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D2N2 EU Structural and Investment  
Fund Strategy 2014-2020

May 2014

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## Covering Letter

As the Board of the D2N2 Local Enterprise Partnership, we are proud to endorse and submit our European Structural and Investment Fund Strategy 2014-2020.

The D2N2 Local Enterprise Partnership provides a framework to enable growth, create jobs and make a strong case for investment. D2N2 has a proud history of industry and making things. Innovation is in our economic DNA. From being the cradle of the industrial revolution, with a prestigious UNESCO World Heritage Site at Derwent Valley Mills in Derbyshire; and home to the Silk Mill, the world's first factory D2N2, now presents a dynamic and diverse economy with enduring excellence in high-tech manufacturing, particularly in transport, medicine and bioscience, and construction, fit for the 21<sup>st</sup> Century. We have world-class universities and excellent innovative companies large and small, from Sygnature Discovery in Nottingham to Toyota UK, Alliance Boots, EoN and Rolls Royce. With developments like 'BioCity', the Nottingham Enterprise Zone, Markham Vale and Infinity Park, we can grow the firms of tomorrow. In D2N2, we create, we make, we sell, we connect and we export.

D2N2 is a partnership with the purpose of delivering economic growth. As a partnership, we are committed in the long term, to taking a prioritised and focused approach to creating the conditions for businesses to thrive and create jobs. By 2023, we want to be recognised as a place that:

- Inspires and supports people to achieve their potential;
- Has an economy that provides opportunities for young people to live, work and prosper;
- Builds on our strengths to create well paid and rewarding jobs for local people in our key growth sectors;
- Has developed the innovation ecosystem to accelerate economic growth;
- Exploits opportunities in the fastest growing markets throughout the globe;
- Is the best connected place in the country, at the heart of the national economy, with all communities able to contribute to growth and prosperity regardless of location;
- Is home to Derby, the leading city in the UK for transport manufacturing and engineering;
- Is home to Nottingham, the leading city in the UK for medicine and bioscience;
- Presents a world class destination of choice for visitors and investors alike; and
- Ensures the benefits of growth are shared by all.

This European Structural and Investment Fund Strategy, 2014-2020, sets out our priorities for action and has been developed after extensive consultation with local partners. It will play an important part in inspiring growth and local prosperity. Although we will continue to review, refine and improve our Strategy through being agile in realising emerging growth opportunities, our relentless focus will be on implementation and delivery.

**Peter Richardson,**  
Chairman  
D2N2

**Professor John Coyne**  
Vice Chancellor,  
University of Derby

**Dame Asha Kemka**  
Principal and Chief  
Executive, Vision  
West Notts

**Chris Marples**  
Chief Executive,  
Inspirepac Ltd

**Liz Fothergill**  
Chief Executive,  
Pennine Healthcare

**Trevor Fletcher**  
Managing Director  
and Chairman,  
Hardstaff Group

**Richard Horsley**  
Managing Director,  
QED Public Relations  
Ltd

**Peter Gadsby**  
Chairman, Ark Capital  
Ltd

**Robert Crowder**  
Chief Executive, Rural  
Community Action  
Nottinghamshire

**Cllr Roger Blaney**  
Leader,  
Newark & Sherwood  
District Council

**Cllr John Burrows**  
Leader, Chesterfield  
Borough Council

**Cllr Paul Bayliss**  
Leader, Derby City  
Council

**Cllr Anne Western**  
Leader, Derbyshire  
County Council

**Cllr Jon Collins**  
Leader, Nottingham  
City Council

**Cllr Alan Rhodes**  
Leader,  
Nottinghamshire  
County Council

## Executive Summary

### Introduction to the Strategy

This Strategy sets out the ambitions for the use of £214.3m of European Structural and Investment Funds in the D2N2 Local Enterprise Partnership area during the 2014-2020 period, comprising £104.4m ERDF, £104.4m ESF and £5.5m EAFRD. D2N2, which covers Derby, Nottingham, Derbyshire and Nottinghamshire, is one of the largest LEP areas in England, covering a population of more than 2m people and with an economic output of nearly £40bn.

The EU Structural and Investment Funds represent a significant investment in the D2N2 economy. This document sets out our intention to harness this investment to generate jobs and GVA to improve and strengthen the D2N2 economy. It aligns closely with the D2N2 Strategic Economic Plan (currently being developed) and focuses on the areas where EU funding can add most value to existing plans and investments.

### Development of the Strategy

The starting point for the development of the EU Strategy was D2N2's Growth Plan, which sets out a vision for "*a more prosperous, better connected and increasingly resilient economy.*" The Growth Plan sets out to support the creation of 55,000 additional private sector employee jobs in D2N2 by 2023, through a range of measures to increase business competitiveness and raise employment levels

The EU Strategy has been developed through iterative consultation with a wide range of stakeholders from across the D2N2 area. This involved a series of workshops and online consultation which secured 59 responses (see Annex A for the full list of respondees). The feedback received was reported to the LEP Board and has shaped this Strategy.

### D2N2's allocation of European Structural and Investment Funds

Under the European Union Structural and Investment Fund Programme, D2N2 has been allocated **£208.8m of ERDF and ESF to be invested during the 2014-2020 cycle**. Whilst for planning purposes the Board has assumed 50% of this will be ERDF funding and 50% will be ESF, we wish to maintain the maximum possible flexibility in relation to these allocations and would welcome discussions with Government about the potential to increase the proportion of ERDF funding to allow us to respond to local needs<sup>1</sup>. In addition, D2N2 has been allocated £5.5m of EAFRD.

### Structure of the Programme

The 2014-2020 programme in the D2N2 area will adopt a balanced approach, investing resources against all ten of the programme's Thematic Objectives. The main areas of ERDF investment will promote SME competitiveness and knowledge-driven growth. ERDF will also address infrastructure, ICT and low carbon-led growth, with 15% of ERDF funds to be used on these activities. ESF resources will be focussed on supporting the skills required for a higher value economy. ESF will also address disadvantage in the labour market and 20% of funds will be used on social inclusion related activities.

It is proposed that EAFRD monies will support the delivery of our overall programme in the rural parts of D2N2, with a focus on business creation, business growth and ensuring our rural areas benefit from broadband coverage. This additional allocation of funding for rural areas will add value to our main programme. The EAFRD will be used to provide distinct support for the rural D2N2, in line with both our overall programme objectives and the Government's Growth Programme priorities. A working group has been established to direct the use of EAFRD within D2N2 and will work closely with DEFRA to ensure alignment between this activity and the development of the new LEADER programme in order to maximise synergies.

The table overleaf provides an indication of the key activities that will be supported under each objective and the rationale for supporting these activities. The table on the following page provides a summary of indicative investment allocations by thematic objective.

<sup>1</sup> The Board will review the appropriate balance between ERDF and ESF (based on economic needs and priorities and an understanding of the types of activity coming forward to seek EU funding support) on an annual basis, as part of the annual implementation planning process.

<b>TO</b>	<b>Overview</b>	<b>Rationale</b>	<b>Allocation</b>
1	We will provide support for smart specialisation and collaborative research between businesses, research institutions and public institutions; and support the commercialisation of new products and businesses processes. We will also develop new innovation space and facilities to benefit local businesses.	Innovation is the principle source of competitive advantaged in advanced economies. D2N2 performs better than some areas on innovation indicators but local firms have a lack of absorptive capacity for innovation and a lower than average number of highly qualified workers.	£20.9m ERDF
2	We will ensure that D2N2 businesses are able to benefit from the opportunities presented by new and emerging ICTs by raising awareness of what is available; improving ICT connections; exploring opportunities for new markets and services; and investing in the ICT infrastructure where a clear need can be demonstrated.	Technology is increasingly linked to economic competitiveness and high level ICT skills and connectivity are playing an increasing role in the success of local economies. New technologies are emerging which will affect the competitiveness of the D2N2 economy during the life of the EU programme.	£10.4m ERDF
3	We will support businesses to grow by ensuring they are able to access finance, develop growth strategies and improve productivity. We will provide incubation and grow-on space so there is an adequate supply of high quality premises. We will also target support at our eightkey sectors – Transport Equipment Manufacturing, Life Sciences, Food and Drink Manufacturing, Construction, Visitor Economy, Transport and Logistics, Creative Industries; and Low Carbon Goods and Services.	SMEs are the lifeblood of the D2N2 economy, employing over half of all workers. Ensuring they can start up, survive, prosper and remain competitive in an increasingly global market is crucial to the success of D2N2.	£36.5m ERDF
4	We will support the development of low carbon markets and technologies and help SMEs to adopt energy efficiency measures, including domestic energy efficiency and low carbon construction techniques.	Supporting the shift to a low carbon economy is vital, both in promoting sustainable economic growth through building the market in low carbon environmental goods and services and associated low carbon innovation, and to address the issue of climate change.	£20.9m ERDF
5	We will support flood mitigation measures which protect existing employment sites and sites identified as important to realise our growth ambitions.	Managing flood risk is a high priority to protect existing economic assets and minimising the economic impact of adverse events.	£5.2m ERDF
6	We will support investment in green and blue infrastructure where there are clear links to economic development objectives, and will encourage resource efficiency amongst businesses.	D2N2's natural environment plays a key role in the economy and attracts business, visitors and people to live and work in the area.	£5.2m ERDF
7	We will support sustainable transport investment to enable all our residents to access employment, and use ERDF funding to support mainstream transport priorities that unlock economic development potential.	Transport facilities and services have an important role to play in the successful functioning of the D2N2 economy and in supporting its future growth.	£5.2m ERDF
8	We will help people back into work through intensive support, work experience, re-training and community-led approaches, as well as promoting self-employment. We will support young people by building linkages with employers, increasing the number of apprenticeships and tackling those who are NEET.	There is a need to tackle unemployment, reduce the number of residents who are economically inactive and open up routes to employment for those not currently in work.	£41.8m ESF

- 9 We will provide support in targeted communities where there are high rates of social exclusion. We will support excluded groups to access training and work through specific support and anti-discrimination measures. Too many individuals and families in D2N2 continue to face disadvantage. Action is needed to ensure that every individual and family is socially included and can access support to help them out of poverty. £20.9m ESF
- 10 We will address skills gaps and shortages, including higher level skills, and will support more people to start and grow a business. Young people will be supported through improved IAG, higher level apprenticeships and internship and placement programmes for graduates. The need for lifelong learning is more evident now than every before. People no longer have jobs for life with many people changing career as well as employers during their working life. £41.8m ESF

Summary of Indicative Investment Allocations by Theme £m					
	EU	Total	% of ERDF / ESF / EAFRD		% of total ERDF and ESF
1 – Innovation	20.9	41.8	20%	85%	10.0
2 – ICT	10.5	21.0	10%		5.0
3 – SME Competitiveness	36.5	73.0	35%		17.5
4 – Low Carbon	20.9	41.8	20%		10.0
<b>Themes 1-4</b>	<b>88.8</b>	<b>178.8</b>	<b>85.0%</b>		<b>42.5</b>
5 – Climate Change	5.2	10.4	5%	15%	2.5
6 – Protecting the Environment/Resource Efficiency	5.2	10.4	5%		2.5
7 – Supporting Transport	5.2	10.4	5%		2.5
<b>Themes 5-7</b>	<b>15.6</b>	<b>31.2</b>	<b>15.0%</b>		<b>7.4</b>
<b>Total ERDF</b>	<b>104.4</b>	<b>208.8</b>	<b>100.0%</b>		<b>50.0</b>
8 – Promoting employment/supporting labour mobility	41.8	83.6	40%		20.0
9 – Promoting social inclusion/combating poverty	20.9	41.8	20%		10.0
10 – Investment in education, skills, lifelong learning	41.8	83.6	40%		20.0
<b>Total ESF</b>	<b>104.4</b>	<b>208.8</b>	<b>100%</b>		<b>50.0</b>
<b>Total EAFRD – Rural Economy</b>	<b>5.5</b>	<b>11</b>	<b>100%</b>		
<b>Programme Total</b>	<b>214.3</b>	<b>428.6</b>			<b>100.0</b>
Note – the Board agreed that ERDF funding should be split 85% to TOs 1-4 and 15% for TOs 5-7. The table shows an indicative allocation to each TO within this global allocation.					

More detail on the rationale for investment in each objective and the broad scope of the activities that will be supported through each, is outlined in section four of the main document. The allocation of funding to each objective has been influenced by the following factors:

- Alignment with D2N2's Growth Plan and Vision for the area which prioritises business development and investment in skills;
- The feedback obtained through the consultation programme which highlighted these areas as the most important priorities for D2N2;
- The LEP Board's priorities; and
- Other factors, including the availability of match-funding, the opt-in offers and the pipeline of potential projects.

The Board considered a number of options for the allocation of resources between the thematic objectives and agreed that the indicative distribution set out in the table above provides the best fit to

D2N2's strategic aims and ambitions. The programme has been purposely designed to be flexible, to ensure that over the seven year programming period, the LEP is in a position to respond positively to changes including new innovations, technological advances and industry developments.

There are strong alignments between the activities that will be supported under the different thematic objectives. In particular, ESF investment in skills will complement and enhance the ERDF investment in SME competitiveness, innovation and low carbon. We wish to retain the flexibility to use ESF to support investment in skills alongside the ERDF support provided to businesses through thematic objectives 1 – 4.

All activity which will be delivered through the D2N2 EU SIF programme will be fully compliant with the State Aid regulations in force during the programme period.

### **Programme Targets**

The EU programme represents a major source of investment which has the potential to make a significant impact on the D2N2 economy over the next seven years. Whilst the programme's results will be quantified once guidance is received on the result indicator definitions, at this stage it is envisaged the investment will result in:

- Nearly 5,000 businesses receiving support in relation to innovation, ICT, competitiveness and low carbon
- Over 400 new enterprises supported
- Over 15,000 individuals supported in relation to employment, nearly 8,000 supported in relation to social inclusion and over 15,000 in relation to skills
- Nearly 2,500 businesses supported to improve skills levels and employability.

### **Acknowledgements**

The D2N2 LEP would like to thank all those who have helped to shape the development of this Strategy, whether through attendance at one of the workshops or by providing feedback on the consultation document. Their continued support and engagement over the coming months as the Strategy is refined will be particularly valued.

### **Further Information**

This Strategy should be read in conjunction with the accompanying spreadsheet which contains full details of the indicative financial profile and the anticipated outputs and results.

# 1 Introduction

## Introduction to the Strategy

This Strategy sets out D2N2's ambitions for the 2014-2020 European Structural and Investment Funds Strategy, and how the LEP proposes to use its £214.3m notional allocation of ERDF, ESF and EAFRD funds to achieve these ambitions, whilst ensuring compliance with State Aid regulations. The EU programme provides an important opportunity to drive forward economic growth in a way that recognises existing strengths and opportunities, addressing issues that may be constraining growth. It sets out a wide range of intervention areas that reflect both local circumstances and EU requirements.

The Strategy is built on a sound understanding of local conditions across our Shires, Districts and Cities to ensure that investment is used in the most appropriate manner. The Strategy recognises the appetite amongst partners to build on recognised areas of strength as well as new opportunities to drive further growth in a way that is sustainable and inclusive.

In line with national policy, the 2014-2020 European Structural and Investment Funds Strategy supports the Strategic Economic Plan (SEP) for D2N2 and plans being developed for the Local Growth Fund. The Strategy adds value to, and complements, the investments being proposed in our draft Strategic Economic Plan, ensuring we collectively deliver an environment for growth and skills which will enable local people to benefit from that growth, and ensuring the limited funding available through ERDF for certain types of investments (e.g. transport, green/blue infrastructure etc), is used to best effect.

## Development of the Strategy

The development of D2N2's EU Structural and Investment Funds Strategy has involved a series of stages of consultation, with partners including public and private sector representatives, community and voluntary organisations, the education sector and other key partners. Discussions have also been held with representatives from partner LEPs and we intend to continue these as part of the on-going process of programme development.

The consultation process began with a region-wide event organised by East Midlands Councils, which was followed by a series of workshops designed to engage partners across the following themes relevant to the ESIF Programme:

- Innovation;
- ICT & SME competitiveness;
- Low carbon;
- Sustainable transport;
- Skills;
- Employment and Social Inclusion; and
- Rural.

The process has been managed by the D2N2 EU Steering Group.

In addition, partners from across the D2N2 area were invited to submit written comments in response to a consultation document. Fifty-nine responses were received (see Annex A for the full list), some of which were submitted on behalf of a group of partners, and their views were considered by the Board and have helped to shape the draft Strategy.

Since the submission of the draft strategy in October 2013 and revised strategy in January 2014, partners have continued to be involved in refining its contents, responding to the comments provided by Government on the draft and developing a forward plan for implementing the EUSIF programme.

## Document Content and Supporting Documentation

This document provides the narrative for the D2N2 European 2014-2020 programme. It sets out detail of:

- The characteristics of the economy (see Section 2);
- The LEP area's growth agenda and objectives to be satisfied through delivery (see Section 3);

- The investment priorities identified for the programme, set out by Thematic Objective (see Section 4);
- How the cross-cutting themes of sustainable development and equality and anti-discrimination will be considered across all elements of the programme (Section 5);
- The division of funds between Thematic Objectives and years of the programme (Section 6);
- Proposed programme-level outputs and targets (Section 7); and
- Proposed governance and delivery arrangements, including the role of financial instruments and Community Led Local Development (Section 8).

This document should be read in conjunction with the accompanying spreadsheet which sets out the quantified indicative proposals for the strategic activities that provide the focus of the 2014-2020 programme.

## 2 The D2N2 Economic Context for the EU Strategy

### Headline Summary

- The D2N2 area is one of the largest LEP areas in England with a population of more than 2 million and an economic output of nearly £40bn.
- The economy has proved more resilient than many others during the downturn, with employment falling relatively little, although unemployment has risen faster than elsewhere.
- Manufacturing continues to be a major part of the D2N2 economy, providing 122,000 jobs and accounting for 13.9% of total employment compared to 8.7% nationally. In contrast, D2N2 has a lower than average share of employment amongst higher value private service sectors such as professional, scientific & technical, information & communication and financial & insurance, contributing to lower than average levels of GVA within the economy.
- The number of businesses in the D2N2 area has been falling recently as a result of lower levels of start-up. Start-up rates have fallen by 30% since the onset of the recession. The number of businesses per 10,000 working age population in D2N2 (314) is significantly lower than the national average (399).
- The population has grown relatively slowly in the D2N2 area and is ageing more quickly than the national average. International in-migration will account for a high proportion of future population growth, particularly in the urban areas.
- Employment is concentrated in and around the area's two largest centres – the Core City of Nottingham and Key City of Derby – with the two cities combined accounting for 36% of total employment compared to 26% of total population. Alongside the two cities there is also a distinct urban conurbation in Ashfield / Mansfield.
- D2N2 includes a significant rural population in addition to the main towns and two cities, 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
- Skills levels are below the national average, with the number holding degree level qualifications four percentage points lower than in England. Around 150,000 working age people have no qualifications.
- The occupational profile in the D2N2 area is skewed towards skilled trades, operatives, elementary and other service occupations. Despite significant growth over the past ten years, D2N2 has a lower than average share of employment in professional occupations, resulting in a relative lack of high quality jobs.

### Introduction

The D2N2 Local Enterprise Partnership area covers Derby, Nottingham, Derbyshire, and Nottinghamshire. It is one of the largest LEP areas within England, covering an area with a population of more than 2m people and with an economic output of nearly £40bn. The D2N2 economy accounts for nearly half of the businesses and GDP of the East Midlands region. It has a central location in England, well served by key north-south transport links such as the M1 and Midland Mainline, with a comparatively competitive and abundant supply of sites to promote investment.

The economy comprises a mix of rural and urban areas across 17 local authority areas. There is a large concentration of employment in and around the area's two largest centres - Nottingham and Derby – with the two cities combined accounting for 36% of total employment compared to 26% of total population. There are also a number of smaller centres that serve rural hinterlands with over one-third of D2N2's total employment in predominantly rural local authority areas.

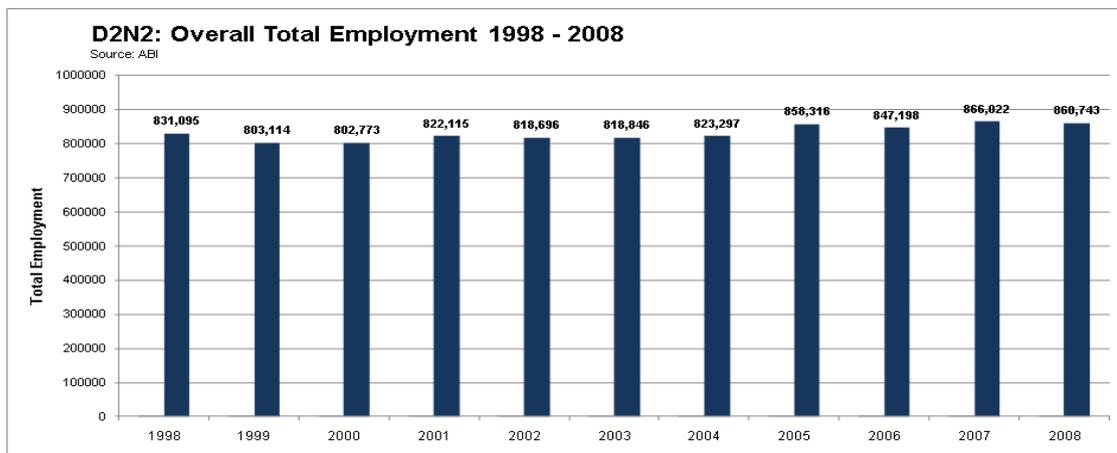
The D2N2 economic area is a diverse and relatively complex area. Nottingham and Derby (within the area) and Sheffield (lying outside of D2N2) are the most important cities in terms of supplying jobs for D2N2 residents and labour. Whilst most commuting takes place within the D2N2 area, there are close links to neighbouring areas, notably South Yorkshire, Lincolnshire and Leicestershire.

Within Nottinghamshire, four travel to work areas (TTWAs) span the county. These involve three TTWAs largely located within the county – Worksop and Retford, Mansfield and Nottingham – and Lincoln which mainly falls outside of the county’s boundary but takes in a number of areas to the east of D2N2, notably Newark & Sherwood. In Nottinghamshire, 80% of the population live within the largest city (Nottingham) and towns (Mansfield, Kirkby-in-Ashfield, Sutton-in-Ashfield, Newark-on-Trent, Worksop and Retford).

Although Derby is the largest urban area, Derbyshire has a number of smaller urban centres such as Chesterfield, Matlock and Buxton. This provides competitive challenges but also offers opportunities and travel to work analysis demonstrates the majority of Derbyshire is served by these towns. With five major cities in relatively close proximity, Derbyshire is a net exporter of commuters.

## Employment Trends

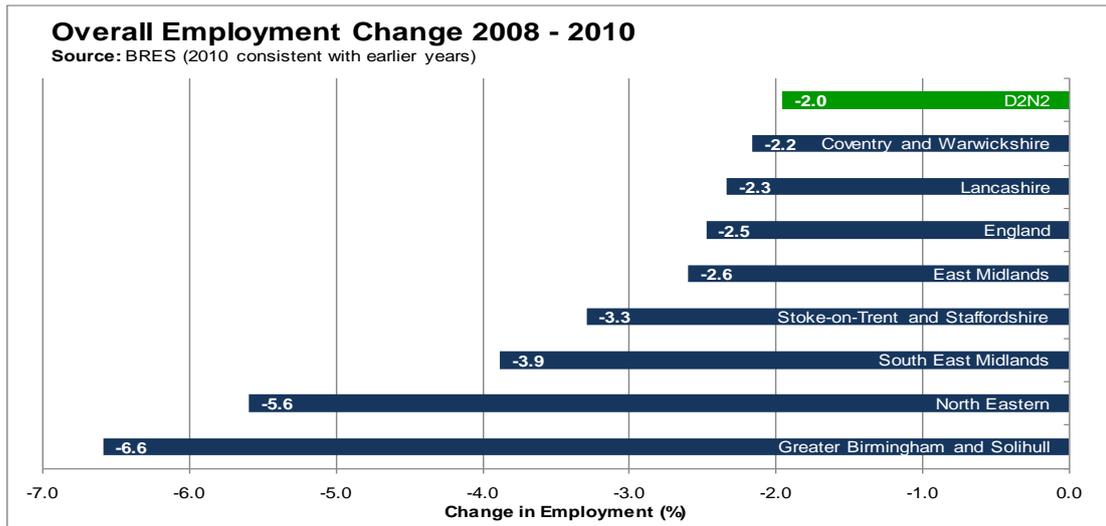
The chart below highlights the change in employment within the D2N2 economy during the last growth cycle (1998-2008), with consistent and sustained growth during the 2003-2007 period, when there was growth of 47,200 with a peak of 866,000 in 2007.



During the growth period as a whole, the D2N2 economy performed modestly compared with other neighbouring and comparator LEAs, with employment growth of 3.6% compared with an average of 9.1% nationally between 1998 and 2008. In regional terms the area also underperformed when compared with the growth of nearly 8% in the East Midlands.

The ability of the area to capture economic growth was hindered by the performance of its two largest centres – Derby and Nottingham – during the last growth period. Derby’s employment grew by just 2.4% during this period, whilst employment in Nottingham fell by 2.2%. Other areas within D2N2 however performed better, notably Bolsover which grew by just over 9,000 (+53%) albeit from a small base, as well as Newark and Sherwood, Rushcliffe and Broxtowe all of which grew in employment terms by over 20%.

The D2N2 economy has, however, been relatively resilient during the recent period of economic downturn. Although the D2N2 area was hit by the recession, with falls in employment and increases in unemployment, the impact has been less severe than in many other areas.



## Key Employment Sectors

D2N2 retains a very large manufacturing base, with over 120,000 jobs in 2012, some 14% of all employment, much higher than the equivalent national figure. Manufacturing continues to be the defining feature of the D2N2 economy. In contrast, the economy has a much lower representation of a number of important business and financial sector services.

D2N2 Current Employment by Sector 2012			
Sector	D2N2	D2N2 (%)	England (%)
<b>Over represented sectors</b>			
Wholesale and retail	149,200	17.1%	16.1%
Human health and social work	126,600	14.5%	13.0%
Manufacturing	121,800	13.9%	8.5%
Education	91,500	10.5%	9.6%
Business administration and support	78,600	9.0%	8.5%
<b>Average representation</b>			
Public administration and defence	44,100	5.0%	4.8%
Construction	40,100	4.6%	4.4%
Other service activities	17,400	2.0%	2.0%
Other sectors	14,100	1.6%	1.8%
<b>Under represented sectors</b>			
Accommodation and food	48,500	5.5%	6.8%
Professional, scientific and technical	47,000	5.4%	7.7%
Transport and storage	33,700	3.9%	4.6%
Information and communication	21,400	2.5%	4.1%
Financial & insurance	13,500	1.5%	3.9%
Arts, entertainment and recreation	17,700	2.0%	2.4%
Real estate activities	8,800	1.0%	1.6%

Source: BRES

D2N2's industrial structure is an important factor in the area's ability to respond to capture future economic growth opportunities. A number of broad sectors are particularly over-represented in the D2N2 economy, notably:

- Manufacturing, a historical strength and continuing to employ 122,000, accounting for 13.9% of total employment compared with just 8.5% nationally, one of the largest concentrations in the country; and
- Human health and social work, employing nearly 127,000 and accounting for 14.5% of the D2N2 economy.

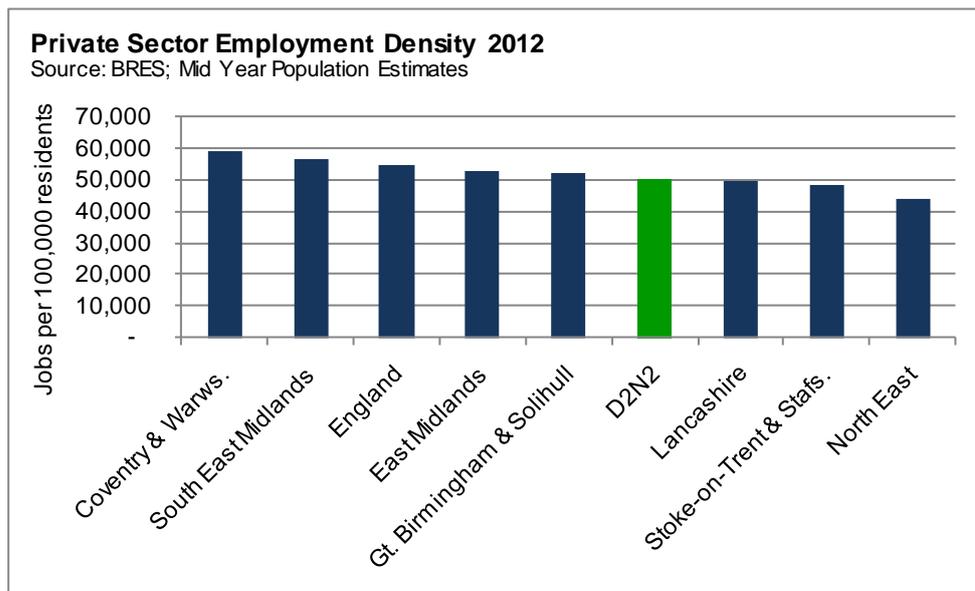
In contrast, the following service sectors are under-represented:

- Professional, scientific and technical, a growth sector nationally, but accounting for just 5.4% of D2N2 employment compared with 7.7% nationally;
- Information and communication, accounting for 2.5% of D2N2 employment compared with 4.1% nationally; and
- Financial and insurance, accounting for just 1.5% in D2N2 compared with 3.9% nationally.

Although key service sectors are under-represented, there is considerable potential for growth, and in areas such as digital, D2N2 has both a growing business base and a large pool of graduate talent. In the case of manufacturing, global trends in trade, strong forecasts for advanced engineering and a trend towards on-shoring, provide a more positive landscape for new investment.

It is unlikely that the public sector will provide the employment growth required to help reduce unemployment. The additional jobs required to provide the opportunities needed for communities and young people will need to come from the private sector. While some of these will be a result of local demand, such as retail and leisure, others will require a pro-active approach to ensure that D2N2 captures significant investment in high growth sub sectors such as business and financial services, digital and creative industries, and transport and logistics.

