



A flourishing region

Regional Economic Strategy for the East Midlands 2006-2020

Raising productivity	Employment, learning and skills
	Enterprise and business support
	Innovation
Ensuring sustainability	Transport and logistics
	Energy and resources
	Environmental protection
	Land and development
Achieving equality	Cohesive communities
	Economic renewal
	Economic inclusion



PICTURED:
the east coast
at Sutton-on-Sea,
Lincolnshire.





PICTURED: CORNERHOUSE, NOTTINGHAM.

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Section one



PICTURED: ROCKINGHAM CASTLE, NORTHAMPTONSHIRE.

Section one

Foreword



DR BRYAN JACKSON OBE, CHAIRMAN,
EAST MIDLANDS DEVELOPMENT AGENCY.

I am delighted, on behalf of *emda* - the East Midlands Development Agency, and jointly with the East Midlands Regional Assembly, to introduce this, the third Regional Economic Strategy for the East Midlands. It follows the publication of 'Prosperity through People' in 1999 and 'Destination 2010' in 2003, which set the ambition for the East Midlands to become a 'Top 20' region in Europe. We are delighted that, when last measured in 2005, the region had climbed from 35th to 28th place in the European rankings. Much has been achieved but there is still much that remains to be done.

We retain our ambition to become a leading region in Europe by 2010 but it is now time to reflect on what is working and what is not, to assess and reassess the challenges we face for the future and to renew and reinvigorate our collective commitment to achieving success.

'*A Flourishing Region*' sets out our aspirations and vision for the region over the next decade or so to 2020. Its production follows the most extensive consultation process we have ever undertaken and is informed by the most comprehensive evidence base assembled on the East Midlands, its economy and its strengths and its challenges. Over the last year, *emda* attended over 100 events, reaching around 1,400 regional stakeholders and partners, held roadshows in 11 public venues across the region, including city centres and tourist attractions and for the first time, we invited members of the public to join the consultation through an advertising campaign on billboards and public transport and a dedicated website which received over 20,000 hits. In total we received 495 substantive written contributions.

The support and input of partners, business and individuals across the region has been immense and I am extremely grateful for all those that participated. I am particularly pleased that Cllr David Parsons, Chairman of the East Midlands Regional Assembly, has joined us in introducing this new Regional Economic Strategy. The Regional Assembly has been a key partner in its development.

It is clear that for the East Midlands to thrive and to compete with the best in Europe and the world, we must build on our distinctive strengths to ensure that our economic growth creates a prosperous and sustainable region, where everyone has the opportunity to achieve their potential.

We have been clear throughout, this is an economic strategy setting out realistic and achievable plans to address economic priorities, but it is not about economic growth at any cost. That aspiration is reflected in our new vision for the region - that by 2020 the East Midlands will be characterised by growing and innovative businesses, skilled people in good jobs, participating in healthy, inclusive communities and living in thriving and attractive places - in short it will be a *flourishing region* with high levels of economic wellbeing and a quality of life amongst the best in the world.

This is the region's strategy, not *emda's*, although we will play our full role in realising its aspirations. To make the step change required to drive the East Midlands' economy forward the strategy must be owned and delivered by all those businesses, stakeholders and individuals that can make that difference. The East Midlands is becoming an increasingly mature and self-assured region, clear about the joint efforts needed to progress its shared ambitions and prepared to take some of the difficult decisions needed to bring them to fruition. To that end, on behalf of *emda* and the East Midlands Regional Assembly, we are delighted to welcome this third Regional Economic Strategy and we look forward to working closely with business, partners, stakeholders and individuals over the coming years to ensure the East Midlands becomes a truly flourishing region.

A handwritten signature in black ink, appearing to read 'Bryan Jackson'.

Dr Bryan Jackson OBE
Chairman, East Midlands Development Agency

A handwritten signature in black ink, appearing to read 'David Parsons'.

Cllr David Parsons
Chairman, East Midlands Regional Assembly

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Summary

The East Midlands aims to become a *flourishing region*. Through this, our third Regional Economic Strategy, the East Midlands sets out in detail how it will mobilise its resources and engage every person, business and organisation to maximise the opportunities available to us.

The East Midlands is a large, active and diverse region, with 4.3 million people and over 260,000 businesses. We benefit from our geographical location at the heart of the UK with strong links to London and the south east and to the northern regions. From the Peak District National Park through the dynamic cities of Nottingham, Derby and Leicester to the Lincolnshire coast and the counties of Rutland and Northamptonshire, the region has plenty to offer. But it also faces a wide range of challenges - both in urban and rural areas.

On some measures, the economy of the region is doing well. We have high levels of employment and relatively high levels of economic growth. However, the region still performs less well than the UK average on productivity and we face a particular challenge in raising skill levels so we are better able to enhance our economic performance. Our success is not reflected across all parts of the region, nor in all sections of society. It will be important to address the underperforming areas of the region, as well as those parts with the greatest opportunity. Striking the right balance between these two objectives will not be easy - but all actions in support of the RES should consider how they will help meet our overall vision for the region.

The challenges

The Strategy identifies some major global economic drivers which we must address together, including the emergence of Asian economies, rising energy costs, the impact of climate change, and pressures on our communities and localities arising from the unevenness, not just the pace, of change.

Addressing these challenges, along with the specific challenges of the region, will require action by all stakeholders at regional, sub-regional and local level. We face particular issues in the East Midlands in relation to globalisation, as a result of our traditional strengths in manufacturing. Demographic changes (including the ageing population and migration) are particularly significant in the region, alongside our lower than average skill levels. We also face challenging health issues and will need to capitalise on shifts in energy production from our traditional coal burning strengths.

In order to increase productivity so we can match and then exceed UK levels, we need to focus our actions on the key economic drivers:

- **Skills:** addressing the relatively high proportion of people with no qualifications and enabling more people who are in work to develop higher level skills;
- **Innovation:** helping to increase investment in research and development by businesses, particularly small and medium sized enterprises - and ensuring far more good ideas are translated into new or improved products or services;
- **Enterprise:** improving rates of company formation and survival, and creating a culture of enterprise which begins at school;
- **Investment:** improving levels of investment in the service sector, so the region is equipped to maximise the opportunities from this fast-growing part of the economy.

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PICTURED: ATTENBOROUGH NATURE RESERVE, NOTTINGHAM.

The region

The economic core of the East Midlands is the Three Cities sub-area (Nottingham, Derby, Leicester and their surrounding areas). Almost half the population and 45% of the region's businesses are in this area. But within this core there are also extreme pockets of deprivation. Northampton will become increasingly significant as that part of the region undergoes rapid growth and Lincoln plays an important role in driving the economy of Lincolnshire. Together, these urban areas, where most people live and work, are central to improving economic performance overall. The Strategy supports the collective ambitions of the cities as the main drivers of regional economic growth and activity.

As the third most rural region in England, the Strategy must also recognise and address the diverse range of issues facing our rural and coastal areas, from relatively affluent urban fringes to remote areas with lower levels of economic productivity. There needs to be integrated action across both urban and rural areas.

The vision

In response to the complex and inter-related challenges, and the varying nature of the region's geography, we propose a unique vision which enables us to pursue an agenda of sustainable economic growth, while also ensuring we are not exacerbating these challenges for future generations.

Our vision is that by 2020, the East Midlands will be a *flourishing region* - with growing and innovative businesses, skilled people in good quality jobs, participating in healthy, inclusive communities and living in thriving and attractive places. The vision will be measured using the ground-breaking 'Regional Index of Sustainable Economic Wellbeing', which we have developed to allow progress towards our twin aims of sustainable economic growth and economic wellbeing to be monitored.

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The priorities

This vision is underpinned by three main themes:

- **Raising productivity:** enabling our people and businesses to become more competitive and innovative;
- **Ensuring sustainability:** investing in and protecting our natural resources, environment and other assets such as infrastructure;
- **Achieving equality:** helping all people to realise their full potential and work effectively together to enrich our lives and our communities.

This is the region's economic strategy, and as such 'Raising Productivity' is the primary theme, but in order to achieve our vision of a *flourishing region*, we must also address the other two themes.

Within the three main themes, we have identified 10 strategic priorities:

STRATEGIC PRIORITIES	AIM
Employment, learning and skills	To move more people into better jobs in growing businesses.
Enterprise and business support	To become a region of highly productive, globally competitive businesses.
Innovation	To develop a dynamic region founded upon innovative and knowledge focused businesses competing successfully in a global economy.
Transport and logistics	To improve the quality of regional infrastructure to enable better connectivity within and outside the region.
Energy and resources	To transform the way we use resources and use and generate energy to ensure a sustainable economy, a high quality environment and lessen the impact on climate change.
Environmental protection	To protect and enhance the region's environment through sustainable economic growth.
Land and development	To ensure that the quality and supply of development land, and balance between competing land uses, contributes towards sustainable growth of the regional economy.
Cohesive communities	To increase life chances for all leading to stronger and more cohesive communities, a dynamic society and a stronger economy.
Economic renewal	To ensure all people and communities have the opportunity to create new and sustainable economic futures.
Economic inclusion	To help overcome the barriers, or market failures, that prevent people from participating fully in the regional and local economy.

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Taken together, action against all of these will help deliver the vision of economic growth that creates a flourishing region. The key points under each of these strategic priorities are set out below:

- In order to raise productivity, we must also raise the **skill** levels of people already in **employment**, so action to increase the proportion of the adult workforce gaining new skills will be a priority. This will help to get more people into better jobs in growing and competitive businesses.
- To help the East Midlands become a region of highly productive, globally competitive and innovative businesses, we will target provision of **business support** and raise the profile of **enterprise**, supporting new business creation and overcoming barriers to growth of small businesses, including developing social enterprises.
- To help the region compete successfully in the global economy, we will ensure businesses are helped to become more **innovative** through deployment of new technologies and processes, and ensuring that our universities play their role by continuing to develop leading edge research and development. The following four sectors have been identified as having potential to make the greatest contribution to the East Midlands' economy and would benefit from intervention: transport equipment, construction, food and drink and healthcare.
- Recognising the important role of **transport and connectivity** in raising productivity, we will target and prioritise investment, improve accessibility, tackle travel demand to reduce congestion and minimise harmful environmental impacts and realise the economic benefits of airports.
- We need to transform the way we use **energy and resources** to make the transition to a low carbon economy and will promote the development and deployment of renewable energy technologies and support businesses to exploit new opportunities and to secure financial savings from more efficient use of resources.
- In order to provide for our economic growth to be sustainable, we will seek to **protect the environment** and promote sustainable design best practice, along with improving damaged industrial environments and promoting cleaner production processes.
- Recognising the importance of good quality **employment land** as a key input to our sustainable economic growth, we will work with the framework set through the Regional Spatial Strategy and with planning authorities to improve the rate of re-use of land, and ensure provision of appropriate infrastructure - including transport, cultural and community infrastructure to allow the benefits of development to be shared.
- In support of equality and diversity, we will encourage community engagement in neighbourhood renewal and develop capacity of local groups to improve **community cohesion**, thereby removing some of the disincentives to investment, and hence improve economic and employment opportunities, in some of our more challenging areas.
- To share the benefits of economic growth and a rising quality of life, disadvantaged areas need assistance in **economic renewal**, for example by providing responsive business support and reducing the impact of crime.
- To improve the opportunities of disadvantaged groups, we will pursue **economic inclusion** addressing barriers to labour market participation and improving skills and enterprise chances.

Delivering the Strategy

Throughout the Strategy we have identified priority actions, delivery of which will together help us achieve our shared vision. The Strategy identifies key partners for each of these actions. *emda* will work with those partners to produce a RES Implementation Plan. The Plan will map partner contributions to delivery of the RES and enable any gaps in delivery to be identified and addressed.

Our progress in achieving the vision will be assessed against the performance management framework which has the ground-breaking Regional Index of Sustainable Economic Wellbeing at its core. This enables us to measure the financial costs and benefits to society of some of the things that are important to our wider aims - such as pollution, volunteering, crime and a good quality natural environment. In support of this Index, *emda* will also monitor progress in delivering the RES against the two key measures of productivity and employment rate. In addition, each of the 10 Strategic Priorities is supported by one or more specific measures.

The Strategy has provided a shared understanding of the region, its challenges and opportunities, and a high degree of consensus over the priorities and activities we need to focus on to improve the economic performance of the region, while at the same time improving the quality of life of all those who live and work here.

Introduction and context

What is the Regional Economic Strategy?

The Regional Economic Strategy (RES) sets the framework for ensuring the long term sustainable economic growth of the region. The fundamental purpose of the RES is to improve economic performance and enhance the region's competitiveness. It will do this by addressing the market failures that prevent or limit sustainable economic development, and supporting regeneration and business growth. We are quite clear, it is businesses that create and generate wealth and they will make the difference to the economic success of the East Midlands. The Strategy is the product of a major consultation exercise in which the views of several thousand stakeholders and businesses across the region have been sought. It is owned by the region and will be delivered only through the combined efforts of business and business leaders, democratically elected representatives, community leaders and those local and regional bodies and agencies tasked by Government to deliver quality and inclusive public services.

This Strategy will ensure better strategic focus and co-ordination of activity in the region. It also provides for regional opportunities to be fully exploited, and is intended to secure effective joint working, with common and accepted goals and priorities for regional development.

Regional Development Agencies (RDAs) are tasked with producing Regional Economic Strategies, reviewed every three years to ensure they are relevant to the changing needs of each region's economy. The East Midlands' first RES, '*Prosperity Through People*', was published in 1999. It set a target for the East Midlands to become a Top 20 region in Europe by 2010. The RES was revised in 2003 as '*Destination 2010*'. Our progress against the index of economic and environmental measures that underpin this vision was first measured in 2003, when the region was at 35th position. The region is currently in 28th place. This demonstrates substantial progress in meeting the target and the region can be proud of its performance.

The RES sets the framework for ensuring the long term sustainable economic growth of the region.

This, our third Regional Economic Strategy, looks to build on this considerable success by providing an economic blueprint to take the region towards 2020. It sets out a clear vision to create a *flourishing region*, characterised by sustainable growth, economic wellbeing and quality of life. This is an *economic* strategy; its core purpose is to secure increasing economic growth, productivity and overall prosperity - but not at any cost. Ensuring sustainability and achieving equality are also critical elements of a successful region.

Evidence and integration

The Government has given RDAs a clear remit to produce RESs which are underpinned by a credible and robust evidence base. This challenge has been met by producing the most comprehensive evidence base to date. This contains two main outputs - a Quantitative Data Report '*The East Midlands in 2006*', and a compendium of policy papers from a range of leading independent academics. The Quantitative Data Report has been produced using a wide range of official data sets and forecasts. This comprehensive portrait of the region includes sections on: demography, business structure, labour market, economic inclusion, the environment and transport. Subjects covered in our series of policy 'think pieces' include: the rural economy; innovation; regional

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PICTURED: CONKERS VISITOR CENTRE, LEICESTERSHIRE.

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competitiveness; enterprise; and globalisation. The evidence base has been rigorously assessed and peer reviewed by a team of regional researchers and independent academics to ensure it provides an accurate portrait of the region, which can effectively identify the key challenges facing our economy. The complete evidence base is on the Intelligence East Midlands website and is available to download from: www.emintelligence.com

The Strategy is fully integrated with other key regional and inter-regional strategies and plans, in particular, the Regional Spatial, Transport and Housing Strategies. Strong links are also made to regional priorities for innovation; sustainable food and farming; environmental enhancement and protection; energy and waste management; freight; education; community safety and cohesion; culture and health. The East Midlands' economy does not operate in isolation. This Strategy supports the aims and objectives of inter-regional cooperation such as those set out in the Midlands and Northern Ways, the Milton Keynes/South Midlands (MKSM) Growth Area and the Oxford to Cambridge Arc.

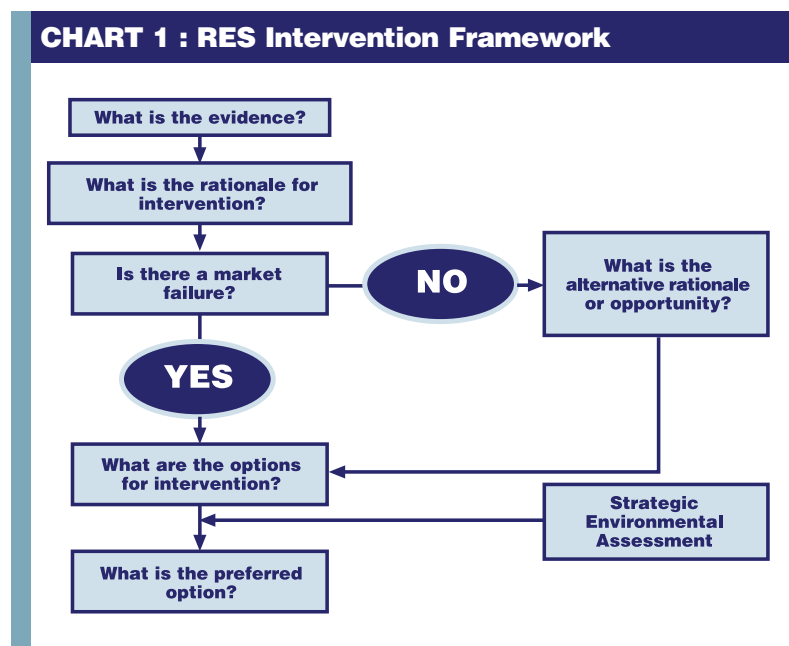
The Strategy is fully integrated with other key regional and inter-regional strategies and plans.

Prioritising regional action

This Strategy is prioritised to ensure that we maximise our resources to achieve effective sustainable growth. It identifies areas where intervention is necessary to improve performance and where that intervention is likely to be most effective. An 'Intervention Framework', shown in chart 1 below, has been used to assess the actions and priorities.

This Framework identifies the evidence to justify an action in each policy area and considers the extent to which 'market failure' or other failure has occurred - or where a significant opportunity exists. The model presumes that public sector intervention only applies where there are challenges or problems that would otherwise not be resolved or addressed, or where there are untapped opportunities. We have produced a separate technical paper which details the evidence, rationale and options considered for each priority action in the Strategy. This is available to download from www.emintelligence.com

The RES has also been reviewed through a comprehensive Strategic Environmental Assessment (SEA). This ensures that social and environmental considerations are integrated into the preparation and adoption of strategies and programmes.



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Delivering the RES

The RES is the *region's* economic strategy and extends beyond issues and priorities under the direct influence of *emda*, the East Midlands RDA. Our shared regional vision of a *flourishing region* can therefore only be achieved if this Strategy is delivered through effective partnership. A very broad range of strategic bodies and delivery agencies across all sectors and in all parts of the region will have key roles to play in implementing the Strategy. Therefore, the publication of the Strategy will be followed by the production of a more detailed implementation plan identifying the leadership roles, responsibilities and commitments of key stakeholders to the delivery of the RES and, where possible, the resources attached to the delivery of actions. Annex D of this Strategy provides more detail on how the RES links to other regional strategies within the framework of the Integrated Regional Strategy. Section 11d identifies the lead and other delivery partners for each priority action in the Strategy.

