



Report 6: Review of D2N2 Research & Strategy and Gap Analysis

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The first stage of the LEP Capacity Fund Project (July-August 2011) involved an audit of all relevant research and strategy known to LEP partner organisations, including Local Economic Assessments, Employment Land Studies, local strategies and commissioned consultancy studies. This report summarises the literature review undertaken by the Capacity Fund Project Team at Nottingham Business School, overviewing key documents and identifying gaps and areas of commonality to inform the subsequent stages of the project.

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D2N2 LEP Capacity Fund: Evidence Report 6 - Review of D2N2 Research & Strategy and Gap Analysis

6.1 Common issues from the shared research literature

- **Advanced Manufacturing** is identified as an important asset, of national and global significance, across Derby and Derbyshire.
- All Local Economic Assessments identify **lower than average levels of enterprise** as a challenge, with lower than average start up rates in all areas except Nottingham City.
- **Retention of well-qualified young people and workforce development** are challenges across the LEP area. In Nottinghamshire and Derbyshire particularly, good school attainment rates in many areas are not matched by workforce skill levels, suggesting the out-migration of young people.
- **Tourism and the visitor economy** are identified as important opportunities for future growth and for diversification and resilience in all areas. The Nottingham and Nottinghamshire LEA note a close link between tourism and the retail sector in Nottingham City – with 36% of all tourism jobs in retail (the largest share of the sub-sectors identified in the wider definition of tourism used in the LEA). However, also notes challenges with a downturn of both business and leisure tourism with hotels in Nottingham seeing reduced occupancy – despite new attractions such as Nottingham Contemporary and the New Art Exchange. The LEA flags significant concern around a perceived deterioration in Nottingham’s relative retail offer – evidenced in falling national retail ranking.
- The impact of **public sector spending cuts** is a concern (with Derby City less exposed than elsewhere in the LEP area), but areas in Nottinghamshire and Derbyshire are particularly exposed (e.g. with Mansfield and Ashfield identified by Experian as among the most ‘vulnerable’ local authority areas nationally).
- In Derbyshire and Derby City there is a perception of vulnerability due to **a reliance on large manufacturing employers** (but also a source of success).

6.2 Common strategic priorities

- **Increasing enterprise activity** – particularly addressing low business start-up rates across the LEP area.
- **Business support** –with businesses calling for greater targeting and specialisation, and raising concern for provision post-2012.
- **Diversification as a route to resilience** – linked to increasing the number of SMEs through entrepreneurship.

6.3 Questions and issues for further research

- Some consultancy reports identify specialisation (particularly in Advanced Manufacturing) as a risk, and advise a strategy of diversification, whilst others highlight the need to recognise path dependency and to build on assets. This is a key area of policy tension for the LEP: there is a need to strike a balance between building on the advantages of specialisation in some sectors alongside strategies of diversification.
- More detail is needed on the **skill needs of key sectors** and their relationship between strengths and weaknesses of workforce skills in the area.
- There is a need to consult with employers whether LEP partners should prioritise supporting **generic/entry level skills** – appropriate to all sectors (recommended by Centre for Cities) - or whether **greater tailoring, especially of FE provision**, is needed to meet employer needs in priority sectors. More

detailed information on the balance between measures of skills demand and supply would be useful in informing this debate.

- **Complementarities and links across the LEP area** need to be defined. Current research focuses on Derby/Derbyshire and Nottingham/Nottinghamshire with little detail on cross-border linkages, similarities, differences and opportunities. The Evidence Reports produced for the LEP Capacity Fund project will focus on this.
- More detail needed on the make-up of key **sectors** is needed, particularly Advanced Manufacturing and Tourism, in order to target activity.
- Because of data availability at a local level, there is limited information on **innovation activity and R&D** in existing assessments.