D2N2 has a smaller private sector economy when compared with its peer group and neighbouring LEPs. The difference between the LEP area and the national average is substantial, equating to nearly 4,700 per 100,000 residents. In order to meet the national average, there would need to be an additional 63,800 private sector jobs within the D2N2 economy. Narrowing this gap is one of the fundamental challenges facing the LEP and partners over the coming years.



The D2N2 LEP has identified eight sectors which are of strategic importance to the future of its economy. The choice of these growth sectors was based on a series of criteria as set out below:

1. Distinct areas where D2N2 firms have current / could have future competitive advantages in a global market;
2. Where the sector is closely involved in developing emerging technologies that offer significant potential when combined with advantages particular to locating in the D2N2 area (i.e. private sector and HE R&D strengths)
3. Where the sector is sufficiently important locally and nationally to justify prioritisation at a LEP level, rather than a priority specific to a local authority area; and
4. Where the sector is able to benefit from the types of interventions that partners can implement e.g. facilitating industry-university collaboration, and where targeted interventions represent value for money.

The current scale of seven of the eight growth sectors is summarised in the table below, and include both manufacturing and service sector activity. Transport equipment manufacturing is one of the most important sectors in terms of historic engineering skills where D2N2 has an international reputation, while life sciences is a high profile growth sector of national significance. A number of these sectors are recognised as nationally important, and included in the Government's Industrial Strategy (transport equipment manufacturing; medical / bioscience; construction); others are of particular importance to the D2N2 area.

<b>Priority Sector Employment 2012</b>				
	<b>D2N2 Employees</b>	<b>D2N2 % of total</b>	<b>East Midlands % of total</b>	<b>England % of total</b>
Visitor economy	65,300	7.5%	7.4%	9.2%
Construction	40,100	4.6%	4.3%	4.4%
Transport and logistics	28,600	3.3%	4.6%	4.0%
Creative Industries	26,700	3.1%	3.1%	4.9%
Transport equipment manufacturing	20,200	2.3%	1.5%	1.0%
Food and drink manufacturing	16,900	1.9%	2.8%	1.3%
Life Sciences	7,200	0.8%	0.7%	1.0%
<b>Total</b>	<b>205,000</b>	<b>23.5%</b>	<b>24.4%</b>	<b>25.8%</b>
Low carbon goods and services	28,700	3.3%	3.3%	4.0%
Source: BRES and Low Carbon Environmental, Goods and Services, Report for 2011/12, Department for Business Innovation and Skills, July 2013				

Low carbon goods and services sector is a mix of sub-sectors and cross-cutting activities, and D2N2 has a strong business base, including a number of engineering companies involved in low carbon supply chains and products.

## **GVA**

The average GVA per FTE in the D2N2 economy has been estimated at £51,210, nearly £7,000 (12%) behind the England average.

During the last growth period, GVA per FTE in the D2N2 area rose year on year, although the gap with the national figure widened.

D2N2 LEP is in the mid range of LEPs in terms of GVA per FTE, ranked 24<sup>th</sup> out of the 39 LEPs. The relative performance reflects the loss of higher paid and skilled manufacturing jobs, being replaced by lower paid service sector jobs. This trend encapsulates the challenge facing the D2N2 economy – stabilising manufacturing employment and increasing service sector growth toward higher skilled jobs.

## **The Business Base**

The number of active businesses within the D2N2 area grew year on year through to 2008 when it peaked at 68,500. Since then however, the business base has shrunk slightly by 3.2% and currently there are 66,275 businesses within the economy. These trends have largely been replicated elsewhere in the East Midlands, although nationally the business base continued to grow slightly during 2008-2010 with just a small reduction in 2011.

Whilst the vast majority of businesses employ fewer than ten workers, employment is spread fairly evenly amongst the business sizebands, with small and medium-sized businesses accounting for over 50% of total employment in the D2N2 area.

Businesses by Sizeband 2013				
Business size	D2N2		East Mids	England
	No.	%	%	%
Micro (1-9 employees)	52,200	87%	88%	88%
Small (10-49 employees)	6,360	11%	10%	10%
Medium (50-249 employees)	1,155	2%	2%	2%
Large (250+ employees)	255	0%	0%	0%

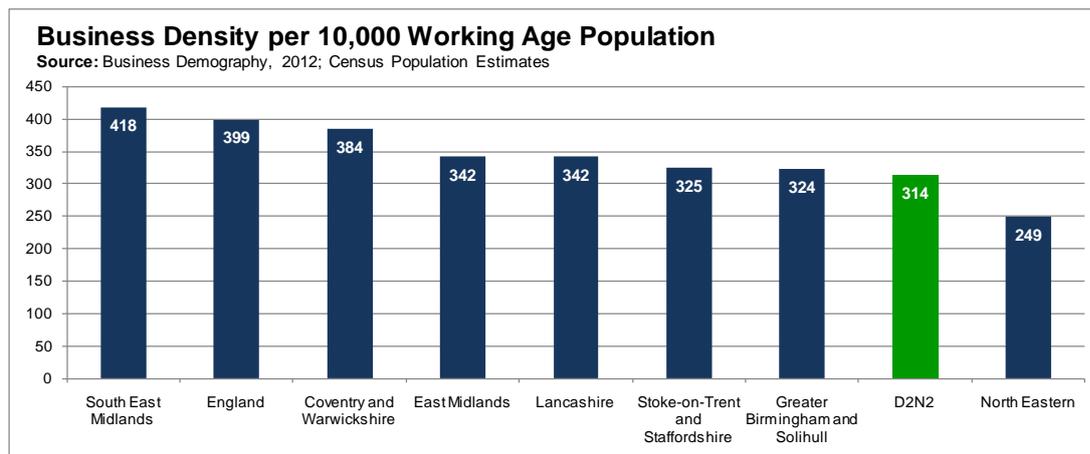
Source: UK Business: Size, Activity, Location

Business start up rates in the D2N2 economy currently stand at 10%. These have largely been in line with the East Midlands and England averages over the past decade, with a peak of 14% in 2005.

Entrepreneurial activity in the D2N2 area is generally relatively low and the number of new business births within the D2N2 economy has been declining since 2007. At its peak in 2005, the D2N2 economy saw nearly 9,000 business births. During the period 2009-2011, there has been an average of just 6,347 which represents a drop of just less than 30%.

In terms of business deaths, the D2N2 economy peaked during 2009 and 2010 with 8,095 and 7,215 respectively during these difficult trading years following the economic recession. However, in 2011 the business death rate was back to pre-recession levels of circa 6,500 per annum.

Whilst D2N2 is one of the largest economies of all the LEAs in England, for the size of its working age population it continues to have a relatively small business base. The D2N2 economy has just 314 businesses per 10,000 residents in 2012, compared with 399 nationally.



## The Rural Economy

D2N2 includes a significant rural population in addition to the main towns and two cities, and the rural economy plays an important role in the health of the area's overall economy. Just under 30% of the population (28.9%, comprising 570,000 people) were classed as living in a predominantly rural area in 2009. Whilst lower than the national average of 37.8%, this still remains a significant proportion of the area's overall labour market. D2N2's rural areas tend to be better performing in terms of educational outcomes and there is generally an older population profile.

Nine of the 17 local authorities which comprise the D2N2 area are classed as predominantly rural. Within these areas, 323,600 people are employed, accounting for 37.1% of total employment within D2N2. The rural areas are an important part of the D2N2 visitor economy and add considerably to the quality of life of local people. The rural areas within the D2N2 geography perform well, with key characteristics including:

- Higher levels of employment growth during the period 1998-2008 than the urban local authority areas within D2N2;
- High economic activity rates when compared with the national average;

- A higher proportion of residents with higher level skills and lower proportion with no qualifications than elsewhere in the D2N2 area and the East Midlands; and
- A similar private / public sector employment split to the urban areas within D2N2, which involves an over reliance on public sector employment.

However, the rural areas do experience specific economic issues, particularly with regards to connectivity (both transport and ICT), housing availability and affordability and economic opportunities. Rural areas have seen incomes fall more rapidly than urban areas during the economic downturn and there are pockets of deprivation, often masked in official statistics by more prosperous surrounding areas. Other recent issues include difficulties faced by the area's agricultural sector, the need to protect and retain local facilities, the loss of some important large employers, either due to them ceasing trade (e.g. linked to the coal industry in Sherwood and Bolsover) or relocation to urban areas and major transport routes.

## Population and Demography

The D2N2 area is home to just over 2.1 million people, 1.36 million (64.6%) of whom are of working age (aged 16-64). This is largely in line with the England and regional averages. Between 2001 and 2011, both the total population and the working age population in the D2N2 area grew slightly more slowly than was the case in the East Midlands and England as a whole, continuing a trend which has been apparent over the past 20-30 years.

The D2N2 population is ageing more rapidly than the population in England as a whole, with a fall in the number of children between 2001-2011. Although the population is expected to increase during the period to 2021 (as shown in the table below), again the growth of the working age and child population will lag behind the England average.

Forecast Population Change in D2N2 2011-2021				
Area	0-15 years	16-64 years	64 plus	Total
D2N2 (Numbers)	+31,787	+30,052	+86,505	+148,344
D2N2 (%)	+8.3	+2.2	+23.9	+7.0
England (%)	+12.6	+3.7	+23.6	+8.6

Source: Sub-national population projections 2011

Faster population growth is forecast for Derby (+10.2%) and Nottingham (+7.4%) than within the two counties where population growth is forecast to be less than 7% during this period. This reflects the influence of international migration, which is expected to boost the population of the two cities by some 50,000 over the ten year period.

Population Projections, 2011-2021						
Geographic Area	Population Change		Natural Change	Net Domestic Migration	Net International Migration	Net Total Migration
Derby	+25,400	+10.2%	+17,700	-9,300	+17,000	+7,700
Nottingham	+22,400	+7.4%	+22,500	-30,900	+31,600	+700
Derbyshire	+46,700	+6.1%	+10,800	+35,700	+100	+35,800
Nottinghamshire	+53,900	+6.9%	+14,700	+28,900	+10,300	+39,200
<b>D2N2</b>	<b>+148,400</b>	<b>+7.0%</b>	<b>+65,700</b>	<b>+6,700</b>	<b>+59,000</b>	<b>+65,700</b>

Source: ONS Population Projections, 2011. All forecasts rounded to nearest 100.

This continues a long history of immigration into the D2N2 area, from countries such as Pakistan, India and Jamaica, which has resulted in a diverse population. Whilst the proportion of the population accounted for by individuals with a BME background is lower than the national average, there are significant concentrations in Nottingham city (35% non-White British) and Derby (16% non-White British).

Population by Ethnicity						
Ethnicity	D2N2		East Midlands		England	
White	1,919,920	91.0%	4,046,356	89.3%	45,281,142	85.4%
Mixed/Multiple Ethnic Group	45,332	2.1%	86,224	1.9%	1,192,879	2.3%
Asian/Asian British	97,068	4.6%	293,423	6.5%	4,143,403	7.8%
Black/African/Caribbean/Black British	37,377	1.8%	81,484	1.8%	1,846,614	3.5%
Other Ethnic Group	10,797	0.5%	25,735	0.6%	548,418	1.0%
Source: 2011 Census						

## Skill Levels

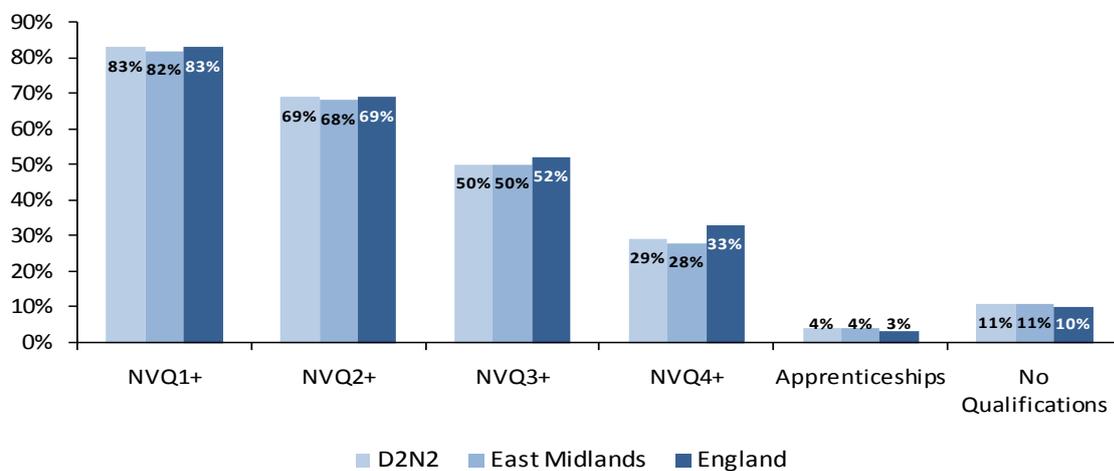
The D2N2 labour market skills profile broadly matches that of the regional profile, with no more than a percentage point of difference between the two across each type of qualification. Across the D2N2 area, there are almost 400,000 people aged 16-64 educated to degree level – equating to 29%, over one in four, of the working age population. This is above the regional profile for this level of qualification, but is 4% less than the England-equivalent level of 33%. To attain the national average, there would need to be another 54,000 people qualified to degree level.

There are around 150,000 people aged 16-64 with no qualifications. This is in line with the regional profile (11%) but slightly higher than the equivalent figure for England.

Skill levels however vary across the D2N2 area. Some areas, including Rushcliffe, have much higher rates of high level qualifications than the D2N2 average, whilst in Mansfield and Ashfield the number of residents holding degree-level qualifications is much lower – circa 1 in 4 of the working age population. Mansfield, Ashfield, Derby City and South Derbyshire also have higher proportions of residents who hold qualifications below level 2, generally accepted as the minimum level required in the 21<sup>st</sup> century labour market.

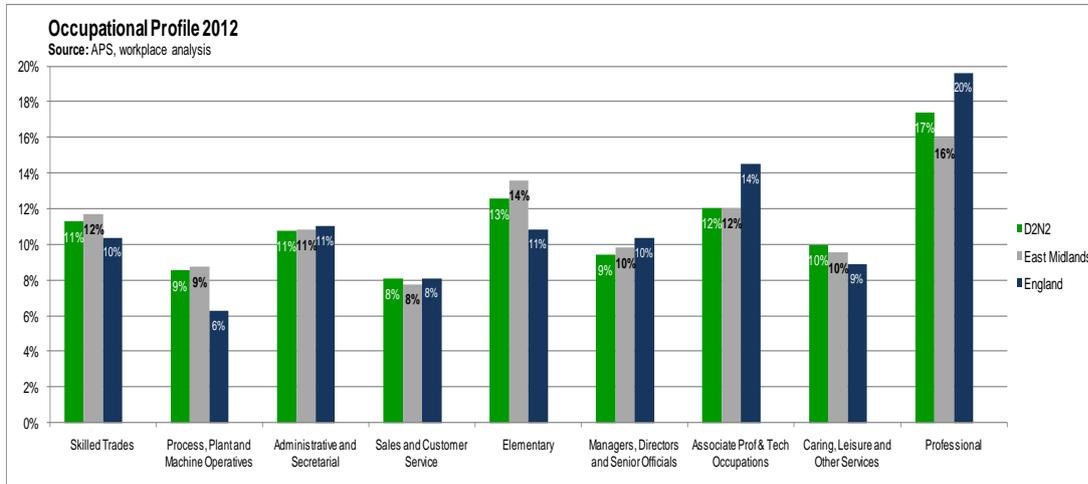
### D2N2: Skills Levels 2011

Source: Census 2011



## Occupational Profile

When compared to nationally, the occupational structure of the D2N2 economy is skewed towards skilled trades, operatives, elementary and other service occupations. D2N2 has low levels of professional occupations, reflecting the relative lack of high quality jobs. In D2N2, 28.1% of all occupations are at associate professional or professional level compared with 34% nationally although this is slightly ahead of the regional average of 28%.



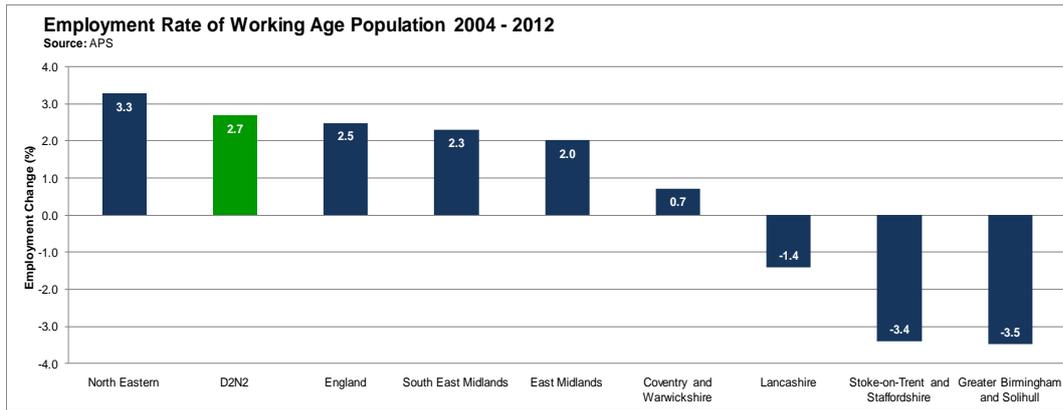
Despite the share of employment in professional occupations being considerably lower than the England average, these occupations have grown by 13,700 during the period 2009-2013. This represents the largest change in occupational structure and highlights the importance of higher level occupations to the continued growth of the D2N2 economy.

## Economic Activity, Inactivity and Unemployment

Economic Activity of the Working Age Population 2013				
	D2N2 No.	D2N2 %	East Midlands %	England %
<b>Economically active</b>	<b>1,034,900</b>	<b>76.0%</b>	<b>77.5%</b>	<b>77.6%</b>
Employed	954,600	70.1%	71.4%	71.4%
Unemployed	80,300	5.9%	6.1%	6.1%
<b>Economically inactive</b>	<b>327,200</b>	<b>24.0%</b>	<b>22.5%</b>	<b>22.4%</b>
Retired	84,600	6.2%	4.0%	3.4%
Long-term or temporary sick	82,700	6.1%	5.3%	5.1%
Student	80,700	5.9%	5.6%	5.9%
Looking after family/home	52,100	3.8%	5.8%	5.9%
Other	27,200	2.0%	1.8%	2.1%
<b>Total</b>	<b>1,362,100</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Annual Population Survey

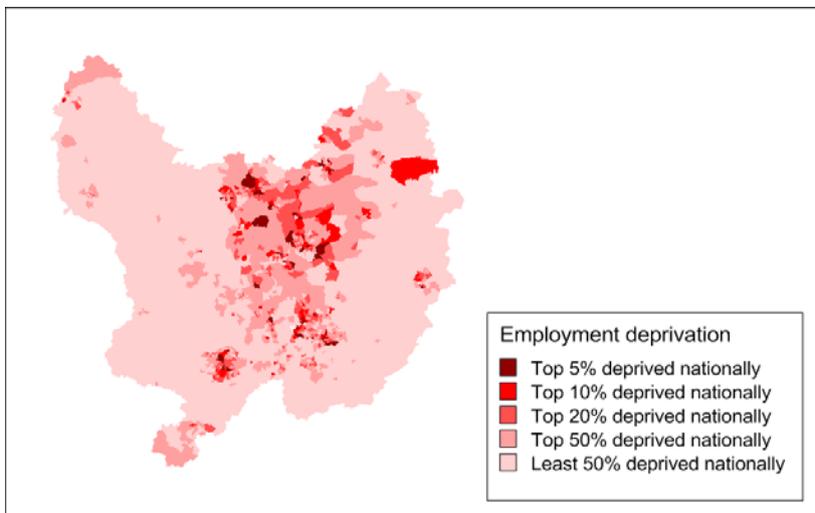
D2N2 saw its employment rate (the share of the working age population in employment or self-employment) increase during the last growth period. However, during the recession and subsequent slow recovery there has been a reduction in the number of people in employment, which fell by 1,800 of 0.2% between 2009 and 2013. Whilst this decline was smaller than the East Midlands average, it contrasts with other LEP areas where the number of people in employment continued to rise.



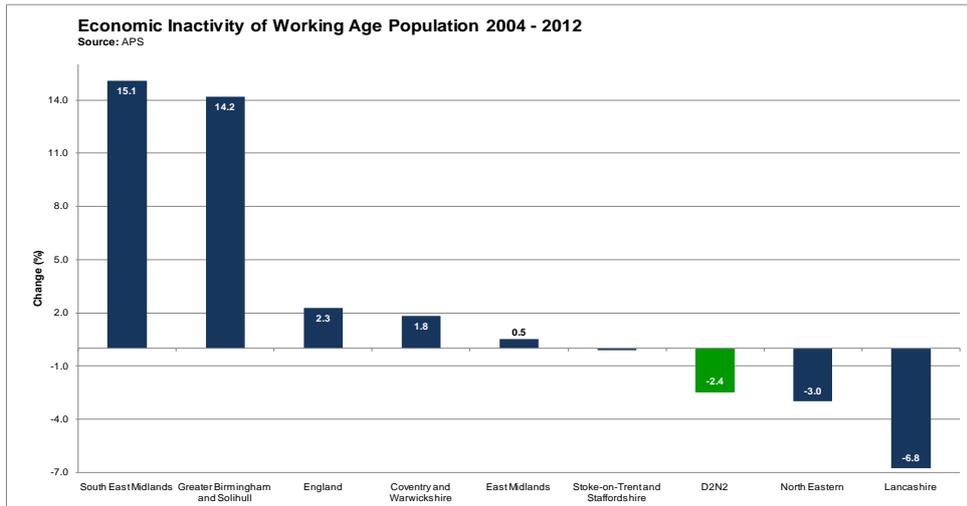
Employment rates tend to be highest in the two counties. The overall position disguises some significant pockets of worklessness, particularly in former coal mining areas to the north of D2N2 and in the cities (particularly Nottingham), as shown in the map below:

**Employment Deprivation in D2N2 Super Output Areas**

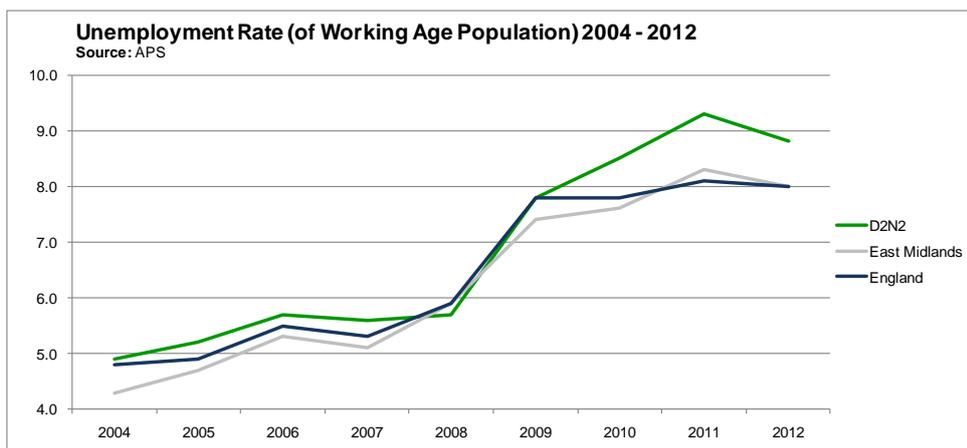
Source: IMD 2010



The economic inactivity rate is slightly higher in D2N2 than in England as a whole (23.5% of the working age population are economically inactive). Levels of inactivity in the D2N2 area fell during the previous growth period, at the same time that inactivity increased in England and in some of the LEP’s peer areas. However, during the recession and subsequent slow recovery, D2N2 has experienced a greater increase in economic inactivity than has been the case nationally. There are high rates of economic inactivity in certain parts of the D2N2 area, including Nottingham (reflecting the large student population), Derbyshire Dales (reflecting a high number of early-retired residents), South Derbyshire and Mansfield.



Unemployment rose more quickly in D2N2 during the recession than it did nationally. Between 2007 and 2011, the percentage of those economically active and unemployed in the D2N2 area grew from 5% to almost 8%; a greater increase than both the regional level and England-wide. The unemployment rate has been increasing since 2008, and overtook the regional and national averages in 2009. At its peak (in 2011), the unemployment rate in D2N2 was 9.3% compared to 8.3% in the East Midlands and 8.1% nationally. However, the rate has now fallen and is below the regional and national levels.



Youth unemployment increased by over 4,500 in the D2N2 area between 2010 and 2013, with 21% of those aged 16-24 now unemployed, the same level as in England as a whole. Youth unemployment is a particular issue in certain parts of the D2N2 area, especially within Nottingham.

One third of all unemployed JSA claimants in D2N2 have been unemployed for over 12 months, slightly higher than the England average (33.4% compared to 31.2%). There are particularly high levels of long-term unemployment in Nottingham, Chesterfield, North East Derbyshire, Ashfield and High Peak.

### Groups within the Labour Market with Protected Characteristics

Certain groups within the D2N2 labour market face particular challenges. The table below shows key labour market statistics for those groups for whom data is available (no standard information is available on ex-offenders, refugees and LGBT individuals. Limited data is available on specific BME groups). Economic activity rates are significantly below the D2N2 average for all groups, with fewer than two-thirds of young people and disabled people active within the labour market. Only just over half of young people and disabled people are in work and unemployment is particularly high amongst young people and members of BME communities. Little official data is available on levels of enterprise and self-employment amongst the different groups.

<b>Groups within the Labour Market with Protected Characteristics</b>					
<b>Target Group</b>	<b>Working age population</b>	<b>Economic activity</b>	<b>Employment</b>	<b>Unemployment</b>	<b>Self employment</b>
D2N2 average	1,362,100	76.5%	70.2%	7.8%	7.3%
Women	680,200	71.4%	65.8%	7.3%	4.6%
Young people (16-24)	258,900	64.4%	50.3%	20.4%	n/k
Older people (50-64)	388,000	67.3%	64.2%	5.4%	n/k
Disabled people	320,400	56.8%	50.2%	11.5%	n/k
BME	106,500	67.5%	54.4%	16.7%*	n/k
Source: Annual Population Survey, 2012					
* 16+ not working age					

The available data and evidence suggests there are groups within the D2N2 area which experience lower educational and economic outcomes and face higher barriers to economic participation. The specific barriers facing each group (and indeed, each individual) vary, and are often multi-faceted and overlapping. Some of these individuals / groups are located in deprived or rural communities, further limiting their economic chances as the area can impact on opportunities in a number of ways, including a shortage of local jobs, poor transport connectivity and poor infrastructure.

The implication of these low rates of employment and economic activity is that the D2N2 economy is not able to fully maximise its economic opportunities. The economic cost is significant, with fewer people economically active than would be expected if activity rates in each group matched the D2N2 average. This places constraints on D2N2 businesses, which have a smaller pool of labour to choose from, and reduces incomes in the area, limiting local purchasing power. Lower levels of business start-up depress competition and reduce levels of innovation. The result is economic growth below D2N2's potential level, imposing an economic cost on the area as a whole. Tackling this under-performance will be an important part of the D2N2 EUSIF strategy, both through specific activity in the employment, social inclusion and skills thematic objectives, and as part of the programme as a whole, via the promoting equality and combating discrimination cross-cutting theme.