Leadership and partnership will be key to the success of this Strategy. It will only be through the common effort of business, political and civic leaders, along with the businesses and communities of the East Midlands that our vision of a vibrant, economically successful and socially inclusive region will be achieved.

In particular, the East Midlands Regional Assembly, the Government Office for the East Midlands and *emda* have specific responsibilities for overseeing and leading the coordination of actions in support of this Strategy.

Key partnerships such as the region's universities, InnEm - the Science and Innovation Council for the East Midlands; the esp - the Employment, Skills and Productivity Partnership; the joint Regional Housing, Transport and Planning Board; the Learning and Skills Councils (LSCs) and the Programme Monitoring Committees for European funding in the region will all have an important role to play.

It is essential that business is at the heart of this Strategy and representative bodies including EMBF - the East Midlands Business Forum (which includes representatives of Chambers of Commerce, the Confederation of British Industry and the Institute of Directors), our Business Champions, a range of sector fora, as well as individual businesses will have a clear contribution to make and will be critical to the success of the region's objectives. It will also be essential that the voluntary and community sectors, particularly through regional organisations such as Voice East Midlands and Engage East Midlands, play their full role.

Importantly, this Strategy recognises the vital role that local government has in supporting the delivery of economic growth and creating the right local conditions for that growth. Engaging with democratically elected representatives and local authority groupings, including the emerging city-region structures in the East Midlands will be a key element of the delivery of the RES.

Finally, the East Midlands is a geographically large and spatially diverse region. A 'one size fits all' approach will not deliver the most effective solutions across and within the region. Delivery will differ according to the specific needs of particular localities, both in rural and urban areas. Sub-regional Strategic Partnerships and Sub-regional Investment Plans will support the delivery of this Strategy in order to reflect that diversity and maximise the impact of expenditure at the local level. These Investment Plans will be guided by the evidence base that underpins the regional economic priorities and will be developed in support of them. Local Strategic Partnerships and Local Area Agreements (particularly the 4th Block on Economic and Enterprise Development) and Local Enterprise Growth Initiatives (LEGI) where applicable will be extremely important for delivery at the local level.

Throughout this Strategy some specific locations have been highlighted, essentially where initiatives are largely spatial in nature (transport or housing for example) or where particular local circumstances are unique within the region (coastal area regeneration for example). In all other instances priorities should be assumed to potentially cover the entire region.

A very broad range of strategic bodies and delivery agencies across all sectors and in all parts of the region will have key roles to play in implementing the Strategy.

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PICTURED: PEEPUL CENTRE, LEICESTER AND INTERNATIONAL STUDENTS FROM THE UNIVERSITY OF NOTTINGHAM.

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Diversity

Realising the potential of the diversity of the East Midlands will be essential to achieving our vision of a *flourishing region*. All parts of the region - urban and rural areas - must play, and be enabled to play, their full part in achieving sustainable economic growth. Across the region, our diverse population presents opportunities for businesses to expand their market presence. In addition, people from excluded groups make up a significant proportion of the region's population and evidence shows that many experience barriers to social and economic inclusion. If exclusion continues to inhibit the prospects of these groups, economic opportunities will not be maximised and social cohesion threatened.

The business case is, therefore, clear; diverse communities represent new and often untapped market opportunities and increasing the economic participation rates of all groups reduces costs to society and enhances regional economic performance. In addition, for the region to continue to adapt to and benefit from the challenges of the global economy we need to ensure that the skills and contribution of all sections of our society are mobilised.

Consequently, diversity is central to the success of this Strategy, underpinning all elements of its delivery. If we are to realise our vision of a *flourishing region* we must ensure that we unlock the economic opportunity of all East Midlanders and ensure we strive towards equality of access to opportunity regardless of race, gender, disability, age, sexual orientation or faith.

The wider context

The East Midlands operates within the national, European and international context. It must, therefore, reflect and be responsive to the economic policy and funding strategies of the European Union and to the dynamics of international trade and the global economy. This Strategy recognises the region's place in the wider world and demonstrates an understanding of the threats and opportunities presented by globalisation and the potential impact of low cost economies on our wealth and competitiveness.¹

As part of this outward looking perspective, it is important to recognise and understand the region's role within the enlarged European Union. The EU provides the context in which a range of national and regional policies are developed. The RES supports the higher level objectives of the Lisbon and Gothenburg European Strategies* and makes a positive contribution to their achievement through the alignment of strategic priorities and investment streams within the region.

The East Midlands currently (2000-2006) benefits from around £420 million from the European Structural Funds. In order to support and drive the effectiveness of any future European resources coming into the region the RES demonstrates a high degree of complementarity with the European Commission's Community Strategic Guidelines 2007-13 (which will guide the Structural Funds post 2006). Given that the UK's strategy for the Structural Funds will be derived from these Guidelines, the RES will form the natural bridge between regional economic priorities and the strategy and programming documents for the Structural Funds. It is therefore anticipated that the RES will provide the guiding economic framework for the Funds post 2006. In addition, it is important for the region to maximise non-Structural Fund receipts including, for example, the 7th Framework Programme for Research and Development. The RES also aims to position the region to respond to the proposed reforms of the Common Agricultural Policy (CAP) and the new Rural Development Regulation, which will continue to impact on the region's rural and farming communities.

The East Midlands operates within the national, European and international context.

National and inter-regional context

Nationally, the strategic priorities of Government departments are set out in their Public Service Agreement targets and in their long term plans. Section 11e details the PSA target alignment with RES priority actions. Where relevant, this Strategy links to these and demonstrates the contribution it will make to achieving them. This will help ensure cohesion of public sector delivery, maximise resource impact and help shape and inform national policy in the region. We are committed to working with Government to achieve this. We also demonstrate how the region will contribute to, and benefit from, major national events such as the 2012 Olympic and Paralympic Games in London.

* In March 2000, at the Spring European Council held in Lisbon, European Heads of Government and State committed themselves to a ten-year strategy to become "the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social inclusion" by 2010. At the Spring European Council in March 2005, EU Heads of Government re-launched the Lisbon strategy with a new focus on jobs and growth, whilst paying due regard to the Sustainable Development principles agreed at the Gothenburg summit.

Section three



PICTURED:
Clockwise from left:
Derby City Centre;
Lincoln Castle;
Northampton
Guildhall; Nottingham
Trams; Buxton,
Derbyshire.



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The East Midlands borders five other English regions. We make clear in this Strategy the necessity for joint working across our regional boundaries, including with existing and proposed inter-regional strategies, such as 'Smart Growth: The Midlands Way' (SGMW) and 'The Northern Way'. These two initiatives are at different stages of development, but share similarities in their focus on cross-regional working to achieve shared economic, regeneration and productivity objectives. Whilst the Northern Way area focuses on the three northern regions, (of North East, North West and Yorkshire and Humber) it also includes parts of Derbyshire and Nottinghamshire within the Sheffield city-region. The SGMW initiative is Midlands focused (East and West), and led by the RDAs with the Regional Assemblies, Government Offices, Department for Communities and Local Government (DCLG), and other partners supporting the work. SGMW considers the city-region concept, and the ways in which that approach will help improve growth across the Midlands.

The Strategy also supports, and seeks to maximise the contribution to the region from the Milton Keynes South Midlands (MKSM) growth agenda. MKSM is one of the growth areas being developed to help meet the housing and economic challenges facing the south-east region, but holds the potential to help drive economic growth in the south of the East Midlands. Similarly, the Cambridge - Stansted - Peterborough growth area will also have implications for parts of the region with the Peterborough Housing Market Area stretching into southern Lincolnshire. The emerging 'Key Growth Points' initiative could also provide further economic and growth opportunities for other locations in the region. This strategy complements proposals for growth point status for the Three Cities sub-area and parts of Lincolnshire.

Regional context

The RES operates within the context of the Integrated Regional Strategy, produced by the East Midlands Regional Assembly; it also aligns clearly with the Regional Spatial Strategy (RSS) (under review at the time of writing). Annex D sets out the linkages with these and other regional strategies. In turn, these strategies should, as far as possible, be consistent with the challenges, priorities and actions in the RES.

Sub-regional context

Where appropriate, sub-regional spatial needs and opportunities are identified in the RES to enable solutions and priorities to be targeted where they are likely to have the greatest impact. Existing administrative boundaries can be constraining in describing the differing characteristics of parts of the region; the region is therefore described on the basis of five sub-areas as proposed for the revised Regional Spatial Strategy:²

- Peak,
- Three Cities,
- Eastern,
- Northern,
- Southern.

Section 10 describes the sub-areas in more detail.

MAP 1: East Midlands Spatial Sub-Areas



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Urban and rural context

Spatially, the East Midlands can be described as a mosaic of different settlement types. The core city of Nottingham, and the cities of Leicester and Derby (the Three Cities sub-area) along with Northampton are central to driving the region's economy. Northampton is the largest urban settlement in the MKSM growth area and will become increasingly significant in the region in population and economic activity terms. The city of Lincoln and the towns of Mansfield and Chesterfield play important sub-regional roles for economic activity and growth in the Eastern and Northern sub-areas. In summary, our cities and major towns are the areas where the majority of the population live and work, raising their performance will be key to raising our economic performance overall.

The region's towns and cities vary greatly, covering a range of different spatial scales and physical characteristics. From small market towns to the largest cities, these urban areas serve fundamental roles as economic drivers, and locations for a wide range of important functions which contribute to the way our region and its communities work. The relationship between the settlements at these different spatial scales is important, with the region's main urban areas being the focus for major investment and development, but the smaller centres also performing an important role, and well suited to smaller scale development. At the Three Cities level, opportunities arising through closer joint working and collaboration on key economic and spatial issues are being explored to help realise the collective ambitions of the cities as the main drivers of regional economic growth and activity.

Spatially, the East Midlands can be described as a mosaic of different settlement types.

It is important that all our urban areas maintain their competitiveness and attractiveness as places to live, work, and invest. Clearly, decisions over development location will need to take account of a range of different issues, including land supply, environmental characteristics and constraints, and infrastructure capacity. Our urban areas have important strengths and assets which underpin opportunities to drive economic growth.

These include; quality public spaces and public realm, locations at key points and hubs on transport networks; development land for new housing and employment opportunities to improve existing communities, and develop new ones. However, alongside these assets and opportunities, many urban areas also contain areas of deprivation, where regeneration and inclusion issues remain fundamental to provide balanced growth which benefits all of the region's communities.

The East Midlands is the third most rural of England's regions in terms of the percentage of its population that live in rural areas. In England that proportion is 19.4%; by comparison, the East Midlands' figure is 29.5%, representing some 1.2 million people.³

The rural areas are very diverse, ranging from highly accessible and relatively affluent 'urban fringe' to areas which are substantially more remote where population density, economic productivity and access to services are much lower. The land varies from rolling farmland in much of the south and east of the region to the moors and dales of the Peak District, from the former coalfield areas in the north to the Lincolnshire Fens and Coast. The nature of agriculture varies throughout the region too, with hill farming being prominent in the Derbyshire Peak District, dairy and beef production in the south and west of the region, and predominantly arable production in the east.

The coastline is predominantly rural, with nationally and internationally recognised wildlife and natural habitats, interspersed with the traditional seaside resorts of Skegness, Mablethorpe and smaller tourist and retirement centres. These towns and smaller coastal communities contain a significant ageing population and a concentration of socio-economic disadvantage on a variety of measures, as shown by the Index of Multiple Deprivation.⁴ Lincolnshire's coast is therefore one of the most economically disadvantaged parts of the region. Much of the local employment involves relatively low income and skill levels. There is also a seasonal influence and much temporary and casual employment in tourism and agriculture, with an increasing presence of migrant workers engaged in agriculture and horticulture in the Fenland areas adjacent to the Wash and extending into the neighbouring East of England region.

However, a common feature throughout the region is the relatively high number of market towns compared to other regions and the important 'stepping stone' that they provide as a service centre for their outlying rural areas and as a feeder to the region's larger towns and cities. There is very real interdependence between the urban and rural areas of the East Midlands.

The Urban Action Plan provides a regional strategic framework for urban areas, based around core common themes which include public realm, land supply, and skills and business development. The Regional Rural Delivery Framework (RRDF) and the emerging Rural Action Plan provide a similar strategic framework for economic, community and environmental activity in rural areas.

Section three



PICTURED: GONALSTON FARM IN NOTTINGHAMSHIRE AND NOTTINGHAM CITY CENTRE.

The East Midlands

Key characteristics

CHART 2 : The East Midlands in figures	East Midlands	United Kingdom
Gross value added (GVA) 2004	£65.8bn	£1033.3bn
Gross value added per head index, 2004 (UK=100)	91.5	100.0
Population, 2004 (millions)	4.3m	59.8m
Total geographical area (square km)	15,607	242,515
Employment rate, 2004	75.4%	74.2%
Unemployment rate, 2004	4.3%	4.9%
Percentage of economically active adults with no qualifications, 2003	12.2%	10.8%
Percentage of economically active adults with a Level 4 + (first degree or above), 2003	25.0%	28.6%
Total value of exports as a percentage of GVA, 2003	21.6%	19.2%
Workplace based annual earnings, 2005	£17,713	£18,961

Source: Office for National Statistics (ONS) Crown Copyright, 2006, for full explanation of regional indicators see the 'RES Evidence Base: The East Midlands in 2006', www.emintelligence.com

Geography

The East Midlands is England's fourth largest region, covering an area of 15,607km². It consists of six counties - Derbyshire, Leicestershire, Lincolnshire, Nottinghamshire, Northamptonshire, and Rutland. The region's main population centres are the cities of Derby, Nottingham, Leicester and Lincoln, and the towns of Northampton and Mansfield.⁵

The East Midlands is geographically diverse. The Regional Spatial Strategy identifies five distinct sub-areas which provide a useful way of describing the region, each with different characteristics and challenges:

- **Peak sub-area** - the National Park and surrounding areas in the west of the region, which are largely rural in character;
- **Three Cities sub-area** - comprising the cities of Derby, Leicester and Nottingham and surrounding towns and districts, the cities acting as major administrative and cultural centres, containing a significant proportion of the population;

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- **Eastern sub-area** - incorporating Lincolnshire and Rutland, which with the exception of the city of Lincoln and the towns of Boston and Grantham, is predominantly rural in character and includes some remote and significantly deprived areas, particularly on the coast;
- **Northern sub-area** - North Derbyshire and North Nottinghamshire have been adversely affected by economic restructuring, especially from colliery closures and the decline of the textiles sector;
- **Southern sub-area** - Northamptonshire, with generally high employment and economic activity rates and pockets of deprivation, such as Corby, and with close functional relationships with adjacent regions (the South East, the West Midlands and the East of England).

Demographics

The region has a population of 4.3 million, which is 7% of the UK total. Population density in the region varies from around 70 per square kilometre in parts of Lincolnshire to more than 50 times that number in Leicester and Nottingham.⁶

Population forecasts suggest that the number of people of current state pensionable age and older will be one and a half times larger than the population under 16 by 2028. The East Midlands will be particularly affected by this trend and is expected to experience the most significant growth in the pensionable age group of all of the English regions. This age group is projected to increase by some 63% between 2003 and 2028, particularly in rural areas. Older people need to be supported to remain economically active and barriers to learning and employment will need to be addressed. Although they have increased markedly in recent years, the economic activity and employment rates of those over 50 still remain significantly below the average for the working age population. In addition, it is well-documented that the onset of disability increases with age, and that over 33% of people aged between 50 and retirement age are disabled. This will particularly affect the rural parts of the East Midlands.⁷ Many of these rural communities are experiencing a marked growth in the number of older people moving in whilst younger people are migrating to urban centres.

Population forecasts suggest that the number of people of current state pensionable age and older will be one and a half times larger than the population under 16 by 2028.

According to the 2001 Census, about 9% of the East Midlands' population classify themselves as coming from an ethnic minority background. In Leicester, ethnic minorities make up 39% of the population. Ethnic minority groups generally have lower levels of employment. For example, in 2004, the employment rate for those of Pakistani or Bangladeshi origin in the East Midlands was only 43.8% of the working age population, over 30 percentage points below the regional average.⁸ Although there have been significant improvements in the employment rates of ethnic minority groups in recent years and there is significant variation between different groups,⁹ this gap in employment rates has been consistent over the past 20 years.

Labour market

The labour market in the East Midlands is relatively stable but is characterised by the persistence of a 'low pay low skill equilibrium', where high employment rates are to an extent maintained by a concentration of low pay low skill jobs. The East Midlands is the only region of the five Northern and Midlands regions¹⁰ with an above average employment rate (75.4% compared to 74.2% for the UK). The unemployment rate is relatively low (4.3% compared to 4.9% for the UK).¹¹ Despite this, average earnings are relatively low and there are a large number of people with no qualifications. In particular, the East Midlands significantly lags the national average in higher level qualifications, and has one of the lowest proportions of its workforce educated to degree level in the UK. This gap in skills performance is reflected in earnings levels, with individuals working in the East Midlands earning 6.6% less than the national average, only £17,713 compared to £18,961 in the UK.¹² This is a consequence of the region's industrial and business structure, which results in a comparatively weak demand for skills due to a large number of businesses competing principally on the basis of cost.¹³

An examination of the rural and urban labour markets shows marked differences. The average employment rate for all East Midlands' rural local authorities is 78.2%, almost three percentage points above the regional average. In contrast the average

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employment rate for urban local authorities is only 72%, 3.4 percentage points below the regional average.¹⁴ These aggregate figures do mask significant local variations. A number of rural districts display below average employment rates. This is indicative of a dependence on weak local labour markets, which suffer from relative isolation and poor transport links. Average earnings for people living in many rural districts are considerably above the figure for people working in rural areas. This suggests that many better paid workers live in rural districts and commute to urban areas to work, whilst much of the employment located in rural districts is lower paid.

Patterns of deprivation

The East Midlands has a diverse economic and social mix, ranging from relatively prosperous city-dwellers and commuters to pockets of serious urban and rural deprivation. An examination of data from England's Indices of Multiple Deprivation 2004 (IMD) shows that the East Midlands' more deprived communities are located within our urban centres (Derby, Leicester, Lincoln, Nottingham and Northampton), the former coalfield areas of North Derbyshire and North Nottinghamshire and the Lincolnshire coastline and its rural hinterland. On this measure, Nottingham City is the most deprived local authority in the East Midlands and South Northamptonshire the least.¹⁵

Environment

The region's environment is an important asset and protecting and investing in it makes economic sense. Environmentally sensitive farming and forestry practices such as agri-environment schemes, organic production and sustainable woodland management support approximately 4,300 land-based jobs in the East Midlands and are key elements of the region's broader environmental economy. The East Midlands faces some significant challenges. It has, for example, almost 500 Sites of Special Scientific Interest (SSSIs); however, these cover a smaller proportion of the total land area than the national average. Biodiversity has declined faster in the East Midlands than elsewhere in the UK, in part due to the significant amount of high quality, intensively farmed land. The majority of wildlife indicators in the East Midlands, such as numbers of farmland birds, scarce plants and mammals, have all shown serious decline over the last 25 years.¹⁶

Biodiversity has declined faster in the East Midlands than elsewhere in the UK, in part due to the significant amount of high quality, intensively farmed land.

