Engine.

On HS2, Cllr Cutts reported that a recent meeting had been held with Cllr Collins to
progress collaborative steps between city and county going forward. Nottinghamshire
County Council had strengthened its officer resource to support this work with three new
dedicated appointments.

The Chair reported that he had represented the LEP at the previous week’s HS2 East
meeting in Leeds, to continue to focus attention on the need for a route on the eastern side
of the country up to Scotland.

Paul Harris was invited to update Board on the refresh process for the Board. PH indicated
that the Nominations Committee now comprised him in the chair, with Andrew Pickin, Jane
Howson, Dawn Ward, David Williams (Geldards) and Cllrs Lewis and Collins. They would
meet shortly after this Board meeting to look at longlist for the LEP Chair post and to
consider further the timetable and required actions to progress the appointment of the
permanent LEP Chief Executive.

Board NOTED the report and recorded thanks to Peter Richardson for his contribution, as
this would be the last report that he would present to committee before stepping down.

Board AGREED:
(a) to adopt the Nominations Committee as a permanent part of D2N2’s Governance structure;

(b) to endorse the Action Plan for the implementation of the recommendations of David Williams’ review of D2N2 LEP;

(c) to ask the private sector Board members to nominate a Vice-Chair from July, with a focus on business engagement, with the focus for the Local Authority Vice Chair being on governance, transparency and accountability.

**ACTION:** Seek LEP meeting with Susan Caldwell (SH)

### 2.2 Interim Chief Executive’s Report

Matthew Wheatley introduced his report updating Board on the refresh of the D2N2 Strategic Economic Plan and the development of a Careers Hub bid to the Careers and Enterprise Company as an enhancement to the D2N2 Enterprise Advisor Network, which links businesses with schools.

Board heard a presentation by consultant, David Wallace on the Strategic Economic Plan ‘Storyboard’ to inform them of the development of the Consultation Draft D2N2 SEP for 2018-30. He indicated that he was seeking their views on three matters, namely:

1. The overall vision, high-level objectives and targets for the Plan to 2030;
2. The priorities, including sector targeting; and
3. The approach in particular to ‘place’ narrative.

A general discussion ensued, with views expressed about the fundamental issues of targets and priority setting with some frustration at the speed of progress. Members expressed a clear wish for allocated workshop time at the earliest convenient opportunity to explore each element more fully and thus to facilitate a considered response, given the importance of the decisions being sought.

Board **AGREED** to consider further the detailed content of the Draft D2N2 SEP at a workshop to be convened in June, 2018.

**ACTION:** convene SEP workshop for Board Members (SH).

MW referred Members to the section of his report updating them on D2N2’s approach to skills and employability, as well as to developments with the bid to the Careers and Enterprise Company for delivery of a D2N2 Careers Hub which was to be submitted by 25 May, 2018.

Board **NOTED** progress on the development of the D2N2 Careers Hub bid and **APPROVED**:

- i the request for Board involvement in Hub governance and
- ii delegated authority to Chair to approve the Careers Hub bid after consideration by the Steering Group.

### 2.3 D2N2 Enterprise Zone (i) and (ii) Nottingham and Derby
Press were asked to leave the room for this and item 3.2. David Williams introduced a report updating Board on progress across the sites.

Board **NOTED** the report, but did not wish to adopt the proposed additional principles to add to the current policy on business rate reinvestment, but the Board **APPROVED**:

(i) the revised EZ Steering Group Terms of Reference;
(ii) the recommendation from the EZ Steering Group to allow the release of up to 50% of the retained business rates from the Nottingham Science Park up to a maximum value of £2m to fund the Nottingham Castle project.

**2.3 D2N2 Enterprise zone (iii) Markham Vale**

Cllr Lewis introduced his report on the Markham Vale Enterprise Zone.

Board **NOTED** the report.

3. **Standing items**

3.1 **D2N2 Business Growth Hub Update Report**

Melanie Ulyatt introduced this report, updating members on developments and progress made in the D2N2 Growth Hub and key business engagement issues.

Board noted that good progress continued to be made with business engagement. There was a recognition of the need to build on this with engagement of businesses through Scale Up and to work on developing a longer-term strategy for the Growth Hub to 2030 to align with the SEP.

Board **NOTED** the report, Progress Indicators and plans to develop the Growth Hub.

3.2 **GPF Report Capital Projects**

In the absence of the press, Cllr Collins introduced a report updating Board on the status of the Growing Places Fund (GPF) programme.

Board **NOTED** the overall progress and status of projects including due diligence.

3.3 **Infrastructure and Investment Board report**

Cllr Lewis introduced a report updating Members on the March, 2018 Infrastructure and Investment Board.

In response to a reference by Cllr Collins about avoiding underspend in the future by applying a process of de-prioritising and re-allocating projects, Sajeeda Rose confirmed that due to tighter controls now in place, most projects were now on track and the underspend would be recovered during this financial year.

Board **RECEIVED** the project updates and the high-risk report and **NOTED** budget and proposal.
Board APPROVED the funding release for Nottingham City Hub and noted the update on A61/Whittington Moor.

4. Any Other Business

None.

5. Date of next meeting

Monday, 16 July, 2018 (2.00 – 4.00 pm) – Derbyshire County Council
D2N2 LOCAL ENTERPRISE PARTNERSHIP
BOARD REPORT

DATE: 16th July 2018
REPORT LEAD: Peter Richardson
AGENDA ITEM: 2.1

TITLE: Chair’s Report

1. INTRODUCTION

1.1 This report updates members on significant developments since the last Board meeting, specifically;
   a. Rolls Royce Action Group
   b. Prime Ministerial LEP meeting
   c. Implementation of the anticipated Ministerial Review of LEPs and D2N2 Governance Action Plan
   d. Collaborative working initiatives
   e. The progress on the Nominations Committee Chair on the recruitment of the Chair and permanent Chief Executive
   f. The D2N2 Annual Conference
   g. Media Coverage report.

2. RECOMMENDATION

2.1 Board is asked to NOTE the report and AGREE to;
   a) The recommendation of the Nominations Committee as the new Chair of D2N2 from the AGM,

3. ROLLS ROYCE ACTION GROUP

3.1 Members will be aware that on 14th June, Rolls Royce plc announced a global restructuring process that would be likely to result in a significant number of redundancies, particularly at their Derby site. In its press release at the time, the company said;

   “Over the next 24 months, we expect the proposed restructuring will lead to the reduction of around 4,600 roles, predominantly in the UK where the majority of our corporate and support functions are based. Around a third of these roles are expected to leave by the end of 2018. The programme is expected to gain further momentum through 2019, with full implementation of headcount reductions and structural changes by mid-2020”. and;

   “We will honour previous commitments for no compulsory redundancies of represented staff. This includes those commitments made in Derby, Hucknall and Annesley which enabled last year’s £150m investment in new and existing Civil Aerospace facilities.”

3.2 After discussions with Rolls Royce and Government officials, D2N2 was asked to coordinate a local response to the redundancy programme. In doing so, I have asked for and
received extremely valuable support from Derby City Council officials. I chaired the first meeting of the Rolls Royce Action Group on 22<sup>nd</sup> June. The aims of the Action Group are to

a. lead a co-ordinated response to support those individuals affected by the restructuring of Rolls-Royce in securing jobs at the appropriate level
b. identify and develop the longer term activity needed minimise the place-based impacts for the local economy

3.3 Whilst the full extent of the local redundancies is not yet clear, Rolls Royce will be putting in place support to those employees that are in-scope of the restructuring process. The Action Group will oversee and co-ordinate the work of local partners to identify how additional support can be provided in a co-ordinated way to those affected; including potentially;

a. Access to retraining for other roles
b. Job search support after leaving Rolls Royce
c. Start-up support

3.4 Other work-streams will include effectively promoting accesses to the displaced talent pool to local companies and seeking to accelerate investment in the local economy to mitigate the potential impact on the ‘place’.

3.5 The membership and scope of the Action Group and any supporting sub-groups can flex over time as the process proceeds and its local impact becomes clearer, particularly any impact on the Hucknall site as well as the Derby sites.

3.6 I would like thank Greg Clark MP and Cllrs Chris Poulter and Barry Lewis and for their support and Rolls Royce officials for their constructive engagement in the group. The Action Group meets next on 20<sup>th</sup> July.

4. **PRIME MINISTERIAL MEETING WITH LEP CHAIRS**

4.1 In its Industrial Strategy of November 2017, the Government announced its intention to convene a regular Council of LEP Chairs with the Prime Minister. The first such Council was held on Tuesday 19<sup>th</sup> June and I attended on behalf of D2N2. Alongside the Prime Minister, the meeting was attended by the Rt Hon Greg Clark MP, Rt Hon James Brokenshire MP, Jake Berry MP, Anne Milton MP and various senior officials.

4.2 Whilst discussions were held ‘in camera’, the meeting was very productive. LEP Chairs updated the PM on our role in delivering the Industrial Strategy and addressing its four ‘Grand Challenges’ and the PM and Ministers described the importance of LEPs in helping create the economy of the future and that the forthcoming Ministerial review of LEPs would add to the robustness to LEPs to perform this role. The importance of LEP Boards improving their diversity, in line with best practice, was also referenced.

5. **MINISTERIAL REVIEW OF LEPS**

5.1 As reported previously and detailed above, the Ministerial Review of LEPs has been under way for some time and it is still anticipated that the final report will be published before the Parliamentary summer recess. The review is being steered by a panel including junior ministers Lord Henley, Robert Jenrick MP and Jake Berry MP and covers; the strategic role
of LEPs’, business leadership and corporate governance, accountability and transparency, overlaps, organisational capability, organisational structures and reporting and the relationship between LEPs and Local Authorities, as well as relationships with new organisational structures such as Mayoral Combined Authorities

5.1 It is anticipated that upon publication, LEPs will be given a defined period to provide a plan to implement the findings of the review. On the basis of intelligence emerging from the review, LEP officials have prepared plans to:
   a. review the LEPs approach to managing its finances and its accountable body arrangements to promote greater simplicity, efficiency, flexibility, impact and clarity of accountability  
   b. review of the Terms of Reference for the LEP

5.2 There is a meeting of LEP CEO’s with officials on 17th July at which it is expected that further details will be shared. It is anticipated that the review may well also have implications for overlap areas and the geographic coverage of LEPs with a potential move for fewer larger LEPs.

5.3 Responding to the Ministerial Review will be a key task for the LEP and, I anticipate, an early priority for the new Chair, potentially drawing on the support of a Local Authority Vice Chair with a dedicated governance and accountability portfolio.

6. IMPLEMENTATION OF GOVERNANCE ACTION PLAN

6.1 Implementation of the iterative Governance Action Plan that was agreed in January remains on track with all scheduled actions completed on time to date. Responding to the Ministerial Review and rationalising the number of accountable bodies supporting the work of D2N2 remain key parts of the iterative Governance Action Plan to be implemented after the publication of the Ministerial Review.

6.2 It is proposed that once the Ministerial Review is published, the Implementation Plan arising from it and the Governance Action Plan are rationalised into a single plan.

7. D2N2 NOMINATIONS COMMITTEE

7.1 Board Member Paul Harris has chaired a Nominations Committee to steer the appointment of the next Chair of D2N2, a permanent Chief Executive and the recruitment of two further private sector representatives. Paul will verbally update on progress at the meeting and ask for the Board’s endorsement of the recommendation of the Nominations Committee to be the new Chair of D2N2 from the July Annual General Meeting onwards.

8. COLLABORATIVE WORKING UPDATE

8.1 At the last meeting, a number of partners updated the Board on progress with collaborative working initiatives including the Midlands Engine, Nottingham Derby Metro and emerging East Midlands Strategic Alliance. It remains important that partners retain a shared set of common ambitions and collaborate and communicate effectively to achieve them. I would therefore like to invite partners to verbally update the Board on progress with those
9. MEDIA ACTIVITY

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

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

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

9.4 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.

10. ANNUAL CONFERENCE

10.1 I look forward to my final engagement as D2N2 Chair, to introduce the 2018 D2N2 Annual Conference, which will be held at the Nottingham Contemporary on Weekday Cross, Nottingham (NG1 2GB) between 8.30am to 11am on Tuesday July 24th.

10.2 Speakers will include Karen Smart, the Managing Director of East Midlands Airport, Josh Rathour, CEO and Founder of UNiDAYS in Nottingham, who was named 2017’s ‘Entrepreneur of the Year’ by Ernst and Young and Max Vaughan, the founder of Derbyshire’s first ever malt whisky distillery. It is hoped that the new Chair will conclude the conference to mark the beginning of their tenure.

10.3 Whilst remaining places are limited, I would urge all Board members to attend if possible. More details and booking is available at http://www.d2n2lep.org/Events.

Peter Richardson
Chair
16th July, 2018
### D2N2 MEDIA COVERAGE REPORT

#### KEY HIGHLIGHTS

Rolls-Royce Action Group
Nottingham Castle Renovations
St Peter's Street Works and 'Made in Derby' project, as part of D2N2-funded public realm works

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<th>PUBLICATION OR MEDIA OUTLET</th>
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<th>HEADLINE OR REASON FOR NEWS ITEM</th>
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<td>Derby's 'Star Walk' to be unveiled - elements of project as part of D2N2-funded public realm works</td>
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<td>Derby City Council Newsroom</td>
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<td>Made in Derby loans now technology trail - part of D2N2-funded public realm works</td>
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<td>Derby City Council Newsroom</td>
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<td>Made in Derby project launched</td>
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<td>Marketing Derby</td>
<td>May 12</td>
<td>Made in Derby walk of fame now finally unveiled</td>
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<td>East Midlands Chamber News</td>
<td>May 17</td>
<td>Second step for set-out free training seminar</td>
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<td>Insider Media</td>
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<td>First batch completed from Midlands Engine Investment Fund</td>
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<td>East Midlands Business Link</td>
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<td>New Derby appointed for D2N2 Growth Hub</td>
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<td>Peak FM</td>
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<td>Invest Ashfield Mansfield</td>
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<td>Daily News website</td>
<td>June 11</td>
<td>Derby City Council leader to visit Derby council plans</td>
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<td>Derbyshire Times</td>
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<td>Derby City Council leader to visit Derby council plans</td>
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<td>Derby City Council Newsroom</td>
<td>June 14</td>
<td>Support on show for redundant Rolls Royce workers</td>
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<td>Devon Live</td>
<td>June 15</td>
<td>Cabinet minister says Derby and the South West can become the next Midlands' Eighth - minister's visit</td>
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<td>Peak FM</td>
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<td>Derby City Council leader to visit Derby council plans</td>
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<td>Derby Telegraph</td>
<td>June 15</td>
<td>Derby City Council leader to visit Derby council plans</td>
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<td>University of Nottingham Newsroom</td>
<td>June 19</td>
<td>Nottingham's universities to be part of national inquiry - mentions D2N2 as University Partner</td>
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<td>Nottingham Trent University Newsroom</td>
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<td>Nottingham's universities to be part of national inquiry - mentions D2N2 as University Partner</td>
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<td>My Nottingham News Website</td>
<td>June 19</td>
<td>Experts provide glimpse inside University's most energy-efficient building - mentions energy for business project - part funded by D2N2 RDF</td>
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<td>Nottingham's universities - event registration and information</td>
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<td>BBC News Online</td>
<td>July 1</td>
<td>Rolls-Royce Action Group</td>
<td>Online</td>
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<td>Nottingham Post</td>
<td>July 2</td>
<td>Rolls-Royce Action Group</td>
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23 Media Mentions

6,718 (average reach per day, over 37 days)
D2N2 LOCAL ENTERPRISE PARTNERSHIP
BOARD REPORT

DATE: 16th July 2018
REPORT LEAD: Matt Wheatley
AGENDA ITEM: 2.2

TITLE: D2N2 (Interim) Chief Executives Report

1. INTRODUCTION

1.1 This report updates Board on the review of the D2N2 Strategic Economic Plan, asks for endorsement of a submission to the Strength in Places Fund and updates on progress with the D2N2 Energy Strategy, our State of the Economy dashboard, skills and employment issues and the proposed Nuclear Advanced Manufacturing Research Centre at Infinity Park in Derby.

2. RECOMMENDATIONS

2.1 Board is invited to
   a. NOTE the report, and;
   b. consider and comment on attached draft Vision 2030 D2N2 Strategic Economic Plan and;
   c. AGREE to the issuing of a Consultation Draft Plan
   d. AGREE to endorse the attached summary submissions to the Strength in Places Fund.

3. D2N2 STRATEGIC ECONOMIC PLAN & INDUSTRIAL STRATEGY

3.1 After discussion at the last Board, LEP officials convened a workshop on 22nd June for LEP Board members or their delegates with retained consultant David Wallace to focus on the key components of the new strategy, including clarifying the;
   a. Role and purpose of the Strategic Economic Plan
   b. The economic challenges that D2N2 faces and our key economic assets
   c. The key ‘narrative’ of the SEP and what makes D2N2 distinctive
   d. The approach to business and sector targeting
   e. Ambition and targets
   f. Local economic geographies

3.2 Building on the constructive workshop, David has drafted the attached draft SEP Narrative Document (Appendix A) and an emerging Consultation Draft D2N2 Strategic Economic Plan, which is attached as Appendix B. The emerging Consultation Draft is not yet a fully complete document and there are some areas in which more detail and some proofing is needed. However it does contain the core strategic approach that was agreed as appropriate in the workshop and is captured in the ‘Narrative’ document.

3.3 It will be important that the new Chair of the LEP has an influential role in overseeing the establishing a refreshed strategic direction for the D2N2 LEP. Therefore Board are asked
to consider and comment on the attached emerging Consultation draft SEP, advise on its content and broad direction and delegate approval and issuing of a Consultation Draft SEP to the new Chair, in consultation with Paul Harris as board member lead for the development of the SEP and local Industrial Strategy.

3.4 Whilst it is clear that the current Strategic Economic Plan is out of date and needs revision, it will be important that the new SEP has a clear relationship with the proposed Local Industrial Strategies. In its national ‘Industrial Strategy’ of November 2017, Government stated that it work with LEPs to develop Local Industrial Strategies, with the first Local Industrial Strategies to be agreed by Government by March 2019. Local Industrial Strategies are to be ‘co-productions’ between Government and local areas. There is as yet no guidance from Government about what a LIS should cover or look like.

3.5 To help inform the Government’s approach, it commissioned 3 ‘trailblazer’ Local Industrial Strategies to be developed in Manchester, the West Midlands and the Oxford Cambridge Corridor. The ‘What Works Centre’ have helped share learning from their LIS development process but their LIS have not yet been published and there have been no further areas asked to develop their LIS.

3.6 The approach and evidence base that D2N2 has gathered in the refresh of our SEP puts us in a strong place to develop an effective Local Industrial Strategy. The SEP will be our overall Strategic Framework, our vision for 2030 and described as ‘stage 1’ of our Local Industrial Strategy. We can then use the formal LIS development process to engage in more depth with Government, refine our focus and promote a more granular approach to implementation of the 2030 vision.

4. STATE OF THE ECONOMY DASHBOARD

4.1 The latest State of the Economy Dashboard is attached as Appendix C and will be included in the D2N2 Annual Report for 2017/18. The D2N2 LEP area economy has made good progress against most of the LEP’s key performance indicators. The highlights of the D2N2 economic performance include improving productivity, private sector employment, and improving business survival rates, as well as decreasing unemployment and employment and support allowance (ESA) claimants. Underperforming KPIs show a short-term negative trend in qualifications and a decrease in start-up rates. D2N2 area as a whole continues to underperform on productivity, start-up rates, higher level qualifications, CO2 emissions, healthy life expectancy and inclusion indicators.

5. SENIOR SPONSOR

5.1 As reported at the last Board meeting, the Government have reinstated the system of matching individual LEPs with a ‘senior sponsor’ at Director or Director General level within a relevant Government department. However, civil servants are now sponsor a single LEP rather than a group of LEPs. I have held very constructive initial discussions with our sponsor, Susan Caldwell, Director, Business & Investor Relations at the Department for Investment and Trade. Susan is originally from the D2N2 area and her DIT role involves seeking overseas investment in UK infrastructure, which could be particularly relevant to supporting the implementation of local strategies, including the
HS2 Strategy. It is currently planned for Susan to visit D2N2 in September and potentially attend the next Board meeting.

6. **ENERGY STRATEGY**

6.1 Work continues to develop a D2N2 Energy Strategy, which was commissioned in April 2018 and funded by BEIS. AECOM consultancy have been appointed to work with local partners and businesses to develop a baseline of our energy needs, link with the emerging D2N2 Infrastructure Plan and identify capabilities that can be developed in D2N2 to grow the energy sector, its supply chain, raise productivity whilst reflecting the national policies such as the Clean Growth Strategy.

6.2 The work of the consultants has been guided by a Steering Group consisting of Local Authorities, Universities and businesses. Emerging ideas were tested in a focussed consultation group (4 July), which was also attended by colleagues from AMRC Nuclear, Western Power Distribution (WDP), Severn Trent Water, ERA, BGS. Ideas were captured looking at baseline, evidence base, opportunities and priority areas, broadly around heat and electricity usage, storage and production, sharing the wide range of innovations and demonstrators in D2N2. A range of potential opportunities were identified including; District Heating Systems and appropriate uses, rural housing solutions which are “off grid”; energy production from food and plastics waste; the opportunities for nuclear both in energy provision, and our manufacturing business supply chain who wish to develop and supply in the nuclear sector, with support from AMRC, Fit 4 nuclear programme and Growth Hub.

6.3 The work potentially crosses a number of thematic SEP areas, including skills, infrastructure and housing. There will be a growing requirement for skills to produce, install and service new technologies such as heat pumps, nuclear technologies or to work in energy from waste plants. Energy and water companies having timely information from Planning Authorities to better plan for energy needs for significant large new developments was also raised.

6.4 AECOM have been asked to produce a draft strategy by mid-July. A presentation of the strategy to Board is planned in September with a launch event thereafter, with a Showcase of innovative projects and initiatives already taking place in D2N2. It is intended that the launch of the energy strategy should be co-ordinated with the launched of the refreshed Strategic Economic Plan.

6.5 To help implement the final strategy, there are 9 staff posts across the Midlands Engine, funded by 1.2m from BEIS, that can model, scenario plan and develop viable projects to take advantage of funding sources such as “Strength in Places Fund”, “Industrial Strategy Challenge Fund”, national government energy funding and ultimately form part of the Local Industrial Strategy and UK Shared Prosperity Fund.

7. **STRENGTH IN PLACES FUND**

7.1 As part of the implementation of the national Industrial Strategy, the Government has, via UK Research and Innovation (UKRI) invited Expressions of Interest for the first wave of the ‘Strength in Places Fund’ (SIPF). Strength in Places is described as;
“...a new competitive funding scheme that takes a place-based approach to research and innovation funding. It will be driven by business need that can be met by existing research strengths. Funding will be allocated in waves to fund collaborative bids from consortia of publicly-funded research organisations, businesses, and local leadership. Projects will be led by either a research organisation or a business, with consortia including both research organisation and business partners. Successful projects will undertake a flexible range of research and innovation interventions that will have a demonstrable impact on local economic growth.

Funding will be competitively awarded to consortia representing ‘economic geographies’ across the UK that (a) have existing research excellence and high-quality innovation capability that are focused on wealth creating opportunities and aligned to the needs of their local industry and business supply chains; and (b) where activities are likely to bring significant, relative economic impact and regional growth. Activities should make a significant change in rate of growth, relative to the baseline for the place. We also encourage bids in line with the principle of inclusive economic growth, where the benefits are extended across all sections of society. Projects should look to develop an economic strength of the place, where there is a reasonable expectation that they can develop a competitive advantage. We expect bidders to define the spatial geography that they will be focusing on and for bids to be developed after consultation with local stakeholders, including direct engagement with local people.

It is expected that partnerships within projects will include and be supported by local leadership organisations including LEPs, Combined Authorities, enterprise bodies and similar economic development agencies across the four nations of the UK who may be active partners within the consortia. Full definitions of those stakeholders who can lead, or be a partner within a bid are set out at section 22.

The programme will consist of two stages, with waves of funding. The first will call for Expressions of Interest (EOIs) from regional consortia. Following expert review and panel assessment, the EOIs that pass this pre-qualifying stage with strongest alignment to the call criteria will receive up to £50K seedcorn funding to develop full stage proposals over a period of up to 24 weeks.

For the second stage, those EOIs supported with seedcorn funding will bid for full funding of between £10 million and, exceptionally, £50 million. After the second, full stage assessment, a number of the highest quality proposals will then receive funding for between 3 – 5 years, depending on the individual proposal, to deliver a bespoke package of interventions in that locality. In this first wave of funding, UKRI expects to fund between 4 and 8 bids.”

7.2 D2N2 has engaged with the 3 local HEIs about their collaborative development of Strength in Places bids, using the D2N2 Science and Innovation Audit as a key part of the evidence base, particularly the sectors and capabilities that have been identified as local strengths.

7.3 Whilst local HEIs may well be partners in bids led by other institutions, they have been invited to submit summary proposals for the bids that they intend to lead to the LEP for endorsement.
Appendix D includes summaries of two bids led by the University of Nottingham for consideration. Both have a strong degree of strategic fit with the D2N2 Science and Innovation Audit and the emerging draft Strategic Economic Plan. It is therefore recommended that the Board endorse the bids. Should further EoIs be received, they will be shared with board for consideration.