## SWOT Analysis

<b>Business</b>	
<b>Strengths</b>	<b>Weaknesses</b>
<ul style="list-style-type: none"> <li>• One of the largest LEP areas in employment and population terms, giving it a ready supply of labour.</li> <li>• Central location with affordable business land, excellent infrastructure, competitive wage rates and a high quality of life.</li> <li>• The area's eight growth sectors employ over 205,000 (excluding low carbon), nearly one fifth of the workforce.</li> <li>• The area secured over 2,000 jobs through foreign direct investment during 2011/12. The D2N2 LEP is one of the top performing LEPs in the country on FDI.</li> <li>• An industrial profile with strengths in manufacturing and export intensive industries.</li> <li>• The area is home to a number of large and world renowned companies from Sygnature Discovery, Premier Foods, Bombardier, Toyota UK, Alliance Boots, EoN, Capital One, Experian and Rolls Royce</li> <li>• Higher education and research, particularly medical, science and low carbon.</li> <li>• A strong and diverse incubation offer as well as some nationally important assets/clusters including Bio City and Medi-City Nottingham and Infinity Park, Derby.</li> <li>• Strong visitor economy, tourism and international students.</li> </ul>	<ul style="list-style-type: none"> <li>• A smaller than average and declining private sector base, particularly the private service sector with disappointing performance during the last growth period of 1998-2008.</li> <li>• Low proportion of employment in knowledge intensive industries and low innovation levels.</li> <li>• Entrepreneurial activity is generally relatively low and the number of new business births has been declining since 2007 (though survival rates are positive).</li> <li>• Significant recent decline in the area's industrial base – 33% loss during 1998-2008. Some of the area's strategic sectors have not grown significantly over the past decade.</li> <li>• Lower than average skills levels and the under-representation of professional and technical occupations.</li> <li>• The average GVA per FTE is nearly 12% behind the England average. During the last growth period it rose year on year, although the gap with the national figure widened.</li> <li>• A lack of absorptive capacity for innovation or leadership in local firms combined with a lack of access to external knowledge or exemplars. Accessing innovation active SMEs or SMEs with potential and raising awareness are key challenges.</li> <li>• D2N2 is in the mid-range of LEPs in terms of patents per 100,000 residents (9.2 per 100,000) and the level of employment in the knowledge economy (17.8%, 23<sup>rd</sup> out of 39 LEP areas).</li> </ul>
<b>Opportunities</b>	<b>Threats</b>
<ul style="list-style-type: none"> <li>• Forecast growth in digital and creative industries.</li> <li>• Further development of supply chains in key sectors, such as advanced engineering and an opportunity to exploit smart specialisation potential in transport technologies.</li> <li>• Forecast increase in global trade over the next ten and twenty years coupled with continued growth in passenger and freight at East Midlands Airport.</li> <li>• New markets as developing economies move from producers to producers/consumers.</li> <li>• Increasing demand for low carbon goods and services and a number of local firms actively involved in development low carbon including retrofit, low carbon vehicles and energy technologies.</li> <li>• Increased use of ICT connections and new and emerging ICT technologies to improve and expand product/service ranges and client reach for local businesses.</li> <li>• Evidence of some growth in business sectors, and a number of niche sectors including advanced manufacturing and health and bioscience.</li> <li>• Growth in leisure and tourism markets.</li> </ul>	<ul style="list-style-type: none"> <li>• Low cost economies moving in to higher value added production.</li> <li>• Continued slow growth in the national and international economies, particularly the Eurozone.</li> <li>• Increased competition in leisure and conference market.</li> <li>• Investment in key enabling technologies and pace of innovation by companies in advanced economies such as Germany and the USA.</li> <li>• Limited access to finance for small businesses.</li> <li>• Job losses in public sector.</li> </ul>

<b>People</b>	
<b>Strengths</b>	<b>Weaknesses</b>
<ul style="list-style-type: none"> <li>• Skilled workforce (with room for improvement in relation to NVQ Level 4+): The D2N2 economy has a lower than average proportion of the working age population qualified to NVQ level 4 plus (38%) compared to 43% nationally.</li> <li>• Diverse occupational profile, including a strong professional and managerial workforce.</li> <li>• Universities offering a range of undergraduate degrees in both technical and academic subjects, placements/internships, graduate enterprise and knowledge transfer opportunities.</li> <li>• Investment plans in existing FE colleges.</li> <li>• A relatively active population – economic activity rates are 77.2% compared with 77.1% nationally – and declining economic inactivity.</li> </ul>	<ul style="list-style-type: none"> <li>• Poor take up of apprenticeships in some sectors – e.g. finance, insurance, tourism only 8-10% of employers currently engage with apprentices.</li> <li>• Limited opportunities for highly qualified younger workers.</li> <li>• Skills levels of labour market entrants – GCSE attainment is variable.</li> <li>• Skills gaps and a lack of proficiency in elementary occupations, sales and customer services, machine operatives and skilled trades.</li> <li>• Skills shortages, particularly in relation to professional occupations. Insufficient interest in careers in a range of sectors, including engineering and science related industries (with additional opportunities arising through replacement demand as the population ages).</li> <li>• Youth unemployment is a particular issue in certain parts of the D2N2 area, especially within Nottingham.</li> <li>• Between 2007 and 2011, the percentage of those economically active and unemployed in the D2N2 area grew from 5% to almost 8%.</li> <li>• Significant pockets of worklessness, particularly in former coal mining areas to the north of D2N2 and in the cities (particularly Nottingham).</li> </ul>
<b>Opportunities</b>	<b>Threats</b>
<ul style="list-style-type: none"> <li>• Universities offering local employers new graduates in a range of disciplines, including those linked to employment opportunities in future growth sectors.</li> <li>• Increasing demand for well qualified young people in key sectors such as creative and digital and low carbon.</li> <li>• Increase in home working enabled by ICT infrastructure and flexible work arrangements.</li> <li>• Expanding care sector offering a range of new employment opportunities and for an increased role for the third sector to support social inclusion and employability activities.</li> <li>• Increasing commitment to, and interest in, apprenticeship campaigns and programmes across the region.</li> <li>• Scale of projections for workforce expansion and replacement demand across all occupations (skewed towards higher level occupations).</li> <li>• Some strong third sector organisations with an appetite to engage in social innovation and social enterprise activities.</li> <li>• An opportunity to stimulate higher levels of graduate employment and enterprise in the area to capture their skills and enthusiasm, and build on existing research strengths, particularly relationships with the local business base.</li> </ul>	<ul style="list-style-type: none"> <li>• Increasing tuition fees impacting upon university enrolments and has drastically reduced the demand for part-time learning.</li> <li>• Reduction in public sector spending across local authorities, higher education and further education having a direct impact on the capacity of agencies to resource activity that supports employability.</li> <li>• Lack of substantial growth in the private sector employment base during the growth period of 1998-2008 relying on the public sector for growth.</li> <li>• Employers reluctant to recruit young people and with a poor perception of their abilities and skills.</li> <li>• Ageing population, many continuing to work, reducing employment opportunities for young people.</li> <li>• Lack of connection between education and training provision and employer needs</li> <li>• Redundancies (linked to reduced public expenditure) leading to loss of talent from the area.</li> <li>• Transport links and barriers to travel making it difficult for local employers to access personnel from the wider labour market and job seekers to access employment and training opportunities.</li> </ul>

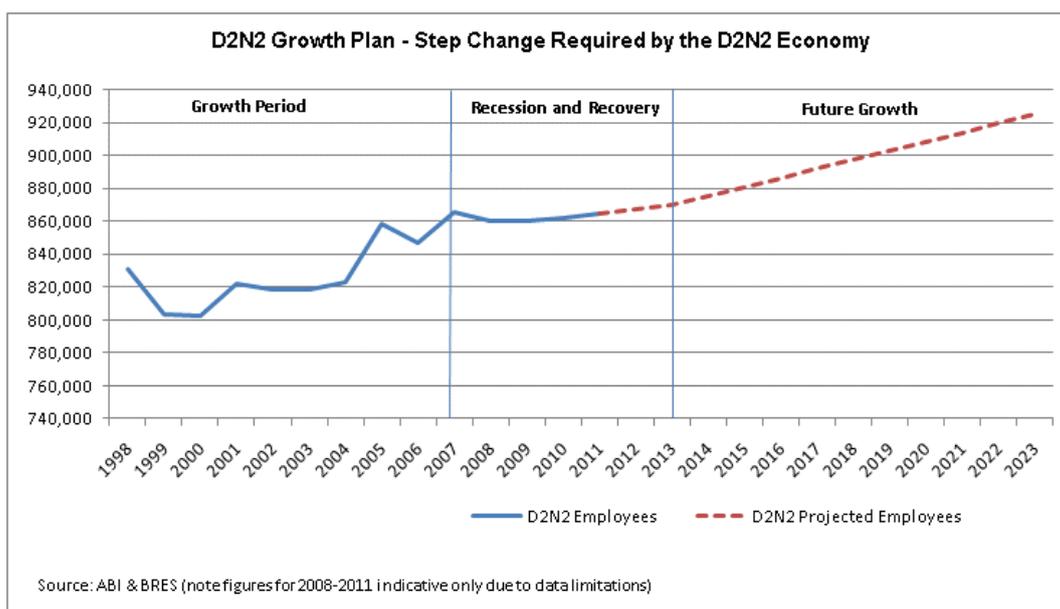
<b>Place and Environment</b>	
<b>Strengths</b>	<b>Weaknesses</b>
<ul style="list-style-type: none"> <li>• A diverse area, including two major cities, smaller centres serving rural hinterlands and a strong rural economy.</li> <li>• Home to some world renowned visitor destinations and tourism assets (e.g. the Peak District, Sherwood Forest, Robin Hood) and world class environmental assets and natural beauty.</li> <li>• Many people visit the D2N2 area because of its natural beauty and many businesses within and around the National Park derive direct and indirect economic benefits from their unique location and relationship with its landscapes.</li> <li>• Situated at the heart of the UK's road and rail infrastructure with excellent connections to major cities (e.g. London).</li> <li>• Two major Superfast Broadband programmes supported by BDUK.</li> </ul>	<ul style="list-style-type: none"> <li>• A lack of intermodal travel, awareness of sustainable travel solutions or embracing of the smart city agenda in relation to effective transport management.</li> <li>• Strategic road infrastructure under pressure.</li> <li>• Significant transport and infrastructure constraints linked to the delivery of major economic development schemes.</li> <li>• A number of rural challenges: difficulties faced by the area's agricultural sector, the need to protect and retain local facilities, and the loss of some important large employers.</li> <li>• The inhibitive costs of undertaking green and blue infrastructure and the extent to which costs can be included in the price of goods and services.</li> <li>• Uncertainty over the commercial and business benefits of some resource efficiency measures and a lack of awareness and understanding of costs, benefits and payback time of resource efficiency amongst the business base.</li> <li>• Lack of certainty with regard to regulation and support mechanisms to encourage the up-take of renewable energy.</li> </ul>
<b>Opportunities</b>	<b>Threats</b>
<ul style="list-style-type: none"> <li>• Building upon current tourism and conference offer and forecast for the leisure economy.</li> <li>• Major investment sites to meet diverse demand from new and existing companies.</li> <li>• Economic potential of East Midlands Airport and High Speed 2.</li> <li>• The development and investment plans of the universities.</li> <li>• Improving digital connectivity.</li> <li>• Linking with other LEP areas on key issues including the visitor economy, transport infrastructure and smart specialisation (advanced engineering and transport technologies for instance).</li> <li>• Building on natural resources to secure opportunities for economic growth from the green economy .</li> <li>• Overcrowding and costs of London.</li> </ul>	<ul style="list-style-type: none"> <li>• Capacity of transport network to accommodate future growth without affecting trade and commuting flows, air quality and safety.</li> <li>• Intense competition from other areas to capture new development and inward investment.</li> <li>• Population growth and trends, in particular an ageing population, will place additional demands on the supply of housing within the D2N2 area.</li> <li>• Some vulnerability to localised flooding threatening the resilience of businesses, deliverability of some key sites and attractiveness of the city environment.</li> <li>• Delivery of growth aspirations has the potential to impact on environmental conditions, through increased manufacturing activities, increased energy demands and increased commuter flows into major cities and on arterial routes.</li> <li>• Costs of maintaining the natural environment and heritage assets, including the built environment.</li> <li>• Economic gains relative to level of investment reducing private sector's willingness to invest in resource efficiency measures</li> </ul>

## Economic Growth Ambition

In headline terms, the D2N2 economy needs:

- An additional 42,000 jobs to close the gap with national employment rates. This is a minimum target over a ten year period.
- An additional 25,700 private sector jobs to close the gap with the national average, based on the current D2N2 employment total, and will be higher if public sector employment declines.
- Further employment growth to take account of population growth.

Whilst the national and regional economies are also likely to grow during this period, a target of 55,000 additional private sector employee jobs over 10 years, including a large proportion of higher value jobs, presents an ambitious and achievable target for D2N2.



## Where will the growth come from?

The additional jobs are likely to be created in a number of ways, including through start ups, spins outs, the expansion of indigenous firms, exporting and inward investment/foreign direct investment.

There are a number of external influences which could impact upon these targets including the performance of the national economy, future national FDI (currently equivalent to circa 100,000 jobs per annum nationally) and Government policy and funding.

Most importantly for D2N2, given the area's industrial strengths, the future of UK manufacturing is also a major influence, in particular whether the trend of long term job losses can be reversed or further job losses can be offset by new manufacturing investment.

At D2N2 level, future employment creation is likely to come from the following areas:

- Growth in elements of industry and manufacturing, in particular areas where D2N2 has specialisms and in advanced manufacturing, low carbon goods and services and environmental technologies. This can help to offset the ongoing decline in more traditional industrial sectors.
- Growth sectors which are forecast to grow nationally, and which will also be important to the D2N2 economy such as business and financial services, creative and digital, technology and ICT sectors.
- Sectors such as construction, retail, business services, education and healthcare which are driven by the growing and ageing population. There is expected to be a significant increase in care related employment, although much of this will be in the private sector.

## What this means for the D2N2 Growth Plan?

In order to close the gap with the UK average and achieve its vision, the D2N2 economy will need to deliver a step change in employment, through:

- Growing and deepening its private sector employment base, particularly in service sectors such as the visitor economy making use of the area's natural assets, in knowledge intensive industries and in areas where D2N2 has niche specialisms;
- Maximising the area's untapped potential, particularly in terms of capturing employment growth from its strategic manufacturing sectors and the low carbon economy (some of which will be in service support);
- Building on supply chain opportunities linked to major employers and the potential for R&D projects, spin out enterprises and HE collaboration in sectors such as transport equipment and medical / bioscience;
- Slowing the decline in the area's manufacturing base by supporting high growth sub sectors, companies involved in advanced manufacturing and continuing to grow the area's export intensive industries;
- Making best use of its labour force, including increasing the number of higher skilled residents, addressing recent increases in unemployment particularly amongst those aged 18-24 and developing and deepening a culture of innovation across the area;
- Stimulating more graduate employment and enterprise in the D2N2 area retaining their skills and enthusiasm, and building on existing research strengths, particularly relationships with the local business base;
- Increasing the number of new businesses and improving the survival rate of smaller businesses to help close the area's business density gap;
- Maximising the area's potential in Foreign Direct Investment arising from factors such as its central location, the arrival of High Speed 2 and the area's very strong university base; and
- Maximising the contribution made by D2N2's smaller market towns, villages and rural areas and the opportunities available to their residents. This may be achieved by assisting enterprise development, competitiveness and community cohesion through developing rural micro-businesses; creating sustainable employment in land based industries through diversification; developing market towns as vibrant places for people to live, work and visit and enhancing the digital infrastructure.

It is unlikely that the public sector will provide the employment growth required to help to reduce unemployment, and D2N2 needs to stabilise manufacturing jobs over the next ten years. The additional jobs required to provide the opportunities needed for communities and young people will largely come from the private service sectors, as well as those niche areas of industry where D2N2 has particular strengths and specialisms.

While some of these will be a result of local demand, such as retail and leisure, others will require a pro-active approach to ensure that D2N2 captures significant investment in high growth, private sector service sub sectors (e.g. business and financial services, digital and creative industries, and transport and logistics) and builds on continuing industrial strengths.

## The Drivers and Potential Barriers to Growth and Jobs in the LEP area

### Drivers and Market Opportunities

There are a number of important market opportunities which are influencing how EU funds will be invested in D2N2. These include:

- **Changing technologies**, such as new materials and digital devices which are allowing regions to capitalise on high level technical expertise and enterprise to develop new areas of competitive advantage, not based on low costs. These trends are relevant to the advanced manufacturing and engineering businesses and digital industries. This reflects national policy from key organisations such as the Technology Strategy Board and the priorities in the Government's Industrial Strategy.
- **Growing global markets**, with the increasing purchasing power of the developing economies opening up new markets in areas such as digital applications and healthcare, and a recovering Eurozone revitalising long established export and supply chain markets. This reflects national and international research on global markets and economic growth.
- **Sustainable environment**, with a greater recognition of the value of the environment and the need to respond positively to the challenge of climate change, leading to new commercial opportunities for a much more diverse range of businesses, including small, locally based companies. D2N2 has a strong base of low carbon businesses as well a research expertise on which to build. This area strongly reflects EU and national policy on addressing the carbon challenge.
- **Graduate talent**, using the potential of D2N2's large pool of young graduates and post graduates to support growth in established businesses in sectors such as creative industries and demand from fast growing SMEs for higher level skills, supported by intern and placement programmes, reflecting in part the Witty Review of the contributions of universities to economic development.
- **Location**, taking advantage of D2N2's location at the heart of the UK, the strategic motorway network, strong rail connections and international connectivity through East Midlands Airport, and the ability to accommodate significant and varied investment in locations. D2N2 is an attractive location for Foreign Direct Investment (providing regular opportunities) and domestic investment in both manufacturing and service activities, including logistics.

These drivers combine external technological and markets trends and forecasts, and D2N2's specific strengths and assets.

### Barriers to Growth and Market Failures

While these factors provide opportunities, there are a number of well documented challenges which need to be addressed in order to remove barriers to growth. Fundamental to this is the national economy emerging into a period of sustained economic growth. This will provide the impetus for companies in D2N2 to invest and develop growth plans in the coming years.

The duration of the economic slowdown has meant that many smaller businesses are not in a good position to take advantage of an improving national economy. Many companies have been forced to downsize or cut back on activities such as training and marketing. Providing business with the confidence and support to invest in growth is an important objective for local partners.

The barriers to growth and market failures include:

- The uncertainty of outcomes, time and developments costs of **undertaking innovation and commercialisation**, a key strand in improving productivity, and already recognised as a significant market failure in current EU Programmes.
- **Lack of information and knowledge** of University and other innovation and technical expertise to support product development and process improvements for many SMEs, particularly small manufacturing companies.
- Limited resources and expertise available to SMEs to **develop growth and business improvement plans**, another key strand in improving productivity, and exacerbated by the recession and low levels of economic growth of recent years.
- The uncertainty and perceived risk in **exporting**, particularly with regard to new markets, a key strand in maintaining manufacturing competitiveness and employment, and recognised by the work of UKTI.

- **Infrastructure costs and uncertainty over commercial returns** in terms of unlocking sites and providing premises such as grow on space and incubation facilities. Many bottlenecks are too costly to be undertaken by the private sector and too small to become a strategic transport priority.
- Market failure with regard to **sustainable development objectives**, with a number of outputs and outcomes regarded as social goods, rather than commercial activities which the private sector could undertake, and other key objectives requiring Government support (which changes over time and is dependent on policy initiatives).
- **Company reluctance to undertake and/or support training**, including apprenticeships, often fearing that better trained personnel will leave, and evidenced regularly in company skills surveys.
- **Lack of information and knowledge** of the training available locally and regionally.
- **Skills shortages**, particularly for technical skills, with many employers reluctant to invest as successful trainees are likely to leave and many positions need experienced personnel.
- **Young people**, where poor IAG leads to poor choices by the young person, reducing job opportunities, exacerbated by changes to the careers advisory system; youth unemployment in D2N2 is high.

There are a number of other barriers to economic growth, some of which relate to transport and the high costs of housing. These are the focus of the proposed interventions set out in the Implementation Plan that accompanies our Strategic Economic Plan.

### 3 The D2N2 Growth Vision

#### D2N2 Growth Vision

The vision and ambition is built on knowledge of the D2N2 economy, recognition of the challenges and opportunities of the 21<sup>st</sup> century global economy and an understanding that economic growth is not an end in itself. Economic growth enables individuals to access the opportunities to lead productive and rewarding lives, our society and culture to flourish and to protect and enhance the environment, creating a sustainable, low carbon future for the D2N2 area.

**Our Vision is: “A more prosperous, better connected, and increasingly competitive and resilient economy.”**

To pursue the vision, the LEP and partners will inspire action to make D2N2 the most competitive and sustainable business location in the UK. The vision is long term and it will not be a quick fix. In the short term, investments and infrastructure to accelerate economic recovery will be prioritised, while also focusing on the development of the skills of young people and the workforce and the growth of key sectors to ensure long term self-sustaining growth and prosperity.

D2N2 will inspire economic growth, supporting firms to innovate, invest, export, grow and create sustainable jobs. The Strategic Economic Plan shapes the conditions and investments to support businesses to grow. Partners within D2N2 have significant resources, programmes and capabilities to support economic growth. Local Authorities have supported the development of local Growth Plans, higher education institutions have a major economic role in driving demand, innovation and skills and businesses are the motor of growth.

Partners will support growth by acting together, harnessing the partnership’s resources to create the conditions and inspire the investments that will support businesses to grow. By acting as a genuine partnership, committing time and resources to promote growth, we will achieve more than we can apart.

The data demonstrates that in order to close the gap with the UK average and achieve our vision, the D2N2 economy needs to deliver a step change in employment. D2N2 is ready for this challenge.

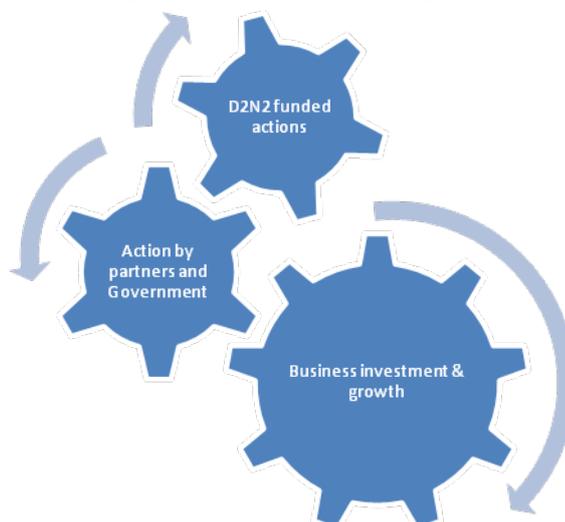
***The single target of the our Growth Strategy is to support the creation of an additional 55,000 private sector employee jobs in D2N2 by 2023.***

The commitment to growth is reflected in the ambitious targets. However, by itself, catalysing the resources of partners within the D2N2 area will not be enough to achieve the vision or meet the targets. To realise the full potential of our area, Government will be asked to devolve further growth-shaping resources for direction by D2N2.

Growth will be influenced by national and international economic conditions and D2N2 commitments are long term, reflecting the fundamental conditions for sustainable economic growth.

The Growth Plan will not be effective unless it is translated into action to support jobs and growth and we have produced a Strategic Economic Plan with accompanying implementation plan which sets out the actions we will take to achieve our target. D2N2 is a partnership, not an agency. Therefore the resources to deliver the majority of actions in support of our vision rest with partners within the LEP, Government and other organisations that affect business growth. In providing credible and compelling economic leadership, D2N2 will catalyse the resource of partners behind actions for growth and continue to demonstrate to Government and others the business case for investing for growth in D2N2. D2N2 will use the resources within its control effectively to leverage investment and activity to support jobs and growth.

The plan sets out how D2N2 LEP will inspire growth, our framework for long-term action and our short-term priorities. D2N2 will publish and regularly refresh a rolling 3-year Operational Plan that details the full range of activities, accountabilities and resources that it will pursue.



Within the scope of the Strategic Economic Plan there will be activity that is:

- LEP initiated and majority funded;
- LEP initiated and minority funded; and
- Complementary 'on strategy' activity co-ordinated and promoted, but not funded by the LEP.

## **D2N2 Priorities**

D2N2 will take a balanced approach identifying short, medium and long-term opportunities, targeting our efforts on the best and most realisable growth opportunities for the D2N2 area. Decisions are informed by data and aligned to strategies ensuring a consistent approach which will support effective and sustainable economic growth. This approach will require tough choices about what we will and more importantly what we will not do or support. Efforts will be concentrated where there is the greatest ability to make a positive impact within the framework of key themes and areas of focus.

## **Inspiring Local Priorities**

The D2N2 Strategic Economic Plan sets the framework for local growth strategies and plans in the D2N2 area. These local plans and the activity they set out support our vision to make D2N2 a more prosperous, better connected and increasingly resilient and competitive economy. Local growth plans employ a range of delivery and governance mechanisms to manage their implementation, including Nottingham's Economic Growth Board, Derbyshire's Economic Partnership, Derby's Renaissance Partnership and Nottinghamshire's Business Engagement Group.

Local growth plans emphasise locally important sectors whereas the D2N2 plan prioritises those sectors that are the strongest or have the most significant growth potential across the whole LEP area. D2N2 doesn't duplicate local work but instead builds on this work where collaboration at a strategic level helps us achieve more.

## **Delivering In Urban and Rural Areas**

D2N2 combines the best of vital urban conurbations with productive and diversified rural economies with almost 60,000 businesses spread across Derby, Derbyshire, Nottingham and Nottinghamshire. D2N2 LEP recognises the vital role and contribution of businesses in rural areas. Actions will be based on an understanding of their impact on rural as well as urban areas and D2N2 will monitor the impact of those actions. D2N2 will not produce separate 'urban' or 'rural' policies or strategies but we will use our EAFRD allocation to support the delivery of our overall programme in the rural parts of D2N2. Ensuring that our rural businesses and communities benefit from D2N2 support and action is an important priority for us, and this additional allocation of funding for rural areas will add value to our main programme, providing distinct support for the rural parts of D2N2.

## **Working with Other LEPs**

Business does not stop at the D2N2 boundary. D2N2 is an outward looking partnership, working with other LEPs where common endeavour can more effectively and efficiently support growth. We will deepen our relationship with Leicester and Leicestershire LEP to build on the competitive advantage that East Midlands Airport and common transportation infrastructure provides for our area. D2N2 will work with other Local Enterprise Partnerships in the East Midlands to maximise the impact of potential funding available to support business from the European Union's 2014-2020 programme. We will strengthen our work with Sheffield City Region to ensure that those areas that lie in both LEP areas remain central to our vision for economic growth, and have developed a protocol with our Sheffield City Region partners for working in the 'overlap' areas (see chapter 8, Governance and Delivery Arrangements).

D2N2 will focus our work on four strategic priorities for supporting enterprises. These priorities are relevant to all businesses in the D2N2 area but have particular significance to the high growth businesses that are responsible for the bulk of private sector job creation. They are:

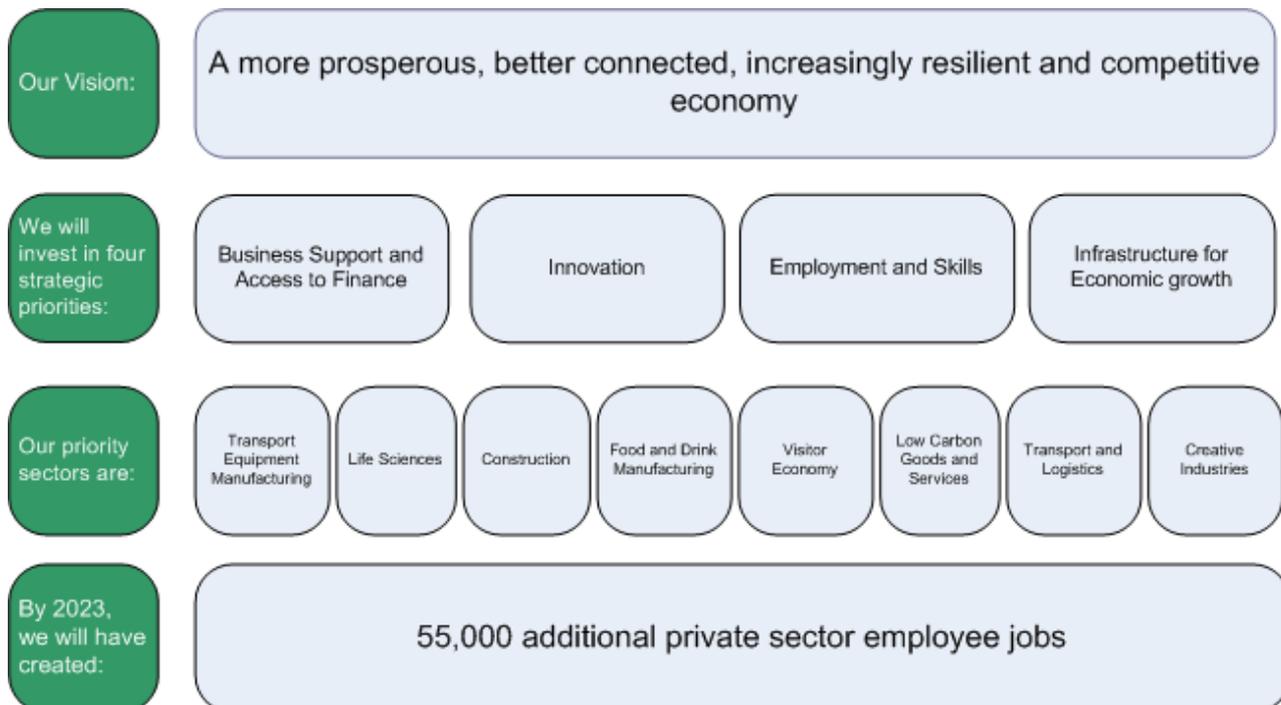
- Employment and skills;
- Innovation;
- Business support and access to finance;
- Infrastructure.

In addition to these four strategic priorities, D2N2 will support businesses to grow through 'integrated' activities that are not focused in any single strategic priority. In the short term, D2N2 actions will focus on our four strategic priorities, with a particular focus on finance and infrastructure.

D2N2 has also identified eight priority sectors. These are the industrial sectors in which the D2N2 area is already strong or has the capacity to grow. They are:

- Transport Equipment Manufacturing;
- Life Sciences;
- Food and Drink Manufacturing;
- Construction;
- Visitor Economy;
- Transport and Logistics;
- Creative Industries; and
- Low Carbon Goods and Services.

D2N2 will prioritise activity that supports these key sectors but we will remain agile to support and realise emerging growth opportunities across the economy. To support sustainable long-term growth D2N2 will develop dedicated sector approaches in the medium-term.



The European Structural and Investment Fund Strategy 2014-2020 will make a major contribution to skills, innovation and business support and access to finance, and there is a strong overlap between D2N2's economic priorities and the 10 themes set out to support European policy. D2N2's priority sectors of transport equipment and manufacturing, life sciences and low carbon goods and services will be a focus for both ERDF and ESF support.

## 4 Investment Priorities

### Approach to the use of EU Funds in D2N2

This section sets out D2N2's propositions under each of the ten Thematic Objectives identified by Europe and the UK Government. The propositions demonstrate how the overall programme's vision and objectives will be achieved through a diverse programme of activities to support sustainable and inclusive economic growth.

Under each Thematic Objective, guidance is provided regarding the aims of intervention, the broad type of activities that can be supported, finance available to support propositions and the nature and scale of outputs and results that are anticipated to be achieved in return.

### Allocations by Thematic Objective and Strategic Intervention

D2N2 LEP considered a number of factors in allocating ERDF and ESF resources, including:

- a. LEP Board priorities for the use of EU Investment Funds;
- b. Fit with the Growth Plan objectives;
- c. The findings from the D2N2 EU consultation process;
- d. The approach adopted to the opt-in process and financial instruments (which would affect the funding available for activity under certain themes, in particular Theme 3 SME Competitiveness); and
- e. Other considerations, such as the availability of match funding and pipeline of potential projects.

For planning purposes the Board has agreed that the notional allocation of £208.8m ERDF and ESF funding will be split 50% ERDF funding and 50% ESF. We wish to maintain the maximum possible flexibility in relation to these allocations, and propose to review the appropriate balance between ERDF and ESF on an annual basis.

D2N2 LEP has agreed a balanced approach to the distribution of funds, with indicative allocations of funding to each of the themes including an allocation to the sustainable transport theme<sup>2</sup>. The recommended approach involves using the ERDF funds in a way which promotes SME and knowledge driven economic growth, whilst also addressing infrastructure, ICT or low carbon growth needs. The use of ESF involves an emphasis on supporting the skills required for a higher value economy. ESF will also address disadvantage in the labour market and 20% of funds will be used on social inclusion related activities.

Although the EU funding has been indicatively allocated to specific thematic objectives, there are close alignments between the activities that will be supported within each objective and particularly between ERDF and ESF investment. We wish to retain the flexibility to use ESF to support investment in skills alongside the ERDF support provided to businesses through thematic objectives 1 – 4.