Global economic drivers of change

The East Midlands, with a GVA of around £66 billion¹⁷ is a significant economy, but in the context of the world economy it is small. Businesses in the East Midlands are part of a highly competitive global marketplace the dynamics of which will continue to exert a profound influence on business models, supply chain development and patterns of trade. This section describes four global economic drivers of change.

1. Global economic growth

Global economic growth is expected to ease back from the 30 year high recorded in 2004, but is still expected to be robust. Estimates suggest that the global economy could grow by as much as 40% by 2015. However, current performance across the globe remains far from even:

- There have been a number of years of below trend growth in the eurozone and the big three eurozone economies - Germany, France and Italy - have all experienced recessions during the last three years. Growth in the eurozone is expected to remain relatively low through the next year.
- The UK has outperformed its major European competitors in recent years and is expected to continue to do so. The final growth figure for 2005 is expected to be around 1.7-1.8%, down from over 3% in 2004.¹⁸

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- The United States remains the most rapidly growing of the major industrialised nations. In 2005 the US economy enjoyed above trend growth, despite a series of interest rate increases.

There have been two key features of the global economy in the last few years:

- **Oil prices** increased dramatically during 2004 and remained above \$50 per barrel throughout 2005, touching \$70 per barrel in August 2005. High oil prices directly impact on energy-intensive production sectors such as utilities, transport and agriculture. This also has an indirect effect, through reduced levels of real income, on sectors producing discretionary consumer items such as electronics and travel.
- **The emergence of Asian economies:** China and India are increasingly drivers of the global economy - the size of the Chinese economy is expected to have overtaken that of the UK in 2005. These economies are likely to continue growing rapidly during the next two or three decades as they become fully integrated into the global economy. This growth presents both threats and opportunities to the East Midlands. The key threat is the on-going transfer of economic activity to these locations. The benefits will include lower prices, redeployment of labour into more productive activity, higher profits for East Midlands' businesses, along with reverse linkages such as Chinese and Indian investment 'on shore' and increased exports.

2. The impact of climate change

We are clear that the scale of the impact of climate change is such that international efforts are needed to address the problem. However, as a region we must continue to be ambitious in our aims to reduce the causes of climate change and take local action to mitigate the consequences. Business in the East Midlands will need to be prepared to compete in a 'low carbon economy' with the associated taxation and legislative changes this may bring about, and an economy in which security of energy supply may become increasingly important. As a region we will need to pay increasing attention to resource and energy efficiency, including exploiting opportunities for alternative sources and new technology development. The effects of climate change itself may have far-reaching implications including, for example, heightened flood risks and the associated impacts on agricultural land, housing developments and related planning and insurance constraints.

3. Digital technologies

Worldwide telecommunications networks and their underpinning technologies will continue to advance rapidly. As mobile phone technology, broadband, wireless and satellite services become cheaper many more people can expect to be connected wherever they are, profoundly changing how people live, work, and spend their leisure time. In this globally connected economy it will be essential that people and businesses throughout the region - in both rural and urban areas - have equal access to the latest technologies and have the skills to exploit the opportunities they bring.

4. Strong and cohesive communities

A *flourishing region* is one which recognises the need to enhance personal and community wellbeing alongside economic wellbeing. A successful economy is both reliant upon strong and cohesive communities and has a critical role to play in creating the right conditions and opportunities for everyone to realise their life chances.¹⁹ Factors such as equality of opportunity and experiences of education, health, employment, housing and the quality of the physical environment all impact on the cohesiveness of a local area.

Economic outlook

Below we outline the key forecasts for the East Midlands economy for the ten year period 2004-2014.²⁰ The performance of the East Midlands economy will be driven by national and international macro economic issues and local, regional and national policy actions. These policy actions will aim to improve economic growth above the baseline figures presented here.

- Regional economic growth is forecast to increase 2.6% per year* in the period 2004-2014, which is an absolute increase of £18 billion to the region's GVA. This is in line with the UK average. There are short-term risks to this forecast - for example, on the upside, growth may quicken in the United States and on the downside, there is the possibility of long-term oil price rises.

* It should be noted that these baseline forecasts are used to help assess the region's probable trajectory of development. They are primarily based on (historic) official data sources and as such will not reflect the impacts of planned local developments that could have consequences for employment and output at that level.

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- Employment growth in the East Midlands is likely to be 0.4% per year in the period 2004-2014, which is, again, in line with the UK average. This represents a net absolute increase of around 63,000 jobs by 2014.
- When assumptions about delivery of the RES are included in the model,^{*} the forecast increases to economic growth of 2.8% per year for the period 2004-14. This is 0.2 percentage points per annum above the baseline forecast. This means that, by 2014, an additional £14.1 billion of economic output would have been generated for the region. Full details of this approach are represented in the Economy and Productivity Section of the RES Evidence Base.
- Sectoral employment growth in the East Midlands is likely to be most rapid in the business services sector (estimated growth of just over 30%) and the communications sector (estimated growth of 28%). Significant employment growth is also expected in the health, other services (which includes cultural and sporting activities), construction and hotels and catering sectors.
- We expect to see continued reductions in employment concentrated in the production and primary sectors of the economy (such as textiles and clothing and agriculture, forestry and fishing) but employment losses are also expected for the public administration and defence sectors.

Factors influencing regional productivity

Two critical factors will determine the continued growth of the regional economy. These are employment rates (the number of people in work) and productivity levels (the value generated by each hour worked). For this reason measures of Gross Value Added (GVA)²¹ and Employment Rates underpin the way in which we will measure the region's progress over the coming years.

However, the East Midlands continues to demonstrate a 'productivity gap'. In 2003 GVA per hour worked in the East Midlands was 96.9% of the UK average. This is an improvement on the position in 1999, but still lags behind the UK's leading regions.

Understanding the factors that drive increases in productivity will help us to better understand potential options and the limitations in policies and actions aimed at improving productivity. These factors are summarised below:-

Investment

We need more investment, public and private, in the region. In 2002 investment by UK owned businesses was equivalent to 5.6% of GVA in the East Midlands, a fall from 8.5% in 1998. This fall mirrors what has happened nationally, but levels of investment by UK owned businesses in the East Midlands have been below the UK average during this period. There has also been a fall in investment by foreign owned businesses in the region, from 1.5% of GVA in 1998 to 1.2% of GVA in 2002. This has remained relatively stable at national level during this period.²²

There are distinct differences in investment levels between sectors in the region. Levels of investment by manufacturing businesses are above average, although this is to be expected given the relatively large scale of the manufacturing base in the region. However, levels of investment in the service sector, expected to be the fastest growing part of the economy in the next decade, are relatively low.

Innovation

Innovation is the successful exploitation of new ideas and is key to developing new and better products and services. There is a mixed picture when it comes to assessing innovation performance in the East Midlands. Levels of investment in innovation are relatively high, but unevenly distributed by source. Business Enterprise Research and Development (BERD) is relatively high in the East Midlands and accounts for 1.8% of GVA, compared to a national average of 1.4%. Expenditure on R&D from Government and higher education in the region is below average. Government R&D accounts for only 0.1% of GVA and is half the national average. Expenditure on R&D by the Higher Education Sector is only 0.4% of GVA compared to 0.5% UK average.²³

The ten Higher Education Institutions²⁴ in the region are key to the knowledge networks of the region and are sizeable employers in their own right. There is scope for universities in the region to boost the level of investment in R&D in the higher education sector

^{*}This 'policy on' projection is a broad attempt to capture the impact of achieving the key policy objective of closing the productivity gap that exists between the East Midlands and the UK, and the full implementation of the MKSM Growth Area Plan.

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through greater research collaboration of the kind exemplified by the inter-institutional research networks promoted by Scottish Higher Education Institutions.²⁵

Despite the relatively high levels of expenditure on R&D in the East Midlands, the data also clearly shows that this is not always translated into successful market outcomes. Only 4% of turnover can be attributed to new or improved products by East Midlands' businesses, compared to the UK average of 8%. This highlights a clear need to improve the effective commercialisation of R&D in the region alongside increasing the number of businesses who engage in this activity, especially small businesses.²⁶

Skills

We need people with the right skills to take advantage of future employment opportunities. There is still a clear gap in workforce skills between the East Midlands and the UK. A significant issue for regional labour productivity is the higher proportion of individuals with no qualifications, suggesting serious basic skills needs, alongside a persistent lag in higher level qualifications. This impacts on the other drivers of productivity, as individuals with low skills are less able to respond to the increasing demands of a changing economy whilst a business with a low skilled workforce is less able to innovate and adopt new technologies and processes to be responsive to market demand.

Enterprise

We need more businesses to start up and grow. Data on enterprise activity in the region is largely positive. It shows that Total Entrepreneurial Activity²⁷ (TEA) has increased in recent years and is now above the UK average.²⁸ Female Entrepreneurship has also seen very positive growth in recent years and Female TEA currently stands at 4.3%, exceeding the national average of 3.9%. The number of VAT registrations per 10,000 population has also increased since 1999 but remains below the UK average. The East Midlands has improved its position in recent years but more still needs to be done if we are to achieve the levels of entrepreneurship of the leading regions of the world.

Competition

Competition drives productivity but is largely influenced by national factors, such as economic stability. One way of assessing the scale of competition in a region is to examine the international exposure of businesses. The data shows that the East Midlands is more exposed to international competition than elsewhere. In 2003 exports from the East Midlands were equivalent to 21.6% of GVA, above the average of 19.2% for the UK,²⁹ which is partly a reflection of the relatively large industrial base of the region.

Challenges for the region

To succeed in its economic ambitions the region must be adaptive to changes in the external environment and work collectively to address a number of key challenges which will impact on the region in the medium to long term:

- **Globalisation:** the East Midlands is part of an increasingly globalised economy and subject to ever increasing amounts of external competition. To succeed the East Midlands must compete, not with the other regions of the United Kingdom, but globally. In the face of rapid growth in countries such as China and India (which are increasingly competing not just on cost but also on expertise and will continue to move up the value-added chain) and from the knowledge intensive economies of North America, Europe and Japan, East Midlands' businesses will need to become more innovative, more skilled and more creative to stay ahead.
- **The productivity gap:** given the region's high employment rate and low unemployment rate there is relatively little scope for increasing wealth through increased labour market participation, with the exception of some of the more deprived parts of the region. The challenge is to increase wealth by making the region and its workers more productive.
- **Diversifying and strengthening the economic base:** the overall economic structure of the region is a key determinant of its adaptive capability - that is, the ability of an economy to cope with challenges from outside at the same time as developing sustainable new paths of development from within.³⁰ Development of the service sector and of high value added manufacturing activities, and the creation and growth of smaller and innovative businesses is essential if the region is to remain competitive.³¹

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- **Enhancing learning, skills and employability:** in order to address the challenges of the low skill low pay equilibrium we need to improve the skills and productivity of the region's workforce, develop a knowledge intensive economy and retain our high levels of employment. People with higher skills will be more productive, add more value and create more wealth for the economy.³²
- **Responding to demographic change:** demographic change, and in particular the changing age structure of the population, will present challenges particularly for health provision, tourism and leisure choices as well as taxation, pensions and financial services. The supply of labour and skills in many areas will also be constrained.
- **Migration:** both inward and outward migration will continue to figure in labour markets and employment patterns and trends. For example, the inward migration of retirees is prevalent in rural areas of the region such as Lincolnshire and High Peak, attracted from other regions by our high quality of life and affordability. There are also implications for economic mobility and access to employment and qualifications.
- **Changing work patterns:** linked to technological advances and other issues changing work patterns will continue with the increased participation of women in the labour market, more flexible and non-traditional working and career progression and implications particularly for child and dependant care and leisure provision. Increased homeworking can have significant environmental benefits through reduced car use.
- **Reducing intra-regional disparities:** there remain significant disparities in terms of employment, earnings and wealth within the East Midlands. Reducing these disparities will not only increase the welfare of a significant proportion of the residents of the East Midlands, it will also contribute to closing the gap in economic performance between the East Midlands and the UK's leading regions.
- **Realising the full potential of urban areas:** as centres of a significant proportion of economic and social activity, our cities and towns are key drivers of regional economic performance. Cities offer ready access to large numbers of consumers of goods and services, and inputs to the production process and provide a range of employment, leisure and cultural activities, creative knowledge and innovation. Many urban areas in our region are not achieving their full potential and all continue to contain deprived areas characterised by economic and social exclusion.
- **Stimulating the renewal of rural communities:** there is a close interdependency between urban and rural areas which goes beyond commuting to work and urban facilities. The rural areas and the businesses they support are making a substantial contribution to the regional economy, but they face significant problems and barriers that need to be overcome if their full potential is to be realised. In rural areas, local employment, enterprise, community and cultural as well as business infrastructure must be fostered in order to ensure that villages and market towns are sustainable communities.
- **Improving Public Health:** Public Health issues will have a growing impact on the regional economy particularly with regard to the health of workers, and their families. Widespread communicable disease, for example, could also have a significant impact on business continuity and productivity. The proportion of residents with a limiting long term illness is higher than the England average, at 18.4% compared to 17.9%. Chronic ill health is particularly common in disadvantaged areas, for example in the former coalfields and the Lincolnshire coast. The East Midlands has the highest rate of adult obesity of all English regions, with 24.8% of adult residents classed as obese compared to an England average of 21.4%. This is particularly high for women, at 26.3%. The region remains below the England average in the proportion of adults who have participated in a sport or physical activity at least once in the four weeks prior to interview, at 41.9% compared to 43.2% in England. Improved access to health care and preventative services is important, as is access to clean air, unpolluted water, healthy food, open spaces, and warm housing. Access to sporting and recreational facilities, more cycle and pedestrian-friendly routes and the availability of open space may have a positive impact on health. Good building design and safe roads, and cycling and walking routes are also key.
- **Building on our cultural, sporting and tourism strengths:** Although the East Midlands is already a successful tourism destination, there is huge potential for expansion. The cultural and tourism assets - including the arts, creative industries, and heritage - are a large and growing part of the region's economic offer. Future success depends on a skilled, creative workforce that can rise to the challenge of offering distinctive products and services within and beyond the region.

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Sporting facilities and leisure services provide an environment in which communities and groups can interact, individuals can improve health, fitness, and awareness of the arts, culture and heritage and so contribute to the fabric of a *flourishing region*.

- **Meeting our energy challenge:** There is growing recognition that our current use of energy is unsustainable and that fossil fuels are now beginning to be more constrained and therefore expensive. Within 15 years, the UK will be importing three quarters of its primary energy demand. Furthermore, the challenge of global climate change means that we will need to make a profound change in the way we use energy and materials. Some of these changes will need to be made at the regional, sub-regional and local level, recognising the importance of local markets, supplies and resources to protect and enhance our economic wellbeing. Moving towards a resource efficient low carbon economy represents a huge cultural challenge for consumers and producers alike. At the same time, it offers a significant economic opportunity for the region in terms of productivity savings, new market opportunities and increased economic resilience, as well as potentially ensuring greater control over energy supply.



PICTURED: AWARD-WINNING TOURIST ATTRACTION, WHITE POST FARM CENTRE, NOTTINGHAMSHIRE.

“By 2020, the East Midlands will be a flourishing region. Increasingly prosperous and productive, we will enjoy levels of economic wellbeing and a quality of life higher than the European average and comparable with the best in the world”

PICTURED:
Kidz R Us Nursery,
Leicester.



Section five Strategic vision



A flourishing region

Strategic vision - a flourishing region

“By 2020, the East Midlands will be a flourishing region. Increasingly prosperous and productive, we will enjoy levels of sustainable economic well-being and a quality of life higher than the European average and comparable with the best in the world.”

Since 1999 the East Midlands has shared a vision to become a ‘Top 20 region in Europe by 2010’. Our progress against the index of economic and environmental measures that support this vision was first measured in 2003, when the region was in 35th position. The region is currently in 28th place. This demonstrates substantial progress in meeting the target and the region is rightly proud of its performance. However, as the ‘Destination 2010 Achievements’ document published in May 2005 pointed out, whilst the region has been successful in many areas, there is still much more to be achieved in order to meet or exceed our ‘Top 20’ target, through increasing economic activity and improving the quality of jobs, helping the poorest parts of the region to grow and protecting and improving the environment. We will continue to measure our progress against the Top 20 index up to 2010.

This Regional Economic Strategy, the third to be published since 1999, stretches the region's ambitions beyond 2010 and towards 2020. We want the East Midlands to be a prosperous region, and one in which people want to live and work. To achieve this, we need to be clear about the kind of economy we wish to work and invest in, the kind of jobs we aspire to for ourselves and our families and the kind of environment we want to live and spend our leisure time in.

For the East Midlands to thrive and to compete with the best in Europe and internationally we must build on our distinctive strengths to ensure our economic growth creates a prosperous and sustainable region, where everyone has the opportunity to achieve their potential.

To achieve this, the East Midlands must become:

- **productive** - with an efficient workforce and high levels of innovation in both manufacturing and services, able to compete on a global basis. The region must achieve high levels of investment, enterprise and skills;
- **a great place to live** - with a good quality natural and built environment, with equal access to high quality services, cultural, leisure, sporting and civic opportunities, where people want to live and work;
- **people friendly** - characterised by a strong economy which provides opportunities for all and recognises the balance between work and life;
- **resilient** - where people and businesses are responsive and adaptive to change;
- **informed** - where people are educated, have skills appropriate and relevant to their work and have a strong sense of achievement;
- **capable** - with high performing institutions and networks in the private, public and voluntary sectors which facilitate sustainable economic growth;
- **healthy** - where people enjoy good health and those suffering long term health problems can participate in and enjoy the benefits of the region's economic success;
- **cohesive** - with strong, safe and inclusive communities and equality of opportunity.

Section five



PICTURED:
Above: Leicester;
left: computer
technology on
the move; below:
award-winning
Poachers Hideaway,
Lincolnshire.



Section five



PICTURED: STUDENTS AT THE UNIVERSITY OF DERBY, BUXTON, DERBYSHIRE.

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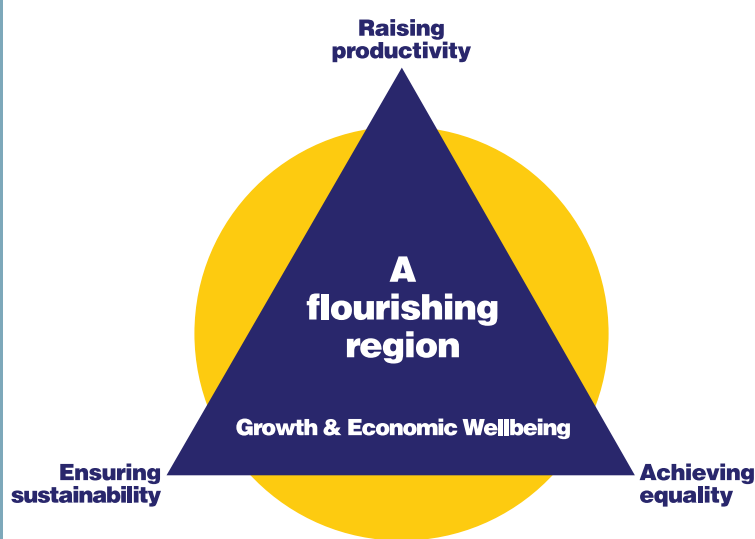
In short, a *flourishing region* - with growing and innovative businesses, skilled people in good jobs, participating in healthy, inclusive communities and living in thriving and attractive places.