**8. SKILLS & EMPLOYABILITY UPDATE**

8.1 The D2N2 Skills Commission met on 26th June, Chaired by Ian Greenaway. The meeting considered a full agenda including the roll out and development of a sustainable funding model for the D2N2 Enterprise Adviser Network, the Rolls Royce Action Group response, the D2N2 Careers Hub bid, the new Nottingham College Careers Hub and the draft Skills Mismatch report.

8.2 With the Chair of the Skills Commission, I have spoken to the Dean of the Nottingham Business School at NTU about supporting the review of the partnership approach to skills in D2N2, particularly the role of the Skills and Employability Commission, that was discussed at the last Board meeting and a proposal on how they would undertake the review is awaited. Decisions about the future partnership approach and resourcing of the LEP’s role in Skills and Employability will be taken by the new Chair and Board and permanent Chief Executive after the review reports.

8.3 At its last meeting, Board endorsed the submission of a bid to the Careers and Enterprise Company for delivery of a D2N2 Careers Hub. Whilst we have been informally told the outcome of the bid, this has yet to be formally confirmed and I hope to be able to verbally update on this in the Board meeting.

**9. NUCLEAR AMRC UPDATE**

9.1 Progress continues on collaborative work to secure a new facility for Nuclear Advanced Manufacturing Research Centre at Infinity Park, Derby.

9.2 Meetings have been held between officials of the Nuclear AMRC and the Vice-Chancellors of the three local Universities to identify collaboration opportunities and how the establishment of the NAMRC facility and add value to the collective support to business provided by the 3 HEIs. An addendum to the existing facilities collaboration equipment has been drafted to provide for enhanced engagement between the NAMRC and the 3 local universities.

9.3 On 3rd July, the Government announced the Nuclear Sector Deal, providing £200m to support the nuclear industry and its UK supply chain, which underscores the potential value of the collaboration with the NAMRC.
Prospectus for D2N2...

- SEP is in effect our prospectus for D2N2 economy – sales pitch to Government and rallying call to partners to get behind the vision
- SEP provides strategic foundation for our Local Industrial Strategy
- Will only be deliverable if can successfully put the resources in place to make it happen – through delegated funding and powers from Government, and through local partners’ commitment to playing their part in its delivery
- Fight for Government resources will be fiercely competitive: against background of past under-funding for the region and prospect of Mayoral Combined Authorities exerting strong influence with Government – so we will have our work cut out
- Will only be able to rise to the challenge if we can present strongly united front - a distinctive, coherent, compelling and ambitious SEP can bring us together behind a set of common goals, and make us stand out from the crowd

The economic challenge in a nutshell...

- D2N2, with 2.2 million residents, is one of the most important local economies in England - only three LEP areas outside London have a bigger population – and the amount of output we generate (£45bn) is on a par with Birmingham & Solihull
- But we suffer from an inefficient economy – compared to our competitors we produce too little output for the number of hours we work – the so-called ‘productivity deficit’. Despite having the 5th largest workforce outside London, we have only the 9th largest economy. Too many of our businesses just aren’t productive enough
- We also have an earnings deficit. There are too many people in lower paid jobs – some 30% of people earn less than the Living Wage - and we don’t have enough jobs in higher paid occupations. We also need to recognise that some parts of D2N2 are starting from a much lower base than others - workplace earnings range from 118% of the England average in Derby, to 65% in Mansfield
- Looking ahead to 2030, we can expect our working-age population to grow only very slightly. So there won’t be a lot of new labour coming into the economy. We can also expect the jobs of tomorrow to look a lot different – as digitalisation and automation gather pace – requiring a different skills set
- If we’re to become a more efficient and internationally-competitive economy and, at the same time maintain a high level of employment (and minimise unemployment), we need to find ways to produce much more output with the labour we have, as well as attracting the best talent from elsewhere
- As a result, over time, wage levels will increase. We need to enable our workers at all levels to move up the escalator into the more productive, better-paid jobs of the future that are created in our transformed economy
- The success of our economic plan depends on how effective we are at managing the transition
- As part of our commitment to inclusive growth, we must enable our population and our places across D2N2 to be part of the journey – by providing access to opportunities and raising skills levels – recognising that local economies are starting from different positions
Sweating our assets...

- As well as tackling the headline challenges, we need to invest in the things that we’re good at and that set us apart - to build on our competitive advantages
- Exploit our unique locational advantage – at the heart of the nation, and with outstanding natural assets – bridging the Midlands Engine and the Northern Powerhouse
- Consolidate our global giants’ contribution to the economy, improving the competitiveness of their supply chains within D2N2
- Build on our industrial specialisms and strengths, linking to national Sector Deals
- Gain advantage from the talent (75,000 student intake per annum) and leading-edge competencies in our world-class universities, at the core of D2N2’s knowledge base – exploiting market opportunities associated with the Grand Challenges (digitalisation, mobility, low carbon and ageing population)
- Capitalise on the once-in-a-generation transformational opportunity offered by HS2 – ensuring cross-D2N2 benefits
- Fulfil the potential of our distinctive local economic geographies – connecting opportunity and need

Insert asset map
Headline proposition...
The focus of the previous SEP was on the creation of additional private sector jobs - this plan signals a shift in priority towards driving up levels of productivity in D2N2, with the objective of becoming an economy with higher-value, better-paid jobs, i.e. quality of jobs created rather than quantity – while at the same time broadly maintaining the current healthy level of employment.

Articulating the 2030: Vision...
By 2030, D2N2 will have a transformed, high-value economy - the spark in the engine that powers UK growth:
• Punching above our weight within the Midlands Engine, as one of the most productive local economies in Europe
• At the forefront of technological and business innovation, with a global reputation for manufacturing excellence – exploiting our world-leading capabilities in advanced-engineering, digital, low-carbon, food and medical technologies
• Fully exploiting our connectivity and outstanding environmental assets at the heart of the nation, taking advantage of the transformational potential of HS2
• Investing in our businesses, people and places to provide opportunities for growth that benefit all our communities
• The best and most welcoming place in the country to do business, and for people to fulfil their potential and prosper

What success will look like...
• D2N2 will be in the top quarter of local economies in Europe
• Our economy will have a value of £70bn, and prosperity levels will have increased to be more in line with the UK average
• £9bn will have been added to the value of the economy as result of our strategy, with £1.5bn invested locally and nationally to generate this added value
• Wage levels across D2N2 will have risen by at least 40%, and wage disparities within D2N2 will have narrowed
• The employment rate will remain broadly at its current level, with a workforce of around 1 million people

High-level priorities...
• Drive business competitiveness and growth through improved productivity
• Build an adaptable workforce with the skills and knowledge that businesses need in order to be competitive
• Ensure that our connectivity, infrastructure and place-making enable our growth aspirations
### Proposition for business segmentation...

<table>
<thead>
<tr>
<th>WHY?</th>
<th>WHAT?</th>
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<tbody>
<tr>
<td>Large number of D2N2 businesses either just below or just above average is main reason for productivity deficit</td>
<td>Re-purpose D2N2 Growth Hub to focus on SME productivity improvement, benchmark business performance, develop coaching programme for business, based on drivers of productivity</td>
</tr>
<tr>
<td>Scale-ups create a significant proportion of the UK’s economic growth. Not enough scale-ups in D2N2 compared to other parts of the country.</td>
<td>Continue and enhance support for Scale-ups and businesses with high-growth potential, through Growth Hub</td>
</tr>
<tr>
<td>Opportunity to build on expertise in the knowledge base (business and universities) and stimulate collaboration in emerging industries and across sectors. Strong links to Grand Challenges.</td>
<td>Introduce a programme of support to help businesses adopt new technologies, building on Digital Business Growth, with the focus on the four D2N2 specialisms; local ‘challenge’ programme to bring together communities of interest to develop innovation solutions</td>
</tr>
<tr>
<td>Opportunity to build on key innovation-led sector specialism and strength in D2N2 (based on Science &amp; Innovation Audit) - all strong growth prospects and close links to Sector Deals</td>
<td>Sectors develop Productivity &amp; Growth Plans to enable innovation-led growth in line with global trends; identifying interventions required, to feed into Local Industrial Strategy (LIS)</td>
</tr>
<tr>
<td>Opportunity to build on other locally-significant sectors – important for different reasons: e.g. potential for growth, specialism, local importance, level of employment</td>
<td>Identify key sectoral challenges and interventions that can promote productivity and growth</td>
</tr>
<tr>
<td>Significant contribution to D2N2 economy, in terms of output, jobs and supply chain. Loss or downsize would cause local economic shock. Need to retain and consolidate.</td>
<td>Deepen strategic relationships, help develop competitiveness of local supply chains, building on existing local and national initiatives, explore potential for re-shoring and investment in R&amp;D</td>
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<table>
<thead>
<tr>
<th>Specialist Expertise in the Knowledge Base</th>
<th>Innovation-Led Core Sectors</th>
<th>Other Locally-Significant Sectors</th>
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<tr>
<td>Digital Technologies &amp; Data</td>
<td>Food &amp; Drink Manufacturing</td>
<td></td>
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<tr>
<td>Energy &amp; Low-Carbon Technologies</td>
<td>Life Sciences</td>
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<tr>
<td>Systems Integration</td>
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**‘Middle Band’**

Businesses with productivity around average
### Setting strategic objectives...
There are also proposals for initial priorities for action in the draft plan.

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<thead>
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<th>Productive and Growing Businesses</th>
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</thead>
<tbody>
<tr>
<td><strong>Business Productivity</strong></td>
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<tr>
<td>Drive up levels of productivity across all sectors – so that we have a larger number of businesses with above average and outstanding productivity</td>
</tr>
<tr>
<td><strong>Business Growth</strong></td>
</tr>
<tr>
<td>Enable the growth of businesses with high-growth potential, and grow the stock of high-value businesses in the area through start-ups, spin-outs and inward investment – contributing to output growth across all sectors of the economy</td>
</tr>
<tr>
<td><strong>Sector Specialisms</strong></td>
</tr>
<tr>
<td>Exploit and enhance our most significant sectors – enabling performance in our key innovation-led sectors (Transport Equipment Manufacturing, Food &amp; Drink and Life Sciences) to exceed international benchmarks, and accelerating growth in other locally-significant sectors</td>
</tr>
<tr>
<td><strong>Business Support</strong></td>
</tr>
<tr>
<td>Ensure that D2N2’s business support ecosystem is fit-for purpose to deliver against our strategic objectives, offers a business-friendly and coherent service, and is driven by the needs of businesses</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>Skills &amp; Knowledge for the Future</th>
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<tbody>
<tr>
<td><strong>Skills Match &amp; Pathways</strong></td>
</tr>
<tr>
<td>Ensure that skills supply matches business demand and future needs – enabling workers at all levels to move up the escalator to more productive, better-paid jobs of the future</td>
</tr>
<tr>
<td><strong>Job Readiness</strong></td>
</tr>
<tr>
<td>Enable young people of all ability levels to enter the labour market – providing businesses with a stronger pool of indigenous talent</td>
</tr>
<tr>
<td><strong>Skilled and Adaptable Workforce</strong></td>
</tr>
<tr>
<td>Enable the workforce to up-skill and adapt to changes in technology (including digitalisation) and working practices, through lifelong learning</td>
</tr>
<tr>
<td><strong>Innovation Know-how</strong></td>
</tr>
<tr>
<td>Exploit and enhance our leading-edge specialist capabilities in the knowledge base, with the focus on Advanced Manufacturing &amp; Engineering, Digital Technologies &amp; Data, Low-Carbon Technologies, and Systems Integration</td>
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<tr>
<td>Quality of Place</td>
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<tr>
<td><strong>Connectivity</strong></td>
</tr>
<tr>
<td>Exploit and enhance our strong transport and digital connectivity to business and labour markets – enabling businesses and people to travel and communicate quickly and easily, and unlocking opportunities for growth</td>
</tr>
<tr>
<td><strong>Infrastructure</strong></td>
</tr>
<tr>
<td>Ensure that our physical infrastructure meets immediate demand, satisfies business &amp; housing growth ambitions and enhances our natural environment</td>
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<tr>
<td><strong>High Speed 2 Growth</strong></td>
</tr>
<tr>
<td>Exploit the transformational potential of HS2 to stimulate growth across D2N2</td>
</tr>
<tr>
<td><strong>Place Making &amp; Marketing</strong></td>
</tr>
<tr>
<td>Empower communities across D2N2 as great places to live, work, study and visit; and undertake compelling place-marketing in order to attract inward investment and talent to the area, and to drive up visitor spending</td>
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Item 2.2 – Appendix B

D2N2 – the Spark in UK’s Growth Engine

Vision:2030

Consultation Draft 1.2, July 2018
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PART 1: Introduction
1. Introduction

**D2N2 – Creating, Making, Connecting...**

The East Midlands’ counties of Derbyshire & Nottinghamshire – and the vibrant cities of Derby & Nottingham at their heart – have been in the vanguard of scientific and industrial innovation for more than two centuries. From the world’s first factory in the late 18th century to market-leading aero-engines in the present day, D2N2 has become synonymous with globally-significant technological advances and manufacturing excellence, founded on long-standing trading relationships across the world. Our specialist know-how means that we are well-positioned to take advantage of opportunities from advances in digitalisation, mobility and medical & low-carbon technologies. **D2N2 started the original industrial revolution and we will be at the heart of the new one.**

We have the locational advantage of being right at the centre of England’s economy (Figure 1.1), as a key part of the Midland’s Engine¹, within easy reach of supply chains in London & the South East and the neighbouring Northern Powerhouse². The combination of our central position, strong industrial heartland, world-class centres of learning & research, and outstanding natural assets (including Peak District National Park, The National Forest and Sherwood Forest National Nature Reserve) make D2N2 a great place to live, work, study and visit.

D2N2 is one of the most important local economies in country – of the 38 Local Enterprise Partnership (LEP) areas, it has in absolute terms the 4th largest population and the 5th largest workforce outside London - and it makes the 9th largest contribution to the nation’s GVA, on a par with Birmingham & Solihull.

Fig 1.1 D2N2 map and routes to major cities

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¹ [https://www.midlandsengine.org/](https://www.midlandsengine.org/)

² [https://northernpowerhouse.gov.uk/](https://northernpowerhouse.gov.uk/)
Success in Job Creation...

Building on these inherent competitive advantages, the LEP\(^3\) in 2013 published D2N2’s first Strategic Economic Plan\(^4\) (SEP). The vision was that D2N2 would, within a decade: become a more prosperous, better-connected and increasingly resilient and competitive economy; making a leading contribution to the UK’s advanced manufacturing and life sciences sectors; and generating significant export earnings for UK plc. The primary target - to support the creation of an additional 55,000 jobs by 2023, shifting the balance to more private sector jobs - was achieved within 3 years. The legacy of the SEP’s first 5 years is covered in Part 4.2.

Adapting to Change...

In the 5 years since the SEP was published, there have been a number of contextual changes globally and nationally that will have an impact on D2N2’s economic performance and strategic positioning. There is now a much better outlook for the global economy, albeit with some threats to international trade and investment. A new set of trading relationships are in prospect post-Brexit, providing opportunities and challenges. Technological change continues apace, with significant advances in e.g. digitalisation and artificial intelligence. A national Industrial Strategy\(^5\) has been published: highlighting the importance of addressing the productivity gap; identifying ‘Grand Challenges’ to put the UK at the forefront of industries of the future; and inviting localities to develop Local Industrial Strategies . The Midlands Engine partnership has emerged as a driving force for economic growth across the wider Midlands, recognised by Government, alongside the Northern Powerhouse, as a key mechanism for rebalancing the UK economy. In addition, new opportunities within the D2N2 economy have arisen or crystallised, including plans for a nationally-significant HS2 Hub at the heart of the D2N2 area; and the local policy framework has evolved, with updated local growth plans across the area.

These changes are covered in more detail in Part 4.1.

“Across D2N2, individual businesses, universities and local authorities will need to make the most of these potentially transformational opportunities. But we will achieve better results for the whole of D2N2 – and maximise the benefits for the Midlands and the rest of the UK – by working together on the big economic issues that are going to impact on all of us.”

... - Chair, D2N2 Local Enterprise Partnership

\(^3\) http://www.d2n2lep.org/
\(^4\) http://www.d2n2lep.org/write/Documents/D2N2_SEP_March_31st.pdf
Reviewing the Evidence...

Against this background, the LEP and its partners have, over the past few months, reviewed the evidence base on D2N2’s economic performance, with a view to updating the SEP, making adjustments in strategic direction as required, and rolling it forward to 2030. This includes reports on:

- D2N2’s business demography
- D2N2’s productivity performance
- D2N2’s science and innovation assets
- sectors within the D2N2 economy
- skills demand and gaps in supply across the economy
- the case for inclusive growth
- emerging communities within the D2N2 area
- overview of the evidence base

The review of the evidence base is covered in Part 4.2.

With a successful track record of delivery, a substantially changed policy context and a much deeper understanding of our economy, it is therefore time to refresh our strategy for the next decade. Part 3 draws conclusions from the evidence review, and Part 2 sets out a revised vision for the economy, with associated targets and priorities.

Updated SEP – towards a Local Industrial Strategy...

This plan is an update and extension of the previous SEP, but it is also the first stage in developing a Local Industrial Strategy for D2N2. The Government, though its Industrial Strategy (see Part 4.1), has challenged LEPs and Combined Authorities to develop Local Industrial Strategies (LIS), which are likely to guide how delegated Government funding stream are used in the future. This plan sets the strategic direction for discussion with stakeholders and Government on specific investible propositions to be included in our LIS, which will form the central part of a wider implementation plan for the SEP. Our aim is to have the LIS fully in place, in partnership with Government, during 2019.

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8 http://www.d2n2lep.org/write/Documents/Research%20Reports/D2N2_SIA.pdf
Underpinning Principles...

This is a strategy for the economy of D2N2, put together by and owned by the D2N2 LEP and its constituent partners. It is underpinned by the following key principles:

**Inclusive and sustainable growth:** Our plan recognises that economic progress must go hand-in-hand with social and environmental progress, and that social and environmental benefits are an integral part of our plans for economic growth.

**Evidence-led – and looking to the future:** We have developed a comprehensive series of reports and analysis setting out our understanding of D2N2’s strengths, weaknesses, opportunities and threats, in the context of economic and technological change. However, this is a strategy for growth in a dynamic free market: it must be flexible enough to embrace new industries, ideas and innovations - as well as any economic shocks - as they emerge.

**Place-focused – and outward-facing:** Our plan is rooted in the distinctive assets and challenges in D2N2 that differentiate us from other places in the UK and elsewhere: it is specific to our area - our cities, towns and rural areas - and builds on a deep understanding of the factors that make it unique. But we are not limited by boundaries: our relationships with neighbouring LEP areas and the rest of the Midlands, the UK and internationally are vitally important. It is vital that we contribute to – and are at the heart of – regional and national strategy, and exploit opportunities to further our objectives by forming strategic alliances with our neighbours.

**Partnership:** Our plan is founded on collaboration and partnership, with stakeholders from across the economy working together in complementary ways towards a set of shared goals.

LEP Mission...

1. The D2N2 LEP board will have a pivotal role as place-leader in the roll-out of the plan. Its role will be to:
   - Champion the vision, galvanising the wider business, political and educational community behind shared objectives
   - Co-ordinate the preparation of an Implementation and Investment Plan and monitor its delivery
   - Mobilise the resources required to deliver the plan, including residual ESIF, nationally-funded programmes, resourcing from partner organisations, and future programmes delegated to the LEP
   - Maximise our influence at national and regional levels to further our objectives
   - Keep strategic direction under review and adjust as necessary to take account of any significant changes in the global, national or local context
1.1 The Economic Challenge

D2N2, with 2.2 million residents, is one of the most important local economies in England - only three LEP areas outside London have a larger population. The amount of output we generate (£45bn) is on a par with Birmingham & Solihull. But our economy could be much more efficient – compared to our competitors we produce too little output for the number of hours we work – the so-called ‘productivity deficit’. Despite having the 5th largest workforce outside London, we have only the 9th largest economy. Too many of our businesses just aren’t productive enough.

We also have an earnings deficit. There are too many people in lower paid jobs – some 30% of people earn less than the Living Wage - and we don’t have enough jobs in higher paid occupations. And we also need to recognise that some parts of D2N2 are starting from a much lower base than others - workplace earnings range from 118% of the England average in Derby, to 65% in Mansfield.

Looking ahead to 2030, we can expect our working-age population to grow only very slightly. So there won’t be a lot of new labour coming into the economy. If we’re to become a more efficient and internationally-competitive economy and, at the same time maintain a high level of employment (and minimise unemployment), we need to find ways to produce much more output with the labour we have, as well as attracting the best talent from elsewhere. As a result, over time, wage levels will increase.

We need to enable our workers at all levels to move up the escalator into the more productive, better-paid jobs that are created in our transformed economy – and ensure that they are equipped with the skills they need for the jobs of tomorrow.

The success of our economic plan depends on how effective we are at managing the transition to a higher-value economy. Enabling our businesses, residents and places to be part of that journey will be critical, by providing opportunities and raising skills levels – recognising that local economies are starting the journey from different positions, with some having much further to travel than others.

The focus of the previous SEP was on the creation of additional private sector jobs. This plan signals a shift in priority towards driving up levels of productivity in D2N2, with the objective of creating an economy with higher-value, better-paid jobs, i.e. quality rather than quantity.
2.1 2030: Vision and Objectives

This section sets out our vision for the economy for 2030, our high-level priorities and objectives, and our initial priorities for action – based on the conclusions in Part 3.

**Our ambition for the D2N2 economy for 2030...**

We have an aspirational vision to 2030 for addressing and exploiting the big economic challenges and opportunities over the next decade:

- Punching above our weight within the Midlands Engine, as one of the most productive local economies in Europe
- At the forefront of technological and business innovation, with a global reputation for manufacturing excellence – exploiting our world-leading capabilities in advanced-engineering, digital, low-carbon, food and medical technologies
- Fully exploiting our connectivity and outstanding environmental assets at the heart of the nation, taking advantage of the transformational potential of HS2
- Investing in our businesses, people and places to provide opportunities for growth that benefit all our communities
- The best and most welcoming place in the country to do business, and for people to fulfil their potential and prosper

By 2030, D2N2 will have a transformed, high-value economy - *the spark in the engine that powers UK growth*:
Our Targets:

- D2N2 will be in the top quarter of local economies in Europe
- Our economy will have a value of £70bn, and prosperity levels will have increased to be more in line with the UK average
- £9bn will have been added to the value of the economy as result of our strategy, with £1.5bn invested locally and nationally to generate this added value
- Wage levels across D2N2 will have risen by at least 40%, and wage disparities within D2N2 will have narrowed
- The employment rate will remain broadly at its current level, with a workforce of around 1 million people

Our target measurement framework is as follows:

<table>
<thead>
<tr>
<th>Target</th>
<th>Measure</th>
<th>Baseline</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Output</strong>:</td>
<td>increase to £70bn (added value £9m, from £1.5bn investment – 1:6 ROI)</td>
<td>GVA (+ return on investment)</td>
</tr>
<tr>
<td><strong>Productivity</strong>:</td>
<td>top 25% European local economy – ranked 68th</td>
<td>GVA per hour worked</td>
</tr>
<tr>
<td><strong>Prosperity</strong>:</td>
<td>narrow gap to UK average</td>
<td>GVA per head</td>
</tr>
<tr>
<td><strong>Earnings</strong>:</td>
<td>increase to £550 per week</td>
<td>Median weekly earnings</td>
</tr>
<tr>
<td><strong>Employment</strong>:</td>
<td>maintain current rate</td>
<td>% of economically active in work</td>
</tr>
</tbody>
</table>

High-level priorities...

Our plan has three high-level priorities:

- **P1**: Drive business competitiveness and growth through improved productivity
- **P2**: Build an adaptable workforce with the skills and knowledge that businesses need in order to be competitive
- **P3**: Ensure that our connectivity, infrastructure and place-making enable our growth aspirations

Underpinning this is the fundamental need to ensure that people and communities across D2N2 have the opportunity to participate in the transition to the higher-value economy and to benefit from its growth
Strategic objectives...

The following tables include our strategic objectives, grouped by the high-level priorities shown above. They also identify a number of planned and potential actions, with the top priorities highlighted not yet done. These build on or aim to improve what is currently in place, address gaps in provision, bring forward new opportunities and identify ideas that require further development.