<b>Split of Investment by Theme</b>			
<b>Theme</b>	<b>Indicative Allocation</b>		
	<b>% ERDF / ESF</b>		<b>£m</b>
1 – Innovation	20%	85%	20.9
2 – ICT	10%		10.5
3 - SME Competitiveness	35%		36.5
4 - Low Carbon	20%		20.9
<b>Themes 1-4</b>	<b>85.0</b>		<b>88.8</b>

<sup>2</sup> Although the amount of funding available for sustainable transport in more developed regions is limited, we feel that it is important that funding is allocated to this Thematic Objective to support our ambitions of developing sustainable transport solutions and supporting our wider, strategic transport objectives. The £5.2m we have notionally allocated to this objective will complement the much larger capital investment being made in transport infrastructure through our Strategic Economic Plan, and will support sustainable transport initiatives that will help connect people to job opportunities while improving air quality and protecting the environment. See p55-57 for more detail.

5 - Climate Change	5%	15%	5.2
6 - Protecting the Environment/Resource Efficiency	5%		5.2
7 - Supporting Transport	5%		5.2
<b>Themes 5-7</b>	<b>15.0</b>		<b>15.6</b>
<b>Total ERDF</b>	<b>100.0</b>		<b>104.4</b>
8 - Promoting employment/supporting labour mobility	40%		41.8
9 - Promoting social inclusion/combating poverty	20%		20.9
10 - Investment in education, skills, lifelong learning	40%		41.8
<b>Total ESF</b>	<b>100.0</b>		<b>104.4</b>
<b>Total EAFRD – Rural Economy</b>			<b>5.5</b>
Note – the Board agreed that ERDF funding should be split 85% to TOs 1-4 and 15% for TOs 5-7. The table shows an indicative allocation to each TO within this global allocation.			

The D2N2 Strategic Economic Plan places a significant emphasis on supporting the area's SME base and the creation of higher value jobs in the private sector. In addition, three of the opt-ins, which the Board wishes (in principle) to take up – MAS, Growth Accelerator and UKTI – and any financial instruments are delivered under the SME competitiveness theme. Consequently, an enhanced allocation of ERDF funds under Thematic Objective 3 both fits with the Strategic Economic Plan objectives and also provides the greatest flexibility by ensuring that any opt ins and use of financial instruments do not negatively impact on the availability of funding for other SME competitiveness activities. Innovation is also one of the Growth Plan's four key themes, and 20% of ERDF funds are allocated to this theme.

In terms of the ESF funding, the focus of D2N2's Strategic Economic Plan is on delivering higher value jobs in the private sector. The ESF funding must also be used to fund activities under four investment themes, two of which are under Thematic Objective 8. Consequently, the ESF programme is focused on promoting employment (Thematic Objective 8) and investment in education, skills and training (Thematic Objective 10). Recognising that the Growth Plan is also clear that the benefits of growth should be shared by all, as well as supporting people to achieve their potential, 20% of funds have been allocated to the social inclusion theme (Thematic Objective 9).

In addition, the suggested approach takes account of match funding requirements. Under this approach, there would be a greater emphasis on engagement with and securing match funding from the private sector and research and education sectors. These represent important sources of match funding. In addition, the suggested approach to the opt ins and use of financial instruments will secure some early match funding for the programme. In terms of ESF, there is an emphasis on securing match funding from skills and employment sources, rather than activities to address social inclusion, where we intend to take up the Big Lottery opt-in as the main source of match-funding.

Although the EU funding has been allocated to specific Thematic Objectives, there are close alignments between the activities that will be supported within each objective and particularly between ERDF and ESF investment. ESF investment in skills (at all levels) and employability will complement the ERDF support provided to businesses through Thematic Objectives 1–4, and there are strong synergies between the three ESF objectives.

In addition, D2N2 has been allocated £5,523,249 of EAFRD, in addition to the ERDF and ESF allocations. The EAFRD funding can be used to fund four types of activities:

- a. Building knowledge and skills in rural areas;
- b. Funding new, and developing non-agricultural, micro, small and medium sized rural business;
- c. Funding small scale renewable and broadband investments in rural areas; and
- d. Supporting tourism activities in rural areas

These align closely with the activities we are proposing to fund through Thematic Objectives 1, 2, 3, 4, 6, 8 and 10.

It is proposed that the EAFRD monies will support the delivery of our overall programme in the rural parts of D2N2. This additional allocation of funding for rural areas will add value to our main programme. The EAFRD will be used to provide distinct support for the rural parts of D2N2 in line with both our overall programme objectives and the Government's Growth Programme priorities.

EAFRD funding will be focussed on two key areas – developing new and supporting existing non-agricultural businesses (Article 19, aligning with Thematic Objectives 1, 3 and 8); and ensuring that the roll-out of broadband covers all our rural areas through provision of innovative, community-based solutions in those parts of D2N2 not covered by the BDUK programme (Article 20, aligning with Thematic Objective 2).

## Thematic Objective 1: Strengthening Research, Technological Development and Innovation

### Rationale

In advanced economies, the principal source of competitive advantage in globalised markets is innovation – of systems, processes, products, or services. In increasingly dynamic markets, continuous innovation is key to the maintenance of competitive advantage. As a nation, the UK, despite the standing of its innovation system in international indices, has sought to address low R&D investment intensity, obstacles in the translation of University science to commercial application, and weaknesses in the financial support of technological exploitation and commercialisation.

Innovation performance depends not only on how specific actors (e.g. enterprises, research institutes, universities) perform, but on how they interact with one another in an innovation system. Local stakeholders, seeking to derive prosperity from a competitive business-base, have sought to enhance the capacity and capability of their local innovation system – coordinating the production, transfer, and exploitation of knowledge through businesses, institutions, and communities.

Innovation systems that are successful in enabling their participants to secure a differentiated competitive advantage, flourish as drivers of indigenous growth and attractors of inward investment. The rationale for intervention centres on failures of coordination and information that typically stifle the development of productive relationships through value chains: particularly those between businesses, and between businesses and research institutions (i.e. universities).

D2N2 has a number of higher education and research strengths. The area is home to three universities – the University of Derby, Nottingham Trent University and the University of Nottingham – which, combined, are home to around 80,000 university students. Collectively they have globally recognised and active world class research-led activities and facilities and strong relationships with industry and major local employers such as GlaxoSmithKlein, Ford and Rolls Royce. The QMC/Nottingham University Hospital Trust is also one of the largest teaching hospitals in the UK.

The imperative to stimulate higher levels of graduate employment and enterprise in the area, capturing their skills and enthusiasm, and build on existing research strengths, particularly relationships with the local business base, will be important considerations for the D2N2 Growth Plan. The universities have particular strengths in incubation, graduate enterprise (where there has been significant activity), supply chain development, and knowledge transfer and there are many other partners delivering innovation activity.

There are a number of opportunities for the D2N2 economy in relation to innovation, including the potential to exploit smart specialisation in key sectors, and develop supply chain linkages based around innovation, drawing on the skills and expertise within the region's Universities.

### Links to the Industrial Strategy and Smart Specialisation Agenda

This thematic objective will help contribute to key aspects of the Government's Industrial Strategy notably the themes of support for sectors and the emerging and 'eight great' technologies<sup>3</sup>. Of the 11 sectors mentioned in the Government's Strategy, four are of particular relevance to D2N2. These include life science, aerospace, automotive and construction. For instance the Strategy for UK Life Science talks about building a life sciences eco system. This fits very well with our Strategic Activities two and three which will support innovation space and commercialisation activity (see later). We have a strong and diverse incubation offer as well as some nationally important assets/clusters including Bio City Nottingham and Rolls Royce Global Technology Cluster and a network of innovation centres. This provides us with a strong basis for further collaboration. Bio City Nottingham for example provides an international hub for entrepreneurial activity in the life sciences complementing the national aspiration to make the UK a global hub for life sciences.

In a similar vein supply chain competitiveness is a key UK theme for the UK Aerospace sector (see "Lifting Off: Implementing the Strategic Vision for UK Aerospace"). With over 700 companies in the supply chain Derby is at the heart of one of the largest clusters of aerospace companies in Europe. We are working with senior figures from Rolls-Royce and Toyota using RGF and other funding<sup>4</sup> to help make the nation's aerospace supply chain more competitive globally creating or supporting some 5,000 jobs over four years. For each of D2N2's priority sectors, we will publish an industry-led development plan, setting out the support the sector needs to grow. Business networks are already active in the area including specialist sector based

<sup>3</sup> D2N2 is also supporting the Industry Strategy themes of skills and access to finance under thematic objectives 8-10 and TO3 respectively.

<sup>4</sup> The £110 million budget consists of £50 million from the Government's Regional Growth Fund, £10 million from Rolls-Royce and £50 million from the businesses selected to take part in the programme.

innovation collaborations in medicine and bioscience transport equipment and food and drink and will help inform these plans.

Our Strategic Activity One includes initiatives specifically targeted to aid commercialisation of innovation in the 'Key Enabling', 'Great Eight', and 'Health-Science' technology fields. We are well placed to undertake such activity. D2N2 has an impressive innovation ecosystem to further exploit Research, Technological Development and Innovation capabilities and meet the Government's Industrial Strategy aspirations. The Innovation Park in Nottingham provides an iconic location for technology collaborations with new investments including an aerospace technology centre and an energy centre and a proposed GlaxoSmithKline Centre of Excellence for sustainable chemistry. We have exceptional capabilities in advanced materials and nano-technology, regenerative medicine and synthetic biology (three of the Government's emerging technologies). The area also boasts an excellent range of large and small innovative companies too from highly innovative SMEs like Sygnature Discovery and Molecular Profiles in Nottingham to large employers and multi-nationals such as Toyota UK, Alliance Boots, EoN, Capital One, Experian and Rolls Royce.

When developing proposals for strengthening research, technological development, and innovation, LEPs are urged by UK Government to ensure plans align with the framework for Smart Specialisation (the RIS3 agenda<sup>5</sup>). Our strategy for innovation follows 'the Four Cs of Smart Specialisation':

- (Tough) Choices and Critical mass: whilst we have identified eight priority sectors there are two which stand out on the basis of their exceptional strengths in an international context. We intend to intensify activity in these two areas and other priority sectors where a case can be made. They are Transport Equipment Manufacturing (Planes, Trains and Automobiles) and Life Sciences which are very much in tune with our local strengths and current innovation assets and are sufficiently significant to be recognised nationally.
- Competitive Advantage: mobilising talent by matching RTD+I capacities and business needs through an entrepreneurial discovery process – we will seek to match talent with these priority areas and have higher level skills complementary activities planned.
- Connectivity and Clusters: we will develop world class clusters in these areas and provide an arena for cross-sector links internally and externally, promoting technological diversification in transport technologies and the commercialisation of global expertise in medicine and bio-science.
- Collaborative Leadership: this will be achieved through an efficient, innovation system based on public-private partnership (quadruple helix) – working with large and small innovators across the area.

Looking at the suggested six step approach to smart specialisation, we believe we are at stage three. We have a good understanding of our sector strengths, assets and linkages (stage one). The basis for their selection is set out earlier in chapter two and in our State of the Economy Report (ekosgen, 2013). For example major transport multinationals such as Toyota, Rolls-Royce and Bombardier are located in the area and the health and bioscience sector experienced significant growth of 24% during 2008-2010. Under stage two we have a governance structure in place and will establish a consultative business task group as part of the sector plan. An industry led growth plan will be produced which articulates a shared vision about their future prospects, and agrees a limited number of priorities for regional development (Stages three to five). The plan will include proposed monitoring and evaluation measures (Stage six of the six stage approach).

### **Addressing market failures and challenges**

Against this backdrop, the key market failures and challenges that need to be addressed by D2N2 include:

- A lack of absorptive capacity for innovation or leadership in local firms combined with a lack of access to external knowledge or exemplars. Accessing innovation active SMEs or SMEs with potential and raising awareness are key challenges.
- A lower than average proportion of the working age population is qualified to NVQ level 4 plus (38%) compared to 43% nationally meaning there will be more competition for the industries of the future.
- Another worrying trend is that 2012 saw a 40% drop in applicants to study higher education part-time (HEFCE, Higher Education in England: Impact of the 2012 Reforms, March 2013).
- There is a need to stimulate higher levels of graduate employment and enterprise in the area, and build on existing research strengths, particularly relationships with the local business base.
- The baseline has highlighted the need to boost entrepreneurial activity in the D2N2 area and the number of new business births.

<sup>5</sup> EC. 2013. 'Smart specialisation'. [http://ec.europa.eu/research/regions/index\\_en.cfm?pg=smart\\_specialisation&lq=en](http://ec.europa.eu/research/regions/index_en.cfm?pg=smart_specialisation&lq=en)

- There is also a need to counteract the feeling that some of the funding mechanisms are too complex or that innovation is focused solely on scientific R&D.

## Objectives

The headline aim of this Thematic Objective is to:

*Increase business competitiveness in the area's economy through investment in innovation, commercialisation and product development in key sectors and high growth companies, exploiting D2N2's research strengths and expertise*

Specific objectives are:

- Building collaborative research between enterprises, research institutions, and public institutions.
- Supporting businesses, including social enterprises, to commercialise research and development.
- Investing in facilities and equipment supporting the collaboration and commercialisation activity sought under this Thematic Objective.

The three universities have taken the opportunity presented by the D2N2 geography to develop much closer working relationships with each other, capitalising on the critical mass and match funding available (e.g. institutional match and Higher Education Innovation Fund) across the 3 HEIs and offering some leadership in the area of innovation. They are leading a multi-agency innovation theme group and have devised a framework for collaboration which includes: skills for innovation (workshops, short courses, CPD and sponsored degrees), university R&D for innovation (business support, TSB/EU research and IP exploitation) and graduate talent for innovation (placements, internships, KTPs and graduate employment). The innovation theme group includes key players such as businesses, local authorities, incubation managers, FE and HE and sustainable business networks. The universities have been commissioned to develop an innovation action plan – as part of this work they are undertaking an innovation survey analysing the nature of innovation locally and identifying opportunities and challenges that businesses have in supporting innovation in their workplaces. This will dovetail the sector plans which are being developed.

## Eligible activities by strategic activity area

- **Strategic Activity 1:** Support for **Smart Specialisation Collaborative Research** between enterprises, research institutions, and public institutions, including:
  - Initiatives stimulating and facilitating productive innovation partnerships between enterprises and research institutions
  - Initiatives specifically targeted to aid commercialisation of innovation in the 'Key Enabling'<sup>6</sup>, 'Great Eight'<sup>7</sup>, and 'Health-Science' technology fields
- **Strategic Activity 2:** Support for the **Commercialisation and Enterprise** of new products and business processes, including:
  - Initiatives enhancing the demand for new or improved services, processes and products (including 'pro-innovation' procurement policies in public and private sectors)
  - Schemes providing practical, financial, and material support for the innovation process within businesses (including support for access to finance and access to markets)
  - Schemes stimulating and enabling graduate start-up and spin-out from Universities, Colleges, and research institutions
  - Support for the involvement of SMEs in supply chain competitiveness activities
- **Strategic Activity 3:** Investment in the development of **Innovation Space and Facilities**, facilities, including equipment, with the capability to serve as a platform, catalyst and host for innovation and innovative relationships.

## Target beneficiaries

The principal target beneficiaries for this Thematic Objective are:

<sup>6</sup> The 'Key Enabling Technologies' are: 'Advanced Materials', 'Biosciences', 'Electronics, Sensors and Photonics', and 'Information and Communication Technology (ICT)'. See: TSB. 2012. 'Enabling Technologies Strategy'. [www.innovateuk.org/documents/1524978/2139688/Enabling+technologies+-+Strategy+2012-2015/c11ba6fd-435c-4230-a3ed-4b6c29f2582a](http://www.innovateuk.org/documents/1524978/2139688/Enabling+technologies+-+Strategy+2012-2015/c11ba6fd-435c-4230-a3ed-4b6c29f2582a)

<sup>7</sup> The 'Great Eight' are: 'Big Data', 'Space', 'Robotics and Autonomous Systems', 'Synthetic Biology', 'Regenerative Medicine', 'Agri-Science', 'Advanced Materials', and 'Energy'. See: 'Eight Great Technologies' – [www.gov.uk/government/speeches/eight-great-technologies](http://www.gov.uk/government/speeches/eight-great-technologies)

- Enterprises, principally SMEs, seeking enhanced competitiveness through innovation
- Research institutions seeking to commercialise new technologies and knowledge
- Entrepreneurs seeking to commercialise new technologies and knowledge

## Finance

This Thematic Objective has an allocation of £20.9m of ERDF available for investment.

Activities will be supported up to a maximum 50% intervention rate with match funding sources to include: Research Councils, HEFCE and universities; Academic Health Science Networks; Technology Strategy Board<sup>8</sup>; Private Sector; Local authorities.

### Strengthening Research, Technological Development and Innovation– Finance

<b>TO 1 Strengthening Research, Technological Development and Innovation– Finance</b>	
	£m
ERDF	20.9
UK Public	11.7
Private	9.2
<b>Total</b>	<b>41.8</b>

## Targets

<b>TO1: Strengthening Research, Technological Development and Innovation – Targets</b>		
<b>Target Type</b>	<b>Indicator</b>	<b>Target</b>
Result	Increased number of businesses that are actively innovating to bring new products to the market.	
Result	Further embedding innovation and building greater value chain connections within and across relevant functional economies, especially with the use of those enabling technologies that transfer across sectors (smart specialisation indicator).	
Output	Number of enterprises receiving support.	403
Output	Number of enterprises cooperating with research entities.	200
Output	Number of enterprises supported to introduce new-to-the-market products.	20
Output	Number of enterprises supported to introduce new-to-the-firm products.	40
Output	Private investment matching public support to enterprises.	£9.2m
Results will be quantified once the definitions of the indicators are agreed by the European Commission		

<sup>8</sup> Subject to funding being secured through the TSB's competitive processes

## 2 Enhancing access to, and use and quality of, Information and Communication Technologies

### Rationale

Enhancing access to, and use and quality, of ICT is increasingly recognised as a key contributor to business performance. This covers not just broadband but the take up of a range of other technologies, including the use of big data and open data initiatives. Much of the hard evidence relates to broadband, with the Federation of Small Business estimating that building a superfast network could add £18 billion to UK GDP and create 60,000 jobs<sup>9</sup>. They also highlight that six in ten businesses in rural areas suffer with the slow speed of their broadband<sup>10</sup>. European research suggests that for every 10% increase in broadband penetration, the economy grows by between 1% and 1.5%, while research by LSE concludes that half of Europe's productivity gains in recent years can be attributed to IT investments.

The Coalition Government's Blueprint for Technology identifies technology enabled innovation as being key to securing private sector led economic growth for the UK, with investment in Superfast Broadband infrastructure described as a 'key business growth enabler' in their Plan for Growth.

*'Superfast broadband will provide the foundations from which the UK economy will grow and recover from the recession. .... It will reduce costs for consumers and enhance the capability of businesses to communicate and exchange information with their customers and suppliers. This is fundamental to our future prosperity'.*

Technology is increasingly linked to economic competitiveness and high levels of IT skills (and use) amongst the labour force and access to high speed broadband connections are playing an increasingly important role in the success of local economies. Connectivity within the D2N2 area is better in urban areas, although speed has been insufficient in certain areas and in rural areas, the lack of high speed broadband has presented digital exclusion issues.

Improving digital connectivity is crucial to the future economic success of the D2N2 area and the area has two major Superfast Broadband programmes supported by BDUK. The Superfast Nottinghamshire Programme aims to achieve the best long term broadband coverage for Nottinghamshire and deliver broadband speeds in excess of 24 megabits per second across 90 per cent of the county, and 2 megabits per second to the remainder by 2015. Nottinghamshire County Council, Government and the district and borough councils have all contributed towards the infrastructure costs associated with delivering next generation broadband access, and recently £2.7m was secured through ERDF funds for its delivery. This equates to a total investment package of £10.5m.

In Derbyshire a similar programme, Digital Derbyshire, aims to deliver superfast broadband (up to 30mbps) to 90% of premises and a minimum speed of 2mbps to the remaining 10% hard to reach areas. Public investment in excess of £15m will achieve the infrastructure transformation by the end of 2015. Alongside the infrastructure investment, the programme will deliver focused solutions to business with £2.5m ERDF recently secured for this purpose whilst the "Broadband Champions" campaign continues to stimulate demand for internet services amongst businesses and local communities.

The delivery of these two interventions will help to broaden D2N2's economic base and improve the economic performance of both its urban and rural economic areas, however there remains an infrastructure challenge to provide enhanced connectivity to the approximately 10% of premises that currently do not benefit from superfast broadband.

Of course, Information and Communications Technologies covers a much wider range of opportunities than that presented by superfast broadband, important though that undoubtedly is. Over the seven years covered by the programming period a range of other, new opportunities is likely to emerge, and it is important that the D2N2 programme retains the flexibility to respond to these. The use of big data, the spread of open data initiatives and the emergence of data hubs all present potential opportunities for D2N2 businesses and residents.

Information asymmetry, where the benefits of adopting a specific technology/ICT are not yet fully understood by businesses, will constrain both demand for the service and levels of take up/investment. This market failure largely arises from users not being able to identify the return on their investment, with no experience of the service. There are additional issues linked to businesses not necessarily having the knowledge and the skills to maximise the benefits of the upgraded service when using it for the first time. This is acknowledged as a widespread issue in the e-skills Technology Insight report:

<sup>9</sup> Broadband: Steps for an incoming government, Federation of Small Businesses, 2010

<sup>10</sup> Voice of Small Business panel survey, April 2012

*'There is strong evidence that many firms, individuals and parts of the UK will continue to face difficulties exploiting ICT. Managers and leaders in every sector need to have the ability to fully exploit the strategic potential of technology and all individuals need the IT skills for full participation in employment and society'.*

Without a comprehensive programme of support for businesses, which helps to translate ICT and technological capabilities – both relating to superfast broadband and other technologies – into commercial opportunities or different ways of working, the full potential benefits of the service, in terms of achieving a step change in the D2N2 economy, are unlikely to be realised.

## Objectives

The objectives of intervention under TO2 are to:

- *Provide businesses in D2N2 with access to leading edge digital connectivity (both by geographical coverage and speed) that the market would not otherwise provide; and*
- *Support SMEs and social enterprises to increase their use of broadband and other emerging technologies to broaden their product/service offer.*

## Eligible activities by strategic activity area

The following activities will be supported under this thematic objective and **Strategic Activity 4: Helping Businesses Benefit from ICT**:

- Support packages that allow SMEs and social enterprises to increase their awareness of the local ICT offer (specifically the latest technologies on offer) and how it can benefit their operations;
- Support to help SMEs and social enterprises to build improved ICT connections into their day to day business to improve efficiency/productivity and explore new markets;
- Work with SMEs and social enterprises to explore opportunities for new product and service offers using enhanced ICT networks, knowledge and skills; and
- Investment in ICT infrastructure where it: fits with national policy objectives, can be demonstrated to be required to both address a gap in private sector provision and currently serves as a barrier to SME growth.

Under EAFRD Article 20<sup>11</sup>, D2N2 will support the final roll out of superfast Broadband provision to communities in hard to reach locations (the final 5%) through innovative community based solutions in rural areas.

## Target beneficiaries

This thematic objective will closely align with improving SME competitiveness and target beneficiary groups are SMEs and social enterprises.

## Finance

An ERDF allocation of £10.5m has been identified for Thematic Objective 2. It is anticipated that ERDF funds will be offered to a maximum of 50% of total project costs with match funding to be provided by a range of sources.

<b>TO 2: Enhancing access to, and use and quality of, Information and Communication Technologies – Finance</b>	
	£m
ERDF	10.5
Public	2.9
Private	7.5

<sup>11</sup> Article 20 Broadband Infrastructure. This is based on the renumbered Articles in the new Rural Development Regulations. Please note the accompanying spreadsheet uses the former Article numbers.

## Targets

### TO2: Enhancing access to, and use and quality of, Information and Communication Technologies – Targets

Target Type	Indicator	Target
<b>Result</b>	Support enterprises in their development of ICT products and services including broadband.	
<b>Output</b>	Number of enterprises receiving support.	778
<b>Output</b>	Number of new enterprises supported.	100
<b>Output</b>	Employment increase in supported enterprises.	187
<b>Output</b>	Additional enterprises accessing ICT products and services including broadband.	622

Results will be quantified once the definitions of the indicators are agreed by the European Commission

## Thematic Objective 3: Enhancing the Competitiveness of Small and Medium Enterprises

### Rationale

D2N2 has a very large business base, with over 52,000 businesses employing between 1 and 9 employees, in a wide variety of sectors. There are also a significant number of more substantive businesses, with over 6,000 businesses employing between 10 and 49 employees, and over 1,000 employing between 50 and 249, although many of these are branches of much larger companies. The large pool of substantive companies has considerable growth potential. Employment is spread fairly evenly amongst the sizebands, with 51% of employees working for small and medium-sized enterprises, and the SWOT has highlighted opportunities relating to sector growth, supply chain development and global trade / new markets..

#### D2N2 Businesses by Sizeband 2011

Business size	D2N2		
	No.	% of businesses	% of employees
Micro (1-9 employees)	52,430	87%	20%
Small (10-49 employees)	6,225	10%	26%
Medium (50-249 employees)	1,080	2%	25%
Large (250+ employees)	260	0.4%	29%

#### Source: UK Business: Size, Activity, Location

As highlighted in the SWOT, the globalisation in services and manufacturing are providing an increasingly competitive trading environment, while at the same time opening up new markets and opportunities for SMEs. For many manufacturing SMEs, the core challenges include moving up the value chain focusing on those products, service and process areas where they have a genuine competitive edge and can increase market share or enter new markets.

In a diverse economy such as D2N2, both micro businesses and mid-market companies are crucial in terms of driving wealth creation and employment opportunities. Future growth is likely to be determined by the growth ambitions of the most dynamic SMEs. Support for SMEs needs to be linked to other investment priorities including increased levels of innovation, areas of expertise, supply chain excellence, and the natural assets of the countryside. D2N2 also has a number of social enterprises, many of which are in a position to deliver local social and environmental commercial opportunities. Support is required to ensure that social enterprises, as well as mainstream private sector businesses, are well placed to take advantage of local opportunities.

### Addressing market failures and challenges

D2N2 needs to enhance the competitiveness of the SME base, developing and growing existing SMEs, while boosting new company formation. Against this backdrop, the key market failures and challenges that need to be addressed include:

- The cost of bespoke support for companies wishing to develop and implement medium and long term business expansion plans;
- The challenges and uncertainty of exporting, including helping existing exporters to access new markets;
- Limited senior manager time and in some cases limited experience to progress growth plans;
- Uncertainty with regard to the commercial benefits of staff training;
- Lack of critical mass to support business-to-business linkages, shared learning/good practice and business networks;
- Constraints on the availability of sites and premises for businesses in disadvantaged areas; and
- Limited access to finance for some businesses.

### Market Opportunity

D2N2 has identified eight sectors with the potential to support economic and employment growth in the economy, covering both manufacturing and service sector opportunities. They are

- Transport Equipment Manufacturing;
- Life Sciences;
- Food and Drink Manufacturing;
- Construction;
- Visitor Economy;
- Transport and Logistics;
- Creative Industries; and
- Low Carbon Goods and Services.

## Objectives

The objectives of this thematic objective are to:

- Support an entrepreneurial culture across the LEP area, reduce barriers to entrepreneurship and boost levels of business formation and survival in both rural and urban areas
- Provide high quality support to help established SMEs to grow further, with an emphasis on bespoke growth plans and integrated support, including training.
- Support higher levels of SME exports, international business activity and inward investment
- Increase the contribution to the economy of SMEs within priority sectors and their supply chains

## Eligible activities by Strategic Activity area

Indicative activities under this theme are as follows:

- **Strategic Activity 5: Helping Business Grow (Opt Ins+)** :
  - Support for companies to develop and implement business growth strategies, enter new domestic and international markets, and implement productivity improvement and resource efficiency activities.
  - Access to finance.
  - Investment readiness programme for SMEs.
  - Incubation and Grow On Space to ensure there is an adequate supply of incubation and grow on space at key locations, especially for high growth potential firms and key sectors. This will include support services where there is market failure.
- **Strategic Activity 6: Key Sector Support** targeted at the eight priority sectors and including business growth strategies, design and development of a targeted entrepreneurship programme, network and collaborative business activities.

Under EAFRD Article 19<sup>12</sup>, D2N2 will support 'deeper' rural provision through the D2N2 Growth Hub through supporting business advisers with specialist knowledge or experience of working in rural areas linked to the D2N2 Business Growth Hub team and other ESIF funded business support programmes. The additional EAFRD support will not displace main ERDF and ESF support and provision, but enhance this D2N2 wide business support, innovation and training offer.

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<sup>12</sup> Article 19 Business development; business start up support for non agricultural activities in rural areas; investments in creation and development of non-agricultural activities. This is based on the renumbered Articles in the new Rural Development Regulations. Please note the accompanying spreadsheet uses the former Article numbers.

## Target beneficiaries

The main target beneficiaries for support under this theme across are as follows:

- Owner-managers of SMEs.
- Managers of Social Enterprises.
- Entrepreneurs.

## Finance

Match funding contributions will be provided by the various Opt Ins (UKTI, MAS, Growth Accelerator), Universities and Local Authorities, and the private sector.

<b>TO 3 Enhancing the Competitiveness of Small and Medium Enterprises – Finance</b>	
	£m
ERDF	36.5
Public	12.5
Private	24.0
<b>Total</b>	<b>73.0</b>

## Targets

<b>TO 3 Enhancing the Competitiveness of Small and Medium Enterprises – Targets</b>		
<b>Target Type</b>	<b>Indicator</b>	<b>Target</b>
Result	Increase in SME productivity.	
Result	Increase in SME jobs created.	
Result	Increase in business start ups.	
		<b>Target</b>
Output	Number of enterprises receiving support.	1,513
Output	Number of new enterprises supported.	113
Output	Employment increase in supported enterprises.	1,311
Output	Number of enterprises supported to introduce new-to-the-market products.	151
Output	Number of enterprises supported to introduce new-to-the-firm products.	227
Output	Private investment matching public support to enterprises.	£24.0m

Results will be quantified once the definitions of the indicators are agreed by the European Commission

## Thematic Objective 4: Supporting the Shift towards a Low Carbon Economy in All Sectors

### Rationale

Supporting the shift to a low carbon economy is vital, both to promote sustainable economic growth through building the market in low carbon environmental goods and services and associated low carbon innovation, and in order to address the issue of climate change. Linked with Thematic Objective 5 - Climate Change, and Thematic Objective 6 - Protecting the Environment and Promoting Resource Efficiency, there are three key drivers underpinning the Low Carbon Economy Objective:

- The need to reduce Green House Gas (GHG) emissions;
- The need to increase the share of renewable energy; and
- The need to increase energy efficiency.