6.4 Assessment and Gap Analysis

Author	Title (date)	Overview/Key Points	Comments	Gaps/Further Research
Local Economic Assessments and Local Strategies				
Nottingham City Council/Nottinghamshire County Council	Local Economic Assessment	<p>Joint economic assessment undertaken in accordance with CLG guidance for the statutory LEA duty. Represents “an agreed evidence base to inform a variety of policy areas across a range of partners and to help Councils reflect on the challenges to service delivery.” To inform the development of the LEP, this document aims to identify ‘strategic challenges’ – which are set out in a separate document (<i>‘Strategic Opportunities for Nottingham and Nottinghamshire’</i> summarised below).</p> <p>Key points from the evidence are:</p> <ul style="list-style-type: none"> • The area has a mixed spatial economy, with some areas dependent on Nottingham City, whilst others have strong linkages to other centres (e.g. Sheffield); • Nottingham’s challenges/opportunities include: a high quality HE and FE offer; good links to London; world-class sporting facilities (e.g. Trent Bridge) and a growing arts/culture offer; against high levels of congestion and difficulties in connecting deprived communities to employment opportunities in the city centre; • Newark is identified as a strong sub-regional centre, with high employment in the service sector; • Towns identified as more challenged ‘transition economies’ (Mansfield, Worksop etc.) exhibit opportunities in advanced manufacturing and a number of employment growth sites (e.g. Sherwood Growth Zone); • Nottingham City has a very high proportion of exporting companies, whilst Nottinghamshire has a much lower proportion; • Rural areas of Nottinghamshire are relatively self- 	<p>Travel-to-Work-Areas (TTWAs) are used as the preferred geography within the sub-region (or approximate aggregations of LADs due to data availability). The report provides a good level of spatial detail, but has more limited detail on the structure of important sectors.</p> <p>The report makes wide use of available research literature – such as the <i>emda</i>/University of Lincoln work on the structure of regional economies and ‘secondary centres’.</p> <p>More detail is required on skills challenges/opportunities and the balance between skill supply and demand. For example, the supply of qualifications in the workforce at Level 3 is higher than the England average in a number of TTWAs – but the report does not draw parallels with the areas’ industrial structure (i.e. the extent to which Level 3 skills are a function of demand for Skilled Trades/Associate Professionals in Construction, Manufacturing etc.).</p> <p>Analysis on the occupational structure of employment (a classification of the type of jobs held by individuals) could be expanded. This is important as an indication of the level and type of skill required in the workplace.</p> <p>Comparisons between occupational profile and commuting behaviour could be drawn – as labour market research suggests that more</p>	<p>Further work could be undertaken on:</p> <ul style="list-style-type: none"> • Sectors and opportunities for innovation as well as a reassessment of sectoral strengths following the 2010 Experian report. For example, the report identifies Energy (production) as an important sector for future growth – but latest Official Statistics indicate that it is already a relatively important employment sector for Nottinghamshire. There are important skill implications – associated with ‘low carbon skills’, which could be relevant to other sectors (e.g. Construction); • Emissions are identified as a threat/challenge in the report. Nottinghamshire is an important exporter of power nationally, so it would be useful to make greater distinction between emissions attributed to end-users (i.e. economic activity) and point-sources (e.g. power stations – exported outside the LEP area); and

		<p>contained in commuting terms, but exhibit strong educational performance alongside lower workforce skill levels (suggesting poor retention of well-qualified young-people);</p> <ul style="list-style-type: none"> • Important employment sectors include: Retail; Health Care; Construction; and Business Services. The Creative, Environmental Technologies, Energy and Advanced Manufacturing sectors are identified as areas of competitive advantage/future growth (based on sector study carried out by Experian in 2010); • However, the importance of the public sector as an employer means that many districts are relatively exposed to the impact of spending cuts, e.g. Mansfield and Ashfield; • Nottinghamshire has an ageing population; • Nottingham has experienced a decline in its national retail ranking– this is also concerning for tourism (due to close relationship between tourism and retail); and • There needs to be a significant increase in affordable housing to meet the high levels of need within Nottinghamshire (due to relatively low average earnings and high proportions of employment in low pay/low skill jobs). 	<p>highly skilled workers are more likely to travel further to work – whilst low-skilled workers tend to be more reliant on local labour markets. The relatively low pay, low skill profile of the labour market in rural parts of Nottinghamshire could be an influencing factor in the lower levels of commuting noted in the report.</p>	<ul style="list-style-type: none"> • A detailed study of the balance between measures of skills demand and supply – particularly a detailed assessment of occupational profile and an investigation of how far FE and HE provision meets employer need. This could be useful in informing LEP strategic influence on FE and HE provision in the new funding landscape. This is covered in Evidence Reports 4 and 5 of the LEP Capacity Fund Project.
<p>Nottingham City Council/Nottinghamshire County Council</p>	<p>Strategic Economic Opportunities for Nottingham and Nottinghamshire, (November 2010)</p>	<p>Nine ‘strategic economic opportunities’ (i.e. broad policy priorities) based on the analysis in the joint Nottingham/Nottinghamshire Local Economic Assessment. These are as follows:</p> <ul style="list-style-type: none"> • SEO1: ‘Build on local strengths in the economy, generating jobs and accelerating growth in high value sectors’: based on sectoral strengths broadly identified in the LEA (plus logistics) and identifying ways of maximising assets like Biocity and the supply chains of firms like Boots, Rolls Royce, etc. • SEO2: ‘Maximise opportunities presented by our universities...’ (for enterprise, R&D, job-creation): 	<p>These ‘strategic economic opportunities’ are relatively high level, but all are relevant to the provisional D2N2 LEP priority areas. There is therefore a need to identify specific opportunities/ interventions related to LEP terms of reference and identify relevant delivery partners (i.e. implementation planning).</p> <p>It is interesting to note, in light of the LEA analysis, that the concern around the retention of graduates can also be related to young people more broadly (i.e. school</p>	<p>Part 4 of the LEP Capacity Fund project aims to assess and test policy opportunities through business engagement. The D2N2 Board has identified a number of sectoral Advisory Groups, which will be well placed to consider the Nottingham/Nottinghamshire ‘strategic economic opportunities’ in the context of the wider LEP.</p>