<table>
<thead>
<tr>
<th>P1: Productive &amp; Growing Businesses</th>
<th>Planned /Potential Action</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>P1.1 Business Productivity</strong></td>
<td>• Re-purpose D2N2 Growth Hub to have a wider focus on business productivity improvement</td>
</tr>
<tr>
<td>Drive up levels of productivity across all sectors – so that we have a larger number of businesses with above average and outstanding productivity</td>
<td>• Market analysis to identify businesses in ‘middle band’ of productivity performance</td>
</tr>
<tr>
<td></td>
<td>• Develop diagnostic tool to benchmark business productivity performance</td>
</tr>
<tr>
<td></td>
<td>• Develop coaching/mentoring programme for business, based on drivers of productivity</td>
</tr>
<tr>
<td><strong>P1.2 Business Growth</strong></td>
<td>• Continue and enhance support for Scale-ups and businesses with high-growth potential</td>
</tr>
<tr>
<td>Enable the growth of businesses with high-growth potential, and grow the stock of high-value businesses in the area through start-ups, spin-outs and inward investment – contributing to output growth across all sectors of the economy</td>
<td>• Help our major manufacturing primes to develop the competitiveness of their local supply chains, building on existing local and national initiatives</td>
</tr>
<tr>
<td></td>
<td>• Support the successful implementation of the Midlands Engine Investment Fund, and enhance as necessary with locally-flexible investment and grant funds to support growth</td>
</tr>
<tr>
<td></td>
<td>• Grow exports to new markets on the back of UK trade deals post-Brexit, building on our existing strong international connections, including in China and India</td>
</tr>
<tr>
<td></td>
<td>• Through place marketing, attract inward investment in key sectors, re-shore supply chains, and encourage growth in the R&amp;D capabilities of our major innovation-led corporates</td>
</tr>
<tr>
<td><strong>P1.3 Sector Specialisms</strong></td>
<td>• Core innovation-led sectors to develop Productivity &amp; Growth Plans</td>
</tr>
<tr>
<td>Exploit and enhance our most significant sectors – enabling performance in our key innovation-led sectors (Transport Equipment Manufacturing, Food &amp; Drink and Life Sciences) to exceed international benchmarks, and accelerating growth in other significant sectors</td>
<td>• Become the UK’s transport innovation test bed, securing national centre of excellence in Next Generation Transport</td>
</tr>
<tr>
<td></td>
<td>• Secure national recognition as UK life sciences and creative &amp; digital centre</td>
</tr>
<tr>
<td></td>
<td>• Maximise D2N2 benefit from Midlands Engine Transport Innovation, Medical Technologies and Future Food Processing Accelerators</td>
</tr>
<tr>
<td></td>
<td>• Bring forward the establishment of a new Medical Technologies Innovation Facility at NTU’s Clifton campus</td>
</tr>
</tbody>
</table>
**P1.4 Business Support**
Ensure that D2N2’s business support ecosystem is fit-for-purpose to deliver against our strategic objectives, offers a business-friendly and coherent service, and is driven by the needs of businesses

- Enhance and sustain the D2N2 **Growth Hub** as the gateway to SMEs:
  - re-purposed to reflect the SEP’s revised strategic objectives
  - recognised as the access point for all support to business, including skills and innovation
  - a systematic, ‘portfolio management’ approach to market segmentation
  - service to be driven by the needs of businesses
- Review the range of business **support options** encompassing the drivers of productivity to ensure that they meet the needs of the target markets, including leadership & management, access to finance and routes to market

**P2: Skills & Knowledge for the Future**

<table>
<thead>
<tr>
<th>Planned /Potential Interventions</th>
</tr>
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</table>

**P2.1 Skills Match & Pathways**
Ensure that skills supply matches business demand and future needs – enabling workers at all levels to move up the escalator to more productive, better-paid jobs of the future

- Work with the Department for Education to convene a reinvigorated **D2N2 skills partnership**, based on the existing Skills Commission, with powers to influence local priorities for post-16 education and training provision
- Ensure that the **local skills system** supports the skills matching ambition, through:
  - employer engagement to address course content
  - skills commissioning to incentivise providers to align with the demands of the labour market
  - live, accurate data on the labour market
  - clear gateways and pathways for people to progress

**P2.2 Job Readiness**
Enable young people of all ability levels to enter the labour market – providing businesses with a stronger pool of indigenous talent

- Build on the D2N2 Employability Framework to maximise the reach of the **Enterprise Advisers Network** in D2N2’s schools, raising the aspirations of the future workforce by enhancing their careers advice
- Explore the scope for extending the approach in the **Derby Opportunity Area** (broadening horizons of young people struggling with social mobility) in the light of the pilot’s outcome
### P2.3 Skilled and Adaptable Workforce
Enable the workforce to up-skill and adapt to changes in technology (including digitalisation) and working practices, through lifelong learning

- Roll out programme to support for SMEs across sectors to enable their workforce to acquire the **skills to adapt to digitalisation** of the workplace
- Maximise D2N2 benefit from **Midlands Skills Challenge Fund**

### P2.4 Innovation Know-how
Exploit and enhance our leading-edge, core specialist capabilities in the knowledge base, with the focus on Advanced Manufacturing & Engineering, Digital Technologies & Data, Energy & Low-Carbon Technologies, and Systems Integration

- **Local ‘challenge’ programme** to bring together communities of interest to develop innovation solutions in areas of D2N2 specialism – linking to Grand Challenges, particularly around mobility and clean growth
- Build on existing **Enabling Innovation** programme, to create a more cohesive suite of easily accessible products
- Introduce a programme of support to help businesses **adopt new technologies**, building on Digital Business Growth, and with the focus on the four D2N2 specialisms
- Bring forward the **Midlands Advanced Manufacturing Research Centre** on Infinity Park EZ
- Creation of an **Industry 4.0 demonstrator**, building on automated assembly demonstrator in Aerospace Technology Centre

### Priority 3: Quality of Place

#### P3.1 Connectivity
Exploit and enhance our strong transport and digital connectivity to business and labour markets – enabling businesses and people to travel and communicate quickly and easily, and unlocking opportunities for growth

- Deliver plans for improvements in the **major road network**, to alleviate congestion to meet existing demand and to support ambitions for growth – including Midlands Connect and Transport for the North priorities, congestion management A52 at Pride Park, Southern Growth Corridor in Nottingham, Gedling Access Road, A61 corridor improvements including Whittington Moor roundabout in Chesterfield, Newark Southern link road, and Woodville-Swadlincote link road.
- Secure funding to provide better integrated **mass transit links** across D2N2, including to HS2/EMA and housing and employment growth areas
- Secure investment in the **rail network**, including the Midland Mainline, improvements to Trent Junction and East Coast mainline, Castle Line service enhancements, and Robin Hood Line extension
- Complete roll-out of superfast broadband, and support introduction of **next generation digital connectivity**, securing investment from Local Full Fibre Networks Challenge Fund (second wave)
| **P3.2 Infrastructure** | - Develop D2N2 **Infrastructure plan**, identifying a 10-year pipeline of priority projects to enable and accelerate investment (physical and digital) – to unlock employment opportunities and housing investment - in order to meet existing demand and future growth ambitions  
- Roll-out the development of the **D2N2 Enterprise Zones**, generating income for re-investment against our economic priorities  
- Explore the potential to identify D2N2 ‘growth corridors’ and for the designation of other **Growth Zones** in strategic locations to leverage our innovation-led sector specialisms  
- Support the development of **East Midlands Airport** as our primary gateway to the world, and maximise opportunities for inward investment, e.g. in transport and logistics, linked to EMA’s role as a leading freight airport and the adjacent East Midlands Gateway  
- Work in partnership with Homes England, developers and the construction industry to help local housing authorities deliver their ambitious targets for growth – enabling the building of **... homes by 2030**, including supporting partners’ collective efforts towards the One Public Estate objectives  
- Support the promotion of **Modern Methods of Construction** across D2N2 as a means of accelerating housing delivery  
- Develop **Energy Strategy** to include location-specific opportunities for use of innovative heat source technologies (rivers, canals and mine water); and opportunities for the coal-fired power stations ear-marked for closure to be re-purposed for other energy generation and storage technologies |

| **P3.3 High Speed 2 Growth** | - Work with partners, through an agreed programme of works, to implement the East Midlands HS2 Growth Strategy, bringing forward major innovation-focused development at Toton and elsewhere and maximising connectivity benefits of HS2 development at Toton and Staveley, by providing effective links to the station sites from across the D2N2 area - including enhanced tram provision and access to East Midlands airport. Promoting effective access to the HS2 western leg, where appropriate.  
- With partners, deliver a comprehensive programme of skills and supply chain support to maximise the economic impact of HS2. |

| **P3.4 Place Making & Marketing** | - Build on current **joint marketing** by D2N2 investment agencies and local authorities, working with Midlands Engine and DIT – to maximise impact and achieve economies of scale  
- Support Nottingham’s ambition to establish an **International Convention Centre** in the city |
2.2 Implementation & Measuring Success

As explained in Part 1, this plan is in effect the first stage in developing a Local Industrial Strategy (LIS) for the D2N2 economy. The second stage will be to produce an implementation and investment plan setting out our priority actions for the next 3 years, towards our 2030:Vision. The form and process for producing Local Industrial Strategies is not yet clear, but is envisaged that they will be produced by LEPs (or Mayoral Combined Authorities where they exist) in partnership with Government; the first ones (currently in three Combined Authorities) are scheduled to be in place by March 2019. The LIS is likely to be the basis for agreeing funding and flexibilities from Government, including the Strength in Places Fund (science and innovation); and the Transforming Cities Fund (intra-city transport), and, in due course, new UK Shared Prosperity Fund (which will replace the European Structural Funds from 2021, but which might look very different from existing funding arrangements).

We will now press on with development of the implementation plan, building on the pointers for action identified in the previous chapter. We will take this forward in consultation with Government, and will establish a more formal partnership with them at the appropriate time. In the meantime: we will lobby Government to be considered as a trailblazer area for the LIS approach, given the scale and industrial focus of our contribution to the national economy; and the LEP will use the updated SEP to drive its priorities and funding allocations.

Commitment to inclusive and sustainable growth...

As part of the implementation plan we will develop an inclusive growth framework to inform strategic investment decisions relating to priorities identified in the SEP. In order to ensure that the LEP actively promotes inclusion, we will seek to:

• Improve our understanding of inclusion and include it in all planning, implementation and monitoring activity
• Take action to ensure more inclusive practice is achieved through our role in commissioning and strategic planning
• Influence others on the importance and benefits of inclusion

We will also undertake an independent sustainability review of the SEP before publication and take its recommendations into account in the final plan.

Working in partnership...

Many of the opportunities that we face in the years ahead will depend on our relationships with our neighbours, both in the context of new investment (for example through High Speed 2 and Midlands Connect) and the development of strengthened supply chains and labour markets. We will be active leaders in the Midlands Engine, championing D2N2’s contribution and making the strategic case for investment across the wider region.

The Local Enterprise Partnership will continue to work with, and through, key partnerships across D2N2. The LEP has been successful in recent
years as a lean, focused partnership that makes best use of partners’ expertise and resources: co-ordinating across the D2N2 area where it makes sense to do so and championing shared priorities where there is strength in scale. We will continue this approach, working with our constituent local authorities, as well as with other partnerships within the LEP area.

Monitoring Performance

To track the progress of this strategy over the long term, we have identified a framework of headline targets (see 2.1) and a number of supporting indicators to be monitored – see below. For all of these, change is gradual, and all are subject to short-term volatility: progress is more likely to be measured over the long run than from year to year.

We plan to prepare a State of the Economy Report annually and to carry out a full-scale strategic review every 5 years, but to keep the strategic priorities (including priority sectors and enabling competencies) under review in the light of significant changes in global, national or local circumstances in the meantime.

Add indicator framework, showing latest baseline, to include (all also by district where available):

- **Output:** GVA, GVA growth, and by sector
- **Prosperity:** GVA per head
- **Productivity:** GVA per hour worked, and by sector
- **Employment & Participation:** Employees, Employment rate, Private sector Employment
- **Earnings:** Median Annual Earnings
- **Business:** Active Enterprises, Business density
- **Skills:** Higher-skilled occupations, Working age population with L4+ qualifications (and with no qualifications), GCSE attainment A*-C in English & Maths
- **Innovation:** score from UK Innovation Survey
- **Housing:** Dwelling Stock
- **Social Inclusion:** Gross disposable Household Income, ESA Claimants, Economic inactivity rate, Fuel Poverty
Health: Healthy life expectancy
Sustainability: CO2 Emissions per head
PART 3: Rationale
3. Rationale

This draws conclusions from the review of D2N2’s economic assets and performance in Part 4.2, as the basis for shaping the vision and objectives in Part 2.1. It identifies where there needs to be a change in approach, where we can build on strengths, and what gaps need to be filled.

Overall it is clear that, while there are issues that we must address - notably in relation to our long-term ‘productivity deficit’ and relatively low earnings - there is much on which we can build, and there are therefore strong grounds for optimism for the future.

D2N2 - a transformed, higher-value economy...

The most significant finding from the evidence review is the need to shift the focus of the strategic plan to addressing the productivity deficit. Job creation in the private sector, the primary objective of the original SEP, remains important and we should seek to maintain D2N2’s level of employment at around its current healthy level – but improved productivity across our business sectors will be the key ingredient in growing the economy, and in raising living standards for our population over the next decade. A step change in productivity performance will lead to a higher-value economy, with higher-quality, better-paid jobs.

We can expect the working-age population to grow only very slightly by 2030, so there won’t be a lot of new labour coming into the economy. We will therefore need to produce much more output with the labour and talent we have, as well as attracting the best talent from elsewhere. We need to enable our workers at all levels to move up the escalator into the more productive, better-paid jobs in the transformed economy.

The success of our economic plan depends on how effective we are at managing the transition to the higher-value economy, over a period when industries, occupations and ways of working may well change beyond recognition as a result of technological advances. We need to plan for and exploit these changes, but we also need to remain adaptable and responsive to the unknown and unforeseeable, including economic shocks. We need to enable our residents and places to be part of the journey, recognising that communities are starting from different positions and that some have much further to travel than others. Tackling these disparities in economic performance within D2N2, as part of our commitment to inclusive growth, is a key issue for the economic plan to address.

Ensuring inclusive growth...

A report by Nottingham Civic Exchange, the RSA and Nottingham Business School highlights the scale of the inclusive growth challenge, which has built up over many years as a result of uneven patterns of economic growth, industrial restructuring and a chronic productivity gap. While the employment rate is relatively high, many of the jobs in the economy are low-skilled and low-paid. The majority of households in D2N2 currently living in poverty are in work, with some 30% of those in work earning less than the living wage. 27.5% of the working age population are economically inactive because they are too sick to work.
Inter-generational exclusion and economic participation below people’s expectations is a lost opportunity for the economy. In our vision for a higher-value economy - where we need the make most of the talent we have in a tightening labour market - we need those currently excluded or deprived to be actively participating in the economy and contributing to growth through their increased spending power.

The plan needs to address the inclusive growth challenge at different levels:
- Driving productivity increases across all sectors of the economy, driving up wage levels in the lower-value sectors
- Enabling people to gain the skills they need to enter the labour market and progress up the escalator
- Providing growth opportunities across D2N2
- Ensuring transport connectivity to enable people to access job opportunities
- Having inclusive growth indicators as part of the framework for monitoring the performance of the economy
- Developing an inclusive growth framework to guide future strategic and investment decisions relating to the SEP

Driving up business productivity and growth...

While we don’t have long tail of very unproductive businesses, or a lack of exceptionally productive firms – we do have a disproportionately large number of businesses that are around the average, either just below or just above. Over time, this will result in a steady loss of competitiveness, with long-term employment impacts. Turning this moderate middle band around holds the key to moving from a productivity deficit to a productive, high-value economy. We need to enable the marginal under-performers to raise their game and exceed the average and our moderately productive businesses to strive for exceptional. This needs to happen across D2N2’s business sectors to have the level of impact required, not just in our current high-value, high-growth sectors. Productivity gains in our lower-value sectors will help increase wage levels for our lowest-paid workers.

This signals a need for a shift in the focus of business support outcomes towards productivity gains rather than job creation; there is evidence that employment-promoting polices, while successful in encouraging the creation of jobs, have led to the growth of low productivity businesses at the expense of highly-productive ones, lowering aggregate productivity.

Addressing under-performance in productivity at the level of individual businesses could require:
- Diagnostic tools to assess productivity performance and to provide the business with benchmarking information
- Coaching to enable the business to identify the specific action required to address their needs
- Having a coherent suite of business-friendly support options available across the drivers of productivity, including innovation, leadership & management, skills, capital investment, exporting – with the mix of support required driven by the needs of the business
Building on our industrial specialisms and strengths...

We benefit from distinctive industrial assets - particularly associated with advanced manufacturing - underpinned by very strong research and innovation capabilities. If our businesses are to succeed in an increasingly competitive global market, we need to exploit D2N2’s competitive edge and build on those parts of the economy that offer the best prospects of growth.

The evidence points in particular to the following priorities, each of which is examined below:

- The need to retain, and engage more effectively, our ‘global giants’ in the advanced manufacturing sector – and to develop their supply chains within D2N2.
- The opportunity to build on our industrial specialisms, particularly our high-value, innovation-led sectors, but also a range of other sectors that are important to D2N2’s economic well-being
- The value of investing in those businesses with the highest growth potential
- Building on our strengths in the knowledge base (see page ..)

Embedding our major manufacturers and other anchor businesses...

Our major manufacturing businesses – e.g. Rolls-Royce, Toyota and Bombardie - are a significant asset and differentiator. They are world-class businesses, using leading-edge technologies. Their operations are based in and around Derby (although R-R also has a site in Hucknall) but they have supply chains across D2N2. They are major local employers with strong roots in the local economy: with extensive capital assets locally; making a significant contribution to D2N2’s GVA; and contributing to and benefiting from local infrastructure. Rolls-Royce especially is a key player in the local economy as it has its HQ in D2N2, has significant research capability in the area and has particularly strong economic and political connections nationally and internationally.

Recognising that in a global economy capital is mobile, we need to ensure that D2N2 economy has the conditions and asset base that compels these businesses to continue to invest locally and that heightens their sense of belonging – in terms of the quality of skills supply, transport connections and supply chains. We need to embed and consolidate their presence in the local economy by:

- Continuing to recognise the importance of advanced manufacturing to the D2N2 economy
- Building a deeper strategic relationship with them
- Addressing barriers to their continued investment
- Building on and enhancing their collaboration with our universities
• Encouraging further R&D activities to be undertaken in D2N2 and potential re-shoring
• Helping develop the competitiveness of their supply chains, building on existing local and national initiatives

It is also important to recognise that other major businesses in the area provide an ‘anchor’ role for local communities and for local supply chains and they need to engaged in the roll-out of the strategy

**Nurturing our businesses with high-growth potential...**

Research has shown that ‘scale-up’ businesses (with more than 10 employees, and growth of more than 20% per annum over 3 years) create a significant proportion of the UK’s economic growth. **We need to enable their continued growth as a matter of priority**, building on existing support through the D2N2 Growth Hub. We also need to grow more scale-ups in the D2N2 area, by continuing to enable the growth of other businesses with high-growth potential via our high-growth escalator (Ambitious ➔ Potential Scale-up ➔ Scale-up). This **needs to happen across D2N2’s business sectors**, reflecting the presence of scale-ups and other high-growth businesses in a diverse range of sectors, but those businesses in our Innovation-led and other significant sectors will be given particular attention.

The **main support needs** for these high-growth businesses are:

- Access to Finance
- Innovation support
- Leadership and management development
- Routes to market

**Exploiting our sector strengths...**

Different industrial sectors are important to D2N2’s economy for different reasons. Most of the jobs in D2N2 are in sectors that primarily provide a service to the local population e.g. retail and health & social work; there will always a need for a service sector of a certain size to meet the needs of local residents and this sector will continue to be the main source of employment within the local economy. There is much more scope for economic growth to come from high-value-added sectors, notably manufacturing which overall is D2N2’s main sector specialism.

Sectors have been looked at through a number of lenses to determine which ones are the most significant to our future economic growth, based on the extent of specialism and clustering activity within D2N2, scale of contribution to employment and GVA, productivity levels, and growth prospects. Based on a combination of SQW’s SIC-based analysis and the Science & Innovation Audit (which looked through the lens of innovation-led sectors), **three Innovation-led sectors stand out** as having a winning combination of high-specialism, high-GVA, and high-growth prospects, as well as being well-connected to D2N2’s knowledge base and in a good position to exploit opportunities in the Industrial Strategy through Sector Deals:

- Transport Equipment Manufacturing
- Food & Drink Manufacturing
**Life Sciences**

These are already priority sectors for D2N2 and we will continue to work with them to **enable innovation-led growth in line with global trends for their sectors**.

It will be important to focus on:
- identifying key innovation-led interventions to overcome barriers to growth and improved productivity
- identifying niche specialisms within the sector in which D2N2 already has, or has the potential to secure, an international competitive advantage
- exploiting market opportunities arising from the Government’s Sector Deals, Grand Challenges and other Industrial Strategy funding opportunities

Their support needs are likely to include: test facilities, digitalisation, supply chain development and commercialisation of research.

**Creative & Digital Industries**

A fast-growing sector locally, nationally and internationally and important to the growth of other sectors. There are some 23,000 jobs in creative and digital industries across D2N2, many of them in Nottingham’s Creative Quarter, where Tech City identified a digital cluster. Our niche digital specialisms in industry include computer gaming, financial data management analysis, e-health, and satellite applications. Nottingham’s financial technologies (Fintech) sector provides around 3% of the city’s jobs, nearly twice the national average. Digital Technologies & Data is identified as one of our areas of core specialist expertise in D2N2 (see page ..). It is the largest sector currently supported across D2N2 by the Growth Hub (nearly half of all businesses supported). Creative Industries Sector Deal in place at national level.

**Visitor Economy**

Important in employment terms for city and rural economies and also generates significant income through visitor spending (more than £6bn in East Midlands in 2016, with £1.6bn in Derbyshire alone), as well as helping to raise the profile of the area externally. Opportunities to exploit our outstanding natural, historic, cultural and sporting assets. A priority for Midlands Engine and an emerging Sector Deal at national level.

**Energy & Low Carbon**

More than twice as many jobs in the sector (around 6,000) than the UK average, mainly because of the presence of E.ON, so a strong specialism. High growth in biomass, energy from waste, low-carbon transportation, and low-carbon construction. Rolls-Royce nuclear
operations in Derby, and Nuclear Advanced Manufacturing Research Centre planned for Infinity Park. Several low-carbon exemplars in the area, including Trent Basin and Project SENSIBLE (energy storage). Nottingham has the largest district heating network in the country. Energy & Low Carbon Technologies is identified as one of our areas of core specialist expertise in D2N2 (see page ..).

Logistics & e-commerce
A strong cluster and a D2N2 specialism in terms of share of GVA. Sector out-performs national peers on productivity. Sustains some 22,000 jobs in more than 2,500 businesses. 28% GVA growth forecast to 2030. The sector is stronger outside the cities, particularly around key transport corridors and hubs. Significant opportunities given our central location as a transport hub and links to strengths in key sectors and in knowledge base (e.g. systems integration).

Construction
Important sector in terms of scale of employment across D2N2, and has the largest business stock (more than 8,500) of all sectors in the economy. Productivity out-performs the national sector benchmark and high GVA growth is forecast to 2030 (45%). Sector also important in relation to HS2, house-building, infrastructure and employment sites, and links to strengths in knowledge base (e.g. low-carbon construction). Key challenge for sector is to ensure pipeline of skilled workers. Sector Deal in place at national level.

Mineral Products
A nationally-significant cluster based in the north-west of D2N2, with scope for generating increased GVA through growing civil engineering markets such as HS2, Crossrail2, and house-building and links to construction sector.

Higher & Further Education
As well as being fundamental to the delivery of the innovation and skills agendas in D2N2, our universities and colleges are important drivers of the economy in their own right, with campuses in both cities and both counties. University of Nottingham alone generates £469m GVA annually. Add more detail on economic value of HE and FE

Other high-volume sectors with large employment base: Health/Social Care, Retail, Professional & Business Services

Expanding our business stock...
Increasing the relatively low levels of business density in D2N2 will help drive up the value of the economy and it will help build resilience to further loss of employment from larger businesses.

We need to increase our overall business stock, through inward investment, and new indigenous enterprises.

Inward investment - businesses locating to the area from overseas or elsewhere the UK - is a key driver of productivity and growth, as it tends to introduce productive businesses into the economy, and provides new supply chain opportunities for local businesses. D2N2’s local inward
investment agencies have an important continued role in securing new inward investors and re-investment by existing investors, working with the Department for International Trade on opportunities from overseas as part of the Midlands Engine partnership. This needs to be linked to our industrial specialisms (see Place Marketing, page ..) and to focus on securing high-value, high-growth businesses.

There is strong competition for mobile investment from across the world, so the quality of our offer, our welcome, and our after-sales service has to be first-class. There is scope to increase impact and secure economies of scale by building on the current joint working by the investment agencies and D2N2’s local authorities.

While new indigenous business starts are important to the economy, a very small number are likely to grow significantly within 10 years. We will focus support on those new businesses with an ambition to grow, including businesses spinning out from universities to commercialise research. Building on our current business survival rate will also be important for levels of business density. The productivity drive will be the main mechanism for achieving this, but inevitably many of the weaker businesses will not survive in our higher-value economy.

**Exploiting our knowledge base...**

The *Made Smarter* review of industrial digitalisation highlights that the relatively slow rate of technology adoption within UK businesses is acting as a brake on productivity improvements. **Businesses need to adopt and adapt to innovation or be over-whelmed by it.** In D2N2 we lag behind the UK on some measures of innovation performance, particularly product innovation.