The need to maximise the opportunities and minimise the cost of the transition to a green economy also makes this a pressing issue for all businesses across D2N2. The SWOT highlights opportunities for D2N2 in meeting the growing demand for low carbon goods and services with a number of local companies already active in this field.

### The Low Carbon Economy

Climate change has been identified as the key challenge of the 21<sup>st</sup> Century by the UK Government. With ambitious and legally binding challenges set in relation to carbon reduction to 2050, the significance of the policy agenda is applicable to all LEP areas. The significance of climate change and the low carbon economy is also likely to present commercial opportunities for the D2N2 business base either through the development and provision of low carbon goods and services, or through savings in areas such as energy or waste reduction.

The low carbon economy is a varied sector incorporating a cross-cutting series of practices and technologies. It includes traditional environmental solutions such as waste management and recycling, together with renewable energy technologies (e.g. wind, tidal, geothermal and biomass). There are also a series of other emerging low carbon activities such as nuclear energy, carbon capture and storage and energy management and the sector also cuts across a number of other areas, notably construction, manufacturing and transport equipment. The East Midlands Development Agency defined the sector as including: power generation, hydropower, civil nuclear power, low carbon buildings technology, low carbon capture and storage, low carbon vehicles and fuels and environmental services.

The sector presents the D2N2 economy, as with a number of LEP areas, with a variety of opportunities for both employment generation and carbon emission reductions. As with advanced manufacturing the growth will come from a number of sources, although the balance in volume terms will differ with regards to business expansion and exporting. In the case of low carbon, business expansion is likely to be the largest source based on existing companies diversifying into low carbon markets. While there will be a global market to serve, leading to job creation linked to increased exporting activity, many of the opportunities will relate to UK based activity and the decarbonisation of local activities.

Key sectors and opportunities include:

- **Power Generation** Traditionally fuelled by the coalfields of Derbyshire and Nottinghamshire, where power stations continue to contribute a significant amount of the UK's generating capacity. Major gas fired power station development nearby in Burton-on-Trent's is likely to provide opportunities for D2N2 businesses. The renewables sector is less significant in the D2N2 area due to natural assets. Wind power is limited but there is more hydropower. The Energy Technology Research Institute at the University of Nottingham is a key research centre for research into biomass and solar technologies.
- **Low Carbon Buildings Construction** is a major activity, and identified growth sector, within the D2N2 economy and there are a number of companies involved in the sustainable construction sector. There is a Sustainable Technologies Group at the University of Nottingham focused on research into sustainable building design, photovoltaics, solar thermal systems, earth construction and biomass.
- **Carbon Capture and Storage** The carbon capture and storage sector is an emerging sub-sector within D2N2 and has potential with a number of key research assets including the British Geological Survey, a European centre of excellence into carbon dioxide storage, and the University of Nottingham Centre for Innovation in Carbon Capture Storage and the Energy Technologies Research Institute.

- **Low Carbon Vehicles and Fuels:** This includes all sectors associated with alternative vehicles (e.g. hybrid and electrical vehicles), fuel cells and other alternative fuel technologies. The share of the market for these types of vehicles is still small but growing. Research is also undertaken by the Advanced Materials Research Group and the Hydrogen Storage Group at the University of Nottingham.
- **Environmental Services:** Includes activities related to air pollution, environmental consultancy, environmental monitoring, noise and vibration control, contaminated land, waste management, water and waste water, carbon finance and recycling and recovery. The area's universities (Derby, Nottingham and Nottingham Trent) all have research interests in these areas.

In addition, growth through start ups and spin outs will be driven by research and development, innovation and knowledge transfer activity – of which there are a number of strengths in the D2N2 area. FDI/inward investment growth will be based upon the area's reputation for advanced manufacturing and the skilled workforce and support infrastructure available.

### Responding to market failures

There are a considerable number of market failures holding back the growth of the low carbon economy. These include:

- Uncertainty over the commercial and business benefits of some low carbon solutions.
- Lack of certainty with regard to regulation and support mechanisms to encourage the up-take of renewable energy.
- Lack of capacity in the environmental services sector to support uptake.
- The lack of a recognised network across the industry, such networking is a key success factor in high performing clusters.
- Lack of awareness and understanding of costs and benefits of energy and resource efficiency amongst the business base.

### Objectives

The headline objective of this Thematic Objective is to:

*'build the market in low carbon environmental technologies, goods and services, delivering sustainable economic growth and contributing to mitigating the effects of climate change.'*

Specific objectives underpinning this include:

- Supporting the non-domestic sector to deploy low carbon technologies and focus on energy efficiency.
- The development of whole place low carbon solutions.
- Accelerating the development, innovation, adoption and deployment of low carbon technologies and related supply chains/ infrastructure.

In 2013, D2N2 will develop a prospectus which will identify specific activities and opportunities to support investment and business growth, focusing on innovation, renewable heat, district energy, retrofit energy efficiency, low-carbon transport and eco 'tourism' (both business and leisure). D2N2 will work with partners in business, local government and HEIs to concentrate on mapping and marketing our low carbon assets and to raise awareness of the opportunities, investment and growth. By developing a strong local market, we will aim to support expansion in low-carbon skills and jobs.

### Eligible activities by strategic activity area

Activities under this theme are designed to support low carbon targets at a European and National level, as well as addressing local issues and opportunities.

Eligible activities under **Strategic Activity 7: Low Carbon Markets and Technologies** include:

- Assist the market to develop, design and manufacture materials, goods and services with embedded low carbon technologies.
- Deployment of localised Carbon Capture and Utilisation, Energy Storage and Waste to Energy projects and infrastructure.
- Support business to engage in knowledge transfer with HEIs and FEIs to encourage commercialisation of low carbon technologies, including R&D, innovation and supply chain development for low carbon technologies and materials.

- Actions aligned to the Government's Waste Prevention Programme which drive low carbon innovation in relation to waste and re-use.
- Development of technology centres of excellence, manufacturing clusters and the development of appropriate test facilities and deployment infrastructure.
- Demonstration and deployment of renewable technologies in the UK renewable energy roadmap (onshore wind, offshore wind, marine energy, biomass electricity and heat, ground and air source heat pumps and renewable transport).

Eligible activities under **Strategic Activity 8: Energy Efficiency for SMEs** include:

- Energy efficiency in enterprises including industrial processes, designing out waste, recovery of 'waste' heat energy and CHP.
- Helping SMEs to move to renewable and low carbon fuels to generate heat and power.
- Building retrofit and energy efficiency, especially whole building solutions exemplifying next phase technologies which are near to market.
- Adoption of domestic energy efficiency and low carbon construction techniques, including ultra-low carbon exemplar demonstrator buildings.

### Target beneficiaries

The main targets for this priority are as follows:

- Businesses in the LCEGS sector and business in the energy sector
- Construction businesses
- Higher and Further Education Institutions

### Finance

An ERDF allocation of £20.9m is available for investment under this Thematic Objective. Activities will be supported up to a maximum 50% intervention rate. A wide range of match funding sources are in place including:

- Green Deal;
- Local Authorities;
- Higher and Further Education Institutions;
- Private sector;
- UK Green Investment Bank;
- Technology Strategy Board and Research Councils;
- UK Government Departments (e.g DECC, BIS etc).

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#### TO4: Supporting the Shift towards a Low Carbon Economy in All Sectors – Finance

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	£m
ERDF	20.9
Public	8.0
Private	12.9
<b>Total</b>	<b>41.8</b>

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## Targets

### TO4: Supporting the Shift towards a Low Carbon Economy in All Sectors– Targets

Target Type	Indicator	Target
Result	Energy efficiency increase of companies, buildings and transport.	
Result	An increase in companies deploying low carbon practices, processes, service or products.	
Output	Number of enterprises receiving support.	1,945
Output	Number of new enterprises supported.	195
Output	Employment increase in supported enterprises.	937
Output	Number of enterprises cooperating with research bodies	486
Output	Enterprises supported to introduce new-to-the-market products.	195
Output	Enterprises supported to introduce new-to-the-firm products.	390
Output	Private investment matching public support to enterprises.	£12.9m
Output	Estimated GHG reductions	229,665

Results will be quantified once the definitions of the indicators are agreed by the European Commission

## **Thematic Objective 5: Promoting Climate Change Adaptation, Risk Prevention and Management**

### **Rationale**

The increase in the number of natural disasters experienced in the UK and overseas in recent years has demonstrated the need to plan to mitigate risks and minimise the economic impact of adverse events. The UK Climate Change Risk Assessment (2012) identifies flood risk as the most significant and specific climate change challenge faced by the UK economy. The cost of flood damage has risen by 60% in England over the past 25 years and the costs to businesses and communities exceed £1bn per annum. Small and micro-businesses are less able to cope with the costs of flooding than larger firms.

In addition to the costs that flooding imposes on existing businesses and communities, the risk of flooding constrains economic growth in parts of the D2N2 area. Land which would otherwise provide a significant resource to support economic development – such as that in the centre of Derby – cannot be developed through the market alone, as the costs of mitigating the flood risk make such schemes financially unviable for private sector developers.

Throughout D2N2 there are locations at risk from flooding, for example Derby city is considered to be a Significant Flood Risk Area from a European perspective. Localised flooding risk is also significant and the flooding in June 2007 clearly highlighted how vulnerable communities are to local flooding and the preliminary flood risk assessment highlights that a large number of people and businesses could be affected by surface water flooding. As a consequence, local authorities are actively considering the threat to the health and wellbeing of residents and businesses as they develop their respective Local Flood Risk Management Strategies.

There are active prevention and mitigation measures in Derby (River Derwent Flood Prevention Plan) and Nottingham (the Nottingham Left Bank Flood Scheme) and it is important that businesses and key employment areas are able to thrive in the vicinity of new investment. Residential communities, businesses, major routes in the city, and the Derwent Valley Mills World Heritage Site, would all be affected during a major flood from the Derwent. Fluvial flood risk is also evident at a number of locations within the Peak District.

There is a need to plan and invest in economic development in a way that allows development to go ahead whilst ensuring that investments in businesses and communities can continue to be protected over time.

### **Addressing market failures and challenges**

Managing flood risk is a high priority for the Government, and the National Flood and Coastal Erosion Risk Management strategy for England sets out the priorities for flood risk management. Additional investment has been made nationally to reflect the growing importance of flood risk management and the Government has introduced a new funding mechanism – Partnership Funding – to leverage in non-Government investment to flood-related projects.

However, the additional funding which has been made available tends to be focussed on protecting domestic housing and ensuring the availability of affordable home insurance for those in flood risk areas, rather than protecting economic assets. Attracting Partnership Funding (e.g. from private sector partners) for flood defence schemes (whether capital or green infrastructure schemes) to support sustainable economic development is more difficult, particularly in areas such as parts of D2N2 where the commercial property market is weak and the returns on investment make market-led development financially unviable.

The result is that the market will not support the development of sites which are potentially at risk of flooding, leaving areas in D2N2 with a sub-optimal supply of land available for economic development and constraining potential economic growth.

D2N2 partners wish to protect existing economic assets and those that will be created through delivery of this European programme and other local and national growth initiatives to ensure the economy is able to achieve the ambitious growth targets which have been agreed. A failure to effectively manage flood risks could damage economic growth, by impacting on commercial operations, hampering access to premises and markets and disrupting supply chains.

Many of the flood programmes being developed in D2N2 are part of wider regeneration schemes along D2N2's river corridors which have the potential to enhance our heritage assets and unlock development sites that will enable us to create the jobs and growth we are seeking to achieve. As well as the direct effects (of enabling development on specific sites), investment in flood defences will increase the likelihood of development on other sites which are not wholly dependent on the flood defences to come forward (e.g. the Bath Street Mills and former Magistrate's Court in Derby).

The SWOT highlights a number of economic opportunities which could be supported through activity to promote climate change adaptation, including developing new investment sites which could be brought forward if appropriate risk prevention was in place.

An example of the type of activity which ERDF funding could support is included in the box below:

***Example Flood Defence Project: Our City Our River, Derby***

Derby is one of the key drivers of the D2N2 economy, home to many strategically important companies (including in the productive and export intensive Transport Equipment Manufacturing sector) and provides well-paid employment for many residents of surrounding areas.

The Environment Agency (EA) has identified that 2,250 properties in the city are at risk of flooding in a major flood event, including nearly 800 businesses and key elements of the economic infrastructure, including the Silk Mill electricity sub-station, the Spondon water treatment works and highways and railways. The impact of a severe flood event (estimated at a 1 in 100 chance every year) on the economy of the city and wider D2N2 area (as well as on civilian life) would be significant.

Existing flood defences only provide protection against flooding with a 1 in 50 chance of occurring each year, and some are coming to the end of their life. Emergency works had to be undertaken by the EA in 2012 to extend the life of some defences for a further ten years. The risk of flooding from the river is identified as “very high for a regionally important city in England” and is already having an impact in terms of the availability of affordable home insurance. Flooding occurred in the area in 2000 and 2007.

Much of the riverside corridor in Derby city centre is derelict and the police have highlighted that it attracts anti-social and criminal activities. Aspirations by both the City Council and private developers (including a number of planning applications in recent years) to regenerate the area have been hampered by the fact that uses which are financially viable (for the most part housing) are not categorised as appropriate within a zone of high flood risk and applications have failed to pass the sequential test within the National Planning Policy Framework.

Without investment in improving the city’s flood defences, large areas of the city will become increasingly vulnerable. It is likely that properties in high risk areas would be abandoned and would reduce in value, resulting in a poor and unsafe environment and affecting the city’s image and ability to attract residents, visitors and investors. Little regeneration would take place and the situation is likely to deteriorate as climate change increases the likelihood of more frequent and severe flooding events.

If a flood event was to occur, the impact would be significant, with homes, businesses and vital infrastructure all likely to be affected. The local economy would be damaged by the loss of utilities and other services and local businesses would bear the costs of lost output during the flood and clean up.

The Our City Our River project requires funding in the region of £36m over the 2013/14-2017/18 period. Whilst much of this funding is in place, ERDF could play an important role in making this project (and other, smaller projects like it) financially viable, unlocking significant growth potential and supporting the development of the D2N2 economy.

## **Objectives**

The objective of this thematic objective is to:

*Invest in flood management measures that allow D2N2 to continue to deliver its economic development aspirations.*

## **Eligible activities by strategic activity area**

Activities to be supported under this thematic objective and **Strategic Activity 9 Flood and Coastal Risk Management** include:

- Flood mitigation measures that support the protection of existing major employment areas;
- Flood mitigation measures focused on strategically important sites/areas identified as central to realising growth aspirations; and
- Initiatives that actively involve communities in the planning and management of flood risk.

## **Target beneficiaries**

Thematic Objective 5 is intended to primarily benefit SMEs operating in the programme area.

## Finance

An ERDF allocation of £5.3 million has been identified to support activities under Thematic Objective 5. These funds will be awarded up to a maximum intervention rate of 50% (although in some cases it may be much lower) with match funding sources anticipated to include public sector only (reflecting the difficulties in securing Partnership Funding from private sector sources for economic development activities in areas where the commercial property market is weak).

Whilst the level of funding allocated to this objective is not sufficient to fully fund a large number of flood risk management schemes, the potential economic impact of such schemes is so significant to the D2N2 area that we wish to ensure that some ERDF funding is available to support schemes where this will enable them to progress more quickly. We will ensure that the resources available are carefully targeted so that they are used where they will unlock the greatest economic impact and lever in significant amounts of funding from elsewhere.

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### TO5: Promoting Climate Change Adaptation, Risk Prevention and Management – Finance

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	£m
ERDF	5.3
Public	5.3
<b>Total</b>	<b>10.6</b>

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## Targets

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### TO5: Promoting Climate Change Adaptation, Risk Prevention and Management– Targets

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Target Type	Indicator	Target
<b>Result</b>	Improving the economic viability of area through infrastructure investments including green infrastructure.	
<b>Output</b>	Infrastructure site development including green infrastructure (hectares)	29.4

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Results will be quantified once the definitions of the indicators are agreed by the European Commission

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## Thematic Objective 6: Protecting the Environment and Promoting Resource Efficiency

### Rationale

D2N2's natural environment plays a key role in the economy and attracts business, visitors and people to live and work in the area, and provides a number of economic opportunities such as the growth of the visitor economy, and the potential of the green economy. Any developments that detract from the environment have the potential to cause both environmental and economic harm. Investment in both green and blue infrastructure, conversely, can help to attract investment into areas, by creating a more attractive and sustainable environment for growth.

Environment protection therefore is a key priority for D2N2. The Peak District Combined Delivery Plan for instance has a series of measures to preserve it as a diverse and cherished landscape as well as an enterprising and sustainable economy. Many businesses within the National Park derive direct and indirect economic benefits from their unique location and relationship with its landscapes. For example, a 2008 study highlighted that the Peak District landscape was worth £135 million to the regional economy. The visitor economy of Nottinghamshire alone is estimated to be worth £1.38 billion. Visited by over 38 million people per year, tourism and the visitor economy is an important part of the Derbyshire economy, with many businesses encouraged to set-up, locate or re-locate in Derbyshire, and there are a number of examples of environmental assets with significant economic potential. This Thematic Objective is designed to protect and enhance our world class environmental assets.

As well as environmental protection, resource efficiency measures can help to minimise the environmental impact of planned growth in D2N2 by supporting actions to reduce, reuse and recycle more. Improved resource efficiency generates both environmental benefits and business benefits. In the current economic climate, supporting businesses to improve their resource efficiency can make an important difference to costs and competitiveness. The D2N2 area also has a number of companies supporting the development of new technologies and they could be supported to find new markets and develop new products.

Although there are clear benefits, awareness of approaches that can be taken is often limited. A prompt is often required to demonstrate to businesses how they could improve their resource efficiency and the benefits they will realise as a result.

### Addressing market failures and challenges

There are a considerable number of market failures which are impacting on efforts to protect the environment and promote resource efficiency. These include:

- The costs of undertaking green infrastructure and the extent to which costs can be included in the price of goods and services.
- Uncertainty over the commercial and business benefits of some resource efficiency measures.
- Lack of awareness and understanding of costs and benefits of resource efficiency amongst the business base.
- Lack of certainty with regard to regulation and support mechanisms to encourage the up-take of renewable energy.
- Lack of capacity in the environmental services sector to undertake major initiatives.

### Objectives

The objectives of Thematic Objective 6 are therefore to:

- Develop and implement interventions which both protect the environment and support economic growth. Support businesses to achieve resource efficiency improvements that can generate environmental benefits and support improvements in business performance.

### Eligible activities by strategic activity area

The following eligible activities will be supported under **Strategic Activity 10: Green Infrastructure and Blue Infrastructure:**

- Investments in Green and Blue Infrastructure where they can be shown to support wider economic development objectives, for example linked to the delivery of priority development sites.

The following eligible activities will be supported under **Strategic Activity 11: Innovative Technologies:**

- Support to improve business understanding and use of resource efficiency measures, including (but not limited to) those associated with the innovative use of waste;
- Activities to assess and implement improvements in resource use planning amongst SMEs to establish innovative approaches;
- Support knowledge transfer both in relation to technical expertise and practical applications in business and communities.

### Target beneficiaries

The primary beneficiaries under this Thematic Objective will be the SME business base and communities.

### Finance

An ERDF allocation of £5.2m has been identified for the programme period. ERDF will support up to a maximum of 50% of project costs with the balance to be supported by match funding.

#### TO6: Protecting the Environment and Promoting Resource Efficiency – Finance

	£m
ERDF	5.2
Public	2.9
Private	2.2
<b>Total</b>	<b>10.4</b>

### Targets

#### TO6: Protecting the Environment and Promoting Resource Efficiency: Targets

Target Type	Indicator	Target
<b>Result</b>	Increased number of businesses that are actively innovating to bring new products to the market.	
<b>Result</b>	An increase in companies deploying low carbon practices, processes, service or products.	
<b>Result</b>	Improving the economic viability of area through infrastructure investments including green infrastructure.	
<b>Output</b>	Number of enterprises receiving support.	241
<b>Output</b>	Number of enterprises supported to introduce new-to-the-firm products.	24
<b>Output</b>	Number of companies supported with business resource efficiency.	181
<b>Output</b>	Infrastructure site development including green infrastructure (hectares)	14.4

Results will be quantified once the definitions of the indicators are agreed by the European Commission

## Thematic Objective 7: Promoting Sustainable Transport and Removing Bottlenecks in Key Network Infrastructures

### Rationale

D2N2's transport infrastructure is fundamental to its economic success. As an export-oriented economy, D2N2 requires excellent access to international gateways, supported by effective strategic road and rail connections, to ensure the growth ambitions for the area can be achieved.

Internal connectivity is also vital to the economic health of the LEP area. D2N2 is characterised by its large number of residential and employment locations. The two cities draw in a significant number of workers from the surrounding areas, relying on good road, rail and public transport links, whilst there are many other employment centres and locations across D2N2, which also need good connections in order to facilitate employers' access to the widest possible labour pool and individuals' access to work.

However, the area does face some transport challenges, with concerns including slow journey times to some major cities and the frequency and journey times between D2N2's larger towns and key centres (particularly access to public transport in rural areas). Congestion is also an issue on some of the major routes and in urban areas. Congestion is estimated to cost around £300 per employee and is expected to more than double by 2025<sup>13</sup>.

These transport issues are inhibiting growth in D2N2 through lost productivity, poor safety and diminishing air quality. They are affecting the capacity of supply chains to function smoothly, impacting negatively on climate change and for some individuals are a barrier to work. The Local Transport Plans cite evidence of people being unable to access employment and learning opportunities and other essential services, which tends to heavily impact on the most vulnerable citizens.

There are many development sites which present opportunities for growth in D2N2, which could accommodate significant numbers of jobs, but where the current transport infrastructure presents a barrier to development that will not be overcome through the market alone, due to the relatively low returns available to developers in some parts of the area. In these instances, targeted interventions are required to ensure that the key development opportunities within D2N2 can be unlocked, allowing our existing businesses to expand and providing sites and premises for inward investors.

A transport network and infrastructure which is fit for purpose is crucial to unlocking this growth. The limited investment which is foreseen under this Thematic Objective will be targeted on a small number of interventions where ERDF can make the difference between a development progressing or not, and will be closely aligned with activity supported under other themes, including support to our SME businesses (TO3), investment in innovation (TO1) and support to help more of our residents into employment and training (TO8, 9 and 10). It will also align with the much larger investment in transport infrastructure that will be made through the Local Growth Fund.

### Market Failure and Challenges

As noted, D2N2 benefits from good road and rail connections and is at the heart of the strategic transport network. The UK Government has made clear its commitment to strengthening the national transport infrastructure, as detailed in the National Infrastructure Plan.

D2N2's local transport infrastructure is also critical to its growth, and affects the viability of individual development sites. Partners across the LEP area identified 66 transport-related projects which would support economic development, with a total cost of £742.9m and a funding gap of £330.6m as part of the work to develop the Strategic Economic Plan. Many of these sites have the potential to contribute to growth but are not currently served by the form and scale of transport connections needed to allow development to take place. Whilst these transport constraints are not of a sufficient scale to be a strategic priority for mainstream transport investment, targeted investment to overcome them could enable new investment which is significant at the local level (e.g. within the rural / less populated areas of D2N2), including enabling inward investment and helping to retain major local employers within the areas. It is clear that, despite the resources available through the Local Growth Fund, there will remain a number of sites within D2N2 where development cannot take place due to transport constraints. We wish to retain the flexibility to use ERDF in these circumstances, where it can be clearly shown that it will improve the accessibility and viability of employment and development sites within the LEP area that would not otherwise be developed.

<b>Example Transport Project: Derbyshire Wheels to Work</b>
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<sup>13</sup> Estimates for Nottingham and Derby, Costs of Congestion in the Regions, Atkins for the RDA Transport Network, 2009

Projects to help people overcome transport barriers to work have been running in Derbyshire for the past ten years. Currently, the Wheels to Work project is run by Rural Action Derbyshire and funded by Derbyshire County Council, Derby City Council, the BIG Lottery Communities Fund and Bolsover District Council, with total project costs in the region of £300,000 per year.

The project supported 350 individuals over the past year to access work, training and education and provides a range of support to those who would be unable to take up an employment or training opportunity due to transport barriers. In some cases, the barrier is cost, in which case the project can provide support with transport costs (e.g. as people make the transition into work, in the period between benefits ceasing to be paid and receiving a first wage payment). In other cases, the barrier is a lack of public transport services, for example in rural areas or to fit with shift patterns. In these cases, the project offers measures to help ensure people are able to reach their employer, including the loan of a moped, subsidised bicycles or covering an individual's travel costs for their initial period of employment. In Derby City the focus is on reducing congestion by getting people out of their cars and providing them with bicycles, working in partnership with a social enterprise which employs young offenders to refurbish pre-owned bicycles.

Evaluation of the scheme showed that over 90% of those supported said they would not have been able to take up their job or training opportunity without the support it provided, and a review of the Bolsover project found that the help provided had generated significant savings to the Exchequer through reduced benefit costs and increased income tax and national insurance contributions. In particular the project has generated up to £7.75 million per year of potential savings to government in benefits savings and reductions in CO2 emissions.

## Objectives

The objectives of intervention under Thematic Objective 7 are to:

- improve the accessibility and viability of employment and development sites
- enhance accessibility to employment for new, existing and potential employees within the LEP area

## Eligible activities by strategic activity area

Activities supported under this intervention will complement mainstream transport investment and focus on Strategic Activity 12: Unlocking Economic Potential aimed at:

- Site specific transport works where they can be shown to unlock development and secure direct economic benefits
- Improvements to pinchpoints in the strategic transport network where they can be shown to accommodate growth
- Sustainable transport planning (including individualised travel plans)

The sustainable transport consultation highlighted the importance of transport as a cross-cutting theme, with a range of mechanisms to promote connectivity and address travel as a barrier to work (as per the case study above, including car sharing, subsidised travel, wheels to work schemes etc), reduce the impact of travel, and better public transport coverage, accessibility and integration. As part of our Smart Specialisation aspirations it is also important that the D2N2 area is able to exploit its strengths in transport equipment manufacturing with complementary investment in the development of sustainable transport technologies (electric vehicles etc).

All investment under this Thematic Objective will be carefully planned to ensure that it is clearly linked to the realisation of economic objectives, and that all interventions demonstrate a high level of additionality and direct impact.

## Target beneficiaries

Target beneficiaries include Local Authorities, developers and land owners. Those ultimately benefiting from the investment made will include SMEs and communities in D2N2.

## Finance

An ERDF allocation of £5.2m has been identified against Thematic Objective 7. The fund will provide a contribution of up to 50% of total project costs with match funds expected to be drawn from sources including private sector contributions.

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### **TO7: Promoting Sustainable Transport and Removing Bottlenecks in Key Network Infrastructures**

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	£m
ERDF	5.2
Public	2.2
Private	2.9
<b>Total</b>	<b>10.4</b>

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## Targets

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### **TO7: Promoting Sustainable Transport and Removing Bottlenecks in Key Network Infrastructures**

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Target Type	Indicator	Target
Result	Improving the economic viability of area through infrastructure investments including green infrastructure.	
Output	Infrastructure site development including green infrastructure (hectares)	23.5
Results will be quantified once the definitions of the indicators are agreed by the European Commission		

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## Employment and Skills – Thematic Objectives 8 and 10

Skills for business and employment are seen by D2N2 LEP as one of its areas of focus. This is reflected in the coverage and ambition of our Skills for Growth Strategy and Action Plan (published October 2013). Its six key priorities focus on skills for employment and business growth – finding the right people with the right skills is a critical ingredient for business and economic growth, and fundamental to getting more people into work and making progress within work. This section therefore brings together the rationale for investing in both employment and skills through thematic objectives 8 and 10, to support an aligned approach to employment and skills with a focus on progression into and within the labour market.

### Rationale

Employment and skills are a cornerstone of D2N2's Strategic Economic Plan and we are committed to increasing the number of jobs within the economy and ensuring that our businesses can access the skilled workers they need, both now and in the future. The ESIF strategy will enable us to support interventions to increase employment and skills at all levels and across the D2N2 area, recognising the need both for higher level skills but also for entry-level and employability skills to ensure people are able to access employment opportunities and progress within the labour market. We are working to agree a Skills Deal with Government, aligning resources to address our shared employment and skills priorities of increasing competitiveness and driving up workforce skills in the D2N2 area.

D2N2's Skills for Growth Strategy sets out our shared understanding of local skills and business needs. The Strategy identifies six priorities for action which will help to improve the competitiveness of businesses and tackle poverty and worklessness by ensuring local people have the skills they need to enter and progress in work, and which will sit at the heart of our Skills Deal, supported by employers and partners.

These priorities are closely aligned with the ambitions in our Strategy for Growth, and will be delivered drawing on resources from national partners (including DWP and the SFA), Local Growth Fund as well as the ESF funding available through the ESIF.



**Sector Growth Agreements:** evidence from the OECD demonstrates that economies that have a good match between the skills that people have to offer and those in demand by employers are more productive. Putting employers at the heart of the skills system will ensure that provision responds directly to employer needs, and ensure residents are equipped with the skills they need to take advantage of the economic opportunities being created in D2N2. Our development of Sector Growth Agreements reflects this important priority. It will be taken forward in full cognisance of the Government's Employer Ownership Pilot programme, in order to avoid duplication and ensure the focus is on filling gaps and tackling issues in our priority sectors.

**Business skills to increase productivity and performance:** skills at all levels are valued by employers, many of which (such as team working and communication) are not well reflected by qualifications. Higher level skills in areas such as business management, leadership, communication and marketing skills are vital to improving business competitiveness. However, SMEs and microbusinesses are less likely to invest in training than larger companies, and additional support is required to ensure that training needs within SMEs are identified and met. The D2N2 partners are clear that ESF needs to be used to support the development

of higher level skills where there is a clear market failure; where limited uptake is constraining economic growth; and where there is a clear link to our overall strategic objectives.