Increasing productivity and economic growth are prerequisites for improving the quality of our life experience in the region and form the central objectives of this strategy. HM Treasury estimates that the trend rate of growth for the UK economy is 2.5% per year. To support our vision for the East Midlands, this strategy sets out what needs to be done to achieve growth rates in the region that are above the UK trend.

Increased economic growth and productivity however are not in themselves sufficient to achieve our

wider aspirations to become a *flourishing region*. Regions that are truly flourishing will be more vibrant and dynamic places to live, work, invest and spend leisure time. They will be more productive, more entrepreneurial, more creative and healthier. Individuals will be more engaged with each other and in civic, cultural and community life. Achieving such an ambition requires clear decisions about what our increasing economic wealth should 'buy' for the region. Economic wellbeing - growth, but not at any cost - is a clear aspiration for the East Midlands, a region in which economic success is sustainable and will buy improved life chances for all its current and future residents.

CHART 3 : A flourishing region



Sustainable development

Sustainable development will be a key element underpinning all activity in support of the RES vision. The RES embodies and integrates the principles (see table on page 37) of the UK Sustainable Development Strategy, Securing the Future which seeks to promote development which enables 'all people throughout the world to satisfy their basic needs and enjoy a better quality of life, without compromising the quality of life of future generations.'³³

The development of a *flourishing region* characterised by economic wellbeing is how the East Midlands will deliver sustainable development. It is the responsibility of all partners to ensure that economic, social and environmental development go hand in hand. Economic wellbeing is concerned with growth, but not at any cost. The East Midlands aspires to be a region in which economic success is sustainable and will buy improved life chances for all its current and future residents.

These principles are embedded throughout this RES. In addition, the following four priority areas outlined in the national strategy have informed the development of the RES :

Sustainable consumption and production is concerned with achieving more with less and breaking the link between economic growth and environmental degradation. This is an explicit aspiration of the RES as embodied in economic wellbeing and explicitly in the Environmental Protection, and Energy and Resources strategic priorities.

Climate change and energy is concerned with seeking a profound change in the way in which we generate and use energy to lessen the impact on climate change. The Energy and Resources strategic priority highlights the need for the region to respond to the economic threats and opportunities associated with climate change and make the transition to a low carbon economy.

Sustainable development will be a key element underpinning all activity in support of the RES vision.

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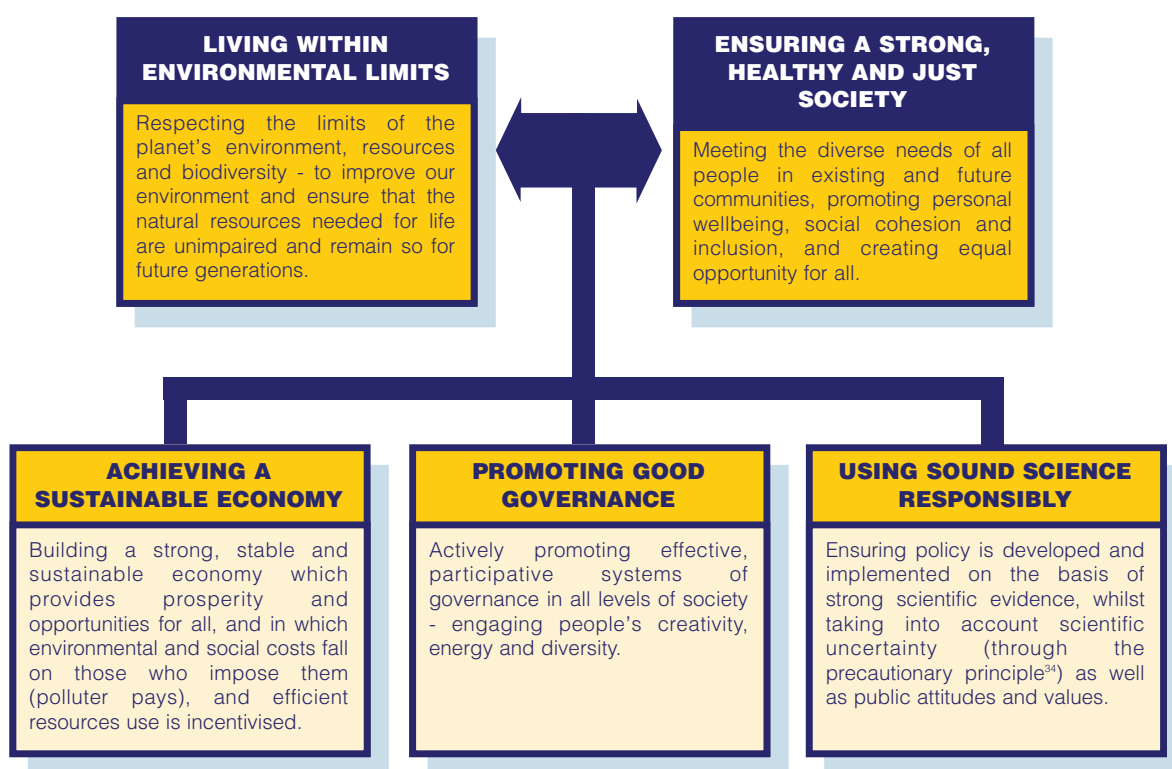
PICTURED:
Brocks Hill Visitor
Centre and Country
Park, Leicestershire.

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Natural resource protection and environmental enhancement is about ensuring a decent environment for all and the better use of resources vital to our existence. The RES recognises the critical importance of the environment both in terms of the support services it provides and its contribution to our quality of life. These contributions are addressed in the Environmental Protection strategic priority.

Creating sustainable communities that embody sustainable development principles is integrated throughout this RES. A *flourishing region* is a more vibrant and dynamic place to live, work, invest and spend leisure time; it will be more productive, more entrepreneurial, more creative and healthier; and, individuals will be more engaged with each other and in civic, cultural and community life.

GUIDING PRINCIPLES OF THE UK SUSTAINABLE DEVELOPMENT STRATEGY



Our approach reflects and flows from the aims of the 'Integrated Regional Strategy' which states:

'The East Midlands will be recognised as a region with a high quality of life and sustainable communities that thrives because of its vibrant economy, rich cultural and environmental diversity and the way it creatively addresses social inequalities, manages its resources and contributes to a safer, more inclusive society.' ³⁵

We have undertaken a combined Sustainability Appraisal and Strategic Environmental Assessment. This assessed the RES against objectives agreed with statutory consultees and their key stakeholders, and is available in a complementary document.

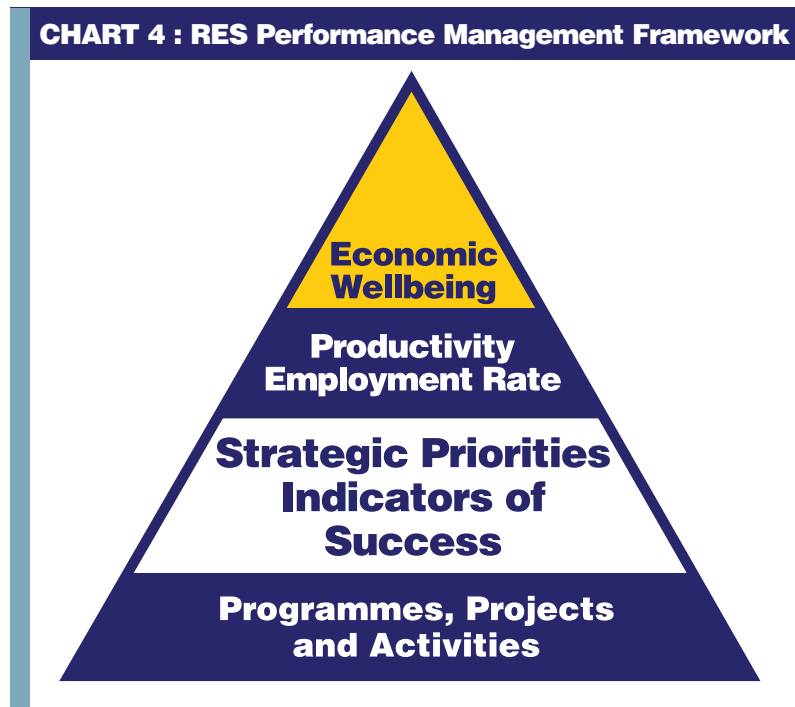
Section five

Targets and measures

The vision for 2020 builds on the Top 20 ambition set out in the region's previous economic strategies. The region has embraced the vision to be 'one of Europe's Top 20 regions by 2010', measured against a basket of economic and environmental indices. Regional progress has also been measured against the Government's targets as well as the targets set against specific actions in both 'Prosperity through People' and 'Destination 2010'.³⁶

emda has committed to continue to measure progress against the 'Top 20' index until 2010. Seven years on from the setting of this ambition, we have a hugely improved evidence base, a very clear understanding of the characteristics of and challenges facing the region and new priorities and opportunities have emerged. It is therefore time to review our targets to ensure they reflect and drive our ambitions for 2020. To measure our vision for 2020 we have developed a new performance management framework, illustrated in chart 4 below.

We intend, for the first time, to add an additional basket of measures to enable us to gauge our progress towards the wider vision of a *flourishing region*. A groundbreaking composite measure of economic wellbeing is included - the 'Regional Index of Sustainable Economic Wellbeing' (Regional ISEW). This enables us to take account of factors such as the value of voluntary work, the costs of pollution, the quality of the natural environment and the costs of crime. It enables the region to measure its aspirations to ensure that economic growth and increased productivity are shared for the benefit of the whole region, that disparities within the region are being addressed and that our ambitions for increasingly cohesive, inclusive and participative communities are being fulfilled. A more detailed description of ISEW is provided in Annex A.



Central to measuring our progress will remain our key economic indicators. Therefore the second tier measures two high level outcome measures - GVA per hour worked (the most appropriate measure of productivity at regional level) and the Employment Rate for the population of working age. These will provide the overarching context. We intend to combine these measures into a single set of targets providing a framework which will enable the region to track progress in terms of our overall economic aims and identify where the economy is performing well and where it is not.

The next tier of the framework is comprised of a basket of indicators directly aligned to the 10 RES Strategic Priorities. These indicators describe the positive regional 'outcomes' that partners' activity will influence. A summary of these indicators is provided in chart 5 on pages 40 and 41.

The base tier of this framework will be the 'output' indicators, which directly measure the performance of regional partners' activity directed towards RES objectives.

Together these measures and indicators provide an overall framework for monitoring our progress towards sustained and sustainable economic growth in the East Midlands. A detailed description of our approach is available from www.emintelligence.com as a technical paper.

Section five



PICTURED: HILL HOLT WOOD, ENVIRONMENTAL SOCIAL ENTERPRISE, LINCOLNSHIRE.

Section five

CHART 5 : Summary of indicators

	Measure to be applied	Proposed target	Baseline
Vision	Regional Index of Sustainable Economic Wellbeing.	To improve the region's performance against the ISEW indicators.	East Midlands £8,953 per capita (2004).
Productivity	GVA per hour worked.	To increase GVA per hour worked to the national average, i.e. GVA in the East Midlands will be 100% of the UK average by 2009.	East Midlands: 98.5% of the UK average (2004).
Employment rate	Employment rate (% working age).	To achieve an employment rate above 76% of the working age population by 2009 and to remain at least one percentage point above the UK average.	East Midlands rate: 75.4%; UK rate: 74.2% (2004).
		To address sub-regional disparities, increase the employment rate of the bottom decile of LADs/UAs to 70% by 2009.	Mean employment rate in bottom decile of LADs/UAs: 65.2% (2004).
Employment, learning and skills	Percentage of economically active adults qualified to Level 4 or higher.	To increase the proportion of economically active adults qualified to a Level 4 or above to 30% by 2009.	East Midlands: 25%; UK: 28.6% (2003).
	Employment in K1 high knowledge intensive sectors and K4 low knowledge intensive sectors.	To increase the proportion of employment in K1 sectors to within 4 percentage points of the UK average by 2009; and to reduce the share of employment in K4 sectors to level with the UK average by 2009.	K1- East Midlands: 24.3%; UK: 32.1% K4- East Midlands: 38.7%; UK: 30.9% (2003).
Enterprise and business support	Business registration rate (per 10,000 population).	Increase the rate of VAT registrations to 40 per 10,000 population head and be at least level with the UK average by 2009.	East Midlands: 35; UK: 38 (2004).
	Proportion of businesses surviving 3 years.	Maintain a 3 year survival rate above the UK average and be at least at 71% by 2009.	East Midlands: 70.6%; UK: 68.9% (businesses registering in 2001 and surviving three years).
Innovation	Gross Domestic Expenditure on R&D (GERD).	To increase gross domestic expenditure on R&D to 2.5% of GVA by 2009.	East Midlands: 2.3%; UK: 2.1% (2002).
	% of businesses' turnover attributable to new & improved products.	To increase the proportion of business turnover attributable to new and improved products to 6% by 2009.	East Midlands: 4%; UK: 9% (2001).

Section five

	Measure to be applied	Proposed target	Baseline
Transport and logistics	% of Workforce travelling to work by public transport, walking or cycling.	To increase the proportion of the East Midlands workforce travelling to work by public transport, walking or cycling to 23% by 2009.	East Midlands: 20.5%. Great Britain: 27.2% (autumn, 2004).
Energy and resources	Carbon dioxide emissions by end user per £ million GVA.	To move towards the national average in total CO ₂ emissions per £ million GVA produced by 2009.	Total CO ₂ emissions per £ million GVA in East Midlands: 181.2 tonnes carbon equivalent; England: 149.8 tonnes carbon equivalent (2003).
	Waste produced per £ million GVA.	To move towards the national average in total waste produced per £ million GVA by 2009.	Total waste produced per £ million GVA in East Midlands: 327.1 tonnes; England: 228.5 tonnes (2003).
Environmental protection	Proportion of river distance classified as 'good' chemical and 'good' biological quality.	To maintain current proportion of East Midlands river length (% of total km) of 'good' chemical and 'good' biological quality up to 2009.	East Midlands rivers of 'good' chemical quality: 55% (2004) East Midlands rivers of 'good' biological quality: 61% (2004).
Land and development	Average annual growth rate over a five year period in employment floor space.	To maintain an average annual growth rate over a five year period of 1.5% in employment floor space by 2009.	East Midlands: 1999-2004 average growth rate of 1.6% (2003-2004 growth rate was negative, at -0.2%) England: 1999-2004 average: 1.7%.
Cohesive communities	Participation in formal voluntary activities in the last 12 months.	Increase the proportion of the East Midlands population engaged in formal volunteering to within 3 percentage points of the leading region by 2009.	East Midlands: 44%; England and Wales: 42%; South West: 51% (2003).
Economic renewal	Economic activity rate (% working age) in urban and rural areas.	Maintain rural rates above 80% and increase urban activity rates to 78% by 2009.	East Midlands: 78.8%; urban areas: 76.2%; rural areas: 80.9% (2004).
Economic inclusion	Proportion of the population of working age claiming key benefits.	To halve the gap between the East Midlands and the South East from 3.6 percentage points to 1.8 percentage points by 2009.	East Midlands: 12.3%; Great Britain: 13.6%; South East: 8.7% (May, 2004).
	Economic activity rates in bottom decile of East Midlands Local Authority Districts/ Unitary Authorities.	Increase economic activity rates in the bottom decile of LADs/UAs to 75% by 2009.	East Midlands average: 78.8%; lowest decile: 71% (2004).

Introduction to structural themes

This Strategy is not about 'quick fixes'. It is about the long term transformation of the East Midlands' economy. The region has been challenged by Government to be focused and to make the difficult decisions that are necessary to prioritise our efforts and generate maximum impact for our resources. Strongly performing regions are characterised by the ability of their institutions to work together effectively to achieve common goals. The Strategy, therefore, provides leadership, through a shared vision, underpinned by agreed priorities and actions, to mobilise all regional partners to deliver co-ordinated long-term sustainable growth to the East Midlands' economy.

This is an *economic* strategy, with raising productivity as its key objective. Central to achieving that will be actions which address innovation; enterprise; employment, learning and skills; and transport connectivity. We are clear, however, that we cannot achieve this objective without also addressing the environmental and social consequences of increased economic growth.

Growth and economic wellbeing are built on the foundations of a cohesive society and a good quality natural environment. That growth should not harm the environment or the society in which we live, but where there may be adverse effects, these must be minimised and mitigated.

The East Midlands is striving to become a *flourishing region*, with a good quality of life and high - and improving - levels of economic wellbeing. To do this, action is required against all ten strategic priorities, and the prioritisation between these will change over time.

Structural themes

The vision to create a *flourishing region* is supported by three underpinning, or 'structural' themes:-



The Strategy sets out the challenge to achieve more and growing businesses which can compete in a global market, to enable more people to become more skilled and able to benefit from new and better paid jobs. It highlights the importance of sustainable and effective transport and infrastructure to support a growing economy and the need to respect and protect the natural environment and for stronger cities and towns and vibrant rural communities to ensure that they are attractive places to live and work.

Section six

STRUCTURAL THEMES	AIM
Raising productivity	To increase wealth by making the East Midlands and its people more productive.
Ensuring sustainability	To develop and enhance the region's communities, and its assets of physical infrastructure and the natural environment to ensure they contribute effectively to the region's productivity and economic wellbeing, both now, and into the future.
Achieving equality	To reduce economic inequalities and increase productivity by ensuring that everyone has the opportunity to contribute to and benefit from the region's sustainable economic growth.

Strategic priorities

These objectives will be achieved through 10 strategic priorities:

- Employment, learning and skills**
- Enterprise and business support**
- Innovation**
- Transport and logistics**
- Energy and resources**
- Environmental protection**
- Land and development**
- Cohesive communities**
- Economic renewal**
- Economic inclusion**

There are strong links between each of the priorities; each is interdependent with the others. To make the organisation of the Strategy as simple and clear as possible, however, the priorities are grouped as shown in the colour chart and they are loosely grouped under the three structural themes. They are not in priority order but do attempt to follow a logical flow.