We need to increase the proportion of businesses that are ‘innovation active’; enabling businesses to implement process or ‘new to the firm’ innovations will continue to be as important as the development of new products. This includes adopting new management practices and new methods of work organisation. **Enabling businesses to exploit the opportunities from digitalisation will be a key component**, building on our successful Digital Business Growth programme. We have outstanding capabilities within our knowledge base – though our universities and leading-edge businesses – but we need to exchange that knowledge and best practice more widely within the D2N2 economy.

**Our specialist expertise fits well with the Grand Challenges identified in the Industrial Strategy.** As highlighted in the D2N2 Science & Innovation Audit, one of the main areas of expertise in our knowledge base is digitalisation. Our know-how in advanced manufacturing & engineering (particularly in next generation transport) and low carbon technologies links closely to the Mobility and Low Carbon challenges. And our expertise in Medical Technologies relates directly to the challenge of an Ageing Population. We also have the opportunity to maximise benefit from the Midlands Engine Transport Innovation, Medical Technologies and Future Food Processing Accelerators; and from plans to establish an Advanced Manufacturing Research Centre in Derby initially focusing on nuclear
technology, and a new Medical Technologies Innovation facility in Nottingham.

The evidence indicates that we need to build on the expertise in our knowledge base (across businesses and universities) in four specific areas of core specialist expertise:

- Advanced Manufacturing & Engineering
- Digital Technologies & Data
- Energy & Low Carbon Technologies
- Systems integration

Each of these areas of expertise is cross-sector and encompasses the industries of the future – creative, digital and low-carbon. There is a great deal of potential for bringing together communities of interest to work in collaboration to develop solutions through cross-fertilisation, linking to national Challenge funding.

We need to build on D2N2’s ‘Time to Innovate’ plan published on the back of the first SEP and the ‘Enabling Innovation’ programme, embedding a more pervasive culture of innovation across the economy. We have a well-developed innovation ecosystem in D2N2; we now need to ensure that it is fully integrated with the wider business support ecosystem and is focused on supporting our new strategic objectives for productivity and growth.

Jobs & skills for the future...

Upskilling the workforce to fill the higher-skilled jobs of tomorrow is essential if we are to achieve our vision of a higher-value economy - and it is potentially our biggest challenge, given our starting position of a relatively low skills base and the difficulty in effecting change within the current skills system. Looking ahead to the next 10-15 years, slower growth in the working age population, combined with significant technology-driven changes in the nature of work (and labour demand in some occupations), are likely to require increased adaptability and re-skilling by people who are already in the labour market. Making this happen (across occupations and sectors) will be important both to social mobility and long-term productivity.

We need to drive up productivity in all sectors, so that jobs at all levels become better-paid. While many jobs will inevitably disappear as result of automation, improved productivity will strengthen business competitiveness, stimulate growth, and enable the economy to sustain high levels of employment. The key will be to enable our workers, at all age and skills levels from across D2N2, to move up the escalator into the more productive, better-paid jobs in the transformed economy. This will require action to:

- plan for future skills needs, based on labour market intelligence, building a local skills system that is capable of matching the skills of the population with the needs of business
- equip people of all ages (and particularly young people) with the skills and information they need to make career choices and to access jobs
- retain and attract the best talent
- enable businesses to find the talent they need and to equip their workforce with the skills of the future
A solid foundation of employment & skills support has been put in place in D2N2 over the past 5 years, particularly around employability, and it is important to build on that. **We now need to take our model to a new level, with skills partners committed to playing their part in joined-up delivery.**

**Planning for future skills needs...**

We need to address the current skills mismatch in D2N2 (particularly in relation to technical skills) and to plan for the skills required in the digital age and in a high-value economy. We need to recognise that the young people entering the global market over the next 10 years in the first generation of ‘digital natives’ – people who have grown up with digital technology and are comfortable using it for all manner of everyday tasks; it will be the older workers who will need to adapt and re-skill to remain competitive in the labour market. This new generation will also have a very different experience of work to their parents, with up to 5 careers, 15 homes and 17 jobs over a working lifetime.

In order to bring together the supply and demand for skills, we need to have: access to high-quality labour market information; effective employer engagement in order to respond to specific short-term needs and to ensure that educational courses meet their longer-term needs; skills providers’ commitment to offering a mix of qualifications that align with the demands of the local labour market; and careers advice that enables young people and adults to make the best career and training decisions in order to access the labour market and progress.

We also need to **develop the capacity of the skills partnership** within D2N2 to oversee and effect change, building on the existing D2N2 Skills Commission. The Industrial Strategy signalled the establishment of LEP Skills Advisory Panels to bring skills providers and business together to determine local growth priorities and analyse future supply and demand – these panels are to have a “real and meaningful influence” over post-16 education and training. **We will explore with Government the scope for a reshaped Skills Commission taking on this more substantive role, and the potential for securing devolved skills funding.** In the meantime we will have more direct engagement with national skills bodies to influence future local provision.

**Equipping people with the skills and information they need to progress...**

We need to equip people of all ages (and particularly young people) with the skills and information they need to make career choices and to be job-ready.

Educational attainment at 16, identified by the CBI as a key driver of regional productivity, is an area of marked under-performance in some parts of D2N2. We will work with DfE to explore longer-term options for enabling our schools to raise attainment levels, as new T-Levels are introduced; learning from Derby Opportunity Area, a pilot project to
broaden horizons of young people struggling with social mobility. Our immediate priority in working with schools is to raise the aspirations of the future workforce by enhancing their careers advice, building on the D2N2 Employability Framework and Enterprise Advisor Network, which helps provide young people with work experience.

A range of local programmes are in place to support employment & skills in D2N2, most of them providing support to those who face the biggest challenges in securing employment. We need to learn from their evaluation and build on those that have the greatest impact. D2N2 Employ Local is a model for matching people to jobs that could provide the foundation for the jobs and skills matching service that will be required to support progression up the escalator into higher skill jobs.

Retaining and attracting talent...

Although D2N2 attracts large numbers of students from outside the area, we are not so successful in retaining them on graduation (particularly from the University of Nottingham), despite the presence of world-class employers. This is partly a consequence of overall demand: to retain more graduates, we need to grow a larger stock of ‘graduate jobs’, and the focus of this plan on creating a higher-value economy through increased productivity and by expanding the business stock will be fundamental in this regard. Initiatives by the universities to strengthen their students’ local connections while they are here, and to involve them with local businesses, e.g. through placements, and in general to make them aware of employment opportunities in the local economy, will continue to be important in encouraging retention.

Alongside the upskilling of our existing workforce, it will be important that the D2N2 economy continues to attract the best talent from elsewhere, adding to the pool of highly-skilled labour in the area. See also page.. (Place Marketing).

Workforce of the future...

To drive up productivity, we will need to increase the skills and adaptability of the workforce; equally, there will be some in the existing workforce who will be negatively impacted by technological advances as existing jobs change. Support for re-skilling (particularly in relation to advanced digital skills) is highlighted as a priority within the Industrial Strategy through the introduction of the National Retraining Scheme and within the proposals contained within the Made Smarter industrial digitalisation review: we will seek to ensure that existing workers and employers are supported to adapt to new technologies, processes and working practices. Business leadership & management are recognised as an important driver of productivity and this needs to be a key element of our business support portfolio.

It will be important to understand the scope of the new National Retraining Scheme before introducing any new local provision, but there is an opportunity to build on the D2N2 Skills Local programme for workforce development. There is need to substantially improve business
access to skills support, as a key driver of business productivity, ensuring that it is delivered as an integral part of the Growth Hub service, based on the needs of individual businesses.

**Evolution of the business support ecosystem...**

The D2N2 Growth Hub has been a huge step forward as the ‘front line’ support to businesses in the area, but it now needs to be repurposed in terms of targets and broadened in the scope of its role: to be driven primarily by productivity gains, rather than by the number of businesses supported; and to be the access point for all support to business, including skills and innovation.

The Growth Hub’s core purpose - to provide free-to-access support and advice to SMEs - will remain the same, with the focus on support for SMEs, but its target client markets will be adapted to reflect the new strategic objectives - with a systematic, ‘portfolio management’ approach to market segmentation. Reflecting views from our businesses, the service needs to be driven by the needs of businesses, rather than through a programme-driven approach. The Growth Hub will also play an important role in exploiting local connections to national Sector Deals and Grand Challenge opportunities; maximising our opportunities as a key partner within Midlands Engine; at the forefront for HS2 supply chain support; and identifying opportunities and threats post Brexit in the light of the UK’s new trading relationships and arrangements.

The Growth Hub will **need to offer a range of support options encompassing the drivers of productivity**, and the needs of our high-growth businesses and most significant sectors. Much of this is already in place but needs to be better joined-up across the partnership of public/private, local/national provision, to make it more business-friendly. We need to review the options, in the light of the SEP, with a view to setting out the Growth Hub’s enhanced role and offer in the SEP Delivery Plan.

**Quality of Place...**

Our location and the distinctive characteristics of the places that make up D2N2 are what make us unique – and the overall quality of the place is fundamental to businesses’ decisions to continue to invest here or to relocate here.

Our position at the ‘bridge’ between the Midlands Engine and the Northern Powerhouse, and the once-in-a-generation, transformational potential of having the HS2 hub at the heart of D2N2, are opportunities that we must exploit.

We have four distinct economic geographies, each with its own assets and challenges: the largely urban south, producing a significant proportion of the area’s employment and GVA; the northern conurbations straddling the M1, comprising towns that have had to manage the transition from industries that have declined or disappeared; and the mainly rural east and west, both with important regional centres and outstanding environmental assets. All parts of the area on D2N2’s borders are part of wider economic geographies extending into other LEP areas. **There are significant disparities in economic fortunes across the area. The plan and its approach to delivery need to recognise these distinct spatial characteristics.**
To take full advantage of our place-based assets, we need to:

- Exploit the transformational potential of HS2
- Make the most of our transport and digital connectivity at the heart of the nation, and ensure that we have the physical infrastructure required to meet existing business & housing demand and to satisfy growth ambitions
- Recognise the natural environment as a distinctive and important element of the area’s attraction as a place to live and work
- Empower communities across D2N2, as great places to live, work and visit - reflecting distinctive local capabilities and needs: with all parts of the area playing their full part in contributing to the vision and maximising the benefit from its realisation
Transformational Potential of HS2...

The East Midlands HS2 Growth Strategy sets out a vision for how HS2 connectivity and assets will deliver some £4bn GVA in the region over the next 25 years: creating job opportunities, inward investment, housing growth, more trains & quicker journey times to key destinations, and better local transport connections; and enhancing towns and cities across the region. The two regional ‘HS2 growth zones’ are both in D2N2.

The East Midlands Hub Growth Zone, contains the HS2 Hub Station at Toton in Nottinghamshire, which will be the most connected station on the high speed network outside London. To capitalise on this opportunity, the plan is to create the ‘Toton Innovation Campus’, linked to the university sector, capable of delivering up to 10,000 high-quality jobs, new community facilities and a range of new housing opportunities. It will be important to link the Hub station into national, regional and local transport networks. This will relieve existing congestion and spread the benefits of HS2 to towns and cities across D2N2, as well as linking to East Midlands Airport, the planned rail freight interchange nearby, and other strategic development sites.

The Northern Derbyshire Growth Zone is centred around the station in Chesterfield, and the planned Infrastructure Maintenance Depot at Staveley, enhancing Chesterfield’s role as a gateway to the Peak District and accelerating the regeneration of the Staveley corridor and key surrounding sites.

While the HS2 line is not scheduled to be opened until after the period of this plan, we need to accelerate the detailed planning now in order to realise the full potential of the opportunity. In the meantime we need to exploit job, business and training opportunities arising from the HS2 programme, which is being pursued through a comprehensive HS2 skills and supply chain strategy.

Enhancing our excellent transport and digital connectivity...

D2N2’s central location enables us to draw from wide labour markets and supply chains. However, while our transport connectivity is good in parts – and will be significantly enhanced when HS2 is operational - it is not as good as it should be, either strategically (e.g. to the West Midlands and North West) or locally. Having good connectivity to enable easy access to and communications with labour, customers and suppliers is identified by the CBI as one of the key drivers of productivity.

We will continue to work with partners in Midlands Connect to progress the medium-term strategic investments that will improve transport connectivity across the Midlands, with the aim of supporting the productivity goals of the Midlands Engine strategy - making the most of the assets and opportunities that we share with our neighbours. Priorities include improvements from Nottingham and Derby to Mansfield, Chesterfield and Sheffield, and along the A46 Corridor. The Midlands Connect strategy identifies Derby and Nottingham as a joint ‘strategic economic hub’, with scope for improved connectivity between them. We will also work with Transport for the North given the importance of strong connectivity north and west for the north of the D2N2 area.
We need to **deliver existing plans for improvements in D2N2’s major road and rail networks**, including measures to alleviate congestion to meet existing demand and to support ambitions for growth, including:

- congestion management A52 at Pride Park
- Southern Growth Corridor in Nottingham
- Gedling Access Road
- A61 corridor improvements including Whittington Moor roundabout in Chesterfield
- Newark Southern link road
- Woodville-Swadlincote link road
- Midland Mainline
- improvements to Trent Junction and East Coast mainline
- Castle Line service enhancements
- Robin Hood Line extension

We will identify forward priorities for transport improvements in the SEP implementation plan in the light of the current review of D2N2’s infrastructure needs and opportunities through the Infrastructure Plan.

Digital Derbyshire and Better Broadband for Nottinghamshire have now ensured access to superfast broadband to over 92% **Check for update** of premises, and plans to achieve 98% coverage by the end of 2018. It will be important to **be proactive in planning for the introduction of the next generation digital connectivity** to ensure that we are able to stay ahead of the game.

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**Infrastructure to meet growth ambitions...**

There has been good progress in unlocking investment in strategic sites and infrastructure over the past 3 years, though Local Growth funding of some £250m – notably Infinity Park in Derby and MediCity in Nottingham, both in the Nottingham & Derby Enterprise Zone. We will build on this momentum, accelerating development on our EZs and reinvesting the income in growth opportunities. We now need to **bring forward a cohesive 10-year site development programme to meet existing demand and support our ambitions for new business and housing growth** across D2N2 - alongside suitable transport & digital connectivity, community facilities and green infrastructure - maximising opportunities to bring brownfield sites back into use. This will be part of a new D2N2 Infrastructure Plan and Energy Strategy, currently under development, to be rolled out as part of the SEP delivery plan.

We will explore the potential for identifying ‘growth corridors’ and designating other special zones in strategic locations to leverage our key sector specialisms – e.g. Advanced Manufacturing in Derby, Life Sciences in Nottingham, and Logistics around East Midlands Airport and the Gateway Freight Terminal.

**We need to work with Homes England to accelerate the completion of new housing** to support D2N2’s growth ambitions and to deliver against Government targets, ensuring that this is supported by green infrastructure and multi-modal solutions, to encourage sustainable travel and mitigate the effects of additional travel in our faster-growing areas. This is the responsibility of the local housing authorities, working with the development community and in partnership Homes England. The D2N2
Infrastructure Plan will identify infrastructure constraints in bringing forward housing sites.

It will also be important is to have the skills in place to ensure we have the right types of expertise for the types of homes we want to have in D2N2. This is likely to impact on the energy efficient technologies such as heat pumps for off grid homes, off site manufacturing techniques and installation of vehicle charging points, grey water recycling and consideration of district heating opportunities on new developments.

In addition to housing’s role in supporting growth in the wider economy, there is considerable economic benefit to be gained from investment in housing development. Every £1 invested in house building generates £2.84 of economic activity, and it is therefore important that local construction companies are able to access procurement and development opportunities. There are also benefits in the form of levered private sector investment in infrastructure and investment in skills in the form of construction training or apprenticeships. We will continue to work with developers and the construction sector to realise these additional opportunities.

**Our outstanding natural environment is a major strength and differentiator.** Our natural capital and rural assets are fundamental to D2N2’s economic well-being, providing drinking water supply, carbon sequestration, food and fibre, flood protection, as well making a significant contribution to quality of life and tourism. We need to view our natural capital as an economic asset rather than a constraint, maximise green spaces and consider their inclusion in future developments as well as effective methods of using waste products such as food waste and plastics.

Add section for Energy to pick up strategy under development

**Place making and marketing…**

We need to empower communities across D2N2, as great places to live, work and visit - reflecting distinctive local capabilities and needs: with all parts of the area playing their full part in contributing to the vision and maximising the benefit from its realisation.

There is an opportunity to **make more of the potential economic added value of strengthening connections between places within D2N2, and with neighbouring economies through strategic alliances.** This is already in place in Ashfield & Mansfield, where there is a joint plan for the growth of the conurbation. Derby and Nottingham are two cities in close proximity, but with distinctive and complementary strengths that are not currently being exploited to their full potential. The Metro Strategy is seeking to make more of the benefits of agglomeration (e.g. through integrated supply chains, labour markets and transport connections) that a metropolitan area of the two cities’ combined scale should be realising.

Place marketing has an important role to play in attracting inward investment, talent and visitors to the area. In a highly-competitive global market, we need to undertake compelling place marketing, recognising that they are three very distinct markets requiring different approaches. There is an opportunity to build on existing joint marketing by D2N2 investment agencies, working with Midlands Engine and DIT – and to exploit international opportunities through Midlands Engine and existing business and university connections.
PART 4: Context
4.1 Adapting to Change

Looking forward to 2030, there are exciting opportunities ahead of us. Rapid technological change and convergence will transform the nature of existing businesses and traditional sectors, and open up new ones. Globally, the growth of new markets – and Britain’s new trading relationships after Brexit – will open up different, challenging business opportunities. The development of High Speed 2 will improve our connectivity with the rest of the UK, and will unlock significant new developments.

**Technology trends and drivers that will shape the future...**

The success of our strategy over the next decade will depend on the extent to which we are able to respond to the major technological and social trends that will drive future growth. Linked with the ‘grand challenges’ identified in the UK Industrial Strategy (see 3.4), four key drivers of change stand out:

- The impact of **digital enabling technologies and the ‘data revolution’**, not just on specific products, production processes and skills, but on whole business models: over time, all businesses will become ‘digital businesses’, even if their origins or core products long pre-date digital technology. We are only just starting to see the possibilities presented by artificial intelligence as increasing data volumes increase the range and sophistication of tasks that can be carried out without human interaction. There are some specific opportunities that play to our sectoral strengths in D2N2, including autonomous vehicles, high-speed rail, connected medical devices, ‘machine learning’ to support clinical decisions in the health sector, and harnessing computing power to reduce the cost of medical research. Jurgen Maier’s *Made Smarter* review\(^\text{14}\) of industrial digitalisation highlighted three constraints holding back UK manufacturing (particularly ‘mid tech’): lack of effective leadership; poor levels of adoption; and under-leveraged innovation assets (i.e. world-class research capabilities but insufficiently focused on opportunities for commercialisation).

- The impact of **decarbonisation** and the need for greater resource efficiency, driven by regulatory and cost pressures, as well as the development of new technology. Within the Industrial Strategy, the Government sets out a commitment to ‘clean growth’, “leading the world in the development, manufacture and use of low carbon technologies, systems and services that cost less than high carbon alternatives”. In response to regulation, all industry will need to reduce carbon consumption; those able to do so first will gain a competitive edge. Decarbonisation has ‘downside’ implications for some specific sectors, in D2N2 most notably out non-renewable power generation industry, but also presents opportunities to use

technology to reduce input costs (e.g. low-carbon methods of construction) and to develop alternative products (e.g. electric vehicles and hydrogen fuel cells); and, in the long run, to sustain economic growth within the existing resource base.

- Associated with both digitalisation and decarbonisation, the evolution of mobility, in the context of the possibilities offered by autonomous vehicles and (for the transport of goods) drone technology, and by the advent of zero-carbon transport.

- Demographic change associated with the ageing population. This will drive changes in demand for different goods and services and a changing balance of public expenditure (associated with, for example, the rising costs of health and social care). It will also have significant implications for the labour market. In D2N2 the overall population is forecast to grow by nearly 200,000 between 2014 and 2039. An increase of 9% - somewhat below the national rate, but still a significant increase. However, the working age population is expected to grow by some 9,000 over the same period – an increase of only 1.5%. Although people will increasingly work beyond the traditional retirement age, and the state retirement age is steadily increasing, there will be fewer workers supporting higher numbers of retired people. Within D2N2, only in the cities of Derby and Nottingham is the working age population forecast to grow faster than the England average. This reflects a national trend towards younger population growth in major cities and university towns.

The trends inter-link with each other; e.g. pressure on finite resources drives demand for more resource-efficient technologies; and more resource-efficient technologies drive out less efficient products and services. All of these trends present opportunities to drive up productivity.

Since 2013, the policy context has evolved substantially at national, sub-national and local levels:

**New UK Industrial Strategy published...**

In November 2017, the Government published the UK’s Industrial Strategy, which aims to “create an economy that boosts productivity and earning power throughout the UK” through a focus on technological innovation and adoption:

Focused on the goals of raising productivity and ensuring that the gains from improved productivity are widely shared, the Industrial Strategy places a strong emphasis on the pace and potential of technological change. In particular, the Strategy highlights four ‘Grand Challenges’ that the UK must address if it is to achieve its economic potential:

- **Artificial intelligence and the data economy**, ensuring that the UK exploits the opportunities presented by the explosion in data and its applications
- **The future of mobility**, becoming a world leader in the way in which people, goods and services move
- **Clean growth**, maximising the advantages to British industry from the shift to a low carbon economy
- **The ageing society**, harnessing innovation to meet the needs of a population enjoying much longer life expectancy
The Industrial Strategy recognises that the UK has strengths in all these fields. But to help us exploit them – and secure long term growth across the economy – it sets out the need for investment in ‘five foundations of productivity’:

- **Ideas**, developing our capacity for innovation
- **People**, ensuring that we have the skills to secure good jobs and command stronger earning power
- **Infrastructure**, upgrading our transport, utilities and digital communications
- **Business environment**, making the UK the best place to start and grow a business
- **Places**, creating prosperous communities across the UK

Source: HM Government (2017), Industrial Strategy: Building a Britain fit for the future

The strategy takes a sector-focused approach, through a series of **Sector Deals** to “focus on sector-specific issues to create significant opportunities to boost productivity, employment, innovation and skills”. Four deals – covering Artificial Intelligence, Creative Industries, Automotive and Life Sciences – have already been published and others are under development (including Aerospace, Rail, Nuclear and Construction). The Industrial Strategy Challenge Fund, part of the government’s £4.7bn investment in R&D over 4 years, aims to bring together the UK’s world-leading research with business to address the ‘Grand Challenges’.

The strategy sets out a commitment to develop **Local Industrial Strategies**, intended to be “long term, based on clear evidence and aligned with the national Industrial Strategy”. These will be led by LEPs in areas that do not have a Mayoral Combined Authority. The LIS will guide how devolved Government funding streams will be used. This includes the UK Shared Prosperity Fund, which is likely to substitute EU Structural Funds as the UK leaves the EU, and other new funding mechanisms that are being introduced in the meantime (including the Strength in Places Fund to support the development of local innovation ecosystems, and the Transforming Cities Fund to improve intra-city transport connections).

The strategy also signals the establishment of **skills advisory panels** in LEPs and Combined Authorities to identify current and future skills needs, although it is not yet clear whether these will have substantive powers and funding. A National Retraining Scheme is being established, initially to be piloted on digital and construction skills.

“**The LEP has a key role to play in leading the development of a Local Industrial Strategy for the D2N2 area, unlocking Government funding and leveraging local resources to bring about lasting economic prosperity.”**

... - Chair, D2N2 Local Enterprise Partnership

**Midlands Engine key regional mechanism for driving growth...**

The Midlands Engine Vision for Growth15 (September 2017) provides important regional context. Published by businesses, universities, LEPs (including D2N2) and councils across the Midlands, in response to the Government’s Midlands Engine strategy, the Vision aims to ensure that the Midlands reaches or exceeds national GVA per head performance by 2030, adding £54bn GVA to the Midlands and UK economies. This will mean a fundamental change in the growth trajectory of the Midlands as a

whole: to achieve this, the Vision sets out the need for major improvements in connectivity, innovation and enterprise.

The Vision focuses in particular on addressing the productivity deficit, by improving strategic connectivity (linked with HS2, the Midlands Connect transport strategy and the development of East Midlands and Birmingham airports), along with measures to support innovation and enterprise (building on the Midlands Engine Science & Innovation Audit) and to grow international trade & investment.

“If the Midlands Engine Vision is achieved, it will bring significant benefits to D2N2 – and it will only be achieved with D2N2 at its heart.”

... - Chair, D2N2 Local Enterprise Partnership

Local growth plans have evolved...

4.2 D2N2 Economy and Performance

D2N2 has a distinctive set of economic assets (see map below), many of which are of national, and indeed international, significance. These include our central position at the heart of the country’s road and rail network, our long heritage of industrial innovation; a concentration of world-class advanced engineering capabilities (particularly in transport equipment); a higher education base that is internationally competitive; a cost-competitive operating environment; and an outstanding natural and cultural environment offering good quality of life.

However, on some measures we underperform the rest of the UK. In particular, we face challenges in relation to our productivity, workforce skills, social mobility and significant disparities in economic performance within the area: challenges that we need to overcome if we are to unlock our full potential.

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The local strategic context has also evolved. This includes Derbyshire’s Economic Strategy Statement, Derby’s Economic Strategy, Nottinghamshire’s Place Strategy, the Metro Strategy covering the combined urban areas of Derby and Nottingham, as well as updated growth / economic development plans and Local Plan documents prepared at District level. This strategy builds on these local plans for economic growth.