		<p>identifies the need to take advantage of HE innovation centres (and the Ingenuity Programme), Nottingham’s Science City status, and increasing the retention of graduates.</p> <ul style="list-style-type: none"> • SEO3: ‘Maximising the potential of existing and emerging international connections and markets...’ (increasing exports and attracting investment): includes building on HE links with Asia. • SEO4: ‘Improve economic resilience by supporting a mix of new smaller businesses...’: based on a concern that Nottinghamshire in particular has been historically reliant on a small number of large companies for employment, and that enterprise start-up rates across the sub-region have been below average; local supply chains for goods and services could be further developed (<i>does this refer to public procurement?</i>). • SEO5: ‘Up-skill the existing workforce with a focus on the needs and opportunities of the economy...’ (raising productivity and wages and improving access to work): workforce skills need to meet needs of both growing sectors and large employment sectors (health, retail, wholesale); health in particular provides entry level jobs alongside opportunities for progression; there is a need to re-skill workers in declining sectors; and FE colleges and training providers have an important role in meeting local employer need. • SEO6: Prioritise investment in critical infrastructure...’ (attracting further business investment and employment): including “reinvigorating” house building activity, which declined significantly due to the recession; prioritise investment on key routes, such as the A453; fill gaps in the digital infrastructure; and improve the stock of employment land. • SEO7: ‘Improve the attainment, aspiration and 	<p>attainment rates have improved, but workforce skills remain a problem – suggesting the loss of qualified young people to other parts of the UK). An analysis of the employment outcomes of HE leavers by course, and of FE provision, would be useful to inform LEP strategic influencing of providers.</p>	
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<p>Derby City Council</p>	<p>Local Economic Assessment (March 2010)</p>	<p>An LEA conducted by Derby City Council in line with the CLG guidance for the statutory duty. Report uses a number of geographies to reflect Derby's 'functional economic' boundary, including the HMA and Retail Catchment area (defined in the 2009 Roger Tym '<i>Derby Retail and Leisure Study</i>', below).</p> <p>Key points from the evidence are:</p> <ul style="list-style-type: none"> • Derby City is relatively self-contained, with 74% of residents working in the city. Nottingham and South Derbyshire are the destinations of the largest proportions of out-commuters; • The city has had significant success historically in transforming traditional manufacturing capabilities into high-value engineering – associated with high-skill, well-paid employment. This is also reflected in a higher-skill occupational profile compared to elsewhere in the East Midlands, and also intermediate strengths in the Skilled Trades. Derby has the highest workplace wages of any city outside London; • However, there are also higher proportions of residents with no qualifications across the city as a whole and concentrations of deprivation in some neighbourhoods; • Manufacturing, Public Administration and Finance are all important employment sectors; 	<p>A very comprehensive report – utilising a range of interesting data sets (including the new GDHI series and the DLHE survey of recent graduates).</p> <p>Clearly indicates the strengths of Derby – particularly in high-value manufacturing, although more detail on sub-sectors would be useful where data availability permits.</p> <p>However, this report was written prior to the Government's decision on Thameslink and the Citi-Bank/Egg announcement – so a number of the threats indicated in the report (such as relative reliance on a small number of large employers) require more consideration and possible economic impact assessment.</p>	<p>Need to update interpretation in light of impacts of Citi—Bank/Egg closure and threats to Bombardier following the loss of the Thameslink contract.</p> <p>Important not to overstate 'low business start-up rates' as a challenges in Derby. The latest Business Birth rate for Derby is 10.5 compared to 10.1 in the UK (2009) – see Evidence Report 3. Qualitative evidence also suggests that large firms can support spin-out activity – e.g. Capacity Fund Seminar at Derby University identified spin-outs from Rolls Royce.</p>

		<ul style="list-style-type: none"> • Some of Derby’s largest employers are in the public sector (Derby City Council, Derby NHS Trust and the University of Derby). However, research undertaken by the Centre for Cities suggested that Derby was less vulnerable than other towns and cities to the impacts of public spending cuts; • Derby City has lower than average business start-up rates and also has a higher proportion of employment in large companies than elsewhere, making the city vulnerable to future shocks; and • Derby has experienced faster growth in GVA per head than either the East Midlands or national averages, which the LEA relates to the presence of highly productive, export-led companies – particularly in manufacturing and engineering. 		
<p>Derby City Council</p>	<p>'Derby’s Economic Strategy , 2011 – 2016 – Driving Wealth Creation in Derby’ (June 2011)</p>	<p>The primary evidence base for the strategy is provided by the Derby Local Economic Assessment (above). The Economic Strategy provides the overarching framework for Derby’s Enterprise Growth Strategy, the Visitor Economy Strategy, the City Centre Regeneration Framework (related to the emerging LDF/Core Strategy and existing LTP) and the Inward Investment Strategy. In turn, the Economic Strategy forms the economic element of the broader city-wide Derby Plan.</p> <p>Strategic objectives are organised under three themes:</p> <ul style="list-style-type: none"> • ‘Creating a culture where enterprise thrives’: increasing self-employment and growth of small enterprises, improving business links with HE and FE, targeting high growth businesses, improving employment sites, targeting and attracting inward investment, and encouraging diversification and localisation of supply chains (to balance Derby’s relative reliance on a small number of large employers). • ‘Ensuring workforce skills match business needs’: identifying barriers to employment in deprived areas, ensuring training meets the needs of 		<p>Need to update interpretation in light of impacts of Citi—Bank/Egg closure and threats to Bombardier following the loss of the Thameslink contract.</p> <p>Note challenges to emphasis on increasing the number of business start-ups – given range of sources (incl. academic research, Mark Hart et al.) on the importance of quality of business starts vs. quantity. Also NESTA research on high growth firms accounting for large share of employment creation. This highlights the importance of supporting an environment conducive to high-growth firms (investment, skills, innovation), rather than ‘picking winners’ or attempting to increase start-up per se. See Capacity Fund Evidence Report 3: The</p>