Linkages

The linkages between the vision, themes, strategic priorities and actions are expressed as follows:



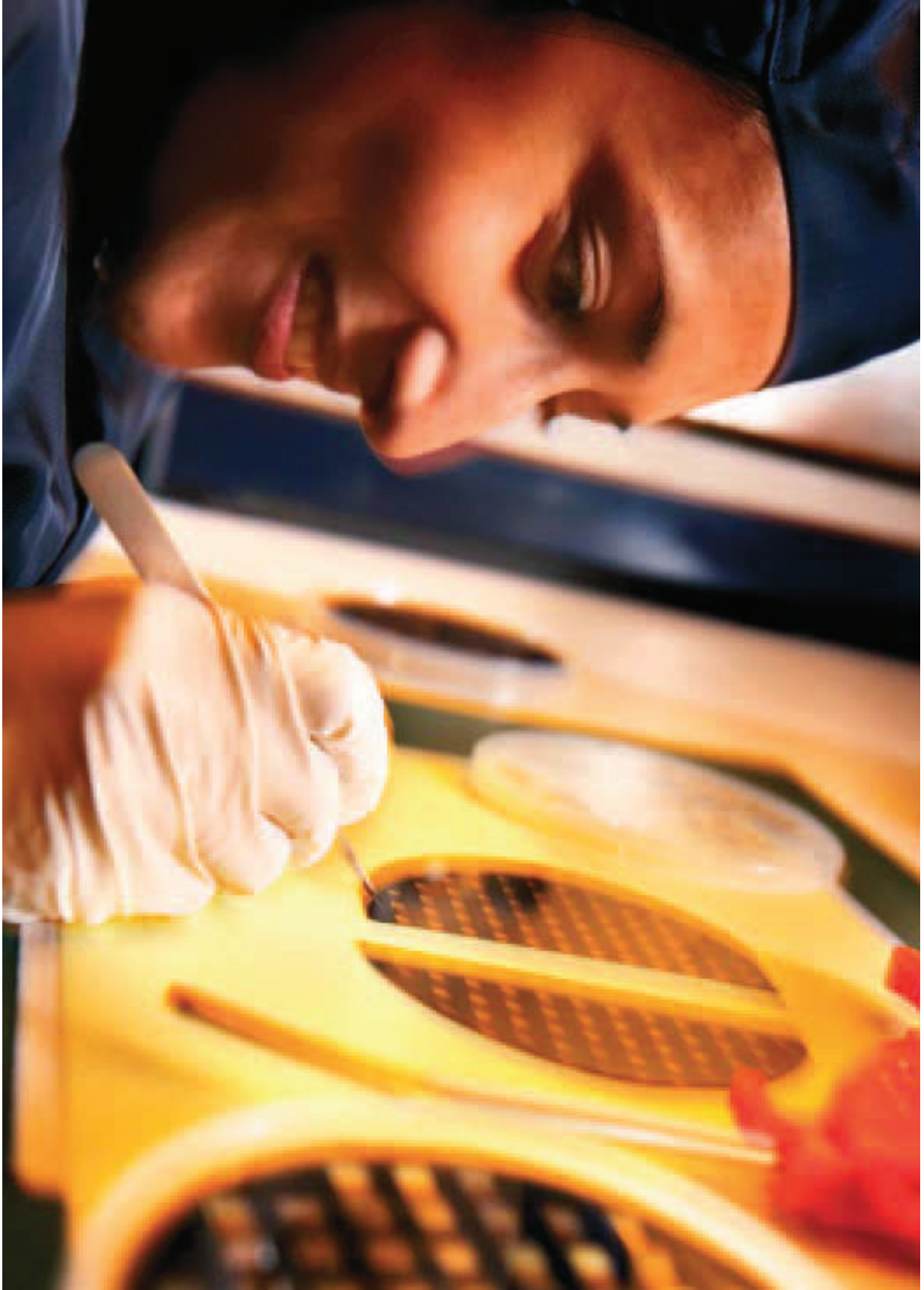
Section six

STRATEGIC PRIORITIES	AIM
Employment, learning and skills	To move more people into better jobs in growing businesses.
Enterprise and business support	To become a region of highly productive, globally competitive businesses.
Innovation	To develop a dynamic region founded upon innovative and knowledge focused businesses competing successfully in a global economy.
Transport and logistics	To improve the quality of regional infrastructure to enable better connectivity within and outside the region.
Energy and resources	To transform the way we use resources and use and generate energy to ensure a sustainable economy, a high quality environment and lessen the impact on climate change.
Environmental protection	To protect and enhance the region's environment through sustainable economic growth.
Land and development	To ensure that the quality and supply of development land, and balance between competing land uses, contributes towards sustainable growth of the regional economy.
Cohesive communities	To increase life chances for all leading to stronger and more cohesive communities, a dynamic society and a stronger economy.
Economic renewal	To ensure all people and communities have the opportunity to create new and sustainable economic futures.
Economic inclusion	To help overcome the barriers, or market failures, that prevent people from participating fully in the regional and local economy.

Priority actions

This Strategy does not propose short-term solutions; it recognises that long term transformation requires us to be bold in our thinking, but realistic in our ambitions. It also requires that we prioritise our investments to achieve maximum long term returns. The strategic priorities identified in this Strategy will lead to action on the ground. Those actions likely to have the most significant impact on the regional economy, which together will help us achieve our regional goals faster and more effectively, are described as 'transformational actions'. These are listed in chart 6 on pages 46 and 47.

Section six



PICTURED: SILSON LTD, NORTHAMPTONSHIRE.

Section six

CHART 6 : Transformational actions

PRIORITY ACTIONS	Details of specific priority action
Developing adult workforce skills (Pathways for Learning)	<p>Increase the proportion of the adult workforce studying for and gaining new qualifications by developing clear learning pathways for people in work to progress from Skills for Life through to Foundation degrees through:</p> <ul style="list-style-type: none"> ■ improving the integration of existing qualifications; ■ improving access to and completion of programmes targeted at gaining Skills for Life (basic skills); ■ providing access to further opportunities to develop high level skills that are relevant to the economy; ■ providing meaningful information to young people and those in work about the likely outcome of their chosen learning pathways including information on potential earnings, career opportunities and further skills needs.
Targeted provision to improve business creation	<p>Create a coordinated long-term campaign to develop enterprise skills, raise the profile of enterprise and help people identify opportunities; focussing on people aged 35-55, particularly women. The 35-55 age group are proven to have the capital, competence and ideas to successfully start a new business.</p>
Increase business survival	<p>Provide best practice support through the Business Link brand, linked to the enterprise campaign, to ensure that all people are offered:</p> <ul style="list-style-type: none"> ■ consistent high quality advice prior to setting up their businesses, irrespective of where they are based in the region, that is tailored to their individual needs; ■ ongoing business support as their business grows that is targeted at increasing survival rates amongst the businesses that are 12 to 36 months old.
Commercialising scientific excellence through facilitated business collaboration	<p>Introduce more effective initiatives to facilitate greater collaboration between businesses and the regional research community, including the universities, with the aim of:</p> <ul style="list-style-type: none"> ■ matching research capability to business needs, leading to increased commercialisation of the region's scientific excellence; ■ exploiting the benefits associated with wider intellectual property rights in order to develop innovative new products and services and create new market opportunities; ■ providing specific business support throughout the commercialisation process.
Improve transport connectivity and accessibility	<p>To maximise the contribution the region's transport infrastructure and services make to the delivery of the RES objectives, the following actions will be promoted by regional partners to be taken through national agencies, RSS and RTS, Local Transport Plans and Development Frameworks, and transport operators:</p> <ul style="list-style-type: none"> ■ improve inter and intra-regional connectivity by strengthening links between the region's main urban centres, improving reliability on key routes for passengers and freight, and address poor connectivity or capacity to key centres in other regions, including London, Leeds, Birmingham, and Manchester; ■ improve international accessibility by improving surface access to NEMA and other airports serving the region (including Robin Hood Doncaster Sheffield), and strengthening connectivity to mainland Europe by a range of modes, including rail via London; ■ support regional regeneration and growth by improving access from all communities to employment and maximising the impacts of economic drivers and growth areas, unlocking investment sites in disadvantaged communities, and addressing inequality by improving accessibility; ■ contribute to environmental, quality of life, and wellbeing indicators by implementing demand management measures, and access to recreation, sport, and cultural facilities.

Section six

PRIORITY ACTIONS	Details of specific priority action
<p>Development of land and property</p>	<p>Develop land, property and facilities which maximise opportunities for collaborative innovation activities and inward investment by providing quality sites and buildings which support enterprise development. Proposed developments should:</p> <ul style="list-style-type: none"> ■ be linked to RES Priority Sectors; ■ maximise clustering benefits; ■ improve links between academic institutions and businesses; ■ be supported by the work of Innovation East Midlands and blueprint; ■ encourage sustainable building design.
<p>Energy and waste capacity</p>	<p>Promote the development of a more secure, diverse and sustainable energy and waste infrastructure and innovative approaches to providing energy and waste services within our economy by:</p> <ul style="list-style-type: none"> ■ promoting and investing in renewable and low carbon energy generation; ■ promoting and investing in diverse and localised energy supply; ■ promoting and investing in diverse and localised waste management; ■ influencing private sector utilities and regulators concerning the capacity and longevity of existing supply and distribution and waste management infrastructure.
<p>New markets and enterprise opportunities</p>	<p>Stimulate new local markets and enterprise opportunities by unlocking the potential of local procurement by:</p> <ul style="list-style-type: none"> ■ encouraging local public authorities to adopt procurement approaches which deliver local, social, environmental and community benefits; ■ the voluntary and community sectors have an important role to play working with employment, education and training providers to develop holistic and integrated solutions to the needs of excluded individuals; ■ embedding large scale employers in businesses into local areas through supply chain diversity initiatives.
<p>Enhance employability of the most disadvantaged</p>	<p>Improve the employability of those without skills and qualifications through:</p> <ul style="list-style-type: none"> ■ the provision of Skills for Life (including ESOL, vocational and core employability skills); ■ encouraging the take up of level 2 qualifications.
<p>Develop entrepreneurship skills</p>	<p>Ensure the region consistently generates entrepreneurs from all sections of society by:</p> <ul style="list-style-type: none"> ■ promoting entrepreneurship as a viable career choice through targeted awareness raising activities (see priority action 2b-1 under the Enterprise and Business Support section); ■ integrating entrepreneurship at all levels of the education curriculum (schools, FE and HE) and creating effective links between education institutions and businesses; ■ providing business support appropriate to all sections of society (see the priority action 9a-2 under Economic Renewal).

PICTURED:
Clifton
Packaging Ltd,
Leicester.



Section seven Structural theme **1**



Raising productivity

Raising productivity

AIM: To increase wealth by making the East Midlands and its people more productive.

Context

In the long-term, economic growth, increases in living standards and economic wellbeing depend on sustained growth in productivity. There are two key aspects to this. The first, delivered by central government, is to provide macroeconomic stability, to give firms and individuals the confidence to invest for the future. The second, delivered in part at the regional level, is the effective management of microeconomic reforms to ensure that markets can function effectively and are able to tackle barriers to economic growth. Market failures, and the actions to alleviate them, occur at all levels of the economy - local, sub-regional, regional and national.

By providing macroeconomic stability and addressing market failures, Government will support the conditions that allow the UK to achieve a faster rate of growth in productivity and close the gap that exists between the UK and its major competitors such as the United States, Germany and France. In addition, increased levels of productivity will allow the UK to meet the challenges and opportunities posed by the development and integration into the global economy of large developing countries such as China and India.

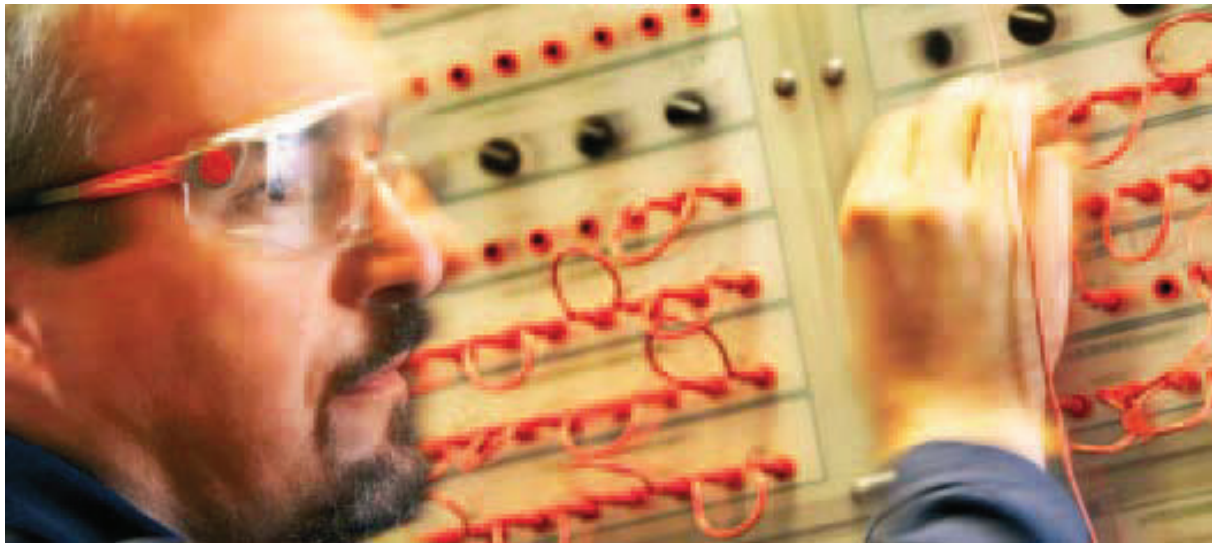
Improving economic performance is not about growth at any cost. Increasing the wealth of the region and ensuring it is competitive, productive and resilient to external shocks must be balanced with the need to achieve equality and ensure sustainability.

The productivity of the sectors and sub-regions that make up the regional economy is far from even. Just as the region has a number of highly productive sectors and locations, it also has under-performing sectors and localities. If the overall productivity of the region is to be maximised, we must build on the success of the high-performers and address the needs of those which have the potential to perform more highly.

In the long-term, economic growth, increases in living standards and economic wellbeing depend on sustained growth in productivity.

Scale of the challenge

Given the relatively high employment rate and low unemployment rate in the East Midlands³⁷ there is limited scope for increasing economic performance simply through increased labour market participation. The challenge is to increase economic performance by making the region and its workers more productive and internationally competitive, in part by increasing skill levels and innovation. Section 4 describes in detail the productivity gap that exists between our major international competitors and with other parts of the UK. It also provides an overview of the region's performance against each of the factors, identified by the Government, that drive productivity - investment, innovation, skills, enterprise, and competition, along with employment.



PICTURED:
Above: Systems Engineering Innovation Centre (SEIC), Loughborough;
left: Critical Pharmaceuticals, BioCity, Nottingham;
below: Katapult Studios, Derby.





PICTURED: DISABILITY DIRECT, DERBY.

Drivers of productivity

For the purposes of this document, *competition* and *investment* are contained within a general enterprise commentary. Whilst this provides a convenient framework for discussion, the way these drivers interact to deliver regional productivity is complex. These priorities are not ends in themselves and should be seen in the context of their impact on the economic wellbeing of the region.

In summary, levels of **investment** by businesses in the region are lower than average. Levels of investment in **innovation** are relatively high but concentrated in a small number of large companies. Workforce **skills** are lower than the UK average and **enterprise** activity needs to increase if we are to challenge our major competitors. The region is more exposed to international **competition** than most, with higher than average levels of exports.

Levels of investment in innovation are relatively high but concentrated in a small number of large companies.

It is difficult to identify productivity at a *sub-regional* level as data for 'output per hour worked' is not available. However, we can use 'output per head' to highlight disparities. Productivity measured using 'output per head' is almost one third higher than the national average in Nottingham, but significantly below the national average in more isolated areas such as North East Derbyshire and Lincolnshire. Key findings from the evidence suggest:³⁸

- Gross Value Added (GVA) per head is highest in Nottingham, where it is 32% above the UK and East Midlands' averages, and Derby, where it is 26% above the UK average;
- GVA per head is also above the UK and East Midlands' averages in Leicester and Northamptonshire; and
- GVA per head is below the UK and East Midlands' averages in much of the rest of the region.

Aligned to the problem of low productivity is the existence of a 'low-wage low-skill' equilibrium in the region.

Aligned to the problem of low productivity is the existence of a 'low-wage low-skill' equilibrium in the region. This is characterised by a high employment rate coupled with a low demand for skills and comparatively low wages. There are also significant disparities in skills levels within the East Midlands - NVQ Level 4 qualifications are highest in Rutland and lowest in Leicester.³⁹

As centres of economic activity in the region, our cities and major towns are key drivers of regional economic performance. Cities offer ready access to large numbers of consumers of goods and services, and inputs to the production process. They are also sources of employment, leisure and cultural activities. There is a close interdependency between urban and rural areas which goes beyond commuting to work and urban facilities. Efficient and sustainable transport and other linkages

between urban and rural areas are critical to ensure both economic productivity and quality of life. But the importance of promoting enterprise and innovation in rural areas also relates to the need to improve productivity in these areas in their own right.



PICTURED:
The Joseph Wright
Centre, Derby College,
Derby.

1

Employment, learning and skills

AIM: More people into better jobs in growing businesses.

Introduction

A dynamic, flexible and skilled workforce helps businesses to remain competitive and profitable. Investment in developing the skills of their employees helps businesses to adapt to change, adopt new technologies and processes, and attract investment. In the East Midlands the employment rate is above the UK average. However, a high proportion of jobs are low skilled, low paid and require few or no qualifications. Given the changing demographics in the region this is a particular challenge, especially in areas such as Lincolnshire where labour market pressures among this group are expected to be particularly acute. Despite a high employment rate there are substantial pockets of high unemployment, especially in the major urban centres of Derby, Leicester and Nottingham, former coalfields communities and remote rural areas. Due to the tight labour market conditions in much of the region, future economic growth can only be driven by increasing the quality of the jobs in the East Midlands.

The Employment, Skills and Productivity Partnership (esp) produced an evidence-based action plan in June 2005 outlining a range of regional priorities. This work has substantially supported the development of the employment, learning and skills section of the RES.

1a. Developing the skill levels of the current and future workforce

Although the East Midlands has a comparatively high level of employment, it compares less well in measures of the quality of labour. The proportion of the workforce with no qualifications is comparatively high, especially amongst the older sections of the workforce, and the region also lags the national average in terms of higher level qualifications.⁴⁰ The region must develop a core workforce with intermediate or technician level skills. Ensuring the correct mix of levels and skills is vital to sustainable economic growth. A low demand for skills, related to a large proportion of employers engaged in relatively low value activities compared to other UK regions, means that there is a reduced incentive for individuals to invest in their own development.

Raising participation and attainment amongst young people between the ages of 14 and 19 is crucial to the development of a skilled and motivated workforce. Creating vocational diplomas that meet employer needs, expanding opportunities for young people to learn in the workplace and developing a culture of enterprise are all key to businesses getting employees with the skills they require. This can only be achieved by businesses getting involved in the development and delivery of the curriculum. Improving employability skills and work readiness is also key. Employers frequently cite such qualities as effective communication and team working as the key requirements often most lacking in applicants for vacant posts. However, although improvements in the qualifications of young people are a key priority - and recent improvements in the compulsory education system have been significant - the high employment rate coupled with the ageing population means that the majority of the workforce needed for 2012 is already in employment. Therefore a coordinated approach is required to encourage individuals to realise the benefits of continually re-skilling and up-skilling. Skills for Life (literacy, numeracy and IT) are still lacking in a significant proportion of the working population.