“We must build on our partners’ local plans for growth, helping to address their distinctive challenges and to meet their aspirations - making the whole greater than the sum of the parts.”

... - Chair, D2N2 Local Enterprise Partnership

The changes outlined above will require an economic plan that maximises the benefits of long-term technological and demographic change and that is relevant in the shorter term to emerging Government strategies.

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17 https://www.derby.gov.uk/environment-and-planning/regeneration/economic-regeneration/economic-strategy/
18 http://www.nottinghamshire.gov.uk/policy-library/44051/place-departmental-strategy
This section sets the context for our forward plan; it:

- describes D2N2’s distinctive places and industries, and the foundations for growth established during the period of the original strategic plan for the D2N2 area
- provides an overview of our economic challenges and prospects
PLACE CHARACTERISTICS

The D2N2 area in the East Midlands covers the cities of Derby and Nottingham and the counties of Derbyshire and Nottinghamshire. It is one of the largest LEP areas in the country, with a population of 2.2 million, GVA of £45bn, a stock of some 72,000 businesses, and a workforce of almost 1 million people.

D2N2 has a diverse economic geography: including the major cities of Nottingham and Derby, a number of significant sub-regional centres, market towns and areas of deep rurality and high environmental quality, in a rich mix of urban and rural communities across 19 local authority areas. Much of the area’s GVA is generated in and around the two cities, which are also the main centres of population and employment, although a significant proportion (34%) of the area’s economic value comes from outside the southern urban belt. The main concentrations of employment are shown in *Figure 4.1*. There is a marked gap between the most prosperous parts of the D2N2 area and those facing the biggest economic challenges (ranging from GVA per head of £27.6k in Nottingham and £27.3k in Derbyshire Dales to £14.4k in Gedling and £16k in Erewash).

Although the area is diverse, its places share many characteristics, notably a high concentration of manufacturing across the area, relative to the UK. The main challenges to economic growth – namely relatively low levels of productivity, skills and business density are shared across D2N2, although there are some parts that buck that trend (e.g. high productivity in Derby, driven by the presence of global giants Rolls-Royce and Toyota).

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20 NUTS3 areas in and around the two cities (Amber Valley, Broxtowe, Derby, Erewash, Gedling, Nottingham, Rushcliffe, South Derbyshire)
D2N2 comprises four economic areas, each with broadly distinct characteristics and valuable assets, and all making an important contribution to the economy:

Add asset map (Fig 4.2)
The **Southern** urban (and suburban) belt - including the two cities and their main travel-to-work areas – which corresponds broadly to the area covered by the Metro strategy:

- GVA £28bn
- Key sectors include High-Value Manufacturing (with a particular strength in Transport Equipment) in and around Derby, and Life Sciences and Creative Industries in Nottingham
- Key employers include Rolls-Royce, Toyota, Bombardier, Walgrave Boots Alliance, E:oN, Experian, Capital One, JCB and Nestle
- Home to D2N2’s three highly-rated universities
- British Geological Survey in Keyworth
- Nottingham one of eight ‘Core Cities’ in the UK
- Important economic assets, including HS2 Hub site at Toton, Enterprise Zones in both cities, and University Enterprise Zone and Creative Quarter in Nottingham
- Vibrant cultural offer including theatres, galleries and museums in the cities - and the northern part of the National Forest in South Derbyshire, Derwent Valley Mills World Heritage Site corridor and Trent Valley are key environmental assets
- Economic linkages with Leicestershire and the West Midlands to the south

The **Northern** cluster of towns and communities straddling the M1 north of the two cities - including Chesterfield, and the Mansfield-Ashfield conurbations:

- GVA £11bn
- Strengths in Manufacturing and Engineering despite challenges of transition from industrial economy. Also has strengths in Transport & Logistics around M1 corridor. Key employers include Rolls-Royce at Hucknall.
- Legacy of industrial restructuring, with brownfield land from former coalfields.
- Conurbation of Ashfield & Mansfield D2N2’s 3rd largest urban centre - recognised by Centre for Cities as one of 64 ‘cities’ in UK
- Economic assets include HS2 site at Staveley and Enterprise Zone at Markham Vale
- Sherwood Forest a key visitor economy asset
- North of area has close relationship to South Yorkshire economy
The **Eastern** area, running along the A46/A1 corridor - including the market towns of Newark, Southwell, Retford and Worksop:
- GVA £4.5bn
- Strong in Food Manufacturing, Renewable Energy, Precision Engineering and Logistics (mainly around A1/A46)
- Key employers include Laing O’Rourke, Wilko and B&Q Distribution Centre to the north and cluster of tech companies including Vodafone and Timico in Newark
- NTU university campus at Brackenhurst
- Cultural assets include Pilgrim Fathers heritage, the Dukeries and the National Civil War Museum
- Strong economic linkages with Sheffield City Region to the north and Lincoln to the east, and part of London’s commuter belt via the East Coast Mainline

The predominantly rural **Western** area north of the A50 - including Buxton, Matlock, Glossop, Ashbourne and the Peak District:
- GVA 3.5bn
- National importance for Mineral Extraction, high concentration of Manufacturing, Creative Industries cluster in Buxton and growing Life Sciences sector
- University of Derby campus and HSE Laboratory in Buxton
- Important visitor economy assets including Peak Park, Chatsworth, and the Crescent in Buxton, one of UK’s leading spa towns

- Close relationship to Greater Manchester economy to the north-west and also linkages with Stoke to the south-west

**Inter-relationships between places...**

84% of D2N2 residents work within the area, but this masks complex commuting patterns and significant outflows to neighbouring LEP areas from some districts. Travel-to-work patterns – there are 8 Travel-to-Work Areas entirely or partly within D2N2 - provide one way of looking at how different places in the area inter-relate:

- Nottingham’s travel-to-work footprint is very extensive, reflecting the city’s scale as a major economic centre. It is the largest commuter destination for Broxtowe, Gedling and Rushcliffe, and - to a lesser degree - Ashfield and Erewash
- Derby’s commuter footprint is somewhat less extensive, extending mostly to Amber Valley, South Derbyshire and Erewash
- Commuter flows between Derby and Nottingham (and vice-versa) are relatively low: with the exception of Erewash, which has almost equal numbers of out-commuters to the two cities, the Derby and Nottingham catchment areas are (currently) quite distinct
- the other main inter-district flows within D2N2 are from North East Derbyshire to Chesterfield; from Mansfield to Ashfield (and to a lesser extent, in the opposite direction); and from Nottingham to Rushcliffe

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21 These are: Buxton, Chesterfield, Derby, Mansfield, Nottingham, and Worksop and Retford; plus Burton-on-Trent (including part of South Derbyshire), Manchester (including western High Peak), Lincoln (including Newark), and Sheffield (including Dronfield and part of Derbyshire Dales). ONS (2011), Travel to work areas
The maps at Figure 4.3 show Derby’s and Nottingham’s commuter footprints. 

Figure 4.3: Derby and Nottingham: Commuter footprints

Many places in D2N2 have important relationships with towns and cities outside the area. In particular, analysis of travel-to-work patterns shows important flows between the north of D2N2 (especially North East Derbyshire, but also Bassetlaw and Chesterfield) to the Sheffield City Region, and from High Peak into Manchester. There is also a large outflow from South Derbyshire into Staffordshire. Some other key assets – such as the Charnwood science campus, East Midlands Airport and East Midlands Gateway Freight Terminal just over the border in Leicestershire – are also just outside the area. The employment opportunities that these neighbouring areas offer – and the transport connections to them – are an ‘asset’ for people living in D2N2: working with our neighbours to build access to them will be important.
The cities as important engines of growth...

The two cities of Nottingham and Derby – with Nottingham recognised as one of the UK’s 8 ‘Core Cities’ - play a vital economic role, hosting the main campuses of D2N2’s three universities, acting as major locations for employment and regional centres for commercial, cultural and public services. Combined, Derby and Nottingham account for about 35% of D2N2’s total output, measured as gross value added. However, this underplays their significance in the wider regional economy; Nottingham is substantially under-bounded, meaning that the urban area extends into neighbouring districts. Both cities have housing market and travel-to-work areas that cover much of South Nottinghamshire and Southern Derbyshire (in particular the districts of Broxtowe, Rushcliffe and Erewash). Looking to the future, the economic ‘footprint’ of the two cities is set to expand considerably; over the next 20 years, population growth in D2N2 is forecast to be especially focused on the south of the area (with the greatest increases in Rushcliffe and South Derbyshire), while both Derby and Nottingham are forecast to see working age population growth at above the England average.

Both cities have strong economies, focused on different strengths and assets. For example, Derby’s concentration of (highly productive) advanced manufacturing employment complements Nottingham’s service sector economy, and its growing bioscience, digital and creative industries. Derby and Nottingham complement – rather than compete – with each other, share infrastructure and will both be supported by the development of new commercial activity at Toton, following the development of High Speed 2, as well as other significant opportunities around East Midlands Airport.

However, at present, the evidence suggests that we are not exploiting these complementary assets to their full potential. The RSA City Growth Commission identified Derby & Nottingham as one of 15 large urban areas in the UK that could benefit from working formally as an economic area; the area has a degree of self-containment (82% residents work in the area, 83% of workers live in area) similar to Greater Manchester. Current functional links between the two cities (measured, for example,
in commuter flows between the two – see box below) are limited, and supply chain relationships appear to be under-developed. There is potential for agglomeration to support stronger economic connections between the two cities and build critical mass, to enable them to be more than the sum of their parts. This the basis for the recent development of the Metro Strategy covering the two cities and surrounding districts.

The importance of our other urban centres, market towns and their surrounding rural communities...

75% of the D2N2’s GVA is generated outside the two cities and some 35% outside the ‘southern urban belt’. The Mansfield-Ashfield conurbation is the third largest urban centre in D2N2 - generating some £4bn in GVA - and has been identified by the Centre for Cities as one of 64 ‘cities’ in the UK. D2N2’s sub-regional centres and many market towns have an important role as service centres for surrounding rural communities.

D2N2 has a significant rural population, and the rural economy plays an important role in the health of the area’s overall economy, with over one-third of D2N2’s total employment in predominantly rural local authority areas Check this. The rural economy also included an important agricultural sector which continues to play a key role in food production, as well as maintaining and enhancing the attractiveness of the environment and contributing to the visitor economy.

The rural parts of D2N2 are affected by many of the same economic issues as the urban parts of the area. However, the rural areas (whilst by no means homogenous) also experience some specific economic challenges, particularly with regards to connectivity (both travel to work, education and leisure opportunities and digital connectivity), housing availability and affordability and access to economic opportunities. The natural environment of our rural areas is a key economic asset for D2N2 with growth in areas such as the Peak District requiring sensitive management.

Despite this, a number of challenges are faced by rural areas including difficulties faced by the area’s agricultural sector, an over-reliance on public sector employment, low levels of earnings (often masked by higher wages amongst residents who commute to work in the surrounding conurbations), and a lack of dynamism amongst the business base.

Some good connections – but with significant constraints...

In D2N2, we are superbly located at the heart of the nation, with generally very good connectivity. North/ south road transport links are particularly good, with the area served by the M1 and, to the east, the A1. East/ west road connections, including access to the M1 and A1 have also improved in recent years, with (for example) the dualling of the A50, the A46 and the A453. Newark is less than 90 minutes by rail from London via the East Coast Mainline, with Derby, Nottingham and Chesterfield linked via the Midland Mainline. We also benefit from strategic infrastructure assets just outside the area, in particular East Midlands Airport. Connectivity will be further improved following the completion of High Speed 2 after 2030.

Our central location gives residents an opportunity to draw on a wide range of employment opportunities; it also gives our businesses access to a wider labour market pool and local supply chain. We also benefit from access to strategic infrastructure assets serving a much wider area: including East Midlands Airport. Across most of D2N2 we have good digital connectivity. In parts of D2N2 (notably Nottingham), bold
investments in public transport infrastructure have helped to reinforce civic identity and ‘quality of place’, as well as achieving a shift to more sustainable modes of transport.

However, given our location, we should be much better connected than we are, especially to other parts of the Midlands and the North. East-west connections are poor (for example, relatively slow cross-Midland rail services to Birmingham and Crewe) and, while parts of D2N2 have excellent mainline rail services, some internal road and rail connections are constrained, including between major centres (e.g. rail access from north and central Nottinghamshire).

Improving internal connections will be important if we are to maximise the benefits of our central location and build on the growth of the cities. D2N2 should be a key gateway to both the Northern Powerhouse and the Midlands Engine, but this is hampered by key gaps in our infrastructure.

Despite these existing constraints, we have excellent opportunities in the pipeline. High Speed 2 – map at Figure 4.4 has the potential to be genuinely transformational, both in reducing journey times and in opening up new development opportunities along the route, offering substantially improved cross-Midlands connections, as well as north-south links. HS2 will not be completed during the lifetime of this SEP: Phase 2b, connecting Birmingham with Leeds via the East Midlands, with a new East Midlands station at Toton in Broxtowe, is expected to be completed in 2033. However, in advance of that, we will need to ensure that we can make the most of the exciting opportunities that HS2 will bring – including through the development of local connections to the HS2 network, investment in the priorities set out in the Midlands Connect strategy and links to the recent proposals for major investment by Transport for the North.

High Speed 2

High Speed 2 will be the new backbone of Britain’s rail infrastructure, connecting London with Birmingham (Phase 1), the North West (Phase 2a) and Leeds via the East Midlands (Phase 2b).

HS2 will have a transformational impact on journey times: when complete, journeys from the East Midlands Hub at Toton to Birmingham will be reduced to just 20 minutes (compared with over an hour from Birmingham to Nottingham today).

Within the East Midlands, Toton will act as a hub for Derby and Nottingham, as well as for Leicester and much of the wider hinterland. Across the East Midlands region, HS2 Ltd estimate that HS2 could support up to 74,000 new jobs, as a result of connectivity and capacity benefits and through the development of new opportunities at employment sites enabled by the route. Work is underway to develop plans for the new East Midlands Hub at Toton, and for opportunities at Staveley near Chesterfield, where HS2 will also call.
In the short-to-medium term, the Midlands Connect strategy outlines a number of early priorities (Figure 4.5), in particular improvements to Birmingham – Nottingham rail services, and investigation of multi-modal connectivity at Toton, in advance of the development of HS2. More generally, Midlands Connect provides a wider case for investment in transport infrastructure linked with the broader Midlands Engine proposition, of which D2N2 is a central component.

Well-connected digitally...

As part of a nationwide roll-out, local programmes Digital Derbyshire and Better Broadband for Nottinghamshire had delivered superfast broadband to around 92% of contracted premises in D2N2 by June 2017 update?, and have a target to reach 98% by the end of 2018. Some challenges remain in rural parts of D2N2, particularly in rural Derbyshire,
given the area’s topography, although the delivery of a universal service is widely recognised as a priority given the increasing remote working opportunities presented by digital technology. Looking to the future, demand for faster speeds is likely to grow rapidly, although it is expected that further investment in ultrafast broadband will have to be delivered through the market.

**Housing markets...**

D2N2 has four housing market areas:

- **The Nottingham** market area is extensive. Combined, the ‘core’ Nottingham housing market area (extending to Broxtowe, Erewash, Gedling and Rushcliffe, as well as Nottingham), and the ‘outer’ HMA (Ashfield, Mansfield and Newark and Sherwood) has a combined population of nearly 1.4 million, over half of the population of the whole D2N2 area. This housing market is one of contrasts, with increasing affluence in some areas and high levels of deprivation and poor quality housing in others, and there is a need to prevent polarisation in the market and renew the housing stock. A significant proportion of the additional housing required in D2N2 will be delivered within the southern part of the area. Industrial restructuring in Mansfield, Ashfield and Newark & Sherwood, has resulted in a housing stock that does not meet the needs of local residents in terms of either quantity or quality. Local priorities include increasing development to increase the range of housing available and provide more choice for local people, with significant growth planned for Newark as part of the Newark / Lincoln / Gainsborough / Grantham growth.

- The **Derby** housing market area is somewhat more constrained, extending to Amber Valley and South Derbyshire, although functional links extend to neighbouring districts and beyond D2N2. Significant population and household growth is envisaged, and the challenge is to manage this whilst minimising the impact on the environment and responding to the increased demand for local services.

- The **North Derbyshire and Bassetlaw** market area has strong market links to Sheffield City Region, although household movement appears to be quite localised.

- The **Peak** sub-region, part of Manchester’s housing market area, faces real challenges of affordability, given the relatively low wages earned by many residents and the attractiveness of the area to mobile, highly skilled and well-paid workers. Increasing the supply of affordable and first homes is a priority, as is maintaining the viability of smaller settlements and villages.

Since 2011, D2N2’s dwelling stock has increased by 2.6%, compared to 3.3% for the UK as a whole. The ratio of median house price to median annual salary is increasing but is slightly below pre-recession levels and significantly lower than England’s average. As shown in **Figure 4.6**, almost all of the dwelling stock increase in recent years has been outside the two cities.
A superb natural environment...

In D2N2, we are fortunate to enjoy some of Britain’s most significant environmental assets. Famously, these include the internationally important Peak District National Park, as well as Sherwood Forest, Trent and Derwent Valleys and the northern part of the National Forest – combining a rich mix of woodland, rivers and plant & wildlife habitats. Much of the area is covered by environmental designations – see Figure 4.7, including the Nottingham-Derby Green Belt. There are more than 130 Sites of Special Scientific Interest in the area and more than 80 Local Nature Reserves. Our environmental and rural assets provide fundamental ecosystem services, such as drinking water supply, carbon sequestration, food and fibre, and flood protection.

Our natural capital presents a substantial economic opportunity, both in terms of the visitor economy, and the wider ‘quality of life’ offer (recreation and health) that is vital in making D2N2 a place where people want to live, work, invest and visit. Maintaining and enhancing the quality of our natural environment – recognising that development need to be sensitive to the environmental setting – is therefore critical to our plans for growth.

The Peak District: A national asset

Established in 1951, the Peak District is England’s oldest national park. With over 10 million visitors annually, it is one of Britain’s most visited national parks, reflecting its accessibility to major centres of population. As well as tourism – which is very significant – the Peak District is also home to a substantial quarrying industry, alongside some manufacturing. Beyond the National Park itself, the ‘wider Peak District’ extends a spectacular landscape across much of Derbyshire.

Source: Peak District National Park

Fig 4.6: Net Increase in dwelling Stock and percentage of the total within D2N2
Add Sites of Special Scientific Interest to map (SSSIs)
BUSINESS & INNOVATION ASSETS

D2N2’s world class industrial base is both a local and a national asset. However, beyond our core of highly productive manufacturing businesses, productivity remains relatively low there is evidence that we lack scale and ‘critical mass’. Our business stock is smaller than it should be, and while employment levels are at an historic high, we are vulnerable to economic shocks and changes. Ultimately growth will be delivered through a combination of existing firms, new starts and inward investors.

Business stock...

Compared to the UK, D2N2’s business stock is relatively small, is growing more slowly and is less dynamic (i.e. churn through business births and deaths is more limited) – see Figure 4.8.

In 2016 there were 72,000 businesses in the area, a quarter of these based in the two cities. 82% had 9 or fewer employees (national 84%), with micro businesses having a somewhat larger share outside the cities. Growth has been fastest among micros, and there has been a reduction in larger firms, in line with long-term national trend. In the period 2011-16 the number of active enterprises increased by 15% - with growth across all parts of D2N2 – but at a slower rate of growth than national or regional. Only in the cities, Broxtowe and Rushcliffe did growth exceed the national average.

Fig 4.8: Change in business stock by employment size band, 2011-16

Businesses with over 250 employees account for 45% of all employment and 53% of turnover in the East Midlands (BEIS 2017); in D2N2 there are 335 large businesses, 35 employing more than 1,000 each, including 10 in the manufacturing sector, the largest number of very large manufacturing businesses of any LEP area in England.

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22 UK Business Counts, local units
Nationally, **business density** correlates with GVA per capita: put simply, places with higher levels of business stock tend to perform better. This varies at local level: in places with large, highly productive employers (such as Derby), high levels of GVA co-exist with relatively low business densities. This is a feature of many cities, but the business density growth rate has been slower in our cities compared to the other Core Cities. To measure business density, ONS reports the count of active enterprises per 10,000 working age population, at D2N2 and district level.

In 2016, there were 554 active enterprises per 10,000 working age population, compared with 684 across the UK - a shortfall has been consistent over time - with substantial variance at district level across D2N2, see **Figure 4.9**. The next chart (**Figure 4.10**) shows the correlation between business density and GVA per capita: with Ashfield performing particularly poorly on both measures (the lower end of the spectrum is dominated by post-industrial districts). Both Derby and Nottingham have low business densities relative to their per capita GVA, suggesting that a higher proportion of economic activity is accounted for by larger businesses or branches of national and international firms.

![Figure 4.9: Business density, 2016](source: ONS, Count of Active Enterprises, 2016)
Business survival rates are around the UK average, with birth and death rates slightly lower – there is a similar picture across the area, with rates in the cities slightly higher.

Sector Composition...

Understanding the economy’s sectoral composition is critically important to local economic analysis – partly because businesses themselves are familiar with sectors as defined in SIC codes as organising units, but also because the Government continues to be driven by sector priorities at national level. Sectors and technologies are becoming increasingly blurred; the Industrial Strategy recognises this in its distinction between Sector Deals and Grand Challenges. While data are readily available by traditional sector, they are not for ‘new’ sectors such as digital, low carbon and creative industries, the very sectors that potentially hold the key to the UK’s growth. So, as sectors are not perfect units of analysis, we have drawn on a variety of sources in looking at D2N2’s sectoral make-up and its assets in the knowledge base, including: a Sectoral Analysis Report prepared by SQW; D2N2’s Science & Innovation Audit; and an analysis of local industry clusters by Emsi.

Eight priority sectors were identified in the previous SEP: Transport Equipment Manufacturing; Life Sciences; Food & Drink Manufacturing; Visitor Economy; Low Carbon, Transport & Logistics, Creative & Digital Industries; and Construction.

...by employment...

Appendix 1 shows the distribution of employment by sector within D2N2, as well as the location quotient, which measures local concentration relative to the UK as a whole. In common with the rest of the country, the largest concentrations of employment were in wholesale, retail & vehicle repairs, and in health & social work activities. Employment in both sectors
mostly caters to local demand, and while both are large, neither is particularly specialised in D2N2.

Manufacturing stands out as being particularly important. Employment in the sector is highly concentrated, accounting for 13% of all jobs (126,000), with a location quotient of 1.7. In parts of D2N2, it is very highly concentrated, especially in Derby and Derbyshire (including some mainly rural parts of the county) and in parts of North Nottinghamshire. This reflects both the strength of the automotive, rail, aerospace and other engineering sector around Derby, as well as high representation in food processing and manufacturing in areas such as Amber Valley, Derbyshire Dales and Newark and Sherwood. Manufactured goods also accounted for around 91% of D2N2’s exports of goods in 2015.

On the other hand, the Finance and Insurance sector - one of the UK’s international strengths - is very under-represented in D2N2, although there is separate evidence of a growing Financial Technologies cluster in Nottingham.

...by output...

The D2N2 economy can also be analysed by considering the contribution of different sectors to overall GVA – see Appendix 2. This shows that manufacturing in particular tends to account for a higher proportion of GVA than of employment – in other words, it employs fewer people, but generates a lot of output. This is particularly visible at local level: for example, manufacturing accounts for over 30% of Derby’s total GVA. It also shows that D2N2 has a limited presence in higher-value sectors outside manufacturing.

...by productivity and specialism...

On productivity, some sectors are both more productive than the rest of D2N2 economy and more productive than the UK sector benchmark – notably motor vehicles, electrical equipment, other professional services, machinery, and non-metallic mineral products. Other transport equipment is more productive than the rest of D2N2 but less productive than the sector benchmark. Manufacturing is not uniformly productive across D2N2 – there is a need to improve productivity beyond the core of international standard manufacturers concentrated in and around Derby.

Several lower productivity sectors – such as Education, Retail, Construction, Health, and Business Support Services – account for a relatively large share of D2N2 jobs and GVA. Regardless of sector policy, these sectors will always account for a substantial share of employment and GVA, because they incorporate ‘essential’ services and are driven by local demand. However, recent research for D2N2 by University of Nottingham highlighted the extent to which relatively low productivity in ‘under-performing’ sectors (such as business administration and support) acts as a drag on wage levels. In response, it recommended a focus on raising productivity in moderately-performing firms in relatively unproductive service sectors: a policy recommendation that is broadly consistent with the approach taken by the Maier Review on digitalisation.

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23 There is a manufacturing employment LQ of greater than 2.0 in Amber Valley, Ashfield, Bassetlaw, Derby, Derbyshire Dales, Erewash, High Peak, North East Derbyshire and South Derbyshire

24 Nottingham’s Fintech sector provides nearly 3% of the city’s jobs, nearly twice the national average, led by companies such as Experian, Capital One, TDX, Now pensions and Ikano
D2N2’s main areas of sector specialism are Other Transport Equipment Manufacturing (including aerospace and rail), Motor Vehicles, Textiles, Non-Metallic Mineral Products (including glass and ceramics), and Pharmaceuticals. All are highly represented in employment and GVA, apart from Pharmaceuticals, which is under-represented in GVA. Financial and Insurance and Media are particularly under-represented.