**Apprenticeships and traineeships:** apprenticeships and traineeships can play an important role both in achieving higher level skills and in improving social mobility, by enabling people to progress within the workplace and acquire high level vocational skills whilst in employment. Many of the sectors in which employment growth is expected in D2N2 could benefit from higher numbers of traineeships and apprenticeships, particularly at levels 3, 4 and 5. Our Apprenticeship and traineeship action plan will align with the Government's framework for apprenticeships and traineeships and will highlight areas where additional focus is required, including areas with high numbers of NEET and declining levels of 16 to 18 participation.

**Foster enterprise, adaptability and resilience:** Successful areas have high levels of both business births and deaths, creating a more dynamic and competitive economy. D2N2 has lower than average levels of enterprise. Creating a more entrepreneurial culture, both amongst young people and students and within the existing workforce, is an important priority for D2N2. We will also support the National Careers Council's proposal to embed key behaviours and attitudes of character and resilience, bringing together employers, education and careers support providers.

**Raise the visibility of and access to career insights and specialist careers support for young people and adults:** Youth unemployment in the D2N2 area has risen, and the jobs market is increasingly competitive, with fewer entry level opportunities. Many employers and agencies comment that young people are not adequately prepared to enter the labour market, with a lack of employment-related skills, and have expressed concern about the consistency and quality of careers advice and information, and the appropriateness of choices made by young people and adults.

**Promote graduate recruitment and facilitate graduate retention in the region:** much of the employment growth anticipated in D2N2 will be in higher level occupations, and the LEP's priority sectors will require knowledge intensive, technical and higher level skills. The LEP has a number of major HEIs located within its boundary and others nearby, but levels of graduate recruitment are relatively low and many SMEs are not aware of the benefits that recruiting a graduate can bring.

Key partners involved in the employment and skills agenda include:

- The private sector, with employers increasingly involved in identifying and articulating skills needs and helping the supply-side to respond and nearly two-thirds of businesses in D2N2 investing in training in the past year;
- The local authorities, including unitary and County councils with responsibilities for education (pre- and post-16), as well as the district level authorities with a focus on employment amongst their communities;
- The learning organisations, including schools, FE Colleges, University Technical Colleges, Studio Schools, private training providers and HE institutions;
- Business-led bodies including the Chamber, FSB, CBI and sector networks;
- National agencies, including DWP, the Skills Funding Agency and the National Apprenticeship Service.

Our approach to skills and employment will ensure that we avoid duplication; meet the needs of employers; deliver more joined up working; match skills to employment destinations; remove barriers to employment and deliver a step change in performance across D2N2.

## Thematic Objective 8: Promoting Employment and Supporting Labour Mobility

### Objectives

The primary objective of this thematic objective is to:

*Support people not in work to take up training and employment opportunities.*

### Eligible activities by strategic activity area

Activities under this thematic objective are designed to complement mainstream support services and are expected to fall under the following categories:

The following eligible activities will be supported under **Strategic Activity 13 Increasing Employer Uptake**

- Brokering opportunities between young people and local employers to encourage work placements, apprenticeships, traineeships, graduate placements and direct employment in growth and high employment sectors;
- Helping older workers to re-train, re-enter or stay engaged in the labour market.
- Reducing the number of young people not in employment, education or training, and those at risk of disengaging (including through engagement and preparation activities, access to apprenticeships, and personal coaching);
- Additional support and provision for young people to gain English and maths qualifications (in support of the raising of the participation age);
- Providing support to embed programmes for young people not in employment, education or training, such as traineeships and apprenticeships;
- Enhancing the take up of Apprenticeships for young people, particularly those linked to priority growth sectors, including advanced manufacturing and bioscience. Activities might include enhancements to core delivery such as support for different delivery models; the addition of professional qualifications which aren't supported locally and/or travel for apprentices.
- Activities that focus on subjects in most demand by employers to alert young people to employment opportunities and skill needs and go on to equip people with these skills. For example in STEM subjects and/or to meet replacement demand as well as expansion demand;
- Activities that focus on increasing the employability and work readiness of young people.
- Promoting self-employment as a route out of worklessness and supporting people to take the steps forward to achieve this;

The following eligible activities will be supported under **Strategic Activity 14 Reducing Unemployment:**

- Providing a range of more intensive support (including through multi-agency approaches) than available through mainstream sources which is outcome based to help people to move towards, enter and progress in work;
- Additional support, innovative approaches and programmes to specific target groups such as young people with no or few qualifications, people with disabilities or health barriers, people with caring responsibilities, lone parents, ethnic minorities, ex-service personnel, ex-offenders and those from households with inter-generational worklessness.
- Additional support for long-term unemployed people, including those who have left the Work Programme;
- Additional and innovative approaches to pre-employment training which encourages a methodology of employ then train – which is employer and sector led; Support to encourage and influence destination driven outcomes;
- Additional resources to enable new approaches to work experience (including volunteering) and training to support people to move towards and enter employment in existing high employment sectors;
- Responding flexibly to community led approaches for skills and employment development where they can help to increase levels of engagement, and employment (for example overcoming the challenges brought about by the limited range of employment in some rural areas., or to individuals facing specific issues (such as low incomes and low skills))

- Training workless people and those facing redundancy who need to upgrade their skills or learn new skills (including basic skills and English for speakers of other languages (to compete in the local labour market and adapt to changes in the economy);
- Additional and innovative approaches to support and motivate young people with no or few qualifications into training and the workplace such as additional support that harder to reach young people will require to successfully complete a traineeship or apprenticeship;

### Target beneficiaries

Target groups for this thematic objective are D2N2 residents who are:

- Job seekers;
- Economically inactive (i.e. not actively seeking to engage in economic activities);
- Young people who are not in employment, education or training;
- Groups facing particular barriers to accessing work, including:
  - People from households with multi-generational worklessness
  - People with disabilities and mental health and wellbeing problems
  - People with caring responsibilities
  - Older people
  - Women
  - Lone parents
  - People affected by redundancy
  - Ethnic minorities
  - Ex-offenders

### Finance

An ESF allocation of £41.8 million is available for investment. Activities will be supported up to a maximum 50% intervention rate with match funding sources to include the DWP and Skills Funding Agency opt-ins.

<b>TO8: Promoting Employment and Supporting Labour Mobility – Finance</b>	
	£m
ESF	41.8
Public	35.1
Private	6.7
<b>Total</b>	<b>83.6</b>

## Targets

Activities supported under Thematic Objective 8 are expected to contribute to the following target indicators:

<b>TO8: Promoting Employment and Supporting Labour Mobility – Targets</b>		
<b>Indicator</b>		
<b>Result</b>	Number of inactive participants newly engaged in job searching upon leaving.	
<b>Result</b>	Number of participants in employment upon leaving.	
<b>Result</b>	Number of participants gaining a qualification upon leaving.	
<b>Result</b>	Number of participants in employment upon leaving.	
		<b>Target</b>
<b>Output</b>	Number of enterprises receiving support.	1,531
<b>Output</b>	Total number of participants (a. + b. + c.)	15,313
<b>Output</b>	a. Number of unemployed (including long-term unemployed) participants.	7,656
<b>Output</b>	b. Number of inactive participants.	3,063
<b>Output</b>	c. Number of employed (including self-employed) participants.	4,594
<b>Output</b>	Number of participants aged 15-24.	4,594
Results will be quantified once the definitions of the indicators are agreed by the European Commission		

## Thematic Objective 10: Investing in Education, Skills and Lifelong Learning

### Targeted Sectors

Exciting business opportunities lie ahead that can underpin and strengthen our local, regional and national prosperity and have the potential to transform businesses and people's lives! Stimulating economic development, increasing productivity to support jobs, skills and growth will be a key focus for the Local Enterprise Partnership for Derby, Derbyshire, Nottingham and Nottinghamshire (D2N2). Our vision is to make the D2N2 area one of the strongest and most resilient economic regions in the UK. Sectoral growth opportunities necessitate a strong focus initially on key areas such as:

- a. Transport Equipment Manufacturing;
- b. Medicine and Bioscience;
- c. Construction;
- d. Food and Drink Manufacturing;
- e. Visitor Economy;
- f. Low Carbon Goods and Services,
- g. Creative Industries; and
- h. Transport and Logistics.

We wish to retain the flexibility within the D2N2 programme to respond to new and emerging and niche sectors which may become increasingly important during the programming period and to use ESF in combination with ERDF where added value can be achieved.

### Objectives

The objectives of support under this thematic objective are closely aligned to the Skills Strategy priorities:

- To ensure education and training systems reflect employer requirements;
- To engage new start businesses and SMEs in the education and skills agenda;
- To equip the workforce with the skills and competencies required by local employers, both at present and in the future.
- Extend and deepen engagement between business sectors and training providers;
- Encourage better matching of skills supply with employer need to address recruitment difficulties and unemployment; and
- Develop employer-led, added value, flexible provision.

### Eligible activities by strategic activity area

Activities to be supported under Thematic Objective 10 through **Strategic Activity 17 Meeting the Needs of Key Sectors** which will include:

- Investment to address identified skills gaps, including for higher level skills and transferable skills such as leadership and management across all sectors, particularly where they reflect the requirements of growth sectors and sectors forecast to require substantial levels of replacement demand or support the advancement of other elements of the European agenda (e.g. skills required to grow the low carbon economy and support greater resource efficiency);
- Support programmes of sector-focussed training for existing employees based on sector skills action plan findings;
- Support to develop higher level skills, including through vocational learning routes and active employer engagement in such initiatives;
- Support to start and grow a business, including increasing awareness of enterprise and social enterprise opportunities and providing support needed to launch and manage an organisation.
- Support for collaborative projects, placements, internships or other activities with SMEs that enable students, graduates (and those unemployed graduates) to gain industry relevant experience and skills.
- Provide incentives to SMEs to provide project, placement, internship opportunities to enhance the contribution of higher level skills to SME growth – which encourage a destination into employment.
- Skills support for apprenticeships and traineeships including improvements in engagement, recruitment, assessment and viable delivery methods (eg delivery clusters for rural and SMEs);

- Promotion of the use of higher level apprenticeships (especially across the key priority sectors) by developing a supportive environment for new HLAs;
- Additional or innovative approaches to training in a vocational context for those with low level skills in Maths, English and ICT where supported by an employer / sector need to support them in finding work or progressing in work;
- Support for intermediate, technical and high level vocational provision for the unemployed and for career progression;
- Skills and training packages in response to redundancies.
- Responding flexibly to employer and sector led needs for skills development where they can help to increase levels of engagement and skills;

Activities also to be supported under Thematic Objective 10 through **Strategic Activity 18 Increase Employability and Enterprise Skills** including:

- Innovative approaches to intermediate, vocational and higher level vocational provision, including IAG;
- Development and engagement of sector specific higher level apprenticeship programmes;
- Internship and placement incentives to encourage the employment of graduates and post graduates;
- Innovative entrepreneurship programmes to encourage graduates and post graduates to start a business.

### Target beneficiaries

This thematic objective will support the following target groups:

- Marginalised individuals and groups;
- People considering entrepreneurship and social enterprise;
- SMEs with a need to engage more effectively in the skills agenda;
- Graduates and post-graduates;
- Employees, including those who are underemployed, in jobs without training and needing to improve their skills levels, as well as those at risk of redundancy and needing to re-train.

### Finance

An ESF allocation of £41.8 million has been identified against this Thematic Objective. Match funds are anticipated to come from the Skills Funding Agency opt-in, and other public sector sources including the Universities for higher level skills

<b>TO10: Investing in Education, Skills and Lifelong Learning – Finance</b>	
	£m
ESF	41.8
Public	29.3
Private	12.5
<b>Total</b>	<b>83.6</b>

### Targets

<b>TO10: Investing in Education, Skills and Lifelong Learning – Targets</b>		
<b>Indicator</b>		
Result	Number of inactive participants newly engaged in job searching upon leaving.	
Result	Number of participants in employment upon leaving.	
Result	Number of participants gaining a qualification upon leaving.	
Result	Number of participants in employment upon leaving.	
		<b>Target</b>
Output	Number of enterprises receiving support.	2,334
Output	Total number of participants (a. + b. + c.)	15,316
Output	a. Number of unemployed (including long-term unemployed) participants.	3,063
Output	b. Number of inactive participants.	3,063

Output	c. Number of employed (including self-employed) participants.	9,190
Output	Number of participants aged 15-24.	3,063

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Results will be quantified once the definitions of the indicators are agreed by the European Commission

## **Thematic Objective 9: Promoting Social Inclusion and Combating Poverty**

### **Rationale**

Too many individuals and families in Derbyshire and Nottinghamshire continue to face multiple disadvantage. Ambitious coordinated action at strategic, local and individual levels is needed to ensure that everyone, irrespective of where they live or their background, is socially included and those experiencing poverty can access support to exit it. Paid employment and the pathways to it are recognised to be the primary route to achieving this.

It is acknowledged that many disadvantaged and excluded people need support to provide them with a platform of stability as a vital first step on the pathway towards employment. Its level, duration and nature will depend on the profile of each individual. This support will need to focus on addressing the root causes of their exclusion in the first instance. Other aims include better housing, improved health and wellbeing, better functioning families, a reduction in benefit dependency and the cessation of crime and anti-social behaviour which blights the lives of individuals, families and communities.

### **Tackling Poverty**

There is a need to raise awareness of local poverty and the associated issues, and develop strategies to overcome it. The Index of Multiple Deprivation 2010 shows over 262,000 residents of Derbyshire and Nottinghamshire living in the top 15% of most deprived areas on the income domain. This increases to 312,900 on the health and disability measure, 363,300 on employment and over 479,000 with regards to education. Data published by End Child Poverty in February 2013 shows 78,761 children across the 17 D2N2 Local Authority areas living in poverty during 2012. The problem is higher in the cities of Derby and Nottingham, where 22% and 31% of children experience poverty. The figures elsewhere range from 7% (Derbyshire Dales) to 21% (Mansfield) highlighting the incidence of child poverty across the D2N2 area. In rural localities it is masked in the statistics by the relative prosperity of surrounding areas.

To tackle poverty effectively requires a strategic approach addressing not only its consequences but also the causes, through integrated and innovative solutions that link with other initiatives, and avoiding partial interventions that only address one element of the problem. Such an approach can tackle poverty and promote inclusion across the whole of Derbyshire and Nottinghamshire as well as targeting hotspots of deprivation and worklessness in both urban and rural areas.

### **Working with Troubled Families**

Poverty and social exclusion are both symptoms of deprivation, which frequently continues from one generation to another. Strategic, integrated responses can produce many benefits both now and in the future. Data from the Department for Communities and Local Government (DCLG) shows that in March 2013 there were 4,795 troubled families across the D2N2 LEP area. National evidence confirms that many of these would benefit from intensive, 'personalised' interventions that join up with wider initiatives.

Working with troubled families will help children and other vulnerable people who rely on their families for support and care. It will also improve the cohesion and self-reliance of local communities as more people contribute to their life. There will also be long-term benefits on the supply side of the labour market, increasing over time as the next and future generations participate have the confidence, aspirations and skills to participate in it.

### **Overcoming Barriers to Employment**

As highlighted under Thematic Objective 8, over 400,000 adults in Derbyshire and Nottinghamshire are experiencing some form of worklessness. Data from the Department for Work and Pensions (DWP) shows 205,760 people in D2N2 were claiming out of work benefits in February 2013. This includes over 88,885 on Employment Support Allowance/ Incapacity Benefit who may face additional barriers to employment. The same applies to other benefit recipients, including those on Job Seekers Allowance, who find it difficult to secure or sustain paid work due to their employment history, social circumstances, physical or mental health problems. The proportion of working age people with ill health or disabilities that limit their economic activity exceeds the national average in 15 of the 17 district and unitary authority areas in D2N2, and is particularly high in the former mining and industrial areas (nearly one in five of the working age population in both Bolsover and Mansfield).

These and other groups need intensive support to prepare them for work, help them to find it then to retain it. The group of people who must overcome barriers to gain and keep employment is diverse with a range of

characteristics. They include young people with no qualifications or experience, lone parents with childcare responsibilities, people with mental health problems who may not be able to work full time, ex-offenders and substance misusers who may have a poor work history, homeless people with no permanent base and older people who face discrimination. In each case there is a specific issue or combination of personal circumstances, sometimes exacerbated by prejudice that requires a personalised response.

### **Supporting the Transition to Universal Credit and Responding to Welfare Reform**

Demand for this type of support may increase as a consequence of Welfare Reform. A stated aim of policy is to reduce dependency by increasing the number of people in work. To achieve this, some of those who are currently excluded by barriers to work will need to overcome them. In particular, as the transition from Incapacity Benefits (IB) to Employment and Support Allowance (ESA) continues and more existing IB claimants are reassessed, some will be signposted towards work related activity. Programmes exist to provide this and thus help claimants prepare for the workplace. The provision of wraparound support is less reliable. In some cases, especially where the claimant has been receiving IB for a number of years, additional and more broad-based support will be needed not only at the outset but into work and beyond.

Simplification of the benefits system to provide individuals and families with a single payment (the Universal Credit) marks a significant shift in the UK benefits package. The introduction of a cap on payments is also designed to encourage work by ensuring that work pays. Many benefit claimants will need help in understanding the implications of the changes, the opportunities open to them and the steps they need to take in order to make the most of them. Those who aspire to achieve economic independence through paid work deserve every possible assistance. It needs to be efficient and co-ordinated but sufficiently flexible to overcome the barriers that are specific to each individual case.

### **Objectives for Promoting Inclusion and Combating Poverty**

The objectives of support under this thematic objective are to:

- Deliver integrated and innovative solutions that tackle the root causes of social exclusion;
- Address barriers to work and provide pathways towards employment to allow all adults to play an active role in the labour market;
- Lift people out of poverty wherever they live including overcoming persistent pockets of poverty; and
- Support active inclusion through the use of local initiatives.

We will develop a D2N2 Social Inclusion Programme, which will provide the framework for activity to be undertaken through TO9 and procured through the Big Lottery Opt in.

### **Eligible Activities by Strategic Activity**

The following eligible activities will be supported under **Strategic Activity 15: Targeted Community Support Programme** (including the Big Lottery Opt In Programme):

- Support that addresses both the root causes of social exclusion and its consequences – including poverty, unemployment, ill-health, homelessness, low self-esteem and worklessness;
- Strategic delivery models to tackle the above through comprehensive needs identification and personalised interventions focusing on the needs of individuals and families;
- Specialist, tailored support targeting groups experiencing high rates of social exclusion and poverty (eg. troubled families, care leavers, carers, people with low basic skills who are not in employment or education, homeless people and those with multiple or complex needs);
- Support to develop the capacity of social enterprises and community groups to address local support needs as well as support for the delivery of other bottom up active inclusion measures;
- Developing locally specific inclusion initiatives, including through Community Led Local Development and community based learning approaches;
- Initiatives that support enterprise and social enterprise as a route to economic activity and inclusion;
- Partnership models that bring strategic focus to the above, complementing rather than duplicating current work at local level, filling the gaps that exist and adding value to existing programmes.

The following eligible activities will be supported under **Strategic Activity 16: Helping Excluded Groups Back Into Training and Work**:

- Tackling barriers to work faced by a range of communities including people with disabilities, black and minority ethnic & migrant groups, care leavers, carers, ex-offenders, homeless people, people with mental health problems, alcohol and substance misusers and those with multiple and complex needs
- Specific support for young people who are distant from the labour market including those who are not in education or employment, those who have never had a job and / or those whose background or circumstances has left them without positive role models
- Integrated approaches to reduce or remove barriers associated with (but not limited to) low literacy, numeracy & IT skills, lack of work experience, poor work histories, health problems, caring responsibilities, limited access to transport, lack of stable housing and digital exclusion
- Activities that provide people excluded from the labour market with experience of a structured working environment to help them build their skills and confidence, including (but not limited to) volunteering & training opportunities, work-tasters and work experience placements;
- Activities to combat discrimination in the labour market and promote equal opportunities.

## Target Beneficiaries

The priority groups for support under this thematic objective include:

- People living in the D2N2 area who experience poverty and / or social exclusion due to:
  - Physical disabilities
  - Learning difficulties
  - Mental health problems
  - Alcohol and substance misuse
  - Other forms of ill-health
  - History of offending behaviour
  - Multiple or complex needs
- People living in the D2N2 area who face barriers to employment, including the following:
  - Low levels of literacy, numeracy and IT skills
  - Low educational attainment and qualifications
  - Lack of employment experience and/ or poor work history
  - Caring responsibilities
  - Lack of stable housing
  - Limited access to transport
  - Digital exclusion
  - Multiple barriers – for instance two or more of the above
- People living in troubled families
- Care leavers
- Young people who are not in Education, Employment or Training

## Finance

An ESF allocation of £20.9 million has been identified under this Thematic Objective. Projects will be supported up to a 50% intervention rate. Match funding will be available through an 'opt-in' Programme.

<b>TO9: Promoting Social Inclusion and Combating Poverty – Finance</b>	
	£m
ESF	20.9
Public	18.9
Private	2.0
<b>Total</b>	<b>41.8</b>

## Targets

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### **T09: Promoting Social Inclusion and Combating Poverty – Targets**

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#### **Indicator**

Number of inactive participants newly engaged in job searching upon leaving.

Number of participants gaining a qualification upon leaving.

Number of participants in employment upon leaving.

Number of participants engaged in positive activities that address barriers to work or widen participation in training.

	<b>Target</b>
Total number of participants (a. + b. + c.)	7,660
a. Number of unemployed (including long-term unemployed) participants.	3,064
b. Number of inactive participants.	3,830
c. Number of employed (including self-employed) participants.	766

Number of inactive participants newly engaged in job searching upon leaving. 1,915

Results will be quantified once the definitions of the indicators are agreed by the European Commission

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## 5 Integration of the Cross Cutting Themes and Social Innovation

### Commitment to Promoting Sustainable Development

Sustainable development underlies the entire D2N2 EU strategy, reflecting its importance both as a key determinant of well-being and a source of significant economic opportunities over the coming years. The D2N2 area covers a diverse range of geographies, communities and industries, each with an interest in a particular aspect of sustainable development. For example, whilst in the Peak District the focus might be on preserving a cherished landscape, for the transport equipment manufacturing sector sustainable development presents opportunities for new products and processes. The D2N2 programme will therefore take a flexible approach to applying the principles of sustainable development in different contexts.

Our objectives on this topic are to:

- Promote sustainable development principles across all domains of economic development;
- Encourage development and investment that is resilient in the face of flood risk, climate change and the need for resource efficiency;
- Encourage energy efficiency and reduced carbon emissions by businesses and communities;
- Protect and enhance natural and built environments;
- Support investment and development which helps to manage the environmental impacts of travel and transport.

Sustainable development is integrated throughout this EUSIF strategy, especially in relation to thematic objectives covering innovation, low carbon, climate change adaptation, environmental protection and sustainable transport. Investments in these particular objectives will be expected to contribute positively to sustainable development, whilst in other parts of the programme, the focus will be on minimising negative impacts in relation to sustainable development.

Furthermore, through Social Innovation (see below) and Community Led Local Development (see Chapter 8), pioneering and local initiatives that address sustainable development will be supported.

At the project level, support to applicants in addressing sustainable development will be provided through local guidance and assistance. Project development, selection and appraisal criteria will include sustainable development considerations and targets and project sponsors will be expected to monitor and manage performance accordingly. Evaluation of the programme will take account of performance on sustainable development and demonstrate the impact the programme has had on each of the cross-cutting themes.

During the summer of 2013 we organised thematic workshops with partners from across the D2N2 area, including statutory bodies responsible for, and interest groups active in, sustainable development. Of particular relevance to this theme were those focussed on low carbon and sustainable transport. The workshops provided an important input to the strategy development process.

### Commitment to Promoting Equality and Combating Discrimination

The socio-demographic composition of the D2N2 area is quite rich, and varies considerably across the area. It includes both very established and recently-arrived ethnic minority communities. The area has a long history of immigration from countries such as Pakistan, India and Jamaica with more recent sources of migrants, notably from Poland, adding a new vibrancy. There are many former mining communities as well as quite diverse rural communities. The area also has pockets of communities and individuals suffering from urban deprivation and hidden poverty, for example in some of the more prosperous rural areas. As noted in the analysis of the economic context in chapter 2, some groups (including those with protected characteristics) face particular challenges in the labour market and are currently less likely to be in employment. As noted in the section on Thematic Objective 9, some of our residents face multiple disadvantages and have complex support needs. Our approach to supporting them will involve the development of tailored, holistic support. Looking at the changing demography of the area:

- The 2011 census shows that Nottingham has become more ethnically diverse. 65% of the population are White British with increases in most other ethnic groups. Nottingham has the highest proportion of people of mixed or multiple ethnic group outside London. 12.7% of Nottingham's population moved to the UK in the last 10 years compared to 7.0% nationally with many overseas students and immigration from the expanded EU.

- The white British population makes up 84% of the total population of Derby city with the remaining 16% making up the city's BME population. There are three significantly large ethnic populations (of Pakistani (4%), Indian (4%) and 'Other White' origin (2%)).
- By contrast 92% of Nottinghamshire and 94% of Derbyshire is White British.
- Amongst people of working age in Nottingham, 14.2% of people have health problems or disabilities which limit their day to day activities compared to 12.7% nationally. This larger gap shows that the overall figures are higher than might be expected given the relatively young age structure of the City.
- In terms of employment and average earnings, the D2N2 area has some priority sectors which are over represented by better paid (ageing) males notably in advanced engineering and transport technologies.
- Rural areas within D2N2 tend to be experiencing a faster rate of declining incomes than urban areas and there are some pockets of deprivation. Those living in the rural areas experience relatively poorer access to amenities, services and recreational facilities than in urban areas. D2N2's rural areas tend to be better performing in terms of educational outcomes but there is generally an older population profile.
- There are some significant pockets of worklessness particularly in former coal mining areas to the north of D2N2 and in the cities (particularly Nottingham).

Changes in migration patterns have meant that the public, private and third sectors and local communities in the D2N2 area have had to respond rapidly to new needs arising from in-migration, compared with other parts of the country which have a longer established and more diverse population. This requires new responses to tackle barriers to employment to ensure the economy is able to draw on as diverse a workforce as possible as new and replacement employment opportunities become available.

Based on local consultations, previous experience, good practice and guidance, our approach to dealing with equality and anti-discrimination issues is in line with mainstream practice and requirements (including the Public Sector Equality Duty). We also wish to make good use of the expertise of relevant local groups with specialist knowledge on equality and diversity.

Our objectives on this topic are to:

- Promote equality of opportunity, outcomes and of process and to combat discrimination against disadvantaged and minority groups;
- Champion the diversity in the population and the workforce and the vibrancy this brings to local economic development and the potential contribution to economic participation and growth;
- Tackle organisational and social barriers to economic and labour market participation faced by disadvantaged groups (including gender equality, rural and social inclusion);
- Encourage engagement and participation from local communities to ensure representation and leadership from all sections of society through for instance CLLD;
- Promote social innovation by supporting positive inclusion models for economic and employment participation by disadvantaged individuals and communities;
- Compile local intelligence to build a picture of issues, existing activity and gaps.

At the strategic level we will achieve the above by embedding them into priority objectives, particularly those relating to SMEs, employment, social inclusion and education, skills and lifelong learning. Building on the success of LEADER and URBAN approaches within the D2N2 area, we will use Community Led Local Development-type approaches and Social Innovation to pioneer new and localised approaches and ensure our local governance arrangements are suitably representative. At the operational project level, all projects will be required to show attention to tackling equality and anti-discriminatory issues and we will assist project sponsors to do so at the project development stage. This will be considered at appraisal and monitored throughout the life of each project. Evaluation of the programme will take account of performance on equality and demonstrate the impact the programme has had on each of the cross-cutting themes.

D2N2 LEP has strong links with the VCS sector and recognises the particular expertise held by this sector in promoting equality and combating discrimination. Drawing on the broad range of civil society partners that contributed to the consultation and strategy development process, we are able to draw on a reference group of people and organisations who can sustain our commitment to equalities and combating discrimination. Our lead Board member for the Voluntary and Community Sector is developing a Social Inclusion Programme for D2N2 which will ensure our work in this area is appropriately focussed.

## **Social Innovation**

This new development in the realm of Structural Funds is one that we welcome in the D2N2 area. The Guide to Social Innovation commits to simplification and integration which should help overcome past systemic obstacles to social innovation in Structural Funds programmes, which many partners have highlighted during the development of this Strategy. While the practical aspects of implementation of social innovation have yet to be established, we feel that the approach offers new ways of working which will suit the diverse needs of communities within the D2N2 area – in urban, suburban and rural areas, market towns and former mining communities.

The justification and rationale for this is three-fold:

- There are persistent social needs in parts of the D2N2 area and the public expenditure context has necessitated new approaches to meeting needs;
- Using domestic sub-national and area-based funding in the past, local partners have a good track record in social innovation, and these funding regimes were more conducive to horizontal approaches;
- Most of the sources of external and area-based initiative funding have now ceased which means that the scope to use Structural Funds is welcomed.

Our approach to social innovation will seek to add value to the national programmes being delivered within the D2N2 area and harness the skills of third sector organisations to deliver better solutions that meet the needs of local people. Many organisations, including local community groups and social enterprises, already have a track record of delivering new initiatives covering employment, skills, enterprise, housing, environment, poverty, refugees, transport, health, IT and learning. Frequently, the innovation has been to stitch together several of these fields and to work with both public sector and private sector partners. The binding principle has been active involvement of local people and partners' readiness to adapt through action learning.

## 6 Financial Plan

The D2N2 2014-2020 European Structural and Investment Strategy will invest over £428.6m (including EAFRD funds and associated private sector match-funding), targeted at increasing employment and economic growth. While the public sector will make an important contribution, it is envisaged that private sector match will make a major contribution to ERDF investment, particularly with regard to innovation and SME growth.