The proportion of the workforce with no qualifications is comparatively high, especially amongst the older sections.

Additionally, higher proportions of individuals with no qualifications are concentrated amongst older workers in the region. There is a general recognition that technological change, principally the proliferation of ICT in the workplace, and the changing structure of the economy has pushed the overall demand for higher level skills upwards. The East Midlands appears to fall behind other regions in measures of both the supply and the demand of higher level skills. This is a particular concern that must be addressed. To ensure the supply of the skills needed by the modern economy, from basic skills through to higher level skills, progression routes need to be created for individuals throughout their working lives, including access to work-based training.

Progression routes need to be created for individuals throughout their working lives, including access to work-based training.

Whilst there might be an adverse impact on productivity in the short term by helping those on the fringes of the labour market who lack basic skills, in the long run the effort of increasing participation will be beneficial.

1a PRIORITY ACTIONS

ENGAGING SCHOOLS AND COLLEGES WITH BUSINESSES

Equip school and college leavers with the skills and knowledge that businesses require by:

- developing stronger linkages between education providers and employers;
- working with businesses to ensure that every young person has access to a weeks work experience every year from the age of 14;
- improving the delivery of the provision and coordination of STEM (Sciences, Technology, Engineering and Maths) subjects, along with work-readiness of school leavers.

DEVELOPING ADULT WORKFORCE SKILLS (Pathways for Learning)

Increase the proportion of the adult workforce studying for and gaining new qualifications by developing clear learning pathways for people in work to progress from Skills for Life through to Foundation degrees through:

- improving the integration of existing qualifications;
- providing access to further opportunities to develop high level skills that are relevant to the economy;
- providing meaningful information to young people and those in work about the likely outcome of their chosen learning pathways including information on potential earnings, career opportunities and further skills needs.

1b. Stimulating business demand for skills

If employers are to become more competitive and meet the challenges identified earlier, they will require a workforce with higher level and transferable skills. This requires a commitment to training and development and a change in working practices, which will have a direct impact on their business performance and competitiveness.⁴¹

Business demand for skilled people is comparatively weak in the East Midlands. Whilst businesses report skills shortages and hard to fill vacancies, and claim that employees lack the skills to help them innovate, employer surveys suggest that businesses do not appear to view investment in training provision as a priority.⁴²

The East Midlands has the smallest proportion of people working in sectors classed as 'knowledge intensive' (i.e. employing more than 40% graduates), of all the English regions.⁴³ Moreover, the public sector accounts for a substantial proportion of that total. In the East Midlands, a weaker than average demand for higher level skills can be associated with a comparatively small number of businesses engaged in high value production and service activities. The comparatively large number of businesses engaged in low value activities, results in a low demand for skills, and lower than average wages.

As a result, large proportions of the region's workforce appear to be underutilised in their current jobs. Evidence suggests that only 24.1% of the workforce with a Level 3 and 52.1% of those with a Level 4 qualification felt that these qualifications were needed for

employment, learning and skills



PICTURED:
Above left to right:
University of Derby, Buxton;
June Hunter of Accordia,
Nottingham; bottom left:
new business start-up, over
45s into work, Phil Stevens
of Corby; surveyor for
Westfield on-site at the
Eagle Centre in Derby.





PICTURED: CRITICAL PHARMACEUTICALS, BIO CITY, NOTTINGHAM.

their current jobs. This suggests that the region is not making full use of available talent, and significant productivity improvements could be achieved simply through better deployment of the existing workforce.⁴⁴ This would in turn influence factors like graduate retention. In a 2004 survey of final year undergraduates, a large proportion said that they wanted to live and work in their place of study, citing quality of life and a lively social life as key regional assets. Although many expected to remain in the region in the short term, they expected to be in temporary, low paid employment. A limited availability of highly skilled work in the region was cited as a key factor that led these individuals to feel that they would have to leave the region in the medium term to pursue a career.⁴⁵ The comparatively low proportion of knowledge intensive employment in the region supports this perception. Only by increasing the demand for skills from employers will the East Midlands be able to retain the talent attracted and developed by its universities.

One of the main drivers for increasing the demand for skills is for businesses to adopt business strategies that will move their products and services up market.⁴⁶ To seek out domestic and international opportunities and to prosper in higher value markets, businesses need support to be more innovative and enterprising. For some businesses developing radically new product market strategies is not a viable or desirable option. However, significant productivity improvements can be achieved through improving deployment within the workplace. Research has suggested that improved work organisation can increase the performance at the level of the individual firm,⁴⁷ which in turn can have wider impacts on the deployment of the skills already available in the current workforce, ultimately, contributing to increased regional productivity.

Fundamental to achieving these developments are strong leaders and competent managers. When surveyed, East Midlands' employers reported that two thirds of managers lack the management skills required for them to carry out their jobs to their full potential, which is double the rate for the rest of the country.⁴⁸

One of the main drivers for increasing the demand for skills is for businesses to adopt business strategies that will move their products and services up market.

1b PRIORITY ACTIONS

STIMULATING SKILLS DEMAND

Encourage employers to stimulate demand for high level and transferable skills by:

- promoting the adoption of innovative working practices, including effective work organisation and employee development;
- using public procurement to promote skills development;
- providing support and ensuring easy access to information about how to develop the skills of the workforce (including a published network of named contacts in further and higher education that businesses can contact directly to diagnose and discuss their needs);
- providing consistent and relevant business support, advice and guidance;
- working with partners to improve management skills in the region.

1c. Improving the infrastructure and responsiveness of skills supply

If demand for skills development is to be stimulated amongst individuals and employers in the region, then training provision must meet expectations and be better tailored to meet the demands of the changing economy. The region needs training providers (including colleges, universities, and private and voluntary providers) which can respond quickly, flexibly and effectively to the needs of employers and learners. Moreover, the primary purpose of publicly funded adult training should be to improve employability and supply economically valuable skills. In a recent survey of public opinion to inform the Foster Review of FE colleges, this view was supported by the majority of respondents who felt that the principal role of FE should be to equip people for the labour market.⁴⁹ This means that provision must be prioritised to meet the needs of the regional economy.

The capacity of the region's education and training infrastructure will also need to be developed. Research undertaken by Lifelong Learning UK, the sector skills council responsible for education and training providers, suggests that teaching staff make up a smaller proportion of the sector's workforce in the East Midlands than in any other region.⁵⁰ Investment should not only improve the

quality of and access to provision, but also it must ensure that providers themselves are equipped with the necessary skills and knowledge. Businesses should only be referred to providers that have demonstrated their ability to engage effectively with employers and deliver a quality service that is consistent with the requirements of the regional economy.

1c PRIORITY ACTIONS

MATCHING SKILLS PROVISION TO EMPLOYER DEMAND

Prioritise resources in order to further develop the education and training infrastructure, capacity and quality assurance in order to deliver the skills demanded by employers in a growing economy by:

- ensuring courses are aligned to an ongoing assessment of skills needs;
- developing new management and leadership programmes from a regional strategy based on generic and sectoral input;
- ensuring that the design and delivery of vocational based learning is fit for purpose, delivering programmes that are up to date, use industry relevant technologies and a mix of learning techniques to improve flexibility of learning options;
- developing a specific programme of activity aimed at matching the type and supply of future higher level skills in further and higher education institutions to the needs of business.

1d. Exploiting the opportunity of Higher Education

The region's ten Higher Education Institutions (HEIs)⁵¹ offer considerable potential for the attraction of talent, are significant employers in their own right, and are key links in regional knowledge networks. Effective engagement with the region's HEIs will be a crucial factor in delivering our regional objectives. The region's universities directly employ over 19,000 people and it is estimated that staff salaries augmented by the expenditure of over 122,000 full time students, generates a direct contribution of £384.8m to the regional economy. Indirectly, through capital programmes and their supply chains, our universities influence some £1.15 billion of expenditure, representing just over 2% of regional GDP influencing some 30,500 jobs or 1.8% of East Midlands' employment.⁵²

The Government commissioned Leitch Review seeks to identify the UK's optimal skills mix to maximise economic growth and productivity in 2020.⁵³ Analysis from the interim report concludes that in order to take account of global, demographic and technological change the UK will have to increase the level of skills in the current workforce. On current measures output per hour is almost 30% higher in France and 10% higher in Germany than the UK. Universities will be key to developing those higher level skills and provision will increasingly need to be tailored to meet the future needs of employers.

There is a clear challenge for the higher education sector to meet the future needs of the economy. The Leitch Review estimates that there must be an increase from 27% to 38% of adults with Level 4 or above qualifications, if the Government is to achieve its national productivity targets for 2020. This accounts for an additional 5.4 million individuals nationally. Furthermore, employers report having real skills shortages in 'specialist and professional skills' hindering movement to higher specification products.

Moreover the East Midlands will continue to face skills shortages if it only relies on the supply of young people entering employment. With a maturing population and a decreasing supply of young talent we know that most of the workforce required for 2020 is already in employment. This presents a particular challenge to our regional universities as they are more likely than universities in other regions to have an intake in the traditional 18 -21 age group.⁵⁴

1d PRIORITY ACTIONS

EXPLOITING THE OPPORTUNITY OF HIGHER EDUCATION

Ensure that adult learners, irrespective of age, gender or location, have access to academic and vocational qualifications to Level 4 and above whilst remaining engaged in the workforce by:

- developing lifelong learning networks to link further and higher education to improve access to skills provision; and
- supporting HEIs to increase the flexibility of their offer so more people already in the workforce have an opportunity to gain higher level skills.

employment, learning and skills enterprise and business support innovation
 transport and logistics energy and resources environmental protection land and development
 cohesive communities economic renewal economic inclusion



PICTURED: TRANSMITTON LTD, LEICESTERSHIRE.

INDICATORS OF SUCCESS for Employment, Learning and Skills

Percentage of economically active adults qualified to Level 4 or higher.

To increase the proportion of economically active adults qualified to a Level 4 or above to 30% by 2009.

Employment in K1 high knowledge intensive sectors and K4 low knowledge intensive sectors.

To increase the proportion of employment in K1 sectors to within 4 percentage points of the UK average by 2009; and to reduce the share of employment in K4 sectors to level with the UK average by 2009.



PICTURED:
Video conference
training at the Centre
for Technology
Excellence in
Edwinstowe,
Nottinghamshire.

2

Enterprise and business support

AIM: To become a region of highly productive, globally competitive businesses.

Introduction

Enterprise, and the support services that contribute to it, is important because new businesses increase competition, which provides an incentive for new products and processes, and leads to a more productive allocation of resources in the economy. However, enterprise is not just about new businesses. Entrepreneurial activity also takes place in existing businesses.

Since 2003 the East Midlands has started to generate new businesses in greater numbers. This has contributed to our improved economic progress. However, there is a long way to go in developing a vibrant enterprise culture in all parts of the region. There is also a growing need to help the existing stock of firms adapt to increasing international competition. Public and private sector business services must help regional businesses innovate and invest in creating new processes, products and markets.

A culture of enterprise exists when people are seeking out opportunities to be entrepreneurs and are supported and encouraged to do so. It is based on shared, explicit support for and recognition of entrepreneurship as an option and an opportunity for individuals to realise personal ambitions and goals.⁵⁵

Individuals in the East Midlands have much higher levels of awareness and positive attitudes to entrepreneurship than the UK average.⁵⁶ However, these factors have not translated into business formation rates. As such, there has been only a slight improvement in the numbers of people in the region considering going into business over the last few years. A region with a strong entrepreneurial base is responsive to structural economic change. Through innovation and creativity it stimulates and exploits new market opportunities and it creates jobs and contributes to economic growth.

2a. Building an enterprise culture

Enterprise skills drive the region's economy through the capability of its businesses, institutions and workforce to adapt to constantly changing environments on which productivity and competitiveness can be built.

The need to establish a culture of enterprise is interwoven throughout this document. The region can only fundamentally develop if the educational base embraces an entrepreneurial culture and understands the need for key skills such as communication, problem solving and risk taking. Accelerating industrial and technological change will demand enterprising skills and these skills are increasingly valued by employers and within society. Furthermore, demographic change will also mean that one third of enterprises will need to be transferred to the next generation over the coming 10 years.

Embedding enterprise in education is an appropriate starting point. Enterprise education not only nurtures the skills businesses need, it is also proven to encourage people to set up their own business.⁵⁷ Current provision of enterprise education needs to be mainstreamed as a progression starting at primary and continuing through to further and higher education. Enterprise should be embedded into the curriculum whilst businesses and education partnerships are nurtured and enhanced.

2a PRIORITY ACTIONS

HARNESS A CULTURE OF ENTERPRISE

Create a continuous path of enterprise education and awareness available to all in the region, linked to the provision of start-up assistance for those who wish to access it.

2b. Creating a dynamic SME base

New businesses create between 20-40%⁵⁸ of the region's productivity growth and stimulate innovation.⁵⁹ There has been an improvement in the number of business start-ups (from 35 VAT registrations per 10,000 population in 1998 to 37 in 2003),⁶⁰ but the East Midlands is still below the national average, and there is a drop off in survival rates after 12 months.⁶¹

There are many areas of untapped potential. Business start up rates among women are less than half those of men in the East Midlands.⁶² Geographically, Nottingham and Derby have particularly low rates of business creation.⁶³ The region also has low rates of business starts among qualified people aged 35-55.⁶⁴ This group tends to start the most successful businesses in terms of value and survival rates. The greatest barrier for start-up in the East Midlands (especially in the 35-55 group) is not entrepreneurial potential or ideas, but risk aversion- being unwilling to leave secure employment for the potentially risky venture of self-employment or starting a business.⁶⁵ Encouraging this group to overcome their risk aversion is key to creating more high value businesses.

As not everyone of working age has had sufficient enterprise education, and given that entrepreneurs learn by experience, the rationale for public assistance is similar to basic skills development.⁶⁶ Developing such skills will not always lead to a start-up, but will nevertheless have positive benefits. The 'Enterprising People' section (Section 10c) discusses how self employment can also be a powerful tool for economic inclusion among disadvantaged groups.

2b PRIORITY ACTIONS

TARGETED PROVISION TO IMPROVE BUSINESS CREATION

Create a coordinated long-term campaign to develop enterprise skills, raise the profile of enterprise and help people identify opportunities; focusing on people aged 35-55, particularly women. The 35-55 age group is proven to have the capital, competence and ideas to successfully start a new business.

(See priority action 9a-2 which relates to business support for under-represented groups and communities).

INCREASE BUSINESS SURVIVAL

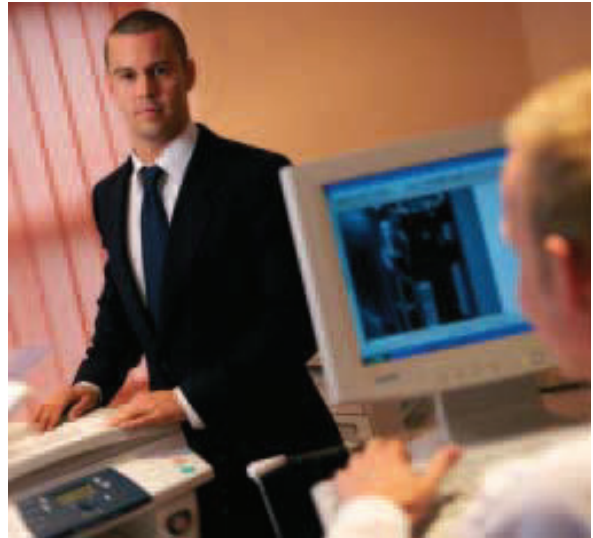
Provide best practice support through the Business Link brand, linked to the enterprise campaign, to ensure that all people are offered:

- consistent high quality advice prior to setting up their businesses, irrespective of where they are based in the region, that is tailored to their individual needs;
- ongoing business support as their business grows that is targeted at increasing survival rates amongst the businesses that are 12 to 36 months old.

2c. Supporting innovation and diversification in manufacturing

The region has existing strengths, particularly in manufacturing, which accounts for almost 23% of regional GDP and over 95% of the region's exports and directly employs more than 300,000 people.⁶⁷ However, much of the existing business base throughout the East Midlands has below average productivity.⁶⁸ Some sectors also have alarmingly low levels of investment.⁶⁹ These issues are a source of concern in the face of increasing international competition and exporting is becoming increasingly difficult for standard services and products.

enterprise and business support



PICTURED:
Top left: Business
Link; top right:
Graduate Iain
Jackson at Digital
Office Systems,
Ashby, Leicestershire,
below: Clinipol Ltd,
Coalville,
Leicestershire.



As the pace of technological change speeds up and new industrial economies develop, the manufacturing sector within the region must recognise that the route to long term success lies in increasing investment and capital intensity, adopting world-class practices and recognising that innovation, through the continuous introduction of new and differentiated products and services, is key to regional competitive success. Without this, regional manufacturing risks becoming 'locked in' to a path of relative (or even absolute) decline and will have a negative impact on regional growth aspirations.

2c PRIORITY ACTIONS



SUPPORTING INNOVATION & DIVERSIFICATION IN MANUFACTURING

Through the national Manufacturing Advisory Service, target support to firms that are ready and willing to innovate and assist their investment in diversifying their products, processes or markets and link these firms to wider Business Link support for growth and skill development.

2d. Overcoming barriers to SME growth

Removing barriers to growth is crucial. For an SME or social enterprise, growth brings uncertainty and risk. This challenge is particularly acute for new or existing firms moving into new markets. These businesses need help in a number of areas including: developing leadership and management skills; ICT skills; understanding regulation; and entering a new export or product market.

There are also specific market failures around accessing finance, particularly for businesses with early stage technology and high growth potential. The capital market does not work as effectively when equity investments are below a certain level (HM Treasury and SBS research suggests £2m).⁷⁰ This needs to be addressed by a mix of skills development ('investment readiness') and the provision of a carefully targeted 'escalator' of funding assistance. For example, SBS research⁷¹ suggests that Regional Venture Capital Funds have addressed a real gap in the market for equity finance, but that, in the East Midlands, other gaps remain. To fill these gaps and complement the Regional Venture Capital Fund, the Enterprise Capital Fund will bridge the equity gap from £500,000 up to £2m, the Early Growth Fund will encourage angel investment in earlier stage ventures and the Commercialisation Fund will encourage greater investment in innovation and research and development.

The regional Business Link is the key to improving coordination of business support.

Regional and sub-regional business service organisations (such as Business Link), business networks, established businesses, our university business schools, as well as public and private business advisors all have a part to play in helping firms overcome these barriers. Business services need to be simplified, coordinated and adaptable to cater for both the general and specific needs of the business community. The regional Business Link is the key to improving coordination of business support. Business advice works - companies that take advice report profits double those that do not. However, only approximately 33% of firms in the East Midlands take advice of any form, and the figure is even lower for micro businesses.⁷²

Deregulation is also important in removing barriers to growth. Businesses frequently cite the planning system as a barrier to potential rural diversification and identify the need to work together and with others to reduce the impact of regulatory barriers.⁷³ Access to support services can also be a problem in rural areas.