Ten sectors combine high specialism with high productivity: transport manufacturing (motor vehicles and other transport equipment), equipment manufacturing (electrical, machinery), other manufacturing (printing and recording, chemicals and non-metallic minerals), as well as Water, Sewerage & Waste, Motor Vehicles Trade, and Other Professional Services, which are largely consumption-driven service sectors. Other specialised sectors that are more productive than their industry benchmark but less productive than the D2N2 economy overall are: Food, Drink & Tobacco; Logistics (Land Transport & Warehousing); and Retail. The Pharmaceuticals sector has average specialisation but is highly productive against UK benchmarks. Under-represented sectors include Construction (although the sector includes many of our top 200 companies) and Accommodation, which are more productive than the UK benchmark, and Electronics, which is more productive than the D2N2 economy as a whole.

Recent growth and future prospects...

In the period 2011-15 Business, Professional and Financial Services have had the biggest growth in employment and Public Admin has seen the biggest contraction in the face of reduced public spending. Manufacturing has had modest (2%) employment growth, but has shown resilience in the context of long-term falls even as output rises. Most sectors in D2N2’s specialised and high productivity sectors have seen positive GVA growth since 2000; in many cases this has been accompanied by a fall in employment (e.g. Motor Vehicles, Printing & Recording, and Non-Metallic Mineral Products). The largest absolute growth in jobs and GVA has tended to be in sectors in which D2N2 is less specialised.

Looking ahead to 2030, Cambridge Econometrics projections anticipate continued GVA growth to 2030 in all those sectors in which D2N2 is specialised and which show high productivity (with employment growth in Transport Manufacturing and some losses in Non-metallic Mineral Products). More broadly, the projections are for strong GVA growth in Motor Vehicles, Food & Drink, Retail, IT Services and Construction. See Appendix 3 for more detail.

Local Clusters...

We have also examined the extent of ‘clustering’ in D2N2. Emsi in 2017 carried out an analysis of local industry clusters, to capture the connections from supply to demand within an economy, using data on: industries’ tendency to co-locate in the same areas; their reliance on similar workforces; and their supply chain connections, in buying selling to one another. This focused on ‘tradeable’ clusters, i.e. industries that tend to choose a location because their products and services can be delivered at a distance, as opposed to ‘local’ clusters which tend to serve local residents in ways in that can only be done where they live (e.g. retail and restaurants). More jobs in tradeable clusters typically mean greater
connection with national and global economies, and growth in tradeable jobs tend to have positive multiplier effects, featuring greater levels of pay and productivity. Five tradeable clusters in D2N2 are more than twice as specialised as the UK average (i.e. the extent to which jobs in the area are more prevalent than in the UK as a whole): construction products & services; extractives; furniture & wood products, plastics & vulcanised products; and vehicle and defence production. Of the top ten specialisms, five have average salaries of more than £30k: vehicle & defence production; energy; construction products & services; and extractives – and four employ more than 10,000 people: vehicle & defence production; food & drink production; plastics & vulcanised products; and downstream metal.

Innovation-led sectors and expertise in the knowledge base...

Based on our recent Science & Innovation Audit we have identified some clear and well-established areas of innovation-led sectoral strengths, and related areas of technological expertise in the knowledge base:

Sectors
- Transport Equipment Manufacturing and the opportunities for developing ‘next generation transport’
- Life Sciences
- Food & Drink Manufacturing and the opportunities for developing ‘future food processing’

Expertise in the Knowledge Base
- Advanced Manufacturing & Engineering
- Digital Technologies and Data
- Energy & Low Carbon Technologies
- Systems Integration

The sectors and areas of expertise are described in summary below. For more detail on the three sectors see Appendix 4.

There is a cluster of advanced manufacturing activities in which D2N2 has a clear advantage, particularly associated with ‘next generation transport’. The Transport Equipment Manufacturing sector focused on Derby includes internationally-significant businesses, including Rolls-Royce, Bombardier and Toyota. It is highly productive, linked with an extensive cluster of supply chain companies and is part of a larger regional concentration of transport manufacturing that extends across the wider Midlands and into North East Wales. Transport manufacturing is a sector in which the UK has clear competitive advantages, and which is strongly backed by Government through, for example, the new Automotive Sector Deal:

Delivering for Britain: D2N2 and the Automotive Sector deal

Britain excels in automotive technology – and D2N2 makes a major contribution to our national strengths through firms such as Toyota at Burnaston.

In January 2018, the Government’s Automotive Sector Deal set out a series of investments supported by Government and industry, particularly focused on the sector’s response to the ‘Grand Challenges’ identified in the Industrial Strategy.
Key investments include the expansion of the Advanced Propulsion Centre. Within D2N2, the University of Nottingham is the ‘power electronics spoke’ for the APC, with current projects including the development of GKN’s e-Drive system platforms.

Source: HM Government/ Automotive Council (2018), Industrial Strategy: Automotive Sector Deal

Beyond the big ‘anchor’ companies in the rail, aero-engine and automotive sectors, key assets include the development of Infinity Park, a commercial technology park which will host ‘Enscite’, a collaboration between the universities of Derby and Aston and Derby City Council focused on technology transfer to supply chain companies within Derby’s core manufacturing sectors.

Globally significant; based in D2N2: Rolls-Royce

Rolls-Royce is one of the world’s leading engineering firms, and is headquartered in Derby. It employs around 14,000 people at three sites in D2N2 and accounts for some 3.9% of the total GDP of the East Midlands, as well as supporting a further c27,000 indirect jobs in the regional economy. One in eleven workers in Derby is employed directly by Rolls-Royce.

Rolls-Royce’s main operations are in Derby, focusing on civil aerospace, submarines, and nuclear reactor cores & propulsion components (one the largest nuclear skills bases in the UK); and they also manufacture components for gas turbines at Hucknall. The Derby site also hosts the Rolls-Royce Academy, which recruits more than 200 apprentices annually.

Source: D2N2 Science and Innovation Audit

We also have strengths in Life Sciences & Healthcare, an area in which the UK enjoys a significant competitive advantage and which is recognised as a priority by Government. In particular, Nottingham has a long heritage in the pharmaceuticals and healthcare industry as the HQ of Boots, which continues to act as a key anchor business; this has been supplemented by BioCity in central Nottingham (the UK’s largest bioscience innovation and incubation centre) – home to Sygnature Discovery and, more recently by the MediCity innovation hub on the Boots campus. Other key pharmaceuticals firms in D2N2 include Derbyshire-based Concept Life Sciences and Pennine Healthcare in Derby. D2N2 is also home to the new Defence Rehabilitation Centre at Stanford Hall Estate.

Growth in the life sciences sector is supported by the strong research profiles of our universities and the medical school at Nottingham. While a relatively small sector in employment terms, it is growing fast, with global healthcare spending rising rapidly and advanced digital technologies transforming the nature of drug discovery and the development of medical devices. The sector has been subject to considerable restructuring in recent years following the closure of the nearby Astra Zeneca site, which has resulted in a large supply chain of SMEs, able to adapt to new markets and technologies.

Strengths in health sciences: Boots and MediCity

Boots has been operating in Nottingham since 1849. The Boots Enterprise Zone around its HQ aims to create a life sciences campus, alongside residential and commercial space. The site also houses
MediCity – a joint venture between Boots and BioCity. Med-tech firms benefit from BioCity’s business support and Boots’ expertise in the global healthcare sector. Consultees reported that there are over 20 tenants, employing over 200 people in total at MediCity.

Source: D2N2 Science and Innovation Audit

In ‘future food processing’, D2N2 offers a strong concentration of Food & Drink production and manufacturing employers and a significant research base, with major firms including Thorntons, Nestle, Moy Park and Hovis. Breweries such as Castle and Thornbridge have a national sales footprint and significant export sales. Food & Drink is a highly competitive sector in D2N2 - the 3rd fastest growth rate in the UK in the period 2010-15 - and increasingly research-intensive: alongside our major employers, both the University of Nottingham and Nottingham Trent University have food science research centres in the area.

Linked with the pressure to decarbonise the economy, we have strengths in the application of low carbon technologies, associated with some significant employers and research capabilities. There is a significant overlap between D2N2’s exploitation of low carbon technologies and our leading-edge strengths in ‘next generation transport’; beyond this, Rolls-Royce’s development of nuclear reactor systems, a range of energy demonstrator projects and academic assets such as the Energy Technologies Research Institute at Nottingham offer significant potential – and the Nuclear Advanced Manufacturing Catapult has plans to locate on Infinity Park.

Beyond these engineering-related sectors, D2N2 also has strengths in the service sector, with evidence of an emerging concentration of activity focused on Fintech and data science. In particular, Nottingham is home to Experian, a world leader in data analytics, as well as TDX Group, a data and technology company subsequently acquired by Equifax.

In addition to these innovation-led sectoral strengths, D2N2 has specialist expertise that cuts across sectors and acts as shared capability in the knowledge base, through our businesses and universities. These are in three broad areas:

- **Advanced Manufacturing & Engineering:** Manufacturing is changing to incorporate a much broader value chain and improved production techniques. With major industrial players and rapidly-growing SMEs across the different manufacturing sub-sectors, D2N2 is at the forefront of Advanced Manufacturing and Engineering. This capability is supported by research excellence that spans our universities. We are well placed to exploit opportunities arising from the emergence of Industry 4.0, digitalisation and the expansion of the manufacturing value chain. Businesses in D2N2 are helping to shape these trends, not just reacting to them. As well as the global engineering companies named in section 3 above, we have many other important innovative manufacturers in the area, including in textiles (Speedo, Paul Smith, Capatex), and three of our fastest-growing scale-up companies are manufacturers. The University of Nottingham engineering research capabilities are among the strongest in the country. Specific research assets in D2N2 include Nottingham’s Precision Manufacturing Centre and NTU’s Advanced Design and Manufacturing Engineering Centre. The Derby Manufacturing University Technical College will help to train the next generation of engineers.
• **Digital Technologies & Data:** As digital technologies and data become increasingly pervasive across all sectors of the economy, the way industries operate is changing. This includes the increasing adoption of digital techniques, the derivation of value from analysis of 'big data', and the emergence of the 'internet of things'. Our expertise in this area reflects the emergence of a dynamic digital and creative sector in recent years. There are some 23,000 jobs in digital technology across D2N2, many of them in Nottingham’s Creative Quarter, where Tech City identified a digital cluster; there is also a growing cluster in High Peak, near to Manchester. Our niche digital specialisms in industry include computer gaming, financial data management analysis, e-health, and satellite applications. They are complemented by research strengths in our universities (including the University of Nottingham’s Horizon Digital Economy Research Institute) and in The British Geological Survey at Keyworth. Our HEIs have collaborated with global companies such as Microsoft and QinetiQ. Despite these strengths, potential linkages between our manufacturing sector and our digital expertise have not yet been fully leveraged.

• **Systems Integration:** This covers the development of products, processes and services to enable ‘whole system’ approaches to economic and social activities – e.g. how to ensure the sustainability, affordability and security of energy supplies; energy demonstrators in Nottingham are providing real life insights into this. D2N2’s capability in this area is particularly evident in relation to energy, but is also relevant to many of our major manufacturers and engineering firms. This competency is also underpinned by a significant consultancy and technical testing & analysis business base. Another example in Nottingham is the City Council’s involvement in international collaboration to take advantage of the crossover between energy, mobility and ICT to develop ‘smart cities’. Whole systems thinking is also being applied to specific industrial issues – e.g. rail company SNC-Lavalin in Derby has expertise in integrating rolling stock and infrastructure through rail control systems. Systems integration is applied in integrated manufacturing systems to ensure efficient and high quality product design, particularly important to major companies such as Rolls-Royce and supported by the Manufacturing Systems Integration Laboratory at the University of Nottingham.

• **Energy & Low Carbon Technologies:** Our excellence in academic research and the application of innovative low carbon technologies – combined with important employers such as E.ON, the nuclear operations of Rolls-Royce – form the basis of D2N2’s strength in this area. D2N2 is distinctive in having a number of energy demonstrator projects (in and around Nottingham), as well as Nottingham’s district heating network, one of the largest in the country. We also have strong innovation capability in low-carbon construction technologies, with Bowmer & Kirkland and the Gusto Group pioneers in this field, and Laing O’Rourke with their off-site house manufacturing site in Bassetlaw. We have number of research & development assets that support our expertise in Energy & Low Carbon, including the British Geological Survey, the (cross-Midlands) Energy Research Accelerator, the Energy Technologies Research Institute at the University of Nottingham, the University of Derby’s Institute of Innovation in Sustainable Engineering, the Centre for Energy Innovation at the Health & Safety Laboratory at Buxton, and the National Grid’s learning & development centre in North Notts.
Innovation performance and assets and ...

Around 1 in 5 jobs is in ‘science & technology’ sectors, similar to the national average, although growth has been markedly slower (3% compared to 10% nationally from 2010-15). See Figure 4.11 for map showing hot-spots of science & technology employment across D2N2.

Fig 4.10: Science and technology employment across the D2N2 area (2016)

The innovation performance of D2N2 businesses is variable – see Appendix 5. This shows that relative to other LEP areas, we have more business carrying out R&D and innovating through new business practices, but score particularly poorly on businesses that introduce new-to-market innovations or that generate sales from innovative products or services.

Source: Produced by SQW 2017. Licence 100030994. Contains OS data © Crown copyright [and database right] [2017] and BRES data
D2N2’s ‘innovation ecosystem’ has substantial strengths – see map of assets at Figure 4.11.

We have an impressive – and growing – network of innovation centres and incubation facilities across the area, including the range of sector-focused technology parks that form the Nottingham & Derby Enterprise Zone. Looking to the future, work is underway to develop proposals for a new innovation-focused development at Toton, associated with the new HS2 East Midlands Hub.

Our three universities offer complementary research-intensive and applied strengths. The University of Nottingham is of international significance (Top 100 in world, and ranked 13th for research power in the UK), and Nottingham Trent University (Sunday Times Modern University of Year 2018) and the University of Derby are also significant institutions, generally from a more applied perspective. The British Geological Survey and the Health & Safety Laboratory are based in the area, but there are currently no national Research & Technology Organisations or Catapult Centres, although there are plans to establish an Advanced Manufacturing Research Centre in Derby.

Our three universities are vital ‘anchor institutions’ within the D2N2 economy. As well as making a major contribution to innovation (including through research, working with business and providing spin-out companies) they: make a direct contribution to the economy from the spending power of students and staff; are major developers in the cities; are a route through to higher level skills for local populations; make a major contribution to the national and international reputation of the area; are a source of international income (in Nottingham alone some 10,800 international students make a net contribution of more than £1bn to the local economy during their time here).

**Trade & Investment...**

Exports of goods from D2N2 were valued at £11.7bn in 2015, some 60% of this to destinations outside the EU. Machinery, transport and other manufactured goods accounted for more than 90% of the total. D2N2
has a lower dependency exports to the EU than most other parts of the country.

There have been about 100 inward investment ‘successes’ in D2N2 over the past 3 years (i.e. overseas companies locating to or expanding in the area, including through acquisitions), creating some 9,500 new jobs. While the number of success has remained steady over this period, the job numbers have dropped off, from about 4,500 in 2015/16 to 1,600 in 2017/18. Over the period, more than 40% of the successes were from elsewhere in Europe and about 20% each from the US and Asia.
ECONOMIC PERFORMANCE & CHALLENGES

This section examines the overall performance of the economy and challenges that we are facing, looking in particular at output, productivity, employment & skills, earnings, trade & investment, social inclusion, sustainability and levels of Government funding coming into the area. It also looks at the outlook for the economy to 2030.

Appendix 6 shows D2N2’s current performance against the national average across a range of indicators, broken down by local authority area. This highlights the disparities between places within the area, which are often more marked than the gap between the D2N2 average and the UK. It also indicates the different characteristics of the local economies than make up D2N2 – ranging from relatively prosperous cities, to areas that are still feeling the effects of painful industrial restructuring and rural communities that make up such a large part of the area - and the need to develop policies that reflect the varying spatial needs within the economy.

Output and Prosperity...

In 2016, the total GVA for D2N2 was around £45 billion, accounting for about 2.6% of national output. This equates to around £21,250 per head of population - the main measure of economic prosperity - considerably lower than UK level, which stood at £26,600. GVA per head has (with the exception of the 2007/8 recession) grown steadily – but remains below the UK average, and our relative position has deteriorated over time.

Derby and Nottingham have the highest GDP per head in the area, ahead of the national average, reflecting the cities’ function as major centres of economic activity – see breakdown at Appendix 7.

The productivity challenge...

The UK has a long-standing productivity challenge, in relation to major competitors in Europe and US. Since 2008 annual productivity growth has averaged just 0.1% (see Figure 4.12). Particularly since 2015 national strategies have highlighted the ‘productivity deficit’ as a central economic issue and it is at the core of the Industrial Strategy.

D2N2’s output gap is reflected in a persistent productivity deficit. In 2016, D2N2’s productivity (measured as GVA per hour worked) was around £28.60, about 12% below the UK average (£32.60). An average worker in D2N2 in 2015 produced around £10,700 less output than an average worker in England. Aggregating across all employees in D2N2 this amounts to a productivity gap of more than £8.2bn.
Our neighbouring LEPs in the Midlands and the North face similar challenges: of all the LEP areas in the Midlands Engine and the Northern Powerhouse only Cheshire & Warrington has higher productivity than the UK as a whole. Overcoming the productivity gap between the Greater South East and the rest of the country is a key goal both of the Government’s Industrial Strategy and our shared approach (with our neighbours) to the Midlands Engine.

There is very mixed picture on productivity within D2N2—see Appendix 8. Overall, while we reflect the general East Midlands picture, parts of the LEP perform significantly better, with higher levels of productivity in Derby, South and West Derbyshire and South Nottinghamshire. The gap between the highest and lowest productivity levels within D2N2 is even greater than the gap to the national average.

Recent analysis suggests that the productivity deficit is explained by three key factors:

- first, recent employment growth has been faster in relatively ‘unproductive’ sectors, such as Retail and Distribution, rather than in sectors such as Manufacturing and Information & Communications
- second, a relative lack of higher value functions (such as design and R&D) within more productive sectors
- third, while D2N2 has some highly productive companies, there are too many firms below the average but not very weak, and too few above average but not exceptional

The skills and employment challenge...

In D2N2 we have been very successful in achieving high levels of employment (75% of the population aged 16-64, with 95% of those economically active in jobs, and an economic activity rate of 76%). Currently, around 4.2% of the workforce is unemployed (compared with over 9% in 2011 – a historically low level, and below the national average. However, despite high employment, wage growth has been flat and the incidence of low pay has grown – reflecting the productivity challenges highlighted earlier. Continuing low levels of unemployment should not be taken for granted given the uncertainty on the UK’s growth prospects and the potential for reduced consumption as a result of slow growth.

Underpinning our Plan is a clear desire to make productivity growth work for everyone: our aim is not to see reduce overall employment (which has
been a success story in recent years), but to ensure that D2N2’s employers increasingly demand higher value jobs, and the area’s workforce has the skills to supply them.

Representation in higher-skilled occupations is lower than England as a whole, but employment in professional and technical occupations has risen faster than average over the past 5 years. Representation in skilled trades and process is higher than average, reflecting the strength of the manufacturing sector in the area.

We also face a particular challenge related to the vulnerability of some -- generally less skilled -- types of employment, particularly those that are most susceptible to automation, in areas such as customer services, retail and finance and admin26. Recent research for the Centre for Cities highlights Mansfield in particular as vulnerable to change27. This will impact both on individual people and on those places with high concentrations of employment in these sectors.

**Workforce qualifications...**

Despite a world-class higher education base, we face a significant workforce skills challenge. D2N2’s productivity deficit is linked with relative under-performance in working age qualification levels, although they are broadly in line with the rest of the East Midlands. 32% of D2N2’s working age population are qualified to NVQ4+, compared with around 37% across the UK28. See Figure 4.13 for the D2N2 skills profile in 2016.

![Figure 4.13: Skills profile of the working age population, 2016](image)

<table>
<thead>
<tr>
<th>NVQ4+</th>
<th>NVQ3</th>
<th>NVQ2</th>
<th>NVQ1</th>
<th>Trade Apprenticeships</th>
<th>Other qualifications</th>
</tr>
</thead>
<tbody>
<tr>
<td>32.0</td>
<td>19.6</td>
<td>3.8</td>
<td>17.9</td>
<td>12.4</td>
<td>6.2</td>
</tr>
<tr>
<td>37.9</td>
<td>17.4</td>
<td>3.0</td>
<td>16.0</td>
<td>11.3</td>
<td>6.7</td>
</tr>
</tbody>
</table>

There is significant divergence within D2N2 – see Figure 4.14: broadly, rural and suburban locations have higher proportions qualified to NVQ4+; those with economies historically based on heavy industry have lower proportions. This presents a challenge for the future, with relatively lower workforce skills in those places that are likely to be most vulnerable to the employment impacts of technological change.

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27 Centre for Cities (2018), Cities Outlook, p.15
28 Three-year average, 2014-16
In general, the direction of travel is positive, as new entrants to the labour market tend to be more highly qualified than those leaving. However over time, raising qualification levels to the national average will require both improvements at ‘entry’ level (overcoming some of the area’s school attainment and aspiration challenges, so that more new entrants to the market reach higher level qualifications) and better retention of higher-skilled staff.

There is also a mismatch between skills supply and demand, with employers reporting persistent skills gaps in technical roles. Half of all vacancies were accounted for by core technical and semi-technical occupations, slightly higher than for UK. 31% of all vacancies in (more highly skilled) core technical occupations could be classed as ‘skills shortage’ vacancies. There is a general imbalance between FE provision and technical demand, with potential under-supply, particularly of IT engineers and technicians. The mismatch issue is in line with the national position, but given our sectoral strengths is a key local risk.

Figure 4.15 shows the skills assets – including FE Colleges – and challenges facing D2N2.
Educational attainment...

Looking to the workforce of the future, there is a mixed performance within our schools system, with apparent weaknesses existing within relatively buoyant local economies with strong demand for higher level skills. Again, there is varied performance across D2N2, with particular weaknesses in Derby, Nottingham and east Derbyshire²⁹. There is much that is excellent – but recent analysis for the Government highlights some particular concentrations of under-performance. Initiatives such as the Derby Educational Opportunity Area are seeking to address these: if we are to ensure better social mobility and more opportunities for those entering the workforce during the lifetime of this Plan, the success of these will be crucial.

Retention and attraction of talent...

Underpinning all of these considerations is a need for us to get better at attracting and retaining talent. Currently, our graduate retention rates are relatively low: we are hugely successful at attracting students from across the country (and the world) to study in our excellent universities, but the majority leave after graduating – perhaps reflecting the market for occupations demanding graduate skills.

Analysis of employer demand highlights a particular potential shortage of people with higher level computing and technical skills – likely to be a key local risk in maintaining and growing our manufacturing and technology strengths, there will be a need to attract new talent from elsewhere as well as up-skilling the existing workforce.

Earnings...

Estimates of median employee earnings are readily available through the Annual Survey of Hours and Earnings (ASHE) at D2N2 and district level: this is an imperfect measure, as it excludes self-employed people and other sources of income, but median earnings do provide a consistent and accessible way of measuring economic outcomes as they directly impact on residents. In 2017, gross weekly median full-time earnings in D2N2 were £524, compared with £553 in Great Britain as a whole. Derby is the only part of area with above average median workplace earnings. This reflects D2N2’s occupational profile, with fewer jobs in higher-paying occupational groups, although demand is rising for people in skilled technical occupations, and skills shortages particularly relate to technical roles. The other key indicator of income levels is Gross Domestic Household Income, which in D2N2 is also well below the national average (84.7%) and the gap has widened over the past decade – see Figure 4.16.

²⁹ Department for Education (2016), Defining Achieving Excellence Areas: Methodology guidance note. This also broadly reflects the findings of the Social Mobility Commission
With low productivity growth, wages have been generally flat and the incidence of low pay has grown. This has given rise to increasing concern about the economic and social consequences of low-wage employment. This has been highlighted in the recent report on ‘Inclusive Growth in D2N2’ by the Royal Society for the Arts (RSA) and Nottingham Trent University, which estimates that, across the D2N2 area, about 30% of workers earn less than the Living Wage (compared with 25% nationally). Across D2N2, the proportion earning less than the Living Wage varies from between 18-20% in Broxtowe and Rushcliffe, to over 35% in Nottingham, Bolsover and Mansfield. In part, the high number of low wage occupations is a function of policy choice aimed at driving down workless-ness, and it has been successful in that regard. Opportunities for individuals to develop higher skills linked with greater technological input and higher productivity could however contribute to rising wage levels, provided those opportunities are targeted towards those at the lower end of the income distribution.

**Sustainability...**

CO2 emissions are higher in D2N2 than in England as a whole, reflecting the energy-intensive sector profile of the economy. D2N2 CO2 emissions were at 5.4 kt 44 per head in 2015 compared to 4.8 kt nationally. While there is a downward trend in CO2 emissions, the reduction in emissions intensity has been slower in D2N2 than nationally, decreasing by 8% compared to 14% in England as a whole. Derbyshire and Nottinghamshire account for 80% of all CO2 emissions in D2N2.