		<p>employers in entry-level jobs, understanding the skill needs of key business sectors and influencing training provision accordingly, and improving relationships between Children and Young People’s services – improving available information on careers.</p> <ul style="list-style-type: none"> • ‘Maximising quality of life’: developing the Castleward Urban Village, maximising the benefits of new sports and events facilities, improving civic spaces and promoting development on the riverside (including leisure facilities), generate a database of low carbon businesses in Derby and promoting low carbon technologies by linking business innovation with expertise in HE. 		<p>D2N2 Economy for further information.</p>
<p>GVA Grimley (on behalf of Derby City Council)</p>	<p>Enterprise Growth Strategy (December 2010)</p>	<p>Drafted in the expectation of reduced central Government funding for enterprise, the de-regionalisation of business support and resulting significant reduction in the range of availability of business support in Derby.</p> <p>The strategy identifies Derby’s economy as ‘strong but risky’, due to the relative dependence on a small number of large employers (including the public sector). The low rate of business start-up is identified as a major weakness – which business support should focus on increasing as ‘part of wider strategy of resilience, productivity and economic prosperity’. Central to this are ‘existing skills in advanced manufacturing.’ <i>(note more recent evidence, in Capacity Fund Evidence Report 3, which demonstrates that business start-up activity is actually higher than the UK average in Derby City – important not to overemphasise “low enterprise activity” as a challenge for Derby, especially given spin-out opportunities from high-performing large firms).</i></p> <p>Existing or historic business support and innovation products include High Growth East Midlands, the iNets, business coaching and R&D grants, which have all been</p>	<p>Close links with challenges identified in the Derby City LEA and the Centre for Cities report – especially the perception of risks associated with a relative over-reliance on a small number of large employers.</p>	<p>See above concern on emphasis on increasing quantity of business start-ups rather than quality. Research demonstrates that a small number of ‘quality’ high growth firms are responsible for the largest share of employment creation. High growth firms can be start-ups, or existing companies. See Evidence Report 3.</p> <p>The strategy identifies the need to conduct further research into niche sub-sectors (such as through the IDBR).</p> <p>A more detailed understanding of supply-chain relationships would also inform implementation of elements of this strategy.</p>

		<p>well received by beneficiaries – but many of which are likely to end in 2012. When surveyed, businesses “prefer tailored support delivered through coaching and mentoring” aimed towards fostering “high growth and innovation”. The strategy thus has a strong emphasis on targeting high growth firms through tailored intervention.</p> <p>Key actions include:</p> <ul style="list-style-type: none"> • Identifying businesses with high growth potential and designing a targeted programme of support; • Identifying where specific activities/investments are required (e.g. IT/broadband, access to finance etc.); • Building a resource of quality mentors and business coaches to deliver programmes with a small management function; • Engaging banks and financial institutions to participate in access to finance activity; • Link with the worklessness agenda to enable employment benefits from high growth businesses; • Mapping supply chains of key employers to identify if any additional products can be provided locally and creating a supply chain coaching programme; • Creating a web-portal to translate high-level national start-up guidance into something more locally specific (without duplicating national or regional guidance). Includes translating national support in the context of Derby’s key sectors; and • Exploring the future potential for a small loan fund. 		
<p>Derbyshire County Council</p>	<p>‘Derbyshire’s Local Economic Assessment: 2011’ (April 2011)</p>	<p>Updated and expanded version of the 2010 ‘Initial Evidence Base’ following consultation with district authorities and other local partners. This follows a similar structure to the Nottingham/Nottinghamshire and Derby City Local Economic Assessments, in line with the</p>	<p>Useful interpretation of the role of economic history – but the application of ideas such as <i>path dependence</i> and <i>competitive advantage</i> would be useful concepts to develop this interpretation. Good identification on historic</p>	<p>Need for greater detail on the structure of key sectors - especially manufacturing, but also tourism (not just a homogenous sector – has high value and low</p>