Indicative Investment by Theme £m		EU	UK Public <sup>1</sup>	Private	Total
1 – Innovation	85%	20.9	11.7	9.2	41.8
2 – ICT		10.4	2.9	7.5	20.8
3 – SME Competitiveness		36.5	12.5	24.0	73.0
4 – Low Carbon		20.9	8.0	12.9	41.8
<b>Themes 1-4</b>		<b>88.7</b>	<b>35.1</b>	<b>53.6</b>	<b>177.4</b>
5 – Climate Change	15%	5.2	5.2	0.0	10.4
6 – Protecting the Environment/Resource Efficiency		5.2	2.9	2.2	10.4
7 – Supporting Transport		5.2	2.2	2.9	10.4
<b>Themes 5-7</b>		<b>15.5</b>	<b>10.3</b>	<b>5.2</b>	<b>31.1</b>
<b>Total ERDF</b>		<b>104.4</b>	<b>45.4</b>	<b>58.8</b>	<b>208.8</b>
8 – Promoting employment/supporting labour mobility		41.8	35.1	6.7	83.6
9 – Promoting social inclusion/combating poverty		20.9	18.9	2.0	41.8
10 – Investment in education, skills, lifelong learning		41.8	29.3	12.5	83.6
<b>Total ESF</b>		<b>104.4</b>	<b>83.3</b>	<b>21.2</b>	<b>208.8</b>
<b>Total EAFRD</b>		<b>5.5</b>		<b>5.5</b>	<b>11</b>

<sup>1</sup> University and FE contributions treated as public sector. Totals may not sum due to rounding

D2N2 LEP is in discussions with adjacent LEPs with regard to co-ordinating investment where appropriate. This includes potentially supporting East Midlands-wide activities, such as the possible collaborative Financial Instrument to improve SME access to finance (see below), and collaborating with Sheffield City Region to ensure an aligned approach to expenditure in the 'overlap' districts (see chapter 8, Governance and Delivery Arrangements).

### The annual profile of expenditure

The accompanying spreadsheets set out the indicative annual expenditure profile for each calendar year. Account has been taken of the likelihood of the national programme being agreed towards the end of 2014, the timing at which a number of the Opt Ins are expected to begin delivery, and the allocation of the Performance Reserve towards the end of the programming period. We have adopted a cautious approach to the expenditure profile, recognising the n+3 requirements. Nevertheless, D2N2 partners would like to invest funds at an early opportunity and deliver high levels of expenditure throughout the period, rather than delay expenditure until the final years. Annual expenditure profiles are indicative until programme terms are agreed. Work continues to develop a high quality pipeline of deliverable projects that will deliver across the programme period.

Annual Profile of ERDF, ESF and EAFRD Expenditure £m									
	2014	2015	2016	20'17	2018	2019	2020	2021	2022
ERDF	0.0	9.0	16.0	22.0	22.0	19.0	14.0	1.5	0.9
ESF	0.0	12.0	16.0	20.0	20.0	20.0	14.0	1.5	0.9
Total ERDF / ESF	0.0	21.0	32.0	42.0	42.0	39.0	28.0	3.0	1.8
EAFRD	0.0	0.48	1.29	1.28	1.0	0.94	0.53	0.0	0.0

Note – the table shows an expenditure profile based on a 50/50 split between ERDF and ESF. The Board wish to retain the flexibility to increase the proportion of ERDF funding in order to respond to local need. If agreed with Government, this would result in an amended expenditure profile

D2N2 will put in place robust monitoring arrangements to ensure that projects and programmes are delivered in a timely manner.

### The forecast sources and scale of match funding

Further work has been undertaken to understand the scale of match funding potentially available to the D2N2 programme over a seven year programme period since the submission of the draft strategy. The decision by the Board to opt-in, in principle, to the DWP, SFA, Big Lottery and business support opt-in offers will provide a significant proportion of the match-funding required. Local Growth Fund resources will be focussed on economic infrastructure, employment and skills and business support activities, and will provide some match-funding in these areas. The table below sets out our expected sources of match-funding.

<b>Sources of Match Funding</b>			
<b>Theme</b>	<b>Type</b>	<b>Amount £m</b>	<b>Source</b>
1 – Innovation	Public	11.7	Universities Technology Strategy Board BIS Local Authorities
	Private	9.2	SMEs
2 - ICT	Public	2.9	Local Authorities BIS
	Private	7.5	SMEs
3 - SME Competitiveness	Public	12.5	BIS MAS/Accelerator/UKTI Local Authorities Universities
	Private	24.0	SMEs
4 - Low Carbon	Public	8.0	BIS MAS/Accelerator Local Authorities Universities
	Private	12.9	SMEs
5- Climate Change	Public	5.2	Local Authorities
6 - Protecting the Environment/Resource Efficiency	Public	2.9	Local Authorities
	Private	2.2	SMEs
7 - Supporting Transport	Public	2.2	Local Authorities
	Private	2.9	Developers Landowners
8 - Promoting employment/supporting labour mobility	Public	35.1	SFA DWP Local Authorities
	Private	6.7	SMEs
9 - Promoting social inclusion/combating poverty	Public	18.9	SFA DWP Local Authorities BIG Lottery
	Private	2.0	SMEs
10 - Investment in education, skills, lifelong learning	Public	29.3	SFA DWP Local Authorities Universities
	Private	12.5	SMEs

## Proposed use of opt in models

Representatives of the D2N2 LEP have met with the opt-in providers to discuss how each programme could add value to the delivery of the EU programme in the LEP area. With the exception of the social housing retrofit opt-in, the LEP Board has agreed, in principle, to opt in to each of the opt-in offers. To ensure that activity funded under the 'opt ins' responds directly to local needs and opportunities as expressed by D2N2, D2N2 makes in principle commitments to each opt-in on the understanding that doing so;

1. ensures D2N2 will determine the specification and timing of what is procured or delivered, building on a detailed process of co-design
2. secures 'pre-match at source' that
  - a. minimises risk of under-spend
  - b. ensures that activity procured or delivered is driven by this strategy rather than by the availability of match
3. expresses financial commitments that are indicative at this stage and will be finalised before the point of delivery
4. does not impose added restrictions on who and what is funded or delivered using our EUSIF funds beyond those that would anyway apply from the Managing Authority
5. ensures that no activity will be commissioned or delivered using D2N2 EUSIF funds without the explicit endorsement of the LEP.

D2N2 will work with all opt in providers and Government to seek bespoke local agreements that meet the terms above. The Board's position on each opt-in is summarised below;

### ***Skills Funding Agency***

- a. Opt in, in principle, to the SFA opt in at 50% of our ESF Skills theme funds and 25% of our ESF Employment theme funds subject to:
  - i. finalising the agreement of an acceptable D2N2 specific Memorandum of Understanding that provides for a break and review point after no more than 3 years.
  - ii. D2N2 to develop a programme of skills activity and specify the activity and outputs to be delivered through the SFA opt in its EU SIF Delivery Programme.

### ***Department for Work and Pensions***

- b. Opt in, in principle, to the DWP opt in at 50% of our ESF Employment theme funds - subject to:
  - i. the agreement of an acceptable D2N2 specific Memorandum of Understanding that provides for a single local contact point, a fair, open and transparent procurement framework, and a break and review point after no more than 3 years.
  - ii. D2N2 to develop a programme of employment activity and specify the activity and outputs to be delivered through the DWP opt in its EU SIF Delivery Programme.

### ***Big Lottery Fund***

- c. Opt in, in principle, to the Big Lottery Opt-in for an indicative £2,239,235 per year for 3 years with the option to extend to a full 7 year programme at £15.67m
- d. D2N2 to agree a format of working with the Big Lottery Fund that provides for a 'dual key' approach to individual spend approvals
- e. Develop a D2N2 Social Inclusion Programme, in line with the EU SIF, to provide the framework for activity to be procured through the Big Lottery Opt in

### ***Business Support Opt Ins***

- f. Opt in, in principle, to Growth Accelerator for an indicative £712k per year for 3 years with the option to extend to a full 6 year programme
- g. Opt in, in principle, to UKTI for an indicative £478k per year for 3 years with the option to extend to a full 6 year programme

- h. Opt in, in principle, to Manufacturing Advisory Service for an indicative £665k per year for 3 years with the option to extend to a full 6 year programme
- i. D2N2 to specify the exact business support services, outputs and minimum level of match sought in its EU SIF Delivery Programme following detailed consideration of the performance of business support organisations in meeting the needs of D2N2 SMEs
- j. All business support opt-ins to be subject to a break and review point at 3 years.

Details of specific activity to be funded, the overall level of funding commitment and how the LEP and the Opt-In delivery partner would work together will be finalised between the LEP, provider and Managing Authority after January if necessary but in advance of delivery.

### Opt In Models – Potential Allocation of EU Funds\*

ERDF				
	Period	Lead Organisation	ERDF	Total
UKTI Export Support	2015 -2020	£ 2.871m	£ 2.871m	£5.742m
BIS Growth Accelerator	2015-2020	£4.27m	£4.27m	£8.54m
Manufacturing Advisory Service	2015 - 2020	£ 3.99m	£ 3.99m	£7.98m
ESF				
	Period	Lead Organisation	ESF	Total
Skills Funding Agency	2014-2020	£30.4	£30.4	£60.8
Big Lottery	2014-2020	£15.67m	£15.67m	£31.35m
DWP	22014-2020	£20.29m	£20.29m	£40.58m

\* Please note these estimates have been adjusted following the change to the D2N2 ESIF allocation. They are subject to change following further discussions with the opt-in partners

Totals may not sum due to rounding

## Financial instrument proposals

D2N2 is working collaboratively with other Local Enterprise Partnerships in the East Midlands and closely with the Business Bank to develop the availability of a portfolio of access to finance products to support SMEs to invest and grow. As a first stage, East Midlands and South East Midlands LEPs commissioned Mazars LLP to undertake market intelligence research to inform decision making about approaches to scale, collaboration, targeting and delivery mechanisms for a potential collaborative financial instruments. The research also considered the use of any legacy funding from financial products commissioned by the former East Midlands Development Agency. The research project is now complete and the final report '[Business Finance Market Analysis and Product Development](#)' is online.

The report provides a high level evaluation of the need for a Financial Instrument in the area covered by East Midlands and South East Midlands LEPs. The report was based on a combination of;

- Research into national trends of SME access to finance and the East Midlands business profile.
- A survey of over 500 businesses across the East Midlands with at least 100 in each LEP area
- Interviews with 37 local stakeholders including banks and other financial institutions
- Analysis and implications of a potential revolving fund by in-house Mazars experts on funds, EU funds and access to finance for SMEs

The key results of the business survey are that;

- Approximately 26% of surveyed businesses consider Access to Finance as an impediment to growth, an estimated 56,800 businesses across the study area.
- Access to finance is one of a range of barriers to growth identified by SMEs in the East Midlands. Others include the wider economy, skills shortages, cashflow, and public sector regulation
- 20% of businesses in the East Midlands applied for financing in the past 5 years. This is a similar figure to national proportion.
- Funding was largely sought from banks (80%) in the form of a loan, followed by public sector sources in the form of grants.
- 63% of businesses seeking funding applied for £50,000 or below and 12% seeking funding of between £50,000 and £100,000.
- The main reasons for seeking financing were stated to be buying equipment (30%); working capital (26%); company expansion (20%).
- Of those firms seeking funding, 46% had not secured any of the funding sought – an estimated 17,000 firms.
- The principal barriers to investment include wider demand in the economy, the banks (tightened) lending conditions and expertise/ knowledge to apply for funding
- Broadly similar proportions of firms regard access to finance as a barrier to growth between LEP areas and sizes of firm
- 19% of firms say they have one or more current stalled project or unmet business-need, an estimated 37,000 firms. 60% of firms have not sought finance for their stalled project

Key findings from stakeholder interviews include;

- Demand for lending is improving
- Due to restricted lending criteria, banks' focus is on 'better prospects'
- The 'market gap' is at the 'bottom end' of market (smaller, riskier businesses)
- There is support for a revolving Investment Fund at a East Midlands scale, if;
- It is big enough to be viable and make a difference
- It does not displace bank lending.

- There is a possible 'advice and knowledge gap' but there is a particular issue around 'investment readiness' of some SMEs seeking growth finance
- There is no strong sectoral focus to access to finance demand

Overall key conclusions of the report are that.

- a. There is a 'lending gap' for newer, lower security and higher risk enterprises leading to a sufficient level of 'un-met' finance demand from business to make a £100m intervention fund viable
- b. There is evidence of latent growth potential that could be released through better access to finance for SMEs
- c. However there is a related need for better general business support and 'investor readiness'
- d. There is qualified support for an East Midlands 'fund of funds' from financial stakeholders;
- e. There is minor variation in terms of sector and business composition, suggesting that a regional revolving investment fund is feasible

Whilst the report provides a high level evaluation of need it does not provide the full range of information to establish a successful financial instrument. It does not fully substantiate the demand for equity, equity linked, mezzanine, seed-corn, loan guarantee or other non-debt related investments nor model the impacts of different products or types of intervention or forecast returns or economic impact nor model how the relationship with existing 'local' products can be managed.

In developing their approach, East Midlands LEPs have worked closely with the British Business Bank to identify up to £6.1m of 'match funding' available from emda legacy funds that can be used to support collaborative access to finance work between East Midlands LEPs.

East Midlands LEPs have also considered the experience of other regions, particularly the development work undertaken in the West Midlands and the operation to date of the Finance Yorkshire JEREMIE platform. LEPs have also worked closely with officials of CLG, BIS and the Business Bank to inform their approach together with evaluating the Mid-Term Review of the English JEREMIE Funds undertaken by Regeneris Consulting and considering the experience of the East Midlands Urban Development Fund – a 'JESSICA' Financial Instrument. Key issues identified from considering the experience of other Financial Instruments and the experience suggest the following considerations;

- The need for 'scale' of any fund to promote viability and attractiveness in the market
- The need to work 'with the grain' of existing providers and local routes to market
- The need for a balanced portfolio of investment products
- The need for flexibility to review priorities, funding envelopes and investment strategy on a periodic basis
- The need for private expertise to take primacy in making funding decisions, within an intelligently targeted investment strategy
- The need for an Investment strategy to clearly not duplicate market lending but to target growth companies.

East Midlands LEP Chairs and senior officers met on 29<sup>th</sup> November to consider the evidence gathered and the advice of officials from the British Business Bank, BIS and CLG, East Midlands LEPs have resolved to;

- a. work collaboratively to develop potential interventions to improve access to finance for SMEs in the East Midlands, including potentially an East Midlands 'JEREMIE' model
- b. identify sums of funding in SIFs to support enhanced access to finance for SMEs
- c. indicate to Government that they wish to use Legacy funding from RDA investment products to support a collaborative approach to improving access to finance for SMEs in the East Midlands, including further development work and any potential establishment costs.

The exact nature of any collaborative intervention, and whether East Midlands LEPs will seek match funding from the European Investment Bank, will depend on the outcome of more detailed investigations and development work to meet the requirements of the 'ex ante appraisal process required for using European structural and investment funds for financial instruments. The detailed investigations will particularly focus on more targeted market assessment, intervention modelling, viability testing and development of effective models of governance and routes to market and testing the comparative merits of alternative approaches. Intervention modelling and viability testing will include an assessment of potentially working with one or more other regions. East Midlands LEPs will seek to complete this further development work by September 2014.

East Midlands LEPs will consider this further detailed research and development work before confirming any formal funding contributions to a collaborative financial instrument such as a 'JEREMIE'. Until any funding contributions are confirmed, East Midlands LEPs have provisionally identified sums of ERDF to promote SMEs access to finance or have ensured that they have sufficient capacity in their SME Competitiveness to support a collaborative approach.

D2N2 has not 'ring-fenced' funds for a JEREMIE approach at this stage and will consider the outcome of the collaborative further investigations and potential alternative approaches before making any funding commitment. D2N2 has sufficient capacity in its SME Competitiveness to act effectively in response to the further findings.

Any final commitment of funds by LEPs in the East Midlands to a collaborative product would depend on;

1. Consideration of the further development work to be concluded by September 2014
2. Agreement on an equitable apportionment methodology for contributions and outcomes.
3. Confirmation of the extent of 'match' from RDA legacy funds and other sources
4. Full consideration of alternative approaches to meeting need and achieving the desired outcomes

If, after further investigation, East Midlands LEPs decide to collaborate to create an East Midlands JEREMIE and draw down a loan from the European Investment Bank, the LEPs will identify sufficient funding to make the JEREMIE viable and effective. East Midlands LEPs will continue to work with the British Business Bank to further investigate market intervention and match funding modelling. If East Midlands LEPs decide to establish a region-wide JEREMIE, and assuming that there are no unreasonable delays in the process and that clarity about the Commission's requirements from the ex-ante appraisal criteria are published in due course, it is anticipated that, from the point of decision, a fund could be launched within 12-13 months. An indicative timescale is suggested below.

<b>Action</b>	<b>Month</b>
Decision taken on whether or not to established an East Midlands Jeremie	1 (September 2014)
Allocation of budget and resources for the creation of the fund	1
Soft market testing of potential fund managers (February/March 2014)	1 to 2
Negotiation of co-finance from public and private sources (February- June 2014)	2 to 6
Establishment of fund vehicle and governance arrangements (March - June 2014)	2 to 6
Preparation of Ex Ante Appraisal and Formal Agreement of EIB loan	3 to 6
Procurement of Fund Manager	6 to 9
Negotiation of Contract with Preferred Fund Manager	9 to 11
Marketing of Fund	11-12
<b>Formal opening of fund</b>	12 (September 2015)

## 7 Targets

### Introduction

Output targets for the 2014-2020 programme in the D2N2 area have been prepared to reflect:

- The nature of the activities that we intend to support;
- Government guidance regarding the indicators expected to be delivered under each Thematic Objective and the definitions of each;
- The scale of the ambitions held by partners in the D2N2 area, balanced with the need for realism on what can be delivered.

A summary of the anticipated outputs is provided below. Results targets will be quantified once the definition of the results indicators is agreed by the European Commission. Further detail is available in the Strategic Activities spreadsheet.

### Outputs

All individual project proposals will be assessed to determine their ability to contribute to the targets in the table below. Value for money will begin to be assessed on this basis over time, allowing the costs per different forms of intervention to be tested.

<b>Output Targets 2014-2020</b>	
<b>ERDF Indicators</b>	<b>Target</b>
Number of enterprises receiving support.	4,979
Number of new enterprises supported.	418
Employment increase in supported enterprises.	2,455
Number of enterprises cooperating with research entities.	698
Number of enterprises supported to introduce new-to-the-market products.	366
Number of enterprises supported to introduce new-to-the-firm products.	681
Additional enterprises accessing ICT products and services including broadband.	622
Private investment matching public support to enterprises.	55
Number of companies supported with business resource efficiency.	181
Estimated GHG reductions (tonnes)	229,665
Infrastructure site development including green infrastructure (hectares)	67
<b>ESF Indicators</b>	<b>Target</b>
Total number of participants (a. + b. + c.)	38,289
a. Number of unemployed (including long-term unemployed) participants.	13,783
b. Number of inactive participants.	9,956
c. Number of employed (including self-employed) participants.	14,550
Number of participants aged 15-24.	7,657

## 8 Governance and Delivery Arrangements

The D2N2 LEP, working with partners, is best placed to understand the needs and opportunities of the local economy and co-ordinate strategies and identify interventions to deliver jobs and growth in its area. The LEP will bring partners together to actively manage the implementation of this strategy to deliver the aligned goals of our Strategic Economic Plan and this European Structural and Investment Fund Strategy by

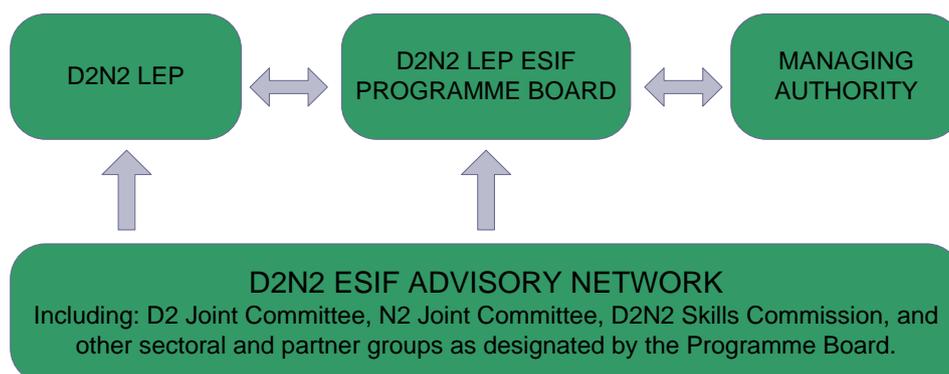
- Taking decisions about what is procured, when it is procured and how it is procured
- Supporting the development of a pipeline of potential interventions of the appropriate scale, impact and strategic fit
- pursuing a balance of commissioning and calls for projects with a blend of collaborative, LEP wide and local programmes and activities, as determined by the outputs and outcomes sought.
- Undertaking strategic assessments of outline and full applications for ESIF funding from the D2N2 allocation
- overseeing the performance management of the programme and its delivery partners to ensure that the programme meets its mid-term performance criteria.
- reviewing the overall direction, governance and delivery of the programme to ensure that it remains responsive to local needs and opportunities.
- using EU Structural and Investment Funds flexibly to pursue growth opportunities with greatest benefits to the D2N2 area and minimise complexity for applicants and deliverers.
- using EU SIF funds alongside other funds to maximise their impact in delivering the LEP's Strategic Economic Plan.

### D2N2 ESIF Governance Structure

This section sets out how LEP's governance arrangements will promote effective delivery, ensure clear separation of responsibilities to prevent conflict and interests, promote fair and equal access, and engage a wide range of local partner inputs to ensure compliance with the European Code of Conduct on Partnerships and promote well-informed decision making. It establishes the key principles underpinning the governance of our ESIF programme. Operational detail will be set out in the Annual Implementation Plan.

Whilst the LEP is best placed to understand local priorities and develop a local strategy, the delivery of the strategy will require an effective relationship with the UK Government as the 'Managing Authority' for the ESIF funds, The Managing Authority will hold the funds, receive and technically appraise applications and, as they are accountable to the EU for spend, sign off the technical compliance of any projects or programmes endorsed by the LEP and partners for support from ESIF funds.

The D2N2 LEP will maintain a lean governance structure and draw directly on the support of a range of partners, including the D2 and N2 joint committees. It will convene partners into a D2N2 ESIF Programme Board to lead the ongoing management and implementation of this strategy, work closely with the Managing Authority to ensure that the approach followed is fully compliant with relevant regulations and designate an ESIF advisory network to ensure that local decision making is effective and appropriately informed. The diagram below shows our proposed governance structure:



The key roles of different parts of the Governance structure are set out below.

### ***Role of the Managing Authority for ESIF Funds (the UK Government)***

The Managing Authority

- a. will not fund any activity from the LEP's ESIF allocation unless that has been approved by the LEP (or, as proposed, by the ESIF Programme Board, on behalf of the LEP).
- b. Provide in a timely manner such assessment and monitoring information to the LEP, ESIF Programme Board and ESIF Advisory Network as necessary to effectively support their functions.

### ***Role of the D2N2 Board***

The D2N2 Board will:

- a. lead the strategic approach to the use of ESIF funds in the D2N2 area to ensure operations fit with the overall Strategic Economic Plan
- b. lead the development of a single LEP-wide Implementation Plan for the ESIF Funds that will provide clear guidance on the activities that the LEP would wish to see supported by ESIF Funds, allow for innovation in delivery and support a blend of collaborative, LEP wide and more local approaches to deliver better outcomes.
- c. Convene partners to form a LEP area partnership (the D2N2 ESIF Programme Board) to manage the delivery of the programme,
- d. Contribute to development of a pipeline of projects of impact and scale
- e. Approve any revisions and refinements to the EU SIF
- f. Designate groups as appropriate, including the D2 and N2 Joint Committees, the D2N2 Skills Commission and others as appropriate (including a Social Inclusion Group) to create a 'ESIF Advisory Network' to ensure that the decision-making of the ESIF Programme Board is fully informed and effective
- g. Monitor and periodically review the operation of the governance structure for the delivery of the D2N2 EU SIF Strategy and work with the Managing Authority and other partners to make any necessary amendments, including establishing such sub-committees, working groups or task and finish groups as appropriate to enable governance and delivery to be strengthened.

### **The Annual Implementation Plan**

The Annual Implementation Plan will be a Single LEP-wide Delivery Programme for the D2N2 allocation of ESIF funds. It will set out a medium term programme of activity and will be refreshed annually, It will be developed by the LEP and will be reported to the D2N2 ESIF Programme Board and D2N2 Board for sign off. The content of the Implementation Plan will be subject to guidance, but it is anticipated that it will set out;

- o The key activities and outputs that the LEP wishes to see funded through its ESIF allocation and a schedule of commissioning, open call, opt-in and other approaches by which those activities and outputs will be procured,
- o The operational detail of the LEPs governance structure,
- o investment selection approach and criteria
- o expectations on additionality and value for money and how potential delivery partners will be expected to demonstrate this as part of the procurement process
- o the approach to managing risk, based on Orange Book principles, setting out clear roles and responsibilities
- o the approach to ensuring that delivery of the EU SIF is fully State Aid compliant, integrated with the overall delivery of the D2N2 Strategic Economic Plan and that synergy between all funding streams is achieved in order to maximise value for money, additionality and impact
- o the approach to project development and technical assistance to promote the development and delivery of programmes and projects of the appropriate scale, impact and strategic fit
- o alignment between EU SIF funds and other funds within the LEP's remit

### ***The Role of the D2N2 ESIF Programme Board (LEP Area Partnership)***

The D2N2 ESIF Programme Board will function as the LEP Area Partnership as set out in the Draft ERDF and ESF Operational Programmes. The membership template will be developed by the D2N2 LEP as part of the first iteration of the Annual Implementation Plan and will be compliant with the EC Code of Conduct on Partnerships. The D2N2 LEP Board will establish the membership for the Programme Board, nominate the Chair of the Board and the Managing Authority will be invited to nominate the Board's Vice-Chair

The D2N2 ESIF Programme Board will;

- a. manage the implementation of the ESIF programme on behalf of the LEP, including lead responsibility for endorsing projects for funding and performance monitoring and management
- b. have due regard to the views of the Joint Committees and other local partners in its decision-making and management of the overall programme.
- c. Regularly update the LEP Board on programme delivery
- d. undertake the duties related to being a formal sub-committee of the National Programme Board
- e. Monitor and review the delivery of the EU SIF, including;
  - a. Considering periodic performance monitoring reports on spend and outputs by geography, beneficiary type and other relevant measures, management of risk and progress towards objectives and targets
  - b. Challenging the performance of SIF delivery partners, including 'opt in' providers to deliver the maximum economic benefits for the area.
  - c. Commissioning and considering reviews and evaluation of performance to promote accountability, learning and improvement
  - d. Commissioning and considering activity to monitor the impact of Programme in terms of cross-cutting themes of equality and environmental sustainability
- f. Manage the implementation relationship with Sheffield City Region and overall relationships with other LEPs
- g. Consider and agree a Communication Plan for the Programme
- h. Consider and agree a strategy for Technical Assistance

The D2N2 ESIF Programme Board will have clear terms of reference to ensure proper separation of responsibilities and prevent potential conflict of interest in decision-making.

### ***Groups within the D2N2 ESIF Advisory Network***

As a streamlined and business-led partnership, D2N2 draws on the support of a range of groups and partners that represent and have in-depth knowledge of themes, sectors and geographic areas. For example, The D2N2 Skills and Employment Commission, chaired by a business nominee, provides strategic direction to D2N2's work in these areas whereas the Universities of Derby, Nottingham and Nottingham Trent provide collaborative direction to our innovation work.

Economic Prosperity Committees ('Joint' Committees) have been established by local authorities in Derby and Derbyshire ('D2') and Nottingham and Nottinghamshire ('N2') to promote coherent and integrated perspectives on economic development, transport and other policy issues across local government in their respective areas. They form a key part of the overall D2N2 governance structure.

In relation to the D2N2 LEP's ESIF responsibilities, the D2N2 Board may invite Groups, where sufficiently robustly constituted, to operate as part of a D2N2 ESIF Advisory Network, which, containing a broad representation of partners and groups, can support and inform the work of the D2N2 Programme Board.

As part of the ESIF Advisory Network, Joint Committees and other partners, such as the D2N2 Skills Commission, Employment and Skills Boards, Social Inclusion Sounding Board and others can and should play an effective role in supporting and informing the decision-making of the ESIF Programme Board at three key stages;

- a. The identification of activities and programmes to be funded through ESIF through the Annual Implementation Plan and development of tender specifications.
- b. Reviewing and prioritising outline bids
- c. Reviewing and prioritising full bids

The Groups within the ESIF Advisory Network will;

- Support the development of a LEP-wide Annual Implementation Plan and advise the D2N2 Board and ESIF Programme Board in their consideration of the final Plan
- Provide strategic advice to the Board and ESIF Programme Board on priorities and programmes including tender specifications, procurement approaches, good practice, learning, capacity, sources of match, routes to market and other issues relevant to their area of focus.
- Have the opportunity to review and advise the ESIF Programme Board on outline or full applications for projects and programmes that proposes spend from the LEP ESIF allocation within their geographic or thematic area
- Support the development a pipeline of compliant programmes and projects of the appropriate scale, impact and strategic fit
- Ensure activity supported under the ESIF programme complements and adds value to activity supported by other funding streams within the D2N2 area, including, where appropriate, pooling resources and capacity to maximise integration with and connectivity with existing networks, additionality and impact and to avoid duplication
- Review and challenge the performance of ESIF delivery partners, including 'opt in' providers to ensure that investments deliver the maximum economic benefits for the area.
- Work with other D2N2 groups to support the efficient implementation of the EU SIF and Annual Implementation Plan.
- Consider performance and spend information produced by the Managing Authority and advise the ESIF Programme Board on appropriate action

Particular groups would also have particular tasks for example

*D2N2 Skills and Employment Commission*

- The D2N2 Skills Commission membership includes the D2N2 Board Skills lead, the Chairs of the three Employment and Skills Boards, the Skills Funding Agency and representatives from Further and Higher Education. It will take a strategic lead in on behalf of the LEP Board in advising on the development of Skills and Employment components of the Annual Implementation Plan, the development of tender specifications arising and relationships with the SFA and DWP 'opt-in' processes and the consideration of performance management information.

*The D2 and N2 Joint Committees*

- The Joint Committees will, receive performance information from Managing Authority, monitor spend and impact from ESIF programmes in their area, and advise the ESIF Programme Board on any performance issues arising.

## Relationship with the Managing Authority

The D2N2 LEP will work closely with the Government's Growth Delivery Team to ensure that its delivery of the D2N2 EU SIF Strategy is compliant with all relevant regulations.