**Government Investment...**

In order to maximise its potential, the D2N2 economy needs investment – both public and private. Research carried out by the Metro partnership suggests that if the Metro area (covering the cities of Derby and Nottingham and their surrounding districts) received the same level of government spending per head as Greater Manchester, per person spend would rise by £800, generating an additional £1.1bn for the local economy30.

The East Midlands as a whole has suffered for many years from under-investment relative to the rest of the UK. An analysis of government spending estimates that the East Midlands will receive £221 per person in

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30 Analysis from MetroDynamics based on IPPR research
transport spending from 2016/17 onwards, the third lowest for any region. The North is set to receive £427 per person. This is a continuation of historic underfunding – between 2004/5 and 2015/16 regional spending per head increased at a lower rate than any other English region (less than 1% per annum).\textsuperscript{31} Appendix 10 sets out investment in the region relative to other regions.\textsuperscript{32} The contrasts are stark.

\textsuperscript{31} Analysis in MetroDynamics based on East Midlands Council research
\textsuperscript{32} http://www.emcouncils.gov.uk/write/Levels_of_Public_Investment_in_East_Midlands.pdf
Economic outlook...

Against the background of unresolved Brexit negotiations, there is considerable uncertainty about the UK’s short-term growth prospects, with modest growth currently forecast for 2019. D2N2 is not as reliant on exports to EU countries as some other regions are, given the current balance of exports of goods (41% EU) and 59% non-EU, and there are potentially significant opportunities from new trade deals with e.g. the USA, which currently accounts for £2bn of D2N2’s export value. On the other hand research suggests that 86,000 jobs may be exposed to impact of tariffs. Migration from the EU has largely been from accession states, notably Poland and increasingly Romania. Labour from EU accession states generally geared to low or unskilled occupations, on stark contrast to EU14, which is largely geared towards skilled jobs. The sectors most likely to be affected by loss of migrant labour are Agriculture, Food Manufacturing, Health & Social Care, Manufacturing and Construction.

In D2N2, the working age population will rise by just 1% between 2014 and 2039 – meaning a tightening labour market and growing efficiency pressures over time. Growth will be focused on the south of D2N2, which is forecast to experience growth above the national average, reinforcing the role of the southern urban belt as a key driver of the economy (and also reflects environmental constraints on growth especially in parts of Derbyshire). Much of focus of future housing delivery (and the infrastructure needed to unlock it) is likely to be in the south of the area. See Figure 4.17 for projected working age population growth across D2N2.

Projections for sector growth are covered in the Business Characteristics section above.

Fig 4.17: A mixed picture in terms of projected working age population growth...

FOUNDATIONS FOR GROWTH

TO BE COMPLETED

Will cover legacy of the SEP’s first 5 years – what’s working well that we can build on – using case studies

Including Growth Hub, strong progress in investing resources allocated via ESIF driven by SEP priorities etc, etc...

Since we developed our last Strategic Economic Plan, we have demonstrated a track record of considerable success. In 2014, we set a target of supporting the creation of 55,000 private sector jobs by 2023: this was already reached by 2016 -reflecting a sustained recovery from the earlier economic downturn - and now stands at 66,500 jobs created. It has also contributed to high and growing employment rate and, while we must never be complacent, unemployment is now at historically low levels.

The SEP also set out the case for substantial infrastructure investment. In addition to the announcement of the route of High Speed 2, this resulted in a package of some £257 million in Government funding, through three Local Growth Deal rounds, to support transport infrastructure and other capital schemes, including investment in our major transport corridors, as well as in opening up our key Enterprise Zone sites at Infinity Park in Derby and BioCity in Nottingham. This gives us a strong platform on which to build.

Progress towards 77,000 homes
Appendices
### Sector employment in D2N2 and location quotient (relative to UK), 2016

<table>
<thead>
<tr>
<th>Sector and description</th>
<th>Jobs</th>
<th>% of total</th>
<th>LQ</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture, forestry and fishing</td>
<td>1,000</td>
<td>0%</td>
<td>0.1</td>
</tr>
<tr>
<td>Mining and quarrying</td>
<td>1,500</td>
<td>0%</td>
<td>0.9</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>126,000</td>
<td>13%</td>
<td>1.7</td>
</tr>
<tr>
<td>Electricity, gas, steam and air conditioning supply</td>
<td>7,000</td>
<td>1%</td>
<td>1.8</td>
</tr>
<tr>
<td>Water supply; sewerage, waste management and remediation activities</td>
<td>6,000</td>
<td>1%</td>
<td>1.0</td>
</tr>
<tr>
<td>Construction</td>
<td>51,000</td>
<td>5%</td>
<td>1.1</td>
</tr>
<tr>
<td>Wholesale and retail trade; repair of motor vehicles and motorcycles</td>
<td>160,000</td>
<td>17%</td>
<td>1.1</td>
</tr>
<tr>
<td>Transportation and storage</td>
<td>39,000</td>
<td>4%</td>
<td>0.9</td>
</tr>
<tr>
<td>Accommodation and food service activities</td>
<td>72,000</td>
<td>8%</td>
<td>1.0</td>
</tr>
<tr>
<td>Information and communication</td>
<td>25,000</td>
<td>3%</td>
<td>0.6</td>
</tr>
<tr>
<td>Financial and insurance activities</td>
<td>10,000</td>
<td>1%</td>
<td>0.3</td>
</tr>
<tr>
<td>Real estate activities</td>
<td>12,000</td>
<td>1%</td>
<td>0.7</td>
</tr>
<tr>
<td>Professional, scientific and technical activities</td>
<td>59,000</td>
<td>6%</td>
<td>0.7</td>
</tr>
<tr>
<td>Administrative and support service activities</td>
<td>98,000</td>
<td>10%</td>
<td>1.2</td>
</tr>
<tr>
<td>Public administration and defence; compulsory social security</td>
<td>40,000</td>
<td>4%</td>
<td>1.0</td>
</tr>
<tr>
<td>Education</td>
<td>84,000</td>
<td>9%</td>
<td>1.0</td>
</tr>
<tr>
<td>Human health and social work activities</td>
<td>134,000</td>
<td>14%</td>
<td>1.1</td>
</tr>
<tr>
<td>Arts, entertainment and recreation</td>
<td>20,000</td>
<td>2%</td>
<td>0.8</td>
</tr>
<tr>
<td>Other service activities</td>
<td>16,000</td>
<td>2%</td>
<td>0.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>960,000</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

*Source: SQW analysis of open access Business Register and Employment Survey*
Share of D2N2 GVA and jobs (2015)

Source: SQW analysis of CE data
## GVA and employment growth in D2N2, 2015-30 (selected sectors)

<table>
<thead>
<tr>
<th>Sector</th>
<th>GVA</th>
<th>Projected growth 2015-30 (%)</th>
<th>Jobs</th>
<th>Projected growth, 2015-30 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-metallic mineral products</td>
<td>2.0</td>
<td>26.6</td>
<td>1.6</td>
<td>10.9</td>
</tr>
<tr>
<td>Motor vehicles</td>
<td>2.3</td>
<td>56.0</td>
<td>0.5</td>
<td>12.4</td>
</tr>
<tr>
<td>Other transport equipment</td>
<td>3.6</td>
<td>12.6</td>
<td>1.6</td>
<td>8.8</td>
</tr>
<tr>
<td>Motor vehicles trade</td>
<td>2.9</td>
<td>17.5</td>
<td>1.9</td>
<td>4.5</td>
</tr>
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<td>2.1</td>
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<td>27.4</td>
<td>1.4</td>
<td>-7.6</td>
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<tr>
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<td>6.0</td>
<td>14.5</td>
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<td>10.2</td>
<td>20.7</td>
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<tr>
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<td>24.7</td>
<td>3.8</td>
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<td>2.3</td>
<td>21.4</td>
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<td>GVA</td>
<td>Jobs</td>
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<td>-----</td>
<td>------</td>
<td></td>
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<td>Food &amp; beverage services</td>
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<tr>
<td>Head offices &amp; management</td>
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<td>consultancies</td>
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<tr>
<td>Residential &amp; social care</td>
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<td></td>
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</table>

Source: SQW analysis of CE projections. Sectors included are those accounting for either 2% or more of D2NZ GVA in 2015, or 2% or more of total jobs.
D2N2 INNOVATION-LED SECTORS

Transport Equipment Manufacturing

**Link to Industrial Strategy:** Automotive Sector Deal already published, Deals in prospect for Rail and Aerospace, opportunities through Digitalisation and Mobility Grand Challenges
**Link to Midlands Engine:** Transport Innovation Accelerator identified as priority
**D2N2 Science & Innovation Audit:** Next Generation Transport identified as Innovation priority

This sector is D2N2’s number one industrial specialism, with jobs in aerospace and rail four times more concentrated in the area than in the country as a whole (rail nine times more concentrated). Based mainly in and around Derby - home to world-class companies Rolls-Royce, Toyota and Bombardier - the sector employs some 23,000 people in D2N2 in more than 400 businesses. Transport Equipment has the highest productivity of all sectors in D2N2, far outstripping the UK average, with motor vehicle manufacturing performing particularly well against the national sector benchmark.

The sector represents 6% of D2N2’s GVA and 2% share of jobs. GVA has grown by some 70% since 2000, but jobs in motor vehicles manufacturing have fallen by around 50% over same period. Motor vehicles manufacturing GVA is forecast to grow by nearly 60% by 2030, one of the highest growth rates of all sectors in D2N2, and job growth is expected to recover to more than 10%. The rest of the Transport Equipment sector is also forecast to experience growth over the same period (13% GVA and 9% jobs).

Rolls-Royce is the most significant company in D2N2, with its HQ based in Derby, output representing almost 4% of the local economy, operations across the world and investment of some £1bn in R&D globally. Some 16,000 people are employed in aerospace within the area, mainly in and around Derby and in central and north-west Nottinghamshire.

The rail industry in Derby is nationally significant, representing some 30% of all jobs in the sector in GB, and home to around 100 companies in the supply chain, the largest cluster of rail companies in Europe.

Motor vehicle manufacturing is nearly three times as concentrated as the UK in share of GVA and is highly significant, supporting 3,000 jobs, most employed in Toyota’s major manufacturing plant in South Derbyshire.
There is a highly inter-connected supply chain within the area serving the three sub-sectors; and the D2N2 universities and colleges have an asset base that complements the sector’s strengths, e.g. the Rolls-Royce University Technology Centre in Manufacturing and the Power Electronics Spoke of the Advanced Propulsion Centre (part of the Automotive Sector Deal) at the University of Nottingham; and the Rail Employment & Skills Academy at Derby College, co-developed with the Rail Forum East Midlands. The universities have a number of corporate collaborations with the sector’s key players, including Rolls-Royce, JLR, Airbus and Ford.

The transport equipment sector in D2N2 is expected to remain strong over the next 10 years and is well-placed to take advantage of new opportunities such as advances in e.g. digitalisation, lightweight materials, low emission fuels, additive manufacturing, electric propulsion, autonomous vehicles and high-speed rail. Although employment is forecast to grow there is a potential skills gap, as a significant proportion of the workforce nears retirement and the emphasis shifts from roles for machine operators towards machine maintenance using IT skills.

*Summary of sector needs:* digitalisation & related skills, facilities for demonstration & testing, supply chain support

**Food & Drink Manufacturing**

*Link to Industrial Strategy:* Sector Deal in prospect for Food & Farming, opportunities through Digitalisation Grand Challenge
*Link to Midlands Engine:* Future Food Processing Accelerator identified as priority
*D2N2 Science & Innovation Audit:* Future Food Processing Accelerator identified as Innovation priority

Food & Drink Processing & Manufacturing is one of our main industrial specialisms; the sector is 50% more concentrated than it is in the country as a whole. Our rich mix of agricultural production (combining hill farming and lowlands), along with our strong industrial base and academic excellence in our universities, gives D2N2 a compelling offer in this sector.

The sector accounts for some 23,000 jobs in D2N2, representing 2% of all jobs in the area and 2.5% of GVA, in more than 400 businesses. The sector has higher productivity than the D2N2 average but is currently below the UK average and the national sector benchmark. GVA has grown by a third since 2,000, and jobs are up by 10% over the same period. In the period 2010-15 the sector in D2N2 experienced the 3rd highest rate of growth in the UK. The sector is forecast to be one of the highest growth sectors in D2N2 by 2030 – nearly 70% GVA growth and 13% jobs growth.
In the face of increasing global competition, our companies are having to innovate in order to grow and develop, notably in: manufacture of bakery products (e.g. Hovis, Pork Farms, Bakkavor); manufacture of cocoa, chocolate and sugar confectionery (four times more concentrated than UK — e.g. Thorntons and Swizzels); production of coffee and substitutes (notably Nestle); and brewing (e.g. Thornbridge, Peak Ales and Castle Brewery).

Both the universities in Nottingham have strong research capabilities in food science, covering future food, global food production, and sustainable agriculture. University of Nottingham’s research is concentrated at their Sutton Bonington campus, which hosts the International Centre for Brewing Science and the EPSRC Centre for Innovative Manufacturing in Food. NTU hosts the UK’s centre of expertise for food authenticity testing, and has specialist expertise at its Brackenhurst campus. The universities work closely with industry; recent collaborators include Unilever, Syngenta and DuPont.

Given the manufacturing competencies of our food processors, digitalisation will a key factor for this sector. Other trends that the sector will have to be alive to include: use of satellite applications for precision agriculture; smart systems containing nanotechnologies; reduction in salt, sugar and fat; and evolution of technologies to prolong shelf-life.

Summary of sector needs: digitalisation & related skills, access to technology & facilities

Life Sciences

Link to Industrial Strategy: Life Sciences Sector Deal already published, Deals in prospect for Rail and Aerospace, opportunities through Digitalisation and Ageing Population Grand Challenges

Link to Midlands Engine: Medical Technologies Accelerator identified as priority

D2N2 Science & Innovation Audit: Life Sciences identified as Innovation priority

Life Sciences is recognised in the Industrial Strategy as being one of the sectors that is key to the UK’s international competitiveness. The Midlands Engine Science & Innovation Audit also identifies the sector as an important area of strength for the Midlands.

We have a particular strength in D2N2 around the expanding cluster in Nottingham, but the sector also has an important presence around Derby and into Derbyshire, and along the M1 corridor and east to Newark; Stanford Hall Estate (MoD Defence Rehabilitation Centre) and we have the opportunity to build on links south to the Charnwood campus across the border in Leicestershire. Our key specialisms are medical technologies, clinical trials, trauma and defence medicine but biotech, pharmaceuticals and wellbeing and also key elements of the sector within D2N2. Major international company for beauty
and well-being products Boots, with its UK HQ in Nottingham, is an anchor institution in the area, with its operations in the broader field of pharmacy, well-being and beauty.

As a relatively recent sector, economic activity in the Life Sciences sector is difficult to capture through official SIC-based sources. Data from the Office for Life Sciences provides a more accurate picture. This shows that we have more than 350 businesses in the sector, about 6% of the UK total.

80% of businesses are in Medtech, against a UK average of about 65%. Medicity, a relatively new medtech incubator based on the Boots HQ campus in Nottingham, has the potential to become nationally-significant. Our strength in Biotech is demonstrated by the established success of BioCity in Nottingham. Over its first 14 years of operation, companies based there had a 91% survival rate. Our strengths in Pharmaceuticals reflect a historic skills base from the AstraZeneca site in Charnwood, which closed in 2011, with former employees still active in the local innovation ecosystem, which is in part how our strong supply chain has been created.

Our universities and NHS Trusts play in important part in the Life Sciences ecosystem in D2N2 as does the East Midland Academic Health Science Network. The University of Nottingham has a track record in breakthrough medical research, including the development of MRI. Precision imaging is one of their research beacons, two of their five research themes relate to the Life Sciences sector, and they host one of only two medical schools in the East Midlands. There are number of important centres active in medical research across all three universities and the Nottingham University Hospitals NHS Trust, with Nottingham Trent University soon to open a new Medical Technologies Innovation Facility, with the potential to accommodate more than 500 jobs. Another important future asset will be the Defence & National Rehabilitation Centre which, along with the Nottingham Trauma Centre, will enhance our niche strength in defence and trauma medicine.

Our research institutions have close links with major players in the sector – recent collaborations include AstraZeneca, GSK, Pfizer and Johnson & Johnson.

As well as an ageing population, other trends that will be especially relevant to our Life sciences sector are: advances in precision medicine and medical imaging; the increased importance of health informatics and data analytics; and the growth of wearable medical technology.

*Summary of sector needs:* support for spin-outs, access to test facilities, support to accelerate commercialisation
## Appendix 5

### Innovation performance of D2N2 firms

<table>
<thead>
<tr>
<th>Category</th>
<th>% of D2N2 firms</th>
<th>D2N2 rank (out of 39 LEP areas)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Organisational and marketing innovation</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Introduction of new business practices</td>
<td>29</td>
<td>17</td>
</tr>
<tr>
<td>New methods work organisation</td>
<td>16</td>
<td>37</td>
</tr>
<tr>
<td>Marketing innovation</td>
<td>16</td>
<td>28</td>
</tr>
<tr>
<td>Undertaking R&amp;D</td>
<td>22</td>
<td>13</td>
</tr>
<tr>
<td><strong>R&amp;D, design and collaboration</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Design investment for innovation</td>
<td>10</td>
<td>32</td>
</tr>
<tr>
<td>Collaboration</td>
<td>25</td>
<td>23</td>
</tr>
<tr>
<td>Product or service innovation</td>
<td>18</td>
<td>32</td>
</tr>
<tr>
<td><strong>Innovation outcomes and sales</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New to market innovation (product or service)</td>
<td>5</td>
<td>39</td>
</tr>
<tr>
<td>Process innovation</td>
<td>14</td>
<td>29</td>
</tr>
<tr>
<td>Sales of innovative products/services (mean)</td>
<td>21% of sales</td>
<td>38</td>
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</table>

*Source: Benchmarking Local Innovation, ERC & EEN, 2017. Based on 417 firms, margin of error c.4%*
## A1: D2N2 comparative profile

<table>
<thead>
<tr>
<th>Area</th>
<th>Economy</th>
<th>Employment</th>
<th>Business</th>
<th>Qualifications</th>
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<tr>
<td></td>
<td>GVA growth (%)</td>
<td>GVA per head (£)</td>
<td>Productivity (GVA per FTE, £)</td>
<td>Median annual earnings, £</td>
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<td>England</td>
<td>3.0%</td>
<td>£ 26,159</td>
<td>£ 68,005</td>
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<tr>
<td>East Midlands</td>
<td>1.8%</td>
<td>£ 20,929</td>
<td>£ 58,007</td>
<td>£ 21,172</td>
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<tr>
<td>D2N2</td>
<td>2.2%</td>
<td>£ 20,399</td>
<td>£ 57,185</td>
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<tr>
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<td>£ 65,089</td>
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<tr>
<td>Derbyshire</td>
<td>1.7%</td>
<td>£ 18,378</td>
<td>£ 58,926</td>
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<td>Amber Valley</td>
<td>1.7%</td>
<td>£ 20,486</td>
<td>£ 60,524</td>
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<tr>
<td>Bolsover</td>
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<td>£ 19,601</td>
<td>£ 49,194</td>
<td>£ 20,903</td>
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<td>Chesterfield</td>
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<td>£ 20,591</td>
<td>£ 51,807</td>
<td>£ 20,808</td>
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<tr>
<td>Derbyshire Dales</td>
<td>-1.9%</td>
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<td>Erewash</td>
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<td>£ 15,983</td>
<td>£ 60,000</td>
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<tr>
<td>High Peak</td>
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<td>£ 17,562</td>
<td>£ 61,808</td>
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<tr>
<td>North East Derbyshire</td>
<td>3.0%</td>
<td>£ 14,926</td>
<td>£ 64,652</td>
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<td>South Derbyshire</td>
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<td>£ 16,546</td>
<td>£ 63,192</td>
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<tr>
<td>Nottingham</td>
<td>3.6%</td>
<td>£ 27,645</td>
<td>£ 68,482</td>
<td>£ 22,111</td>
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<tr>
<td>Nottinghamshire</td>
<td>1.5%</td>
<td>£ 17,328</td>
<td>£ 58,427</td>
<td>£ 19,820</td>
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<tr>
<td>Ashfield</td>
<td>0.9%</td>
<td>£ 17,720</td>
<td>£ 50,345</td>
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<td>Bassettlaw</td>
<td>2.4%</td>
<td>£ 18,703</td>
<td>£ 53,550</td>
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<tr>
<td>Broxtowe</td>
<td>3.4%</td>
<td>£ 17,665</td>
<td>£ 60,091</td>
<td>£ 21,726</td>
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<tr>
<td>Gedling</td>
<td>3.4%</td>
<td>£ 14,441</td>
<td>£ 68,327</td>
<td>£ 17,650</td>
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<tr>
<td>Mansfield</td>
<td>0.6%</td>
<td>£ 14,986</td>
<td>£ 50,698</td>
<td>£ 15,226</td>
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<tr>
<td>Newark and Sherwood</td>
<td>-0.1%</td>
<td>£ 18,709</td>
<td>£ 58,368</td>
<td>£ 18,161</td>
</tr>
<tr>
<td>Rushcliffe</td>
<td>0.1%</td>
<td>£ 18,873</td>
<td>£ 66,462</td>
<td>£ 22,138</td>
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</table>

Legend:
- 10th percentile
- Median
- 90th percentile
- `!` - estimate not available due to sample size
- `>` - reverse for figures on claimants and population with no qualifications

**Note:**
- Data represents comparative indicators with England and respective county/city.
### Gross value added

<table>
<thead>
<tr>
<th>Region</th>
<th>Total GVA (2016, £m)</th>
<th>GVA per capita (2016, £)</th>
<th>GVA per capita growth, 2006-16, %</th>
<th>GVA per capita growth, 2011-16, %</th>
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<td>Derby</td>
<td>7,120</td>
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<td>27</td>
<td>15</td>
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<tr>
<td>Nottingham</td>
<td>9,060</td>
<td>27,852</td>
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<td>8</td>
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<tr>
<td>East Derbyshire33</td>
<td>5,325</td>
<td>18,820</td>
<td>36</td>
<td>19</td>
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<tr>
<td>South &amp; West Derbyshire34</td>
<td>9,919</td>
<td>19,727</td>
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<td>16</td>
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<tr>
<td>North Nottinghamshire35</td>
<td>8,826</td>
<td>18,926</td>
<td>24</td>
<td>12</td>
</tr>
<tr>
<td>South Nottinghamshire36</td>
<td>6,046</td>
<td>17,557</td>
<td>16</td>
<td>20</td>
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<tr>
<td>D2N2</td>
<td>46,296</td>
<td>21,256</td>
<td>21</td>
<td>14</td>
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<tr>
<td>Leicester &amp; Leicestershire</td>
<td>23,466</td>
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<td>Sheffield City Region</td>
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<td>13</td>
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<tr>
<td>Greater Manchester</td>
<td>63,673</td>
<td>22,886</td>
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<tr>
<td>Gtr Birmingham &amp; Solihull</td>
<td>46,810</td>
<td>23,251</td>
<td>25</td>
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<tr>
<td>East Midlands</td>
<td>101,587</td>
<td>21,502</td>
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<tr>
<td>UK</td>
<td>1,747,647</td>
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<td>15</td>
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</table>

Source: ONS, Regional GVA (income approach) by local authority; regional GVA by LEP

---

33 Bolsover, Chesterfield, North East Derbyshire
34 Amber Valley, Derbyshire Dales, Erewash, High Peak, South Derbyshire
35 Ashfield, Bassetlaw, Mansfield, Newark and Sherwood
36 Broxtowe, Gedling, Rushcliffe
### Productivity

<table>
<thead>
<tr>
<th>Area</th>
<th>GVA per hour worked (2016, £)</th>
<th>% growth, 2006-16</th>
<th>% growth, 2011-16</th>
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<tbody>
<tr>
<td>Derby</td>
<td>33.40</td>
<td>29</td>
<td>9</td>
</tr>
<tr>
<td>Nottingham</td>
<td>23.90</td>
<td>11</td>
<td>0</td>
</tr>
<tr>
<td>East Derbyshire</td>
<td>29.00</td>
<td>27</td>
<td>20</td>
</tr>
<tr>
<td>South and West Derbyshire</td>
<td>31.10</td>
<td>33</td>
<td>19</td>
</tr>
<tr>
<td>North Nottinghamshire</td>
<td>26.60</td>
<td>20</td>
<td>6</td>
</tr>
<tr>
<td>South Nottinghamshire</td>
<td>31.40</td>
<td>22</td>
<td>13</td>
</tr>
<tr>
<td>D2N2</td>
<td>27.60</td>
<td>23</td>
<td>10</td>
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<tr>
<td>Leicester &amp; Leicestershire</td>
<td>28.80</td>
<td>24</td>
<td>10</td>
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<tr>
<td>Sheffield City Region</td>
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<td>10</td>
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<tr>
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<td>20</td>
<td>7</td>
</tr>
<tr>
<td>Greater Birmingham &amp; Solihull</td>
<td>28.90</td>
<td>24</td>
<td>9</td>
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<tr>
<td><strong>East Midlands</strong></td>
<td><strong>28.00</strong></td>
<td><strong>22</strong></td>
<td><strong>10</strong></td>
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<tr>
<td><strong>UK</strong></td>
<td><strong>32.60</strong></td>
<td><strong>23</strong></td>
<td><strong>10</strong></td>
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</table>