2d PRIORITY ACTIONS



PROVIDING HIGH QUALITY BUSINESS SUPPORT

Develop an integrated regional business support network that:

- helps SMEs to overcome the knowledge based barriers that can prevent them from maximising growth opportunities;
- provides access to relevant advice and guidance to businesses as they grow and is easy for businesses to understand and access.



IMPROVING ACCESS TO FINANCE

Create a regional 'escalator' of funding sources, from both the public and private sectors, so that businesses have access to appropriate finance as they grow, delivered through:

- programmes that ensure that they are 'investment ready' to maximise opportunities available to them;
- targeted financial support packages for specific business groups.

2e. Supporting firms to become internationally competitive and attracting inward investment

Businesses that operate internationally, whether foreign owned or domestic exporters, tend to have higher rates of productivity and innovation compared to those who only deal in the domestic market.

Strengthening the ability of East Midlands' businesses successfully to exploit overseas markets, and assisting high quality investment projects to come into the region generates real benefits both for the businesses themselves and for the wider economy. Recent evidence shows that:

- entry into new overseas markets is one of the potential 'tipping points' in business development, at which external help in offering new knowledge, skills or expert advice can have a disproportionately beneficial impact;
- barriers to international trade are real and significant to both experienced and inexperienced exporters;
- businesses that are innovative, or have previous exporting experience, are more likely to achieve significant financial benefits.

In a global marketplace it is essential for businesses to identify the best ways in which to grow internationally.

In a global marketplace it is essential for businesses to identify the best ways in which to grow internationally. Instead of simply exporting this may involve outsourcing, offshoring or partnering with others to share the risk of large investments or research projects.

Attraction of foreign direct investment (FDI) is important but must be carefully targeted; knowledge-driven and R&D intensive investments should be given priority over generic low-skilled employment provision. Aftercare relationship management of our existing foreign investors (investor development) has become increasingly prominent in drawing in additional investment from these firms and their suppliers.⁷⁴

It is important to recognise the many connections that the East Midlands has worldwide, such as in culture, sport and education, provide opportunities for the region's economic development. For instance, the thousands of international students in the region provide an opportunity to raise the profile of the region overseas. These connections will continue to be developed through partnership working under the banner of East Midlands International Connections (EMIC).



PICTURED: ENVIRONMENTAL TECHNOLOGY CENTRE AT THE UNIVERSITY OF NOTTINGHAM.

2e PRIORITY ACTIONS

INCREASING INTERNATIONAL TRADE

Support businesses to increase their overseas trade by:

- providing tailored export services, including specialist support for businesses looking for opportunities in Brazil, Russia, India and China (BRIC);
- devising programmes to develop business skills in areas such as international sales and marketing, language and culture;
- assisting companies, where appropriate, to internationalise through offshoring, joint ventures and strategic partnerships.

TARGETING FOREIGN DIRECT INVESTMENT

Target FDI activity on those market sectors that are likely to contain knowledge driven, R&D intensive investments and back this up with:

- specialist support to the investing companies to their local needs, including aftercare support;
- specialist support that meets the needs of those larger companies that fall outside mainstream business support mechanisms.

2f. Building the visitor economy

The visitor economy is set to make a growing contribution to the region's prosperity and productivity; providing a range of flexible employment opportunities, stimulating enterprise, boosting the region's rural communities, and strengthening the profile of the East Midlands as a place to visit and invest. The tourism industry is already vital to the region, with £4.4 billion of annual visitor spending and 150,000 jobs.⁷⁵

A thriving visitor economy strongly supports and encourages an enterprise culture, as more than 80% of tourism employment is within SMEs.⁷⁶ The challenge, however, is to ensure that the many micro and lifestyle businesses in the sector (including rural and farm-based) are given the support required radically to lift standards of product and service quality, innovate sales and distribution channels; and closely target their marketing to attract high value customers.

A thriving visitor economy strongly supports and encourages an enterprise culture.

A major growth opportunity is inbound tourism, where there is potential to increase the number of staying visitors. There are major opportunities for attracting more leisure-based visitors from short-haul European markets and other niche opportunities exist with some long-haul markets, such as USA.

Sophisticated inbound visitors demand high-quality provision, both in terms of facilities and service. In general the quality of the offer, particularly in terms of accommodation, needs to be upgraded and is a priority investment. Universities in the region have a dual contribution to make: they generate inward investment visits as a net importer of students, and they can support the business involved in tourism through both research and management development.

There is significant potential to establish the region as a business tourism hub. This is defined as all travel to meetings, conferences and exhibitions and represents a major growth opportunity given our central location and transport links. To be internationally competitive the region will need a significantly improved offer, which could include a major dedicated conference and exhibitions facility or substantial upgrading of existing stock.

2f PRIORITY ACTIONS

INCREASING VISITOR SPEND

- Target regional and sub-regional marketing and promotion with the aim of increasing visitor spend, particularly from staying and inbound visitors.
- Develop a coordinated campaign to encourage investment in public realm, conferencing and business tourism facilities.

2g. Harnessing culture in the East Midlands

Distinctive destinations, a thriving cultural life and a 'sense of place' are crucial to the economic success of the region. Cultural, arts, heritage, sporting and tourism assets (e.g. theatres, sports venues, historic sites and festivals, cultural and creative businesses and practitioners) attract and retain skilled and talented investors, graduates and young people. They add immeasurably to the quality of life of residents and communities. They also support the tourism, cultural and creative industries in making a major contribution to employment and wealth creation across the region. The Department for Culture, Media and Sport estimates that cultural and creative industries account for 7.9% of UK GDP. The Cox review highlighted the wider role of creative industries and the need to enhance business productivity by drawing on our world-class creative capabilities.⁷⁷ The development of a Cultural Observatory for the East Midlands in 2006, will enable the examination of the scale and role of creative and cultural industries in the East Midlands, and allow development of clear targets to measure the growth of this sector in the region.

2g PRIORITY ACTIONS



TARGETING GROWTH OF CREATIVE AND CULTURAL INDUSTRIES

- Protect, conserve and enhance the key regional cultural and historic assets to maximise their contribution to the regional economy.
- Support the cultural sector to create opportunities for community participation and to develop social capital.

2h. Supporting SMEs to harness business opportunities such as public procurement

Public procurement represents a key opportunity for SMEs to harness regional business opportunities. Data from the Public Expenditure Statistical Analyses 2005, published by HM Treasury, shows that total identifiable public expenditure in the East Midlands was around £23.2 billion (£16.5 billion by central government departments and £6.7 billion by local government) in 2003/04, which is 6.2% of the total for the UK. This is equivalent to 37% of the value of the East Midlands' economy, and whilst not all of this will be available through the procurement process it nevertheless gives some idea of scale.⁷⁸

Careful use of public procurement can help stimulate changes in the businesses involved.

Careful use of public procurement can help stimulate changes in the businesses involved, including growth, increased diversity, innovation to processes and products and increased demand for skills. This change can subsequently encourage firms to access support to meet these new pressures.

Businesses, particularly SMEs and social enterprise, will need to be supported to ensure they are in a strong position to take up the opportunities in public sector supply chains in all sectors of the economy. In the construction sector in particular, key partners need to work together with contractors to ensure that skills and employment benefits from major building developments are maximised.

Economic opportunities of London 2012 Olympic and Paralympic Games

Economic opportunities presented to the region as a result of the London 2012 Olympic and Paralympic Games will be both direct and indirect. They are likely to include: large scale public procurement contracts for goods and services required in the run-up to the Games; hosting of pre-Games training camps; and additional tourism as a result of increased international profile.

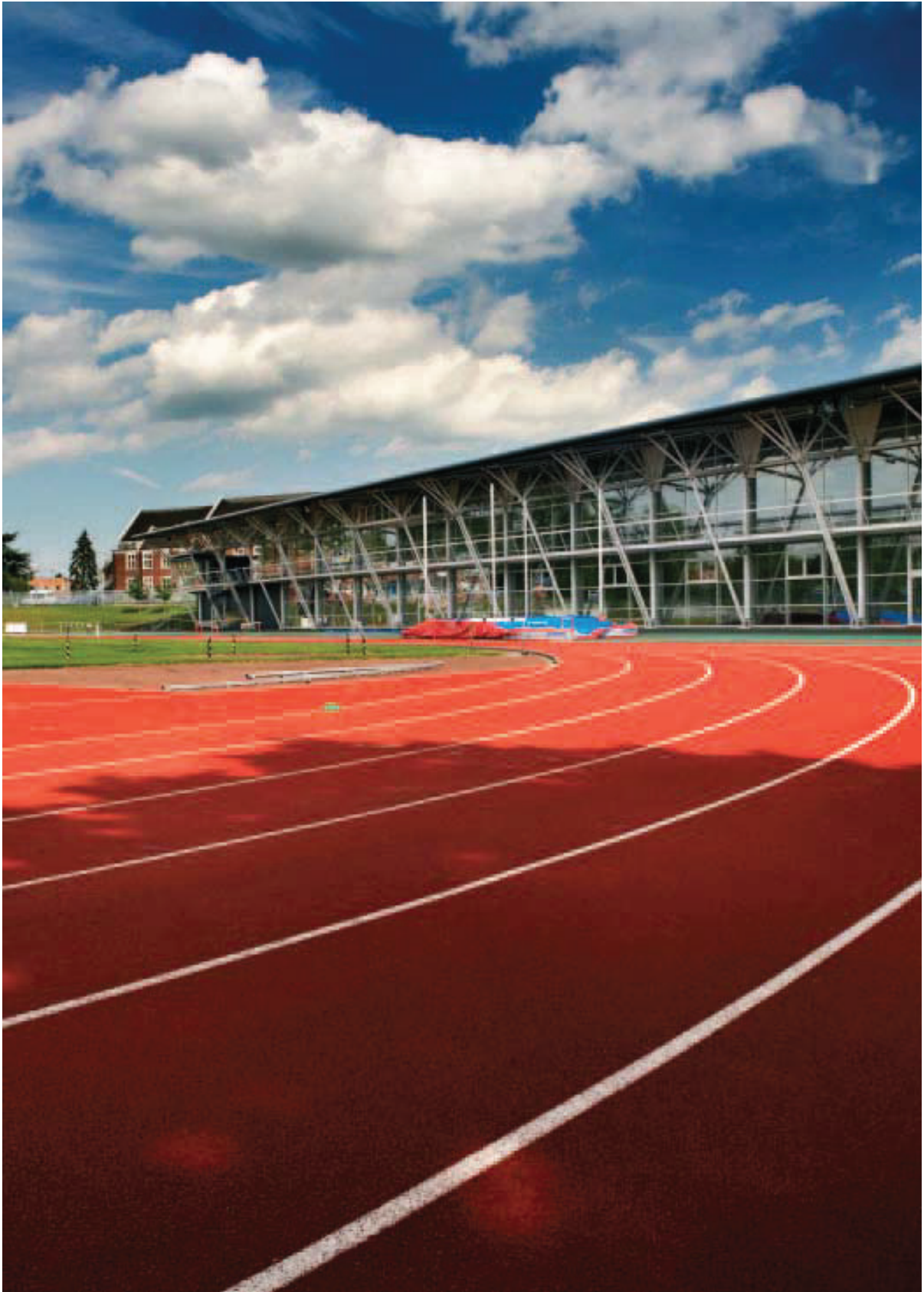
In addition to these direct benefits there may also be less direct or tangible benefits associated with the 'feel-good' factor stemming from hosting a successful Games in the UK and potential public health benefits linked to the use of the Games to promote

enterprise and business support



PICTURED:
Top left: Checkprint
Ltd, Leicestershire;
left: Under Scan by
Rafael Lozano-
Hemmer;
below: fine
artist at work in the
LCB Depot, Leicester.





PICTURED: SPORTS FACILITIES AT LOUGHBOROUGH UNIVERSITY.

participation in sport. The experience of non-host regions in Australia at the time of the Sydney Games in 2000, suggests that by far the most significant of these economic opportunities will be prior to the Games themselves - in particular procurement and pre-Games training camps. The Games will stimulate considerable tourism activity, particularly before and after the event itself, as the profile of the UK is raised on the international stage. The region is well placed to exploit this opportunity.

These potential opportunities and benefits cannot be taken for granted. The Australian experience suggests that maximising the regional benefit derived from the Games will require a huge concerted effort from both public and private sector. Careful targeting of activity will be key.

The East Midlands has significant advantages as a venue for pre-Games training camps, including a vibrant and successful centre for performance sport at Loughborough University, a high concentration of excellent facilities, support services, coaches and athletes in the region, and a strong sporting heritage, with 22 national governing bodies of sport based in the region.⁷⁹ In particular we have excellent facilities, relative proximity to London and low costs relative to London. This last factor is particularly relevant as a factor in attracting smaller (less well resourced) Olympic Teams. There are also a range of business opportunities in addition to public procurement that can help stimulate regional businesses. Supply chains also offer opportunities but can be difficult for SMEs to access.

The Games will stimulate considerable tourism activity, particularly before and after the event itself.

2h PRIORITY ACTIONS

MAXIMISING THE BENEFITS OF PUBLIC PROCUREMENT

Develop a Regional Procurement Opportunities Plan aligned with the National Procurement Portal to open up more market opportunities, in the region and nationally, to regional businesses.

MAXIMISING THE BENEFITS OF THE LONDON 2012 OLYMPIC AND PARALYMPIC GAMES

Develop a 2012 Action Plan which:

- provides businesses with the information and support they need to bid for contracts associated with the 2012 Games;
- optimises the opportunities from the 2012 Games by providing dedicated support/advice to SMEs bidding for contracts, and the targeted marketing of training facilities;
- builds the region's sports infrastructure to attract elite athletes as well as benefit local communities, so a legacy in terms of skills, health, culture and participation remains.

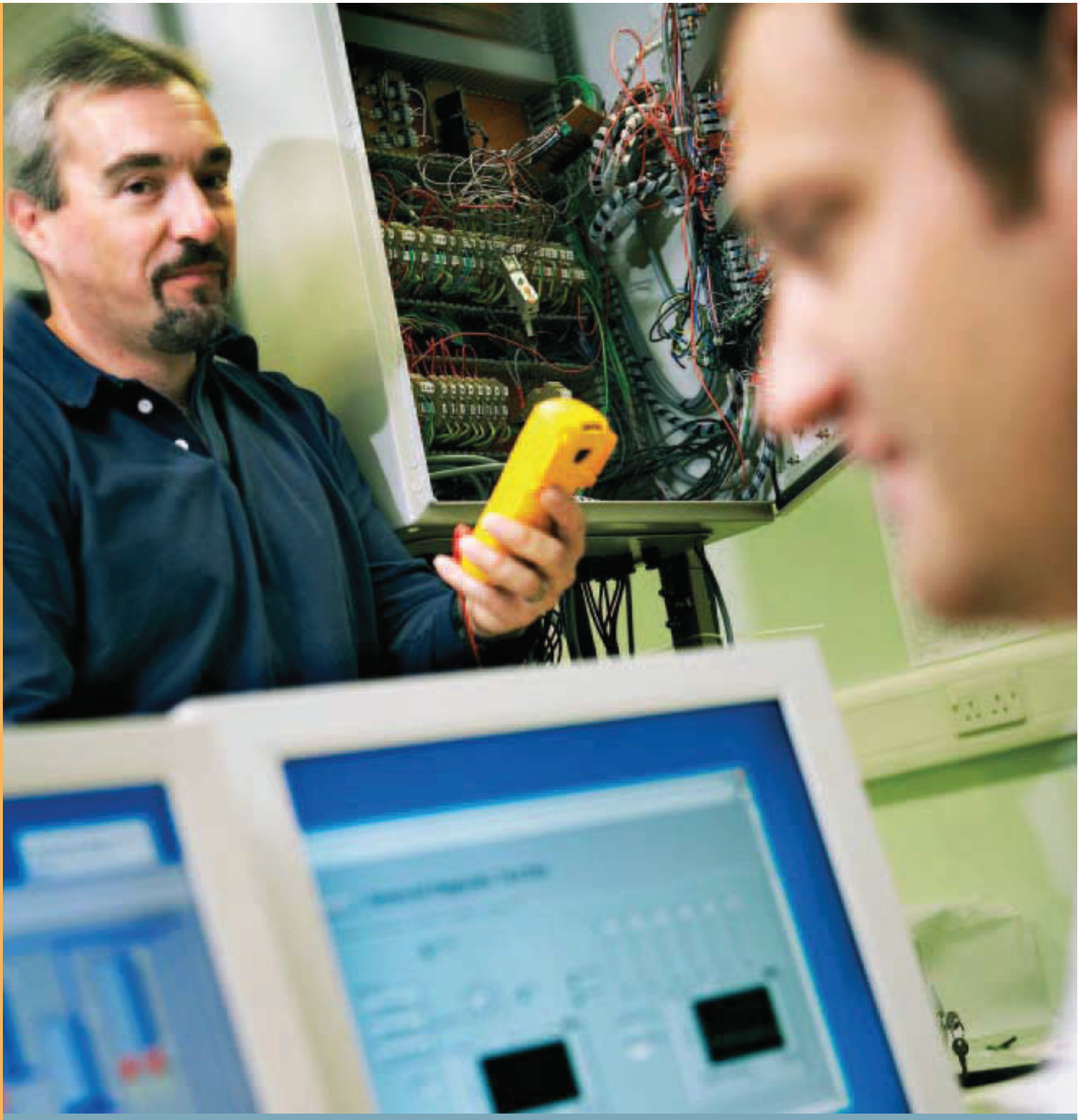
INDICATORS OF SUCCESS for Enterprise and Business Support

Business registration rate (per 10,000 population).

Increase the rate of VAT registrations to 40 per 10,000 population head and be at least level with the UK average by 2009.

Proportion of businesses surviving 3 years.

Maintain a 3 year survival rate above the UK average and be at least at 71% by 2009.



PICTURED:
Systems Engineering
Innovation Centre
(SEIC),
Loughborough,
Leicestershire.

3

Innovation

AIM: To develop a dynamic region founded on innovative and knowledge focused businesses competing successfully in a global economy.

Introduction

The global economy continues to evolve, with countries becoming ever more interdependent. The emergence of India and China, in particular, as engines of global growth is beginning to shift the international centre of economic gravity away from the North Atlantic towards the Pacific. The Government has recognised that the UK must meet this challenge by making the best possible use of the intellectual assets we possess. There is a requirement to maintain and build upon these assets through greater investment in innovation, science and technology and to continue to build more productive relationships between business and the knowledge base.

The 'Knowledge economy' features strongly in UK and European policy, but it does need to be clearly defined. At its simplest level, factors such as land, raw materials and cheap labour are no longer enough to produce goods and services that others want to buy. We must use the capabilities that others cannot match as easily - the *knowledge, skills and creativity* of the East Midlands' region. These assets will allow us to create new paths of development as we become a *flourishing region*.