		<p>guidance published by CLG to inform the statutory duty.</p> <p>Key points:</p> <ul style="list-style-type: none"> • Particularly complex economic geography with a large number of smaller secondary centres (both successful market towns and more challenged former industrial towns) and strong links with large centres outside the County – including Manchester, Sheffield, Nottingham. Derbyshire as a whole is a net exporter of commuters (only Chesterfield is a net importer); • Importance of manufacturing – but potentially less high value added (compared to Derby City?), with below average productivity across the County; • Identifies a need to diversify, with opportunities identified in creative & cultural and tourism sectors; • Sectors associated with the Public sector account for the largest proportion of employment; • Challenges include significant disparities in employment and skills between local areas (with concentrations of deprivation in the north east of the County), low levels of entrepreneurship and a relatively slow recovery from recession in terms of employment rates; • The Derbyshire LEA utilises the Derbyshire and Nottinghamshire Chamber Quarterly Business Survey. The Qtr 4 2010 survey shows mixed results, with steady growth/recovery through 2010 followed by significant falls in business confidence at the end of the year. The Qtr 1 2011 survey shows improved confidence for manufacturers but less positive views from service sector businesses; • Recruitment difficulties in Derbyshire are also 	<p>sub-sectors, but less detail on current sub-sectors and limited information on innovation/R&D activity.</p> <p>Use of BIS and Eurostat definitions of ‘High and Medium-High Tech Manufacturing’ etc. enables useful comment on higher-value vs. more routine activities, but more sub-sector detail needed to better understand the relative performance of specific parts of advanced manufacturing.</p> <p>Tourism (and the wider ‘visitor economy’) is flagged as a priority – associated with the need to diversify Derbyshire’s economic base and to make best use of natural assets. However, there are skill/quality of work issues with many activities associated with tourism (e.g. hospitality). Detailed analysis of STEAM data – including employment and productivity – would be useful to identify high-value sub-sectors and activities within tourism – in order to inform more targeted prioritisation.</p> <p>Note the consistent identification of low business start-up rates across the Local Economic Assessments in the D2N2 area.</p> <p>Both Derby and Derbyshire LEAs identify an over-reliance on manufacturing and a small number of large firms as a potential concern – and flag up a need to diversify activity.</p>	<p>value elements).</p> <p>Innovation activity could also be covered in more detail – but this is associated with data availability issues (suggest looking at relevant programme evaluations, e.g. iNets etc.).</p> <p>Further research could help tell a clearer story of economic-geography. Arguably Derbyshire has at least four distinct stories:</p> <ul style="list-style-type: none"> • South west Derbyshire (high wages, employed in advanced manufacturing, out-commuting of skilled staff); • Peak District (rural, successful market towns, affordability problems); • North east Derbyshire (former industrial towns, concentrations of deprivation, more ‘traditional’ manufacturing, public sector etc.); plus • M1 corridor (advanced manufacturing, logistics) and communities that could be part of the functional geographies of Derby and Nottingham Cities (e.g. Long Eaton).
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		<p>highlighted as a long-term issue in the 2009 NESS (with higher skills shortage vacancies than the East Midlands or England);</p> <ul style="list-style-type: none"> Strengths are identified in the high quality landscape (i.e. the Peak District National Park) and generally good school attainment, but (like Nottinghamshire) there are lower levels of workforce skills, which could indicate the out-migration of young people; The disparity between residence and workplace-based earnings indicates the out-commuting of highly skilled residents; and The LEA identifies a need to increase the number of Apprentices, especially in support of high-value manufacturing. 		
Author	Title (date)	Overview/Key Points	Comments	Gaps/Further Research
Consultancy Studies and Think Pieces				
Centre for Cities (on behalf of Derby City Council)	'Shifting Gears: Safeguarding Derby's Economic Growth' (October 2010)	<p>A research report produced for Derby by the Centre for Cities think-tank as part of a national 'Partner Cities' research programme. Investigates Derby's sectoral strengths and risks and identifies opportunities to build on successes – especially in high value activities.</p> <p>Key findings are as follows:</p> <ul style="list-style-type: none"> According to the 2008 ABI, 9.5% of the workforce in Derby are employed in 'advanced manufacturing' (definition?) compared to 1.2% in Great Britain; Particular strengths are in aerospace (and rail), contributing to the highest average workplace earnings for any city outside London and the South East; Rolls Royce accounts for the largest number of employees in the city (followed by Derby City Council). Employment in large firms is significantly higher than the national average; Conversely, there is a low level of enterprise 	<p>A useful study with a number of clear policy recommendations (which correlate closely to actions identified in the Derby Economic Strategy above).</p> <p>Clear identification of both the competitive advantages of Derby's advanced manufacturing base, but also the risks (potential over-reliance on a small number of very large employers). Accurately predicts risks to rail industry in the city if Bombardier is not successful in winning either the Thameslink or Crossrail contracts.</p> <p>Centre for Cities propose the interesting recommendation (based on UKCES and other literature) that skills-matching to the needs of large, high-performing employers is problematic (such employers recruit globally)</p>	<p>Suggests need for more detailed research on supply chains and links between advanced manufacturing sub-sectors following the URS report.</p> <p>Centre for Cities make three potentially controversial recommendations that warrant further investigation/challenge:</p> <ul style="list-style-type: none"> Innovation linkages between Derby University and local firms are limited - are they? During a LEP Capacity Project Seminar at Derby University, delegates were able to cite a wide range of business/innovation