*Source: ONS, Sub-regional productivity, LEP and NUTS 3, nominal (smoothed) GVA per hour worked*
### ESA, IB and SDA claimants in D2N2 and England

<table>
<thead>
<tr>
<th>Year</th>
<th>ESA</th>
<th>IB+SDA</th>
<th>England ESA+ID+SDA trend</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>94,380</td>
<td>1,860</td>
<td>1,940,000</td>
</tr>
<tr>
<td>2009</td>
<td>81,980</td>
<td>14,810</td>
<td>1,960,000</td>
</tr>
<tr>
<td>2010</td>
<td>75,260</td>
<td>19,540</td>
<td>1,980,000</td>
</tr>
<tr>
<td>2011</td>
<td>65,860</td>
<td>28,400</td>
<td>2,000,000</td>
</tr>
<tr>
<td>2012</td>
<td>38,740</td>
<td>50,940</td>
<td>2,020,000</td>
</tr>
<tr>
<td>2013</td>
<td>13,870</td>
<td>74,220</td>
<td>2,040,000</td>
</tr>
<tr>
<td>2014</td>
<td>8,280</td>
<td>80,380</td>
<td>2,060,000</td>
</tr>
<tr>
<td>2015</td>
<td>4,720</td>
<td>85,900</td>
<td>2,080,000</td>
</tr>
<tr>
<td>2016</td>
<td>1,680</td>
<td>90,090</td>
<td>2,100,000</td>
</tr>
</tbody>
</table>
## Identifiable public sector expenditure on Economic Affairs and Transport (2011/12 - 2015/16, £m, in descending order of % increase in Transport expenditure)

<table>
<thead>
<tr>
<th>Regions</th>
<th>Economic Affairs 2011-12 outturn</th>
<th>Economic Affairs 2015-16 outturn</th>
<th>% increase</th>
<th>Of which: Transport 2011-12 outturn</th>
<th>Of which: Transport 2015-16 outturn</th>
<th>% increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>South East</td>
<td>416</td>
<td>591</td>
<td>42.1</td>
<td>213</td>
<td>365</td>
<td>71.4</td>
</tr>
<tr>
<td>West Midlands</td>
<td>430</td>
<td>505</td>
<td>17.4</td>
<td>206</td>
<td>342</td>
<td>66.0</td>
</tr>
<tr>
<td>London</td>
<td>869</td>
<td>1,196</td>
<td>37.6</td>
<td>649</td>
<td>973</td>
<td>49.9</td>
</tr>
<tr>
<td>England Ave</td>
<td>534</td>
<td>664</td>
<td>24.3</td>
<td>298</td>
<td>444</td>
<td>49.0</td>
</tr>
<tr>
<td>South West</td>
<td>443</td>
<td>508</td>
<td>14.7</td>
<td>188</td>
<td>277</td>
<td>47.3</td>
</tr>
<tr>
<td>Yorks&amp;Humber</td>
<td>510</td>
<td>615</td>
<td>20.6</td>
<td>259</td>
<td>380</td>
<td>46.7</td>
</tr>
<tr>
<td>North West</td>
<td>496</td>
<td>603</td>
<td>21.6</td>
<td>275</td>
<td>401</td>
<td>45.8</td>
</tr>
<tr>
<td>UK</td>
<td>596</td>
<td>703</td>
<td>18.0</td>
<td>319</td>
<td>441</td>
<td>38.2</td>
</tr>
<tr>
<td>North East</td>
<td>527</td>
<td>558</td>
<td>5.9</td>
<td>223</td>
<td>299</td>
<td>34.1</td>
</tr>
<tr>
<td>East</td>
<td>543</td>
<td>610</td>
<td>12.3</td>
<td>286</td>
<td>365</td>
<td>27.6</td>
</tr>
<tr>
<td>East Midlands</td>
<td>465</td>
<td>475</td>
<td>2.2</td>
<td>209</td>
<td>260</td>
<td>24.4</td>
</tr>
</tbody>
</table>
### APPENDIX C

#### 2017/18 STATE OF THE ECONOMY DASHBOARD

**Summary**

The D2N2 LEP area economy has made good progress against most of the LEP’s key performance indicators. The highlights of the D2N2 economic performance include improving productivity, private sector employment, and improving business survival rates, as well as decreasing unemployment and employment and support allowance (ESA) claimants. Underperforming KPIs show a short-term negative trend in qualifications and a decrease in start-up rates. D2N2 area as a whole continues to underperform on productivity, start-up rates, higher level qualifications, CO2 emissions, healthy life expectancy and inclusion.

**Legend:**

- **Worse than England’s average**
- **Better than England’s average**
- **Getting Worse** *(up/down 0.01% or more)*
- **Insignificant Change** *(less than 0.01% change)*
- **Getting Better** *(up/down 0.01% or more)*

#### Key Performance Indicators

**Economic Indicators**

<table>
<thead>
<tr>
<th>Indicator</th>
<th>D2N2 Performance</th>
<th>National Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>GVA per FTE, £</td>
<td>£58,410 2.3%</td>
<td>£70,253 2.3%</td>
</tr>
<tr>
<td>Total Employees (number)</td>
<td>930,959 1.9%</td>
<td>25,352,553 2.0%</td>
</tr>
<tr>
<td>Private Sector Employees (number)</td>
<td>760,664 2.2%</td>
<td>21,017,840 2.3%</td>
</tr>
<tr>
<td>Private Sector Employees (%)</td>
<td>81.7% 0.2% pt.</td>
<td>82.9% 0.3% pt.</td>
</tr>
<tr>
<td>Economically active employment rate (%)</td>
<td>95.8% 0.4% pt.</td>
<td>95.1% 0.3% pt.</td>
</tr>
<tr>
<td>Working age unemployment rate (%)</td>
<td>4.1% -0.3% pt.</td>
<td>4.9% -0.3% pt.</td>
</tr>
<tr>
<td>Business start-up rate (%)</td>
<td>12.7% -2.6% pt.</td>
<td>15.0% 0.3% pt.</td>
</tr>
<tr>
<td>Business 3-year survival rate (%)</td>
<td>60.1% 1.6% pt.</td>
<td>60.4% 3.3% pt.</td>
</tr>
<tr>
<td>Business 5-year survival rate (%)</td>
<td>43.5% 0.8% pt.</td>
<td>44.0% 2.6% pt.</td>
</tr>
<tr>
<td>Working age population with L1+ qualifications (%)</td>
<td>31.6% -0.4% pt.</td>
<td>38.3% 0.4% pt.</td>
</tr>
<tr>
<td>Working age population with L3+ qualifications (%)</td>
<td>51.8% -1.6% pt.</td>
<td>57.1% 0.3% pt.</td>
</tr>
<tr>
<td>Working age population with no qualifications (%)</td>
<td>8.6% 0.5% pt.</td>
<td>7.6% -0.2% pt.</td>
</tr>
<tr>
<td>Apprenticeship starts (number)</td>
<td>23,750 -2.4%</td>
<td>485,500 -3.7%</td>
</tr>
</tbody>
</table>

**Health and Sustainability Indicators**

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Latest Position</th>
<th>Latest Change</th>
<th>Trend 2010-17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Claimant count, No. *</td>
<td>27,850 11.5%</td>
<td>-2.4%</td>
<td>759,610 14.4%</td>
</tr>
<tr>
<td>ESA claimants, No.</td>
<td>88,790 -1.4%</td>
<td>-3.5%</td>
<td>1,893,290 -3.5%</td>
</tr>
<tr>
<td>Working days lost due to sickness, %</td>
<td>1.0% -0.5% pt.</td>
<td>-0.1% pt.</td>
<td>1.2% -0.1% pt.</td>
</tr>
<tr>
<td>Gap in the employment rate between those with a learning disability and the overall employment rate, %pt</td>
<td>70.0% 0.4% pt.</td>
<td>68.7% 0.6% pt.</td>
<td>2017</td>
</tr>
<tr>
<td>Gap in the employment rate for those in contact with secondary mental health services and the overall employment rate, %pt</td>
<td>65.2% -0.4% pt.</td>
<td>67.4% 0.2% pt.</td>
<td>2017</td>
</tr>
<tr>
<td>CO2 emissions per capita, tonnes</td>
<td>7.1 -3.3%</td>
<td>5.6 -4.6%</td>
<td>2015</td>
</tr>
<tr>
<td>CO2 emissions per £m of annual GVA, tonnes</td>
<td>347.7 -5.0%</td>
<td>213.4 -6.8%</td>
<td>2015</td>
</tr>
<tr>
<td>Vehicle miles by cars, %</td>
<td>77.8% 0.0% pt.</td>
<td>78.1% -0.2% pt.</td>
<td>2016</td>
</tr>
<tr>
<td>Days air quality exceeds ‘moderate’ or higher thresholds, average number of days per site **</td>
<td>7.4 10.4%</td>
<td>10.4 -2.8%</td>
<td>2016</td>
</tr>
</tbody>
</table>

**Social Inclusion Indicators**

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Latest Position</th>
<th>Latest Change</th>
<th>Trend 2010-17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male healthy life expectancy at birth, years</td>
<td>60.8 0.5%</td>
<td>63.3 0.3%</td>
<td>2016</td>
</tr>
<tr>
<td>Female healthy life expectancy at birth, years</td>
<td>59.9 -1.3%</td>
<td>63.9 0.2%</td>
<td>2016</td>
</tr>
<tr>
<td>Households experiencing fuel poverty, No.</td>
<td>111,430 -4.4%</td>
<td>2,550,565 1.9%</td>
<td>2016</td>
</tr>
<tr>
<td>Households experiencing fuel poverty, %</td>
<td>12.1% -0.6%</td>
<td>11.1% 0.1%</td>
<td>2016</td>
</tr>
</tbody>
</table>

Notes: The (un)employment rates are based on those living in the D2N2 area regardless of where they work.

*Claimant count indicator reflects the switch from Job Seeker’s Allowance to Universal Credit. ** Based on measures at 3-5 sites in D2N2 - Chesterfield Loundsley Green, Chesterfield Roadside, Nottingham Centre, Nottingham Western Boulevard, Ladybower and 62 nationally, subject to meeting inclusion criteria.

Item 2.2 – Appendix D(i): Advanced Manufacturing – Strength in Places Proposal

£15m University of Nottingham led proposal to the Strength in Places Fund is to ensure D2N2 capitalises on the opportunity to become the UK centre for advanced manufacturing.

The D2N2 Science and Innovation Audit recognises the changing nature of Manufacturing is changing and the opportunities created by the emergence of Industry 4.0 and its associated technologies and techniques often summarised as industrial digitalisation.

The SIA concludes that D2N2 has important capabilities in this area and is very well placed “to make significant contributions to achieving the three goals of the recent industrial digitalisation review in the UK: leveraging technological leadership; promoting more rapid adoption; and driving further innovation in this area”.

The proposed Strength in Places project will promote innovation, drive increased productivity and stimulate regional growth amongst Manufacturing businesses in D2N2. The project will (1) provide support for new business start-ups, (2) encourage rapid growth by hosting or supporting local advanced manufacturing SMEs, (3) attract overseas businesses to set-up base in the region and (4) provide funding for high-impact joint research and knowledge exchange activities. The objectives are to produce collaborative projects to drive innovation through new products and services, and organise awareness activities and networking events to bring organisations together so that new partnerships are formed.

The project will oversee the development of a new state-of-the-art Advanced Manufacturing Innovation Centre as part of the University of Nottingham Innovation Park. This will integrate with the Institute of Advanced Manufacturing, which has the largest portfolio of EPRSC funded manufacturing research, and is housed in the recently opened £30m Advanced Manufacturing Building on Jubilee Campus.

The Innovation Centre will provide incubation space to start-up manufacturing businesses and inward investment companies, and offer technical support at preferential rates for an initial period of 3 years after which the services will be offered at standard commercial rates. Existing manufacturing businesses will benefit from engagement with the centre through innovative technology development, help with new product introduction and joint research and knowledge transfer for increased productivity, regional growth and job creation.

The Centre will also have a specific focus on attracting inward investment and attracting manufacturing businesses into D2N2. This can be done by providing initial set-up help and space for overseas businesses, thus promoting the expansion of existing businesses and encouraging increasing R&D spend. The Centre will also contain Banking and Venture Capital companies so that on-site investment advice is available.

The project will be led by University of Nottingham with support from University of Derby and Nottingham Trent University. The consortium will also include members of the Nottinghamshire Manufacturing Network and other local businesses. It will focus on providing support to manufacturing businesses in key D2N2 sectors including Transport Equipment, Food and Drink, Lifesciences and Construction, to ensure that local firms have the technologies and the skills required, to meet modern manufacturing requirements.

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1 24 grants worth £42.5m - https://epsrc.ukri.org/research/ourportfolio/themes/manufacturingthefuture/
Item 2.2 Appendix D(ii) REQUEST FOR D2N2 SUPPORT FOR THE STRENGTH IN PLACES (SIP) MED-TECH CLUSTER EoI.

This paper summarises the benefits our MedTech SIP will bring to the D2N2 economy and asks D2N2 its support. This is the EoI stage (Deadline 24th July -Requesting £50K from UKRI for developing the Full Bid):

‘Strategic’ fit to the priorities described in the D2N2 Science and Innovation Audit:
Our SIP focus is on developing the latent sector in Medical Technologies in East Midlands with supply chains across the D2N2 and LLEP geography, comprising of a technology cluster of some 375 companies serving medical needs locally, regionally, nationally and globally across the full spectrum of healthcare markets from preventative through to end of life stages. Excellence in Medical Technologies research and innovation exists in D2N2 through both Nottingham Trent University and the University of Nottingham. We will be partnering with a consortium led by Loughborough University and including University of Leicester with a differentiating focus on Rehabilitation based around the recently launched National Centre at DNRC (Defence National Rehabilitation Centre) at Stanford Hall on the border between D2N2 and LLEP

Local productivity challenge and how it fits with the D2N2 support “ecosystem”:
All businesses face the standard difficulties in establishing and scale up that are addressed by excellent business support programmes such as the D2N2 Growth Hubs and indeed the Nottingham MedTech(MT) Cluster already exploit this. The specific barriers that MT sector start-ups face are in translation from concept through to adoption by the end users (in the NHS). The journey from concept through prototyping, clinical evaluation and validation through to production and marketing is onerous and fraught with many hazards. It is the aim of our MT SIP to provide a safe passage through this series of hazards. Our SIP will dramatically improve the success rates of D2N2 MT Cluster of businesses creating a magnet for others to set up, establish and follow in their success. In particular it will support them to access new markets in rehabilitation med-tech created by the DNRC.

In order for both the Cluster to fully realise and service the growing market needs, as well as for D2N2 to retain and grow each member of the cluster, we must now build on our Strengths in Research and Innovation Excellence, to inject economic vigour to our nascent Super-Cluster, delivering economic vitality and growth for D2N2. Our mission is to provide a comprehensive programme comprising a range of multi-disciplinary research and innovation and clinical testing and validation activities to take MedTech Start-up Concepts to fully developed, clinically approved and market adopted Products and Services with excellent productivity.

Scale -We will seek significant BEIS funding to grow our cluster from 200 to 1000 MedTech companies by 2030 (Based on Strength and Opportunity 2017 –Lord Henley Report the East Midlands has the major potential)

Our D2N2 partnerships and co-investment commitments - include Clinical Partners at Nottingham University Hospitals Trust for access to real patients/ data and test environments; Medilink East Midlands for supporting our businesses in regulations and supply chain facilitation and Biocity/Medicity in provision of Business incubation, grow on space to help retain the cluster “stickiness” through facilitation services and initiatives.

We see D2N2 as a key actor in this mission and we write to make a formal request for support for this MedTech SIP.

University of Nottingham and Nottingham Trent University 06/07/2018
D2N2 BOARD REPORT

DATE: 16 July 2018

REPORT LEAD: Melanie Ulyatt, Lindsay Wetton

AGENDA ITEM: 3.2

TITLE: Growth Hub & Business Engagement Report

1. INTRODUCTION
The purpose of this report is to update members on developments and progress made in the D2N2 Growth Hub and key business engagement issues.

2. RECOMMENDATION
2.1 BOARD to:
   a) Note the D2N2 Growth Hub and business engagement report.

3. BACKGROUND
3.1 The D2N2 Growth Hub has been operating since December 2014 with a mix of funding (BEIS, ERDF and local investment).
3.2 The Growth Hub has supported over 6,500 businesses in D2N2.
3.3 We have a regular dialogue with businesses and business groups such as Institute of Directors, FSB, CBI and EM Chamber and reflect these in our business support activities.

4. GROWTH HUB PROGRESS
The Growth Hub continues to deliver business support services across the area and below are the key areas of activity during the previous quarter.
   a) Headline Statistics

6,595 Engaged To Date
3,900 engaged since Apr 2016
b) **Overall Engagement Levels** - We have no formal target but the engagement level is now 6,595 businesses for ERDF purposes, representing 9% of the overall D2N2 business population (approx. 72,000). Note the figures below include engagement of the Growth Hub are higher. This is because we have been reviewing data on the CRM system and it also includes partner figures from East Midlands Chamber. These businesses have given permission to receive information about the Growth Hub, have been supported and it begins to show how, by drawing business data together, we are supporting 12% of the business population through our partnerships. As the Growth Hub develops in line with SEP ambitions, we plan to build this level of intelligence on business needs and support.

**Intervention by Local Authority**

<table>
<thead>
<tr>
<th>Local Authority Area</th>
<th>No of Businesses (ONS 2016)</th>
<th>Growth Hub Interventions</th>
<th>%</th>
<th>Ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ashfield</td>
<td>2,800</td>
<td>396</td>
<td>13%</td>
<td>8</td>
</tr>
<tr>
<td>Bassetlaw</td>
<td>3,875</td>
<td>293</td>
<td>8%</td>
<td>16</td>
</tr>
<tr>
<td>Broxtowe</td>
<td>3,180</td>
<td>434</td>
<td>14%</td>
<td>5</td>
</tr>
<tr>
<td>Gedling</td>
<td>3,385</td>
<td>343</td>
<td>10%</td>
<td>13</td>
</tr>
<tr>
<td>Mansfield</td>
<td>2,645</td>
<td>445</td>
<td>17%</td>
<td>4</td>
</tr>
<tr>
<td>Newark &amp; Sherwood</td>
<td>4,675</td>
<td>465</td>
<td>10%</td>
<td>13</td>
</tr>
<tr>
<td>Rushcliffe</td>
<td>5,155</td>
<td>479</td>
<td>9%</td>
<td>15</td>
</tr>
<tr>
<td><strong>(Total Notts County Area)</strong></td>
<td><strong>25,715</strong></td>
<td><strong>2,855</strong></td>
<td><strong>11%</strong></td>
<td></td>
</tr>
<tr>
<td>Nottingham City*</td>
<td>8,480</td>
<td>2,253</td>
<td>27%</td>
<td>2</td>
</tr>
<tr>
<td>Amber Valley</td>
<td>4,430</td>
<td>616</td>
<td>14%</td>
<td>5</td>
</tr>
<tr>
<td>Bolsover</td>
<td>4,080</td>
<td>350</td>
<td>9%</td>
<td>15</td>
</tr>
<tr>
<td>Chesterfield*</td>
<td>3,275</td>
<td>1,007</td>
<td>31%</td>
<td>1</td>
</tr>
<tr>
<td>Derbyshire Dales*</td>
<td>4,640</td>
<td>597</td>
<td>13%</td>
<td>8</td>
</tr>
<tr>
<td>Erewash</td>
<td>3,595</td>
<td>504</td>
<td>14%</td>
<td>5</td>
</tr>
<tr>
<td>High Peak</td>
<td>3,820</td>
<td>464</td>
<td>12%</td>
<td>11</td>
</tr>
<tr>
<td>North East Derbyshire</td>
<td>3,305</td>
<td>444</td>
<td>13%</td>
<td>8</td>
</tr>
<tr>
<td>South Derbyshire</td>
<td>3,625</td>
<td>407</td>
<td>11%</td>
<td>12</td>
</tr>
<tr>
<td><strong>(Total Derbys County Area)</strong></td>
<td><strong>30,770</strong></td>
<td><strong>4,389</strong></td>
<td><strong>14%</strong></td>
<td></td>
</tr>
<tr>
<td>Derby City</td>
<td>7,000</td>
<td>1733</td>
<td>25%</td>
<td>3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>71,965</td>
<td>11,230</td>
<td>12%</td>
<td></td>
</tr>
<tr>
<td>Out of Area</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td>71,965</td>
<td>11,418</td>
<td>16%</td>
<td></td>
</tr>
</tbody>
</table>
Engagement at Local Authority Level

Actively Engaged by Local Authority

Total SMEs Assisted by Initial Engagement

Businesses Assisted by Initial Engagement Date
Total No: 6,595
Since 1st April 2016: 4,374
5. Developing the Growth Hub for the Future

In the context of the Strategic Economic Plan, the Growth Hub is progressing with the production of a Strategy to focus efforts whilst ensuring a good level of service to all our D2N2 businesses.

Scale Up businesses

Middle Band of active businesses

From SIA Audit

- Energy and Low Life Sciences
- Next Generation Transport
- Food & Drink Manufacturing

Advanced Manufacturing & Engineering
- Digital Technologies and Data
- Systems Integrations

Innovation

Visitor Economy
- Transport & Logistics
- Construction
- Creative & Digital Industries

Other Key Existing Sectors

Skills Support for businesses — Levy, apprenticeships, higher level skills

Each Quarter EMC survey members to draw upon their perceptions of the trading environment. After a strong start to 2018, business showed a slight slowdown in domestic markets in the second three months of the year, according to the latest research by the Chamber.

What was noticeable in the results of the Chamber’s second Quarterly Economic Survey of the year was a drop in firms’ investment intentions, particularly in the manufacturing sector.

Where investment continues, there are mixed messages about whether it is defensive - with firms seeking to safeguard against future developments – or offensive - such as investing in overseas facilities to negate any potential negative impact of border delays and tariffs that could result from the UK leaving the EU.

The data shows that business confidence in future turnover and profitability is at its lowest for a year, although it remains strongly positive.

As per the past few years’-worth of data, the latest survey results show a continued six- to seven-out-of-ten businesses trying to recruit, with 60% of those struggling to find the right staff.

This is a perennial issue, but has yet to translate into significant wage increases or drops in business activity.
1. INTRODUCTION

1.1 This report provides an update on the 24th of May 2018 Infrastructure and Investment Board (IIB).

2. RECOMMENDATION

- To receive project updates and the high risk report and note budget update and proposal.
- To approve the funding release for Nottingham Castle, Chesterfield HS2 Strategic Sites- Pre compliance funding request and NTU MTIF Centre additional grant allocation.

3. PROGRESS

24th May IIB

3.1 The May 2018 IIB was held at County Hall, Matlock it considered the following agenda items:
   a. An update of the LGF projects including High Risk projects, a change request and output delivery.
   b. Local Growth Fund Budget and Project Monitoring
   c. An update paper from the N2 Town Centres Project
   d. Presentation from Nottingham Castle for £5m funding release
   e. Presentation for pre compliance funding for the HS2 Strategic Sites
   f. Presentation from NTU for MTIF Centre funding request
   g. An update of the Infrastructure Plan

3.2 A project update was provided which included a full rundown of projects and an overall RAG rating. Also included those that are high-risk, with four projects currently being on this list.
   a. Gedling Access Road – start date for commencement of the project has slipped by 12 months due to delays in a CPO.
   b. A61 corridor/Whittington Moor Roundabout – delays in submission of stage 2 business case.
   c. Vesuvius – queries outstanding around the amount of grant requested. Viability gap needs to be established and is being worked on internally for conclusion at July meeting.
   d. Newark Southern Link Road – Output targets have been missed.
3.3 One change request was received from the D2N2 Sustainable Transport Programme to reallocate £415,000 from the 2017/18 financial year to the Quarter 2 of the 2018/19 financial year. The IIB approved the request and the expenditure change has been factored in to a revised funding profile.

3.4 Budget Update – The current programme forecast for 2018/19 is £72.67 Million against a target of £32.36M. The overspend takes into account funding carried forward from previous years which currently stands at £40M.

3.5 A presentation was given by the Nottingham Castle project to request £5m of Local Growth Funding be released alongside £2m of future Business Rate returns from the D2N2 Enterprise Zone sites, following the LEP Board decision to allow the release of funding on the 18th of May. The request for £5m of funding was approved.

3.6 A presentation was received from Chesterfield Borough Council for £1.3m of pre compliance LGF Funding to enable the purchase of a strategic site relevant to the HS2 Station development in Chesterfield. The IIB approved the release of £1m for the project to enable the initial site acquisition elements of the project.

3.7 Nottingham Trent University delivered a presentation to request an additional £1m of funding for the project to enable a shortfall of funding to be closed. The request was approved by the IIB and an additional £1m of funding will be allocated to the NTU MTIF project.

3.8 Update papers regarding the N2 Town Centres and the D2N2 Infrastructure Plan work were delivered to the IIB. Both updates were noted.

Tom Goshawk
Capital Projects – D2N2 LEP