Membership, representation and Terms of Reference for groups and meetings taking decisions on the D2N2 EU SIF will be reviewed with advice from the Managing Authority to ensure technical compliance alongside promoting effective, well-informed and accountable decision-making.

D2N2 will seek the advice of the Growth Delivery Team to ensure that the approaches outlined in the Delivery Programme are technically compliant with relevant EU regulations.

The Growth Delivery Team will appraise programmes and funding submissions at outline and detailed stages for technical compliance. D2N2, through its Joint Committees and other groups, will assess their strategic value.

The Managing Authority will issue all ITTs and contracts for the LEP but will not make any funding awards from D2N2 EU SIF allocation that have not first been formally endorsed by D2N2.

The division of responsibilities between D2N2 and the Managing Authority is summarised below;

	<b>D2N2</b>	<b>D2N2 ESIF Programme Board</b>	<b>Managing Authority</b>
1. EUSIF	Develops and agrees the Strategy and Delivery Programme for its EU SIF allocation		Holds the LEP's EU SIF allocation and approves the EU SIF Strategy and Delivery Programme
2. Structures and Processes	Establishes structures and processes to take the strategic lead in implementing the strategy		Advises D2N2 to ensure that its EU SIF structures and processes are technically compliant
3. Procurement		Agrees the strategic criteria for funding decisions	Issues ITTs
4. Assessment / Appraisal of applications		Assesses the strategic impact of applications	Undertakes technical compliance appraisal on all funding applications
5. Decision (strategy)		Endorses applications according to their strategic impact.	Will not fund anything that has not been endorsed by the LEP
6. Decision (compliance)		Will not endorse anything that is not technically compliant	Will not fund anything that is not technically compliant
7. Contract			Issues contracts
8. Monitoring and reporting		Monitors strategic impact and performance	Monitors technical compliance with contract. Reports regularly to LEP.

Under the 'procurement' opt-ins offered by the Skills Funding Agency, Department for Work and Pensions and Big Lottery Fund, the Opt-In partner will undertake functions 3 to 8, as well as providing match funding for delivery

As a LEP, we are very positive about the progress made by CLG in defining the business processes under which LEPs will be fully involved in the strategic appraisal and decision making around EU funded projects, based on local ESIF plans. We are clear that projects cannot be funded from the D2N2 EUSIF allocation without the explicit endorsement of D2N2 and support Government in seeking to secure this role for LEPs in its negotiation of the Partnership Agreement and Operational Programme with the European Commission.

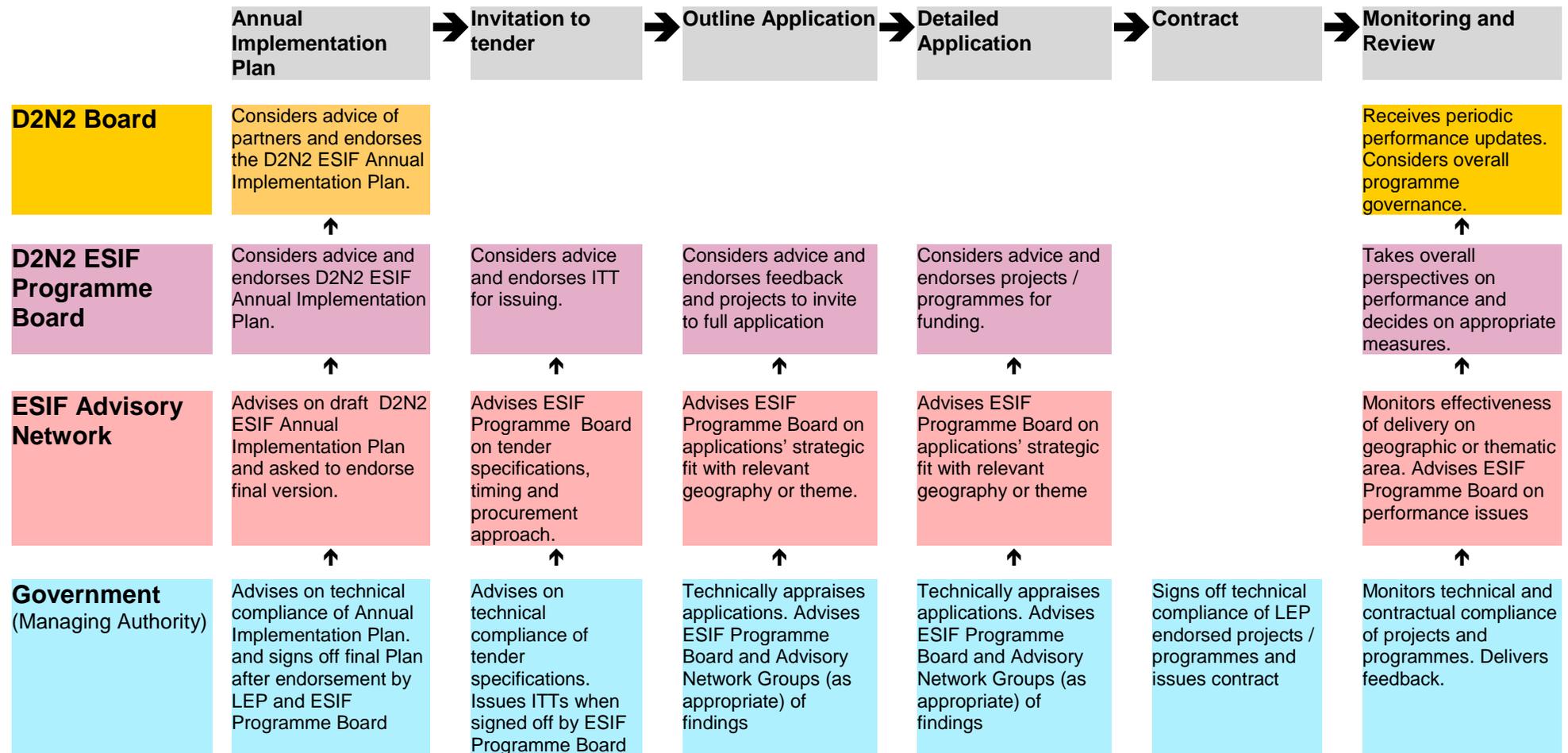
D2N2 would strongly urge Government to hold firm to the model of LEP involvement developed to date and, should it become necessary to safeguard the strategic role of the LEPs, to consider defining Intermediate Bodies within LEP areas. We believe that formalising an Intermediate Body role to support LEPs can be achieved without additional risk to CLG

Delivery and implementation arrangements will evolve over time in response to evolving market conditions, performance monitoring, capacity and evolution in governance and organisational structures. The LEP will undertake a formal mid-term review of governance in 2016/17 with all delivery contracts either running to no later than 2017 or with formal 'exit' points at that time

### **Capacity**

To ensure that the D2N2 Programme is delivered effectively, its strategic impact maximised and procurement processed with due robustness and speed, D2N2 will seek to draw on resources provided by Technical Assistance funds. The LEP will ensure sufficient delivery capacity within the management of the programme to support project development and negotiate with national partners on the delivery of opt-in activity. It will support the development of the local market to ensure projects of sufficient scale and impact can be developed and delivered. D2N2 will formally request 2% of the overall level of D2N2 EU SIF to provide the relevant capacity to D2N2 and partners.

### Indicative D2N2 Process for Inviting, Assessing, Contracting and Monitoring Projects and Programmes using EU SIF Funds



## **Collaboration: Working Relations with Sheffield City Region**

The Districts of Bassetlaw, Bolsover, Chesterfield, Derbyshire Dales and North East Derbyshire are located within D2N2 LEP and Sheffield City Region LEP (The 'two LEPs'). When our joint interests align it is our intention to develop and implement approaches to delivery that reflect a shared commitment to co-operation and liaison.

The two LEPs will continue to work together to implement an approach to managing EU SIF funds in shared / overlap areas with the aim of ensuring that;

- f. access routes and information for potential applicants and beneficiaries of funded services is straight forward – adopting a no 'wrong door' approach;
- g. overlap areas are neither advantaged nor disadvantaged by overlap status.

To achieve these aims, both LEPs have agreed the following:

### General Principles

To promote synergy, additional impact and efficiency in spend of EUSIF funds in the overlap areas the LEPs will adopt the principles of open communication, the sharing of information, and a culture of 'no surprises'.

### Commissioning

When seeking, either directly, through 'opt-in' partners or other third parties, to commission, procure or open call announcements for projects to be funded by EU SIF funds, which may be delivered in the overlap area, the two LEPs will endeavour to:

- share information about intentions, potential delivery specifications and timescales;
- seek to align approaches, including joint commissioning where appropriate and practicable to promote efficiency and impact;
- ask applicants / tenders to demonstrate how they will manage 'overlap' issues;
- align and integrate, where possible and sensible, application and monitoring processes;
- share where relevant, monitoring and service performance information and discuss at periodic 'joint oversight' meetings.

### Routes to Market

The two LEPs will endeavour to align initiatives (such as business support services including Growth Accelerator, MAS and UKTI trade support) in the overlap areas at all stages of service design, procurement, delivery and review of the service provision, to promote simplified 'routes to market'.

In the spirit of co-operation these shared aims are to capture joint commissioning opportunities, ensure coherent delivery and marketing of services, and minimise confusion amongst business and other applicants.

## **Community Led Local Development proposals**

Some parts of the D2N2 area face particular very local economic challenges. For example, some of the rural areas face the challenge of balancing economic growth and sustaining vibrant local communities with preserving a very high quality local environment, which is an important economic asset. Other areas have the legacy of the decline of the mining industry to deal with, with a need for specific, localised actions to tackle e.g. high rates of limiting long-term illness and high levels of worklessness. Community Led Local Development (CLLD) initiatives, are locally managed programmes for areas with a population between 10,000 and 150,000. Given the capacity of CLLD to promote a comprehensive approach to targeting very local economic challenges within the diverse geography of the D2N2 area, in consultation, local partners have expressed support for being part of the solution to allow some local discretion over the use of funding

D2N2 considers that CLLD may offer interesting opportunities for localised and bottom-up delivery of LEP ambitions and priorities Government's supplementary Guidance to LEPs on ESIF allows for a maximum of 5% of EU Structural and Investment Funds in a LEP area to be used to support CLLD initiatives. On this basis, D2N2 LEP has agreed to indicatively allocate up to 5% of the D2N2 allocation (up to £10.69m) to support CLLD initiatives, building on the success of LEADER and URBAN approaches which have been adopted locally. This would allow us to support a total of up to ten CLLD

areas, or allow a higher level of investment in a smaller number of areas. D2N2 understands that Government will issue further guidance to clarify the CLLD 'offer' to LEPs. A working group has been established to work with partners and consider Government guidance to advise D2N2 on the most appropriate approach to implementing a CLLD programme and the results will inform the development of the Annual Implementation Plan. Should issues arise in further Guidance that make CLLD too inflexible or otherwise inappropriate in the view of the LEP, the LEP will consider alternative approaches to supporting locally led and focused comprehensive action to address economic challenges. In developing its approach to CLLD, D2N2 is working with DEFRA to ensure the approach is aligned to the LEADER development process in order to ensure synergies between the two programmes are maximised.

Within areas covered by a CLLD initiative, local projects and programmes will be supported through competitive bidding. The focus will be on tackling barriers to growth for business and local communities. Within this programme D2N2 will seek to add value to nationally delivered programmes (whether co-financed or not). The D2N2 LEP will work with communities to devise criteria for the allocation of funding to local partnerships and identify suitable locations for CLLD initiatives, which could include a range of localities including rural, urban, market towns, former mining communities and suburban / fringe areas. Projects will need to demonstrate:

- How the intervention will deliver the priorities set out in the D2N2 Growth Plan.
- Complementarity to relevant sub-regional/local economic strategies.
- How projects will be developed, managed and delivered by local communities.

Thematic Objectives covered will include:

- Low Carbon (local initiatives)
- Sustainable Transport (supporting access to employment and training)
- Employment (focusing on tackling worklessness and access to employment)
- Social Inclusion (*at least 20% of ESF allocation*)
- Skills (tackling low skills, re-skilling and linking young people to employment)
- Institutional Capacity

CLLD will be funded 23% ESF / 27% ERDF, with match funding from local funding sources. Close collaboration with Voluntary and Community infrastructure bodies will help to identify a suitable bidding framework for Social Inclusion.

## Annex A Responses to the Consultation Document

In addition to the consultation workshops, a detailed consultation document was produced, giving stakeholders to provide their written feedback on the following issues:

- Investment opportunities
- Sources of match funding by theme
- Potential areas for collaboration with other areas / LEPs
- Embedding the cross cutting themes (i.e. Gender equality, equal opportunities and non discrimination; sustainable development; and social innovation
- Local specialisms which can be build upon through the development and delivery of the programme
- Options for programme management
- Governance and performance management arrangements

59 responses were received, a number of which were submitted on behalf of a group of partners. The feedback was analysed and reported to the LEP Board, and has helped to shape the draft EU strategy. The lead organisations that submitted responses to the consultation document were:

1. BAC-IN
2. Bassetlaw District Council
3. Bolsover District Council
4. Central College Nottingham
5. Chesterfield Borough Council
6. CPT East Midlands
7. Crystal Clear
8. De Montfort University
9. Defra Network
10. Derby City Council
11. Derby City Council (Adult Learning)
12. Derby City Council Social Inclusion Toolkit
13. Derby Museums
14. Derbyshire and Nottinghamshire Chamber of Commerce
15. Derbyshire County Council
16. Derbyshire County Council (LD Employment Adult Care)
17. Derbyshire Dales Council and Peak District Joint Response (High Peak Borough Council, Peak District National Park authority, Business Peak District, peak District Partnership, Peak District Local Nature Partnership)
18. Derbyshire Economic Partnership
19. Derbyshire and Nottinghamshire NFU
20. Derbyshire Rural and Farming Network

21. Enable UK
22. Environment Agency
23. Erewash CVS
24. Experience Nottinghamshire
25. Ingeus
26. Intraining
27. Lowland Derbyshire and Nottinghamshire Local Nature Partnership
28. Mansfield Community and Voluntary Service
29. Mansfield District Council
30. Marketing Derby Ltd.
31. Midlands TUC
32. National Housing Federation
33. NBV
34. NHS East Midlands
35. Nigel Booth
36. National Housing Federation
37. North East Derbyshire District Council
38. Nottingham Arimathea Trust
39. Nottingham City Council
40. Nottingham ESB
41. Nottingham Trent University
42. Nottinghamshire County Council
43. Now Un Ltd.
44. NSDC
45. Prince's Trust
46. Peak Farming Network
47. Peak LAG
48. RIBA
49. RTSE
50. Rural Action Derbyshire
51. Rural Community Action Nottinghamshire
52. Rushcliffe Borough Council
53. Sherwood Forest Trust
54. Straplan Ltd.

55. UKMESS Ltd.
56. Vernon Community College
57. Visit Peak District
58. VW Skills
59. Young Enterprise

## Annex B Programme Alignment

### Introduction

D2N2's ESIF strategy has been prepared to complement a range of local, national and European policy priorities and D2N2 partners are committed to ensuring policies and associated funding streams can work together effectively. This section considers some of the main areas of alignment.

### EU Policy Alignment

*“Europe 2020 is the European Union’s ten-year growth strategy. It is about addressing the shortcomings of our growth model and creating the conditions for a different type of growth that is smarter, more sustainable and more inclusive.”*

Delivery of the D2N2 ESIF in 2014-2020 will ensure that synergies are exploited with a range of wider European funds. The Europe 2020 strategy aims to guide the future direction of EU policy to 2020. The overall goal of this strategy<sup>14</sup> is to turn Europe into a smart, sustainable and inclusive economy delivering high levels of employment, productivity and social cohesion. The three mutually reinforcing priorities comprise:

- Smart growth; developing an economy based on knowledge and innovation.
- Sustainable growth; promoting a more resource efficient, greener and more competitive economy.
- Inclusive growth; fostering a high-employment economy delivering social and territorial cohesion.

This programme is designed to be more focused on EU priorities. It will reward performance with a focus on simplified delivery and monitoring and achieving results. There is much more flexibility to align the various funds that make up the programme (essentially linking business support and training measures). The strategy is focused on the following five main goals and targets:

- Employment: 75% of the 20-64 year-olds to be employed;
- Innovation: 3% of the EU's GDP to be invested in R&D;
- Education: reducing school drop-out rates to below 10%, and at least 40% of 30-34 year-olds completing third level education;
- Poverty reduction: at least 20 million fewer people in or at risk of poverty and social exclusion;
- Climate/energy: greenhouse gas emissions 20% lower than 1990, 20% of energy from renewable sources, and a 20% increase in energy efficiency.

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<sup>14</sup>The Strategy is “Europe 2020”.

The EC also put forward seven flagship initiatives to catalyse progress under each priority theme: they include innovation union; youth on the move; a digital agenda for Europe; a Resource Efficient Europe; an industrial policy for the globalisation era; an agenda for new skills and jobs; and a European platform against poverty. *D2N2's proposed activities cover enterprise, ICT, innovation, employment and skills, social inclusion, climate change, low carbon and sustainable infrastructure, and therefore have a strong link to the EU targets and flagship initiatives.* It is worth noting D2N2 plans to embrace and exploit the new emphasis on *innovation and low carbon management*.

The commission has highlighted several areas which the UK needs to address, including the improved employability of young people (and in particular young people NEET), the integration of people from jobless households into the labour market, and help for SMEs to access finance. *Theme 3 of the D2N2 EUSIF deals with SME competitiveness and themes 8 and 9 include measures to promote employment/support labour mobility and to promote social inclusion/combating poverty.*

The ESI Growth Programme's top priorities<sup>15</sup> will be innovation and research and development, SME support, low carbon, skills, employment and social inclusion. *It is worth noting our Strategic Actions dovetail these areas well and we recognise the need to make a meaningful contribution to the National Growth Programme.* The table below summarises other key EU programmes we may wish to draw upon.

ESIF and other European Fund Synergies		
Funding Programme	Summary	Support for European Structural and Investment Funds
Horizon 2020	<p>A flagship Europe 2020 initiative aimed at securing Europe's global competitiveness, Horizon 2020 will run from 2014 to 2020 with an €80bn budget. The programme will support and accelerate research and innovation as part of the drive to create new jobs and growth in Europe. The programme includes:</p> <ul style="list-style-type: none"> <li>• Strengthening top-level research in science to improve the EU's global standing in the field. This will involve a dedicated budget of €24.6bn and a 77% increase in funding for the European Research Council.</li> <li>• Improving industrial leadership in innovation through investment in key technologies, greater access to capital and support for SMEs. This activity will have a budget of €17.9bn.</li> <li>• Providing €31.7bn to help address major concerns including: climate change; sustainable transport and mobility; making renewable energy more affordable; ensuring food safety and security; and coping with the challenge of an ageing population.</li> </ul>	<ul style="list-style-type: none"> <li>• A core aspect of the Horizon 2020 programme is €24.6bn investment to strengthen research, technological development and innovation. These investments will strongly align with and support projects undertaken as part of <b>Thematic Objective 1</b>.</li> <li>• There is also an investment of €17.9bn, which will in part give support to SMEs and help them to gain access to capital and improve their competitiveness, working alongside projects that support <b>Thematic Objective 3</b>.</li> <li>• Horizon 2020 will also invest in making renewable energy more affordable, a key issue in the shift to a low carbon economy across Europe and invest in the adaptation and management of the effects of climate change that are set occur. Alongside this, the programme will advocate and support resource efficiency and protecting the environment. These activities will support projects under <b>Thematic Objective 4, Thematic Objective 5</b> and <b>Thematic Objective 6</b>.</li> <li>• <b>Thematic Objective 7</b> – Part of the programme's €31.7bn investment in major concerns will address the sustainability</li> </ul>

<sup>15</sup> In England the ERDF, ESF and part of the EAFRD will be brought together into a single 'EU Structural Investment (ESI) Funds Growth Programme' at the national level.

		Europe's transport networks and face up to the challenge of Europe's ageing population, to promote social inclusion and battle poverty. This investment will aid the work done by projects supporting <b>Thematic Objective 9</b> .
<b>Programme for the Competitiveness of Enterprises and SMEs</b>	<p>COSME is a new funding programme for the 2014-2020 programming period. It has a planned budget of €2.3bn and will aim to:</p> <ul style="list-style-type: none"> <li>• Facilitate access to finance for SMEs;</li> <li>• Create an environment favourable to business creation and growth;</li> <li>• Encourage an entrepreneurial culture in Europe;</li> <li>• Increase the sustainable competitiveness of EU companies;</li> <li>• Help small businesses operate outside their home countries and improving their access to markets.</li> </ul> <p>The Programme is expected to contribute an annual increase of €1.1bn in the EU's GDP, through assisting 40,000 companies, resulting in 1,200 new business products, services or processes and €400m in additional turnover annually. Through improving access to finance, COSME is also expected to increase lending and/or investment for EU companies by €3.5bn per annum.</p>	<ul style="list-style-type: none"> <li>• The main focus of COSME is to increase the competitiveness of SMEs, which form the backbone of Europe's economy, and with this support the bulk of work being undertaken as part of <b>Thematic Objective 3</b> in the upcoming funding cycle. This is not a straightforward task, but the package of measures implemented by this programme will aim to make the outputs of Europe's SMEs attractive and affordable on the global market, which will drive growth in the EU's economy for years to come.</li> <li>• COSME advocates resource efficiency to increase competitiveness and sustainability of businesses, working closely with projects under <b>Thematic Objective 6</b>.</li> </ul>
<b>Programme for Social Change and Innovation</b>	<p>This EU Programme will have a budget of €815m for the 2014-20 period and will support Member States' efforts in the design and implementation of employment and social reforms at European, national, regional and local levels by means of policy coordination, the identification, analysis and sharing of best practices. Together with the European Social Fund, the Fund for the European Aid for the Most Deprived and the European Globalisation Adjustment Fund, EaSI forms the fourth pillar of the EU Initiative for Employment and Social Inclusion 2014-2020.</p>	<ul style="list-style-type: none"> <li>• The programme aims to provide assistance to Member States who are undergoing employment and labour market reforms. This strongly links to projects under <b>Thematic Objective 8</b>, which promote employment and support labour mobility throughout the EU.</li> <li>• The programme will also aid reforms across the EU that promote social inclusion and combat poverty, as with projects that support <b>Thematic Objective 9</b>.</li> </ul>
<b>European Territorial Cooperation Programmes</b>	<p>Cohesion policy encourages regions and cities from different Member States to work together and learn from each other through joint programmes, projects and networks. The ETCP covers:</p> <ul style="list-style-type: none"> <li>• Cross-border co-operation programmes along internal EU borders;</li> <li>• Transnational co-operation programmes covering larger areas of co-operation such as the Baltic Sea, Alpine and Mediterranean regions;</li> <li>• Providing a framework for exchanging experience between regional and local bodies across all Member States.</li> </ul>	<ul style="list-style-type: none"> <li>• The ETCP aims to make all policy and delivery across the EU more effective through enhancing institutional capacity and an efficient public administration, which is the main goal of <b>Thematic Objective 11</b>.</li> </ul>

## Contribution to National Policy Objectives

The LEP remains alert to Government policy drivers and will continue to do so throughout the implementation of the ESIF strategy. Key areas where alignment has been ensured in preparing this document include: (a) Driving economic growth to support economic recovery with a focus on private sector job creation and associated GVA uplift; (b) Promoting higher level skills, including through vocational routes; and c) reducing benefit dependency by supporting people into employment. ERDF and ESF investment will add value to existing initiatives in these areas. The table highlights synergies between current national policy priorities and the content of the ESIF strategy.

National Policy and ESIF Synergies		
Funding Programme	Summary	Support for European Structural and Investment Funds
<b>Plan for Growth</b>	<p>There are four key ambitions of the 2011 Plan for Growth, these are:</p> <ul style="list-style-type: none"> <li>To create the most competitive tax system in the G20;</li> <li>To make the UK one of the best places in Europe to start, finance and grow a business;</li> <li>To encourage investment and exports as a route to a more balanced economy;</li> <li>To create a more educated and flexible workforce.</li> </ul>	<ul style="list-style-type: none"> <li>The Plan for Growth identifies SMEs as a key driver in the long-term growth of the UK economy. Its resultant pledge to help start, finance and grow businesses as well as encourage firms to export will work in partnership with <b>Thematic Objective 3</b> of improving SME competitiveness.</li> <li>In order to do this, the Plan acknowledges the importance of improving the flexibility of the UK's workforce through investing in education, skills and lifelong learning, which will support projects undertaken under <b>Thematic Objective 10</b>.</li> </ul>
<b>The Government's National Export Challenge</b>	<ul style="list-style-type: none"> <li>It aims to double UK exports by 2020 and create 100,000 new exporters.</li> </ul>	<ul style="list-style-type: none"> <li><b>Thematic Objective 3</b> includes activities to promote export development.</li> </ul>
<b>Innovation and Research Strategy for Growth</b>	<p>The strategy seeks to ensure that government policies stimulate, rather than hinder, UK innovation through:</p> <ul style="list-style-type: none"> <li>Greater use of public procurement.</li> <li>Increasing access to public data or to knowledge created as a result of publicly funded research; and</li> <li>Accepting all the recommendations in the review of intellectual property by Professor Ian Hargreaves.</li> </ul>	<ul style="list-style-type: none"> <li>The strategy outlines how innovation and research can drive long-term sustainable growth in the UK economy. This is a principle component of <b>Thematic Objective 1</b> and will strongly support projects operating under that thematic objective.</li> </ul>
<b>Bigger, Better Business</b>	<p>The report by the Department for Business, Innovation and Skills highlights that business growth is its main priority, in particular improving small business performance and growth. It aims to withdraw barriers to enterprise, including:</p> <ul style="list-style-type: none"> <li>Helping the unemployed to become self-employed;</li> <li>Providing advice from experienced business people to small businesses.</li> </ul> <p>A key principle is to only intervene where there is evident market failure and for the Government to not duplicate private sector activity.</p>	<ul style="list-style-type: none"> <li>Creating connections between experienced business people will strongly support projects under <b>Thematic Objective 3</b>, as will increasing the number of self-employed people.</li> <li>Helping the unemployed to become self-employed will: promote employment and social inclusion, support labour mobility and combat poverty, strongly aligning with projects working toward <b>Thematic Objective 8</b> and <b>Thematic Objective 9</b>.</li> </ul>

<b>Local Growth: Realising Every Place's Potential</b>	<p>This strategy document highlights that to set the conditions for private sector growth, the Government must:</p> <ul style="list-style-type: none"> <li>• Create macroeconomic stability;</li> <li>• Help markets work more effectively;</li> <li>• Ensure that it is efficient and focused on its own activities;</li> <li>• Ensure that everyone in the UK has access to opportunities.</li> </ul>	<ul style="list-style-type: none"> <li>• Local Growth highlights the need to invest in infrastructure projects to drive growth in every geographic area in the UK. This covers broadband projects (supporting <b>Thematic Objective 2</b>) and investment in transport (supporting <b>Thematic Objective 7</b>).</li> </ul>
<b>The Information Economy Strategy</b>	<ul style="list-style-type: none"> <li>• Aims to help 1.6 million small and medium sized businesses grow their online presence and allow them to exploit new technologies. This industry-led initiative will target SMEs that either are not online, or want to improve their current online facilities so they can do things like process electronic payments, sell goods overseas or develop cloud computing.</li> <li>• Includes a £1 million fund to kick start development of an innovative solution to a global problem of our time.</li> </ul>	<ul style="list-style-type: none"> <li>• Complementing the investment of Broadband Delivery UK and the aspirations of the information economy strategy, D2N2's ESIF strategy highlights where we exploit Growth through the Information Economy in <b>Thematic Objective 2</b>. This will help us unlock growth in rural areas and better exploit broadband technologies and the ICT potential of our priority sectors.</li> </ul>
<b>Skills for Sustainable Growth and National Skills Strategy</b>	<p>This document highlights that the UK's working age population is less skilled – and subsequently at least 15% less productive – than France, Germany and the US. In particular, there is a significant gap in intermediate technical skills in the UK. Skills for Sustainable Growth sets out how the UK can ensure there is the suitable supply of labour as technological change accelerates, using a skills programme based on fairness, responsibility and freedom.</p>	<ul style="list-style-type: none"> <li>• The main focus of these skills strategies and reforms supports work undertaken as part of <b>Thematic Objective 10</b> – investing in education, skills and lifelong learning.</li> </ul>
<b>Review of Vocational Education</b>	<p>Highlights the continued importance of vocational education as part of the training profile in England. It emphasises that it is vital to ensure that all education is tailored toward the job market to ensure that businesses are provided with the labour they will require and that people have the skills and qualifications to make sure they can secure gainful employment.</p>	
<b>The Richard Review of Apprenticeships</b>	<p>The Review outlines a ten-point plan to produce an apprenticeship system which meets the needs, and maximises the potential opportunities of the UK economy, its learners and its approach to government and regulation.</p>	
<b>Investing in Britain's Future</b>	<p>Outlines how the Government pledged £100bn (2010-2020) for investment in infrastructure, will transform the way public projects are financed and has pledged to stabilise macroeconomic policy to encourage private investors.</p>	<ul style="list-style-type: none"> <li>• The infrastructure projects the Government are investing in between 2010-2020 largely cover the roll-out of broadband (supporting <b>Thematic Objective 2</b>) &amp; investment in transport (supporting <b>Thematic Objective 7</b>).</li> </ul>
<b>Social Justice: Transforming Lives'</b>	<ul style="list-style-type: none"> <li>• Aspires to improve social mobility and reduce child poverty.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Thematic Objective 9</b> has measures to engage excluded individuals and families facing multiple disadvantage and equip them with tools they require to work towards positive economic outcomes.</li> </ul>
<b>Habitat and Landscape protection</b>	<p>e.g. Natural Environment White Paper, Biodiversity 2020: A strategy for England's wildlife and ecosystem services, the European Landscape Convention, the EU Water Framework Directive and the 2005 Thematic Strategy on Air Pollution.</p>	<ul style="list-style-type: none"> <li>• Sustainable development is a <b>cross cutting</b> theme and a key component of our continued economic competitiveness and social well-being.</li> </ul>



THE D2N2 LOCAL ENTERPRISE PARTNERSHIP

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