		<p>activity, with a low business start-up rates (as above, note that latest business start-up data does not confirm this – Business Birth Rates for 2009 are higher in Derby than the UK average);</p> <ul style="list-style-type: none"> • A ‘two-tier’ workforce is identified, with some areas exhibiting concentrations of well-paid, highly skilled professional residents (e.g. South Derbyshire), whilst others have low levels of skill and experience exclusion from the labour market; • Centre for Cities recommend a strategy related to identifying new opportunities – rather than pre-occupation with protection of the aerospace and rail sectors (“the more a city is specialised in one sector, the greater the impact of a common shock that affects that sector”). Firms should be encouraged to diversify into new markets – although little is identified that can practically achieve this (apart from working with UKTI to attract inward investment and improving HE innovation links with local firms); • Business support should be targeted at high-growth firms; and • A strategy should be developed for dealing with potential risks facing the rail sector. 	<p>– generic skills needed for employability may be much more effective in enabling individuals to access entry-level employment.</p> <p>Centre for Cities summarise the URS ‘Planes, Trains and Automobiles’ report to suggest that there is little evidence of inter-sector relationships between automotive, rail and aerospace sectors – except in the case of shared apprenticeship programmes between Rolls Royce and Bombardier.</p>	<p>engagements.</p> <ul style="list-style-type: none"> • Skills interventions for those in education/out-of-work should focus on improving generic skills rather than matching skills to specific employer needs – Rolls Royce etc. prefer to provide their own training. Is this true? Could be tested with LEP business reps in the D2N2 Transport Equipment Manufacturing Advisory Group. What about SMEs in their supply chains? What about skills that are transferable across manufacturing and between manufacturing and construction? • Derby should avoid concentrating overly on protecting its advanced manufacturing assets – and should instead look to diversify. How? And is this possible/desirable given what we know about path-dependency in economic development?
Local Futures	<p>'A Profile of East Nottinghamshire and West Lincolnshire: An Economic, Social and Environmental</p>	<p>Sub-regional profile for East Nottinghamshire and West Lincolnshire (ENWL) area (Bassetlaw, Lincoln, Newark and Sherwood, North and South Kesteven and West Lindsey).</p> <p>A comparative area assessment (benchmarked) against other English sub-regions. Based on Local Futures’ indicators of “economic, social and environmental well-</p>	<p>Sub-region overlaps the Greater Lincolnshire LEP and only covers 2 districts of the D2N2 LEP. Indicators for individual districts are provided.</p> <p>Analysis is based on Local Futures’ standard composite indicators and reported as a</p>	<p>Demonstrates some challenges facing the sub-region relative to national average/comparable sub-regions – i.e. relatively low productivity.</p> <p>However, method of presenting</p>

	<p>Analysis' (May 2011)</p>	<p>being” to “relate thinking on the knowledge economy to wider social and environmental considerations.”</p> <p>Key messages:</p> <ul style="list-style-type: none"> • The ENWL area has lower than average levels of productivity, but has been more resilient than elsewhere in employment terms (i.e. employment levels have not fallen at same rate as elsewhere in GB between 2008-2009); • High employment in sectors associated with the public services; • Comparatively low rates of business start-up; • In skills/education, the spider chart (page 15) illustrates that school performance (GCSE) and workforce quals at Level 3 are relatively strong. This is compared to poor performance at Level 4 and high levels of workforce with no quals. This suggests out-migration of qualified young people. This observation is not picked up in the report. High levels of the workforce qualified to Level 2 and 3 could indicate ‘technician level skills’ associated with manufacturing and construction; • There is a north-south divide in terms of employment rates in the sub-region; and • There has been high levels of migration into Lincolnshire districts, but this is much lower for Bassetlaw/Newark & Sherwood. 	<p>relative ‘score’ or ‘rank’ compared to the national average and other sub-regions – therefore data is generally only reported in relative rather than absolute terms. This makes it difficult to view the precise nature of an issue or direction of change over time. For example, ‘employment change’ is presented as a relative score/rank, rather than an absolute indicator. Although employment change over the period has been negative, because the ENWL area has experienced a smaller decline than the GB average, the score/rank is a positive value.</p> <p>The assessment of industrial structure is presented in terms of a nationally-defined aggregation of ‘knowledge-based’ production/service sectors. This hides any strengths within specific sectors in the sub-region (such as a highly productive food processing sector).</p> <p>Parallels could be drawn between industrial structure and occupational profile/skills – such as strengths in the Skilled Trades and qualifications at Level 3.</p>	<p>indicators limits understanding of influencing factors.</p> <p>Policy recommendations are not particularly area specific – e.g. ‘building knowledge communities’.</p> <p>Further research needs to identify:</p> <ul style="list-style-type: none"> • Key sectors – e.g. food processing, other manufacturing, etc. –and sector-specific innovation opportunities; • Skills gaps and opportunities – e.g. how well are local FE providers meeting demands for ‘technician level skills’ (Level 3) evident in the workforce; and • A more detailed understanding of drivers of weak productivity and enterprise performance.
<p>Local Futures (on behalf of Nottinghamshire County Council)</p>	<p>‘The State of Nottinghamshire 2009: An Economic, Social and Environmental Audit of Nottinghamshire’ (December 2008)</p>	<p>Report predominantly tabular with limited interpretation. Data sources updated as part of LEP Capacity Fund Evidence Reports – especially 3,4 and 5. Note table of Key Statistics provided in Capacity Fund Evidence Report 1.</p>		

<p>URS Corporation Ltd (on behalf of Derby City Council, Derbyshire and Nottinghamshire Chamber of Commerce and <i>emda</i>)</p>	<p>‘Planes, Trains and Automobiles’ (December 2009)</p>	<p>Sector study into the three sub-sectors of transport equipment manufacturing (or Advanced Manufacturing) that are identified as important to Derby City: Aerospace, Automotive and Rail. Attempts to quantify the size of the three sectors and their supply chains and investigates the strength of inter-relationships between the sectors.</p> <p>Key points are as follows:</p> <ul style="list-style-type: none"> • The three sectors are prioritised in the 2006 Regional Economic Strategy as having the highest levels of productivity in the East Midland and an output forecast (pre-recession) that was significantly higher than the national average. The sectors are also important for higher wages and for intermediate and high skill employment. • URS estimate that aerospace contributed to £4.6bn of GVA in Derby City in 2009 (27%, the largest contribution of all sectors) and employed over 10,000 directly in 2007 (8% of total employment in Derby). Rolls Royce is the largest single employer in the city. Other companies include Goodrich Corporation (aerospace systems and services), Alco Inc. (aluminium goods), and Dunlop Aerospace (braking systems). • Rail contributes an estimated £2.6bn to Derby City GVA, 16.6% of total output (3rd largest contributor), directly employing over 5,000 in Derby. Companies include Bombardier, East Midlands Trains and Network Rail. • Automotive is distributed across Derbyshire County (rather than being concentrated in Derby City), and contributes £3.1bn to the economy of Derbyshire and directly employs over 22,000. Toyota is the largest employer, accounting for 3,500 jobs. The West Midlands is an important neighbour, accounting for the largest concentration of automotive jobs in the UK. • Aerospace has a particularly large supply chain, 	<p>In terms of data use and the calculation of economic impact, the report uses appropriate methodologies. However, there are issues that need to be borne in mind when interpreting the findings:</p> <ul style="list-style-type: none"> • There is a deliberate geographical focus on Derby City. This may under-state the wider significance of the sector and the diversity of supply chains. Ideally, a broader functional area could have included parts of the West Midlands, south Yorkshire, Nottinghamshire and Leicestershire. As well as a more comprehensive picture of supply chain activity, this may also have given a better idea of the geographical distribution of skilled staff (e.g. whether there is a ‘midlands’ concentration of transport engineering skills). • Decisions taken on sector definitions and survey sample may mean that interrelationships between the three sectors are understated. For example, Rail and Aerospace are measured specifically within the Derby City administrative boundary, whilst Automotive is quantified within the rest of Derbyshire. It is not clear whether this method may have discounted suppliers, such as Rail suppliers located outside Derby City. Rail businesses were also defined as those that undertook at least 80% of activities directly related to rail, which may have discounted companies that also supplied Aerospace and Automotive 	<p>There is a need to carefully consider the findings in the URS research on limited interrelationships between supply chains of the three sectors. This has important policy significance.</p> <p>If there are significant numbers of SMEs working across the supply chains of the three sub-sectors (i.e. in fabricated metals or plastics etc.), they may be more able to adapt to any shocks experienced by one (i.e. stronger interrelationships could make SMEs more flexible or resilient). Conversely, URS argue that the relative isolation of suppliers between the three sectors would mean that a shock experienced by one would have limited impact on the other two.</p> <p>These questions are pertinent to wider concerns around specialisation vs. diversification highlighted in the Derby Economic Strategy.</p>
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		<p>accounting for over £1bn of additional output in Derby City and over 5,000 additional jobs. The supply chains of Automotive and Rail are significant but less sizeable (to Derby City – wider Derbyshire/East Midlands is not included).</p> <ul style="list-style-type: none"> • Each sub-sector faces a series of threats: Aerospace, which is reliant on Rolls Royce and civil aviation, faces global competition and high fuel prices, as well as an ageing work force and reductions in R&D investment; Rail, reliant on Bombardier, is dependent on Government contracts (e.g. Thameslink), and the cyclical nature of the sector; and Automotive, which was badly affected by the recession (consumer demand) as well as cost increases, is also heavily exposed to international competition. • All three sectors report difficulties in recruitment of young people (especially graduates), due to a poor image, despite good progression prospects. Therefore an ageing workforce and a retirement ‘time-bomb’ is a consideration in all three cases. • SMEs in supply chains felt that, despite having a good perception of publically-funded business support, it was overly geared towards the large employers. They also flagged a lack of targeted and specialist business support. • URS report stronger interrelationships in the flow of skilled staff between the three sectors than in goods/services through supply chains. Survey respondents stated that half of the skills they needed could be “easily transferred” between the three sectors. Historically, Rolls Royce and JCB have employed ex-Bombardier staff whilst Bombardier has recruited production workers from Toyota. • Skills gaps are reported in: specific technical skills, including design engineering, CAD, production engineering and welding; generic skills (IT, communication); and a lack of interest in STEM 	<p>companies.</p> <ul style="list-style-type: none"> • Finally, the ONS supply and use tables used to identify transactions between the three sectors are national, and not specific to activity around Derby. URS concede that “anecdotal evidence suggests that the relationships are stronger and more significant locally than nationally”. “Therefore we suggest that the figures slightly underplay the purchasing of goods and services between the three sectors.” 	
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		<p>subjects from school leavers.</p> <ul style="list-style-type: none"> • URS only found 3 out of 59 suppliers that provided goods and services to all three sectors (but the sample was from the Derbyshire Rail Forum). Links to non-transport sectors, such as power generation and telecommunications were important. • Suppliers in aerospace and automotive appear to have stronger interrelationships, whilst rail appears more self-contained. • Overall, URS conclude that if one major employer in a sub-sector left, the impact on the other two sub-sectors would be fairly minimal (although very significant for the wider sub-regional economy). 		
<p>Experian (on behalf of Nottingham City Council)</p>	<p>Monitoring Economic Resilience: Economic Resilience Assessment (ERA) (2009)</p>	<p>Comparative analysis of a series of (mainly) composite indicators based on Official Statistics and Experian proprietary data (such as forecasts for GVA and employment) for Nottingham City local authority boundary and the Core City boundary.</p> <p>Key points include:</p> <ul style="list-style-type: none"> • Business conditions and employment, unsurprisingly, deteriorated through 2009 – but human capital (such as skill levels) and the quality of public realm have continued to improve; • Output and employment fell more significantly in Nottingham than in the UK overall in 2009, and are forecast to recover more slowly in 2010 (with continued falls in GVA in Nottingham UA); • Sectorally, Nottingham is identified as relatively ‘resilient’ with strengths in Banking and Insurance and Other Services – but also has a high number of firms in ‘vulnerable’ sectors such as Construction and low-value Manufacturing; • Compared to other Core Cities, Nottingham has a high proportion of foreign owned businesses and a high proportion of exporting businesses; • Nottingham benefits from a large and growing working age population – from which employers 	<p>Provides some context on impacts of the recession to be interpreted alongside the Nottingham/Nottinghamshire LEA.</p> <p>Note on threats related to Government objective to cap the number of international students.</p>	<p>Note that more recent Experian data has been used by LEP Capacity Fund Project Team – see Evidence Report 3: The D2N2 Economy.</p>

		<p>can recruit. Since 2000, however, increases have been mainly driven by students and international migration; and</p> <ul style="list-style-type: none"> • Nottingham has demonstrated strong improvement in school attainment. 		
Econolyst Ltd and The Mitre Group (on behalf of Derbyshire Employer Coalition, Derby City Partnership, Working Ventures UK, the LSC, and Jobcentre Plus)	Demand for Skills in Derby & Derbyshire 2009-2023 (April, 2009)	<p>Commissioned in December 2008 by a partnership including the Derby and Derbyshire Employers Coalition; Working Ventures UK, The Derby City Partnership and the Derbyshire Learning and Skills Council. Research was completed and published in April 2009. Aimed to identify the current and future skill needs of ‘priority sectors’ (identified in advance from partners’ strategies), which include: the Airport; Creative Industries; Health & Social Care; Logistics; Manufacturing; the Public Sector; Retail; Hospitality; and Tourism. This is to inform any necessary changes in HE and FE decision. ‘Future’ needs were defined over the long term – to 2023.</p> <p>Research included a review of Official Statistics and focus group meetings with skills delivery bodies and employers.</p> <p>Findings identify challenges such as: population ageing; the over-focus on accreditation (especially Level 2) in training and skills; and lack of cross-sector skills – many of which are related to the low carbon agenda.</p> <p>But many skill needs covered in the report are very broad and not sufficiently sector specific to inform policy change – e.g. “change management”; “evaluation, entrepreneurship and IT”, etc.</p>	<p>‘Priority’ sectors covered in the report include the majority of industry sectors. This lack of prioritisation means that recommendations are very broad. A focus on a smaller number of sectors where there is a genuine local concentration – such as manufacturing (particularly transport equipment, but also food & drink) – would have enabled more specific recommendations.</p> <p>Commentary on future skill needs only makes very limited use of available projections. ‘Working Futures’ projections of sectoral/occupational employment and skill levels are not referred to in any way, which would have enabled more specific and evidence-based statements on likely future trends (future developments are instead discussed broadly/qualitatively).</p> <p>Statements on current choices/provision are based on discussions with providers (therefore subjective views/experiences) – rather than on empirical analysis of FE and HE participation data.</p>	<p>Useful further research would include more specific analysis of manufacturing sub-sectors – focussing on transport equipment, food & drink etc.</p> <p>Further use of FE and HE data on take-up by subject, and on leaver employment outcomes (including wages of leavers from education), would enable more specific discussion of how well provision in the area matches employer needs – and what shifts in investment/provider capacity is required.</p> <p>Note that the report’s recommendations relate closely to the strategy of the previous Government – in terms of actively attempting to align provision with employer needs. The current Government advocates maximum learner choice and minimum public sector intervention – so emphasis going forwards should be on information provision to improve learners’ decisions.</p>
Edge Analytics (on behalf of	‘Forecasts of population and	Household and dwelling projections (using ‘Popgroup’ model) based on a series of ‘policy led’ variants – such as	‘Policy-led’ scenarios do not appear to complement economic objectives identified	

Notts County Council, Nottingham City Council, Derbyshire County Council and Derby City Council)	households for Nottinghamshire and Derbyshire authorities: Nottinghamshire' (February 2011)	nil-net migration, natural change only, fixed job numbers (nil-net job growth) etc. All variants are significantly lower than the ONS central projection - there is no 'aspirational' higher variant included that supports either corporate Local Authority or LEP objectives to grow the economy.	by the LEP and by the Nottingham/Nottingham Strategic Economic Opportunities (i.e. SEO1 "...generating jobs..."). For example, the: "Employment-led' scenario is based on freezing the number of jobs at its 2010 level (described as "no new jobs created") . Note that 2010 also represents a low point in the economic cycle.
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6.4 Further Reference Sources

The following titles were received from LEP partners and have been used for reference (in addition to the documents reviewed above) in the economic and labour market review phase by the LEP Capacity Fund Project Team.

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 - Network of Medium Sized Creative Cities: Region Profiling Template, Nottingham**
 - Organza Creative Industry Profiling: Discussion Document (May 2010)**
 - Policy Literature and Research Reports Overview**
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