Innovation can be described as the successful exploitation of creative ideas, through new products or processes. Design links creativity with innovation and brings new products and services. A stream of constant, successful innovation is therefore essential if the East Midlands is to remain competitive and standards of living are to increase. Innovation is also about products and services that are new to a particular firm

Creating an innovation culture and community across the East Midlands will accelerate and drive productivity. Nottingham's status as a 'Science City' and the strength and importance of our region's universities should be fully exploited. Currently, the level of co-operation between businesses and the knowledge base in the East Midlands lags behind the leading regions of the UK.⁶⁰ Businesses must be stimulated and supported to commercially exploit research excellence, building an economy dependent on expertise and knowledge. Universities must be motivated to reach out and support business R&D and knowledge transfer needs. Universities must also be both a source of new product ideas and technical innovation and the capabilities to exploit new ideas. A competitive region actively brings together its science and industry base to increase the rate and level of innovation across the region.

Creating an innovation culture and community across the East Midlands will accelerate and drive productivity.

These activities also need to build on our existing strengths as well as developing new areas of activity. The region has a strong industrial heritage and the manufacturing sector still accounts for 23% of the region's GDP. Developing economies, such as China and India, currently concentrate on labour intensive, standardised processes but this is beginning to change. As these countries move into higher value-added products so manufacturers in the East Midlands will need to respond by becoming more agile and identifying niche value-added markets through greater understanding and adoption of innovation and design best practice.

3a. Increasing investment in research and development

The capacity of businesses to innovate is directly linked to their long term sustainability and growth. Investment in research and development and design is positively linked to business performance measures such as sales growth, efficiency and market capitalisation.⁸¹

Research and development investment in the East Midlands is dominated by a few large businesses with significant R&D capacity, with relatively little undertaken by SMEs. Given that over 90% of the region's businesses are SMEs, the challenge is to increase their levels of innovation, as well as continuing the excellence within the larger established businesses.

Investment in research and development and design is positively linked to business performance.

Research and development is a key input into the innovation process. In the East Midlands, Gross Domestic Expenditure on R&D was equivalent to 2.3% of GVA in 2003, which is an improvement from 2.0% in 1998. Through improved focus we aim to increase this to 2.5% of GVA by 2005. The composition of this R&D expenditure differs from the UK average: most notably levels of investment by Government and Higher Education (HE) are lower in the East Midlands than the national average. Government R&D in the East Midlands is equivalent to just 0.1% of GVA, which is half the national average. HE R&D in the East Midlands is also below the UK average (at 0.4% compared to 0.5%).⁸²

As the amount of R&D undertaken in our higher education sector is lower than the national average it is harder for the East Midlands to attract additional R&D activities. Evidence from the Higher Education Funding Council for England indicates that each of the region's 10 Higher Education Institutes receive less income for research than institutions in core cities such as Manchester, Leeds, Birmingham and Sheffield. Furthermore, if we add together the total research funding for nine of our ten HEIs (excluding Nottingham University) it is considerably less than the individual funding for the 12 highest funded institutions in the UK. Through increasing collaborative work, East Midlands Higher Education Institutions could together achieve significant critical mass. It is vital that such critical mass is developed, individually and collectively, to enable the region to be globally competitive.

3a PRIORITY ACTIONS



INCREASING RESEARCH AND DEVELOPMENT

Provide targeted support to foster innovation within businesses and encourage them to undertake more research and development with the aim of:

- creating new market opportunities;
- developing innovative new products, processes and services;
- maximising the opportunities offered by existing support mechanisms (such as R&D tax credits) and improving access to finance for R&D.



DEVELOPING RESEARCH EXCELLENCE

- Develop research excellence so the region can compete for and benefit from a larger share of public and privately funded R&D;
- enhance the growth and investment in the region's research and science base, including the universities.

3b. Helping existing businesses deploy technologies and processes

The diffusion of technology across the economy is driving new markets and products and accelerating changes in business processes. Technology is enabling more efficient and flexible production in both manufacturing and services. The East Midlands can only remain competitive by bringing to market or making use of the latest available technologies. The region, and the manufacturing sector in particular, needs to be able to adapt and avoid becoming 'locked in' to a path of relative (or even absolute) decline and generate new paths of economic development from within.



PICTURED: SILSON LTD, NORTHAMPTONSHIRE.



PICTURED:
Above: Mixed Reality
Laboratory at The University
of Nottingham; left: IT server
technician, Nottingham;
below: The Richland Group
Ltd, Nottingham.



The region is already involved in the development of nanotechnology, fuel cells and low carbon technologies. Our capacity to exploit the intellectual property arising from these new technologies presents major opportunities. The East Midlands is well-placed in this respect with major companies such as Rolls-Royce and research institutions such as the genetics department at the University of Leicester.⁸³

Technology impacts on business performance. The productivity effects of Information and Communications Technology (ICT) investment are consistent across large and small firms making statistically significant returns across all industry sectors. A quarter of EU GDP growth and 40% of productivity growth is attributed to ICT⁸⁴ with its effects felt across all sectors with more than half of recent process innovations linked to ICT.⁸⁵ However, management and leadership skills are critical to the successful implementation of these technologies. American owned companies located in the UK tend to achieve greater returns on their ICT investment compared to European owned firms, and this is largely attributed to their organisation and management approaches.⁸⁶

Advances in technology are eroding the constraints of time and geography; people now live and work in a world where anyone can do anything, anytime and almost anywhere. But with over a third of East Midlands SMEs reporting that they have not adopted any sort of eBusiness technology or process, these benefits of technology have not yet been fully exploited.⁸⁷ Through the provision of business support services, businesses that are helped to challenge the way they use technology today will be better prepared to achieve greater returns tomorrow. Lack of penetration of higher speed broadband into rural areas has particular implications for productivity gains in rural areas.

Innovation East Midlands (InnEM) will identify as part of the region's Innovation Strategy, a number of cross-sector enabling technologies. These technologies will contribute to the development of all industrial sectors in the East Midlands economy. The following enabling technologies are strong candidates for inclusion:

- Environment and energy;
- Global navigational satellite systems;
- Digital technology;
- Advanced materials;
- Micro and nanotechnology.

Special attention will be given to the development of applications of enabling technologies in the priority sectors (listed on page 83).

3b PRIORITY ACTIONS

DEVELOPING AND APPLYING NEW TECHNOLOGIES

- Provide assistance in the development, promotion and implementation of new enabling technologies, products and processes, utilising support services that are aligned with the needs of businesses;
- establish collaborative networks between researchers, businesses, venture capitalists to ensure emerging technologies are brought to market.

3c. Resource efficiency through effective use of technology and management practices

The creation and adoption of new technologies, processes and better management practices, like the effective use of design of products and processes, produces clear benefits in terms of productivity, improving bottom line performance as well as providing wider environmental benefits.

Businesses in the region produce around 14 million tonnes of material waste each year and waste around one third of all the energy they buy. This has significant costs to the regional economy and to profitability. Recent national findings of the Environment Agency show that waste minimisation could yield almost a £3 billion saving in manufacturers' annual operating costs and that industry could save £1.8 billion through energy efficiency.⁸⁸ These figures are only likely to continue to rise, bearing in mind recent increases in energy prices which are already impacting upon businesses in the East Midlands and the country as a whole.

Businesses that innovate to reduce their waste and become more efficient in the energy and resources they use are more competitive, profitable and productive. Businesses need to better understand the opportunities afforded by greater resource efficiency and be

supported in taking advantage of them. It is therefore essential that opportunities for improving resource efficiency and minimising waste are built into the mainstream communication, interaction and support for all our businesses. We must also utilise the high levels of expertise in the region, from organisations such as the Centre for Sustainable Waste Management at the University of Northampton.

3c PRIORITY ACTIONS



PROVIDING BUSINESS SUPPORT ON RESOURCE EFFICIENCY

Introduce a range of resource efficiency business support measures that enable regional businesses to adopt leading best practice related to:

- avoidance, reduction and improved management of waste;
- creation of new markets for innovative products and services derived from waste;
- more productive and efficient use of energy, water and materials;
- promotion and implementation of environmental and sustainable benefits to businesses.

3d. Translating scientific excellence into business success

The East Midlands' region has a proud tradition of scientific excellence and research breakthroughs including the development of Magnetic Resonance Imaging (MRI) at The University of Nottingham, and Genetic Fingerprinting at Leicester University. Indeed, the region has a history of linking research with manufacturing innovation. However, much more can be done to connect this impressive world-leading science base to the regional economy.

The region has a history of linking research with manufacturing innovation.

Science is applied to a very wide range of activities. For example, it is represented in agriculture through improvements to growing crops, in manufacturing through advanced technologies and in services through electronic commerce and can be applied generally to innovation, diversification and alternative energy.

Cities are key drivers of economic growth. They act as pools of knowledge and attract highly skilled workers. Nottingham's strengths have been recognised by its recent designation as a Science City. This is an opportunity for the City to build on its science and technology heritage to benefit the conurbation and the wider region. The City's two universities spearhead Nottingham's science base. Scientific excellence is also found outside the two universities; the City based Queens Medical Centre (QMC) is the largest teaching hospital in Europe and the British Geological Survey (BGS), located just outside the City, is a world leader on earth science information.⁸⁹ BioCity is also an important innovation asset for the City.

Early plans for the development of Nottingham Science City include;

- engaging the wider community, particularly young people in science and technology based learning and careers;
- developing a property strategy, to ensure the right mix and availability of incubation and 'growing on space' for science and technology businesses;
- building international connections with cities with strong science bases;
- effectively exploiting resources, e.g. Framework Programme 7; the EU's main instrument for funding R&D.

The Times *Higher Education Supplement* world ranking of universities has The University of Nottingham ranked at 97th, the only university from the East Midlands in the top 200. This is a relatively poor regional performance with all but one of the other English regions having a higher ranked university. Nevertheless, the East Midlands benefits from a strong and successful HE sector with notable skills in key science, technological and creative areas. These must be developed and harnessed to underpin the economic growth of the region.

Currently, the UK ranks high amongst the G8 in terms of the number of patents and citations, which are considered as key indicators of scientific (and innovation) excellence.⁹⁰ However, the UK and the region distinctly lags behind many when it comes to successful commercialisation of such excellence. The USA, Germany and France have stronger science and industry links leading to greater commercialisation rates, measured for example in the number and type of licensing deals between universities and business. The US 'innovation system' and the German Fraunhofer institutes provide the environment for successful exploitation of scientific excellence. The Oxford to Cambridge Arc provides an opportunity for the East Midlands' region to benefit from the success seen in Oxford and Cambridge. This builds on the expertise of their universities and has a key role to play in stimulating the knowledge-led economy across the MKSM growth area.⁹¹

Data suggests that compared to the leading countries in Europe, relatively few UK companies cite co-operation with the science base as an important way of accessing knowledge and advanced technology.⁹² All key institutions in the region must retain a collective focus and work together for continued scientific excellence and apply that for the benefit of the wider community in a continuous cycle of innovation and improvement.

3d PRIORITY ACTIONS

MAXIMISING THE IMPACT OF SCIENCE CITY NOTTINGHAM
 Maximise the impact of Nottingham's Science City designation to the benefit of the wider region particularly in science and technology focused infrastructure development and regeneration by:

- encouraging greater and more effective collaborative working between the Nottingham Universities, other research establishments and businesses to build the infrastructure, expertise and knowledge needed to attract and retain high value science and technology based businesses;
- extending outwards from Nottingham to develop regional research excellence.

COMMERCIALISING SCIENTIFIC EXCELLENCE
 Introduce more effective initiatives to facilitate greater collaboration between businesses and the regional research community, including the universities, with the aim of:

- matching research capability to business needs, leading to increased commercialisation of the region's scientific excellence;
- exploiting the benefits associated with wider intellectual property rights in order to develop innovative new products and services and create new market opportunities;
- providing specific business support throughout the commercialisation process.

DEVELOPMENT OF LAND AND PROPERTY
 Develop land, property and facilities which maximise opportunities for collaborative innovation activities and inward investment by providing quality sites and buildings which support enterprise development. Proposed developments should:

- be linked to RES priority sectors;
- maximise clustering benefits;
- improve links between academic institutions and businesses;
- be supported by the work of Innovation East Midlands and blueprint;
- encourage sustainable building design.

INDICATORS OF SUCCESS for Innovation

Gross Domestic Expenditure on R&D (GERD).

To increase gross domestic expenditure on R&D to 2.5% of GVA by 2009.

% of businesses' turnover attributable to new & improved products.

To increase the proportion of business turnover attributable to new and improved products to 6% by 2009.



PICTURED:
Top: Construction work at the Eagle Centre Westfield project in Derby; left: Southglade Food Park technology laboratory; below: Dunston Innovation Centre, Chesterfield.



Growing the region's key sectors

Industrial restructuring is a long term process and the consequences can be severe, especially in areas dependent upon a small number of industries. There are, however, also benefits such as more competitive businesses, greater choice for consumers and lower prices. The East Midlands, along with others in the UK, continues to experience this restructuring, which has been driven by both domestic policy (e.g. privatisation) and external factors (e.g. the development of manufacturing activities in low cost developing economies).

Successive Regional Economic Strategies have had at their heart the need to transform the economy to ensure that the East Midlands is globally competitive, increasingly based on knowledge and innovation and demonstrates adaptive capacity⁹³. To achieve these aims we must enable key industrial sectors to reach their full potential and act as drivers of growth. This Strategy identifies and provides a framework for public sector support for developing the region's key sectors. This support will involve *emda* (including Innovation East Midlands and Business Link), Sub-Regional Strategic Partnerships (SSPs), the regional Learning and Skills Councils (LSC) and the Skills for Business Network, UK Trade & Investment (UKTI), as well as other national, regional and sub-regional partners with sector-targeted activities. There will also be a need to work closely with each sector to address specific skill requirements. This will be developed alongside the work of the Employment, Skills and Productivity Partnership (esp). This will especially involve the Skills for Business Network in response to sector skills agreements. Support provided will be specifically to address market failures faced by businesses in those sectors and will be time limited.

There are strong linkages here with the Employment, Learning and Skills, Innovation and Enterprise and Business Support Strategic Priorities. The links between innovation and skills are particularly important, as research suggests that a high level of workforce skill and well developed knowledge and learning networks within sectors greatly increases the capacity to innovate and deploy innovative products and processes.⁹⁴

Priority sectors

The following four sectors are likely to make the greatest contribution to the East Midlands' economy over the lifetime of the RES:

- Transport equipment;
- Construction;
- Food & drink;
- Healthcare.

The four priority sectors were selected on the basis of a number of measures that identify sectors that:⁹⁵

- perform strongly on productivity and /or have high quality jobs (in terms of higher wages reflecting a greater emphasis on workforce skill);
- have good prospects for growth;
- have a significant presence in the region - in absolute terms and relative to the UK.

Analysis indicates that targeted interventions will have a greater impact in terms of closing the productivity gap that exists between the East Midlands and the UK. By targeting these four sectors around £14 billion of additional GVA is generated. This compares with an additional £11 billion of GVA if intervention was spread more thinly across a greater range of sectors in the economy. This is detailed in the Economy and Productivity section of the RES Evidence Base.



PICTURED: EPM TECHNOLOGY, DERBYSHIRE.

Sector support

The priority sectors will require customised packages of specialist support to enable them to overcome barriers to growth and realise their full potential; it is unlikely that generic business support alone is sufficient to achieve this.

Support will be directed towards an identified market failure or developmental bottleneck and will address both the shorter-term business requirements and the medium to long term innovation and development needs of the identified sectors. Market failure should not be confused with lack of demand in the marketplace. In terms of sector policy, examples are:

- uncertainty associated with rapid growth or technological change that may be deterring investment in the sector or impairing the ability of businesses to respond quickly to a market need, e.g. meeting skills requirements;
- where a limited intervention can help a sector overcome co-ordination failures (i.e. the optimal outcome requires joint working within the sector and there is no incentive for any one business to make that happen individually) e.g. networking or establishing research centres; and
- where there is incomplete information to make judgements about the prioritisation of public sector resources, and a better flow of information is needed between the sector and government, e.g. account management.

By targeting those sectors with the most significant market opportunities and removing developmental barriers to their growth, we will be in a position to maximise the return on the public sector investment in terms of increased economic output in the East Midlands.

Previous strategies focused on clusters rather than sectors. This approach was based on the understanding that sectors that exhibited clustering features were likely to make a greater contribution to the economic development of the region than those not demonstrating these features. Within the new sector policy, clustering will continue to be encouraged where there is evidence that such an approach will enhance the economic development potential of a priority sector by encouraging speedier innovation and increased competitiveness. Only a limited number of sectors exhibit clustering at present, with aerospace and motorsport (part of the transport equipment sector) identified as requiring ongoing cluster support.

Importantly, businesses in those sectors that are not identified as priorities will continue to qualify for generic business support through the Integrated Business Support Network. Special measures for managing change may be needed where, for example, sectors are facing restructuring and businesses need help to diversify into priority sectors, or where action is needed to minimise the impact on local communities.

Some sub-sectors have particular significance at sub-regional level - e.g. high-performance sport in Loughborough, interactive leisure software around Derby and Nottingham, and industrial design in Leicestershire. In some cases these niche sectors may benefit from customised support provided by the relevant local agencies.

3e PRIORITY ACTIONS



GROWING THE REGION'S KEY SECTORS

Ensure that the priority sectors (transport equipment, construction, food and drink and healthcare) are considered in the implementation of other actions in the RES to support growth, address skills needs and focus on efficiency and excellence, for example:

- by ensuring skills and training providers are matching their provision to the needs of these sectors;
- by encouraging business support organisations to consider these sectors in the setting of their priorities and delivery of their services.

PICTURED:
Hill Holt Wood,
environmental social
enterprise,
Lincolnshire.



Section eight

Structural theme 2



Ensuring sustainability

Ensuring sustainability

AIM: Developing and enhancing the region's communities, and its assets of physical infrastructure and the natural environment to ensure they contribute effectively to the region's productivity and economic wellbeing, both now, and into the future.

Context

Achieving the environmental goals set out in the Integrated Regional Strategy, protecting the environment, more efficient energy and transport use, and investing in community assets all make economic sense. Efficient use of natural resources, energy and transport, minimising waste and pollution, improving the built environment and protecting the natural environment can make businesses more competitive. Alongside the broader sustainable development agenda outlined earlier, the 'Ensuring Sustainability' theme focuses on physical infrastructure, and environmental issues. These are key to delivering all the themes within the *flourishing region* vision, ensuring the provision of more sustainable communities where people want to live and work.

Scale of the challenge

Infrastructure connectivity and a high quality environment matter to the economy. Many businesses in the region stress the need for more to be done to improve our transport infrastructure, and there is a demonstrable link between transport accessibility improvements and economic growth. For example, in Nottingham the NET tram project has connected deprived communities to job opportunities, and in Corby, regional partners are working to reinstate rail services to support regeneration of the local economy. It is equally important that we have the necessary housing and infrastructure to serve the population of the region. Housing and the economy are mutually dependent. Housing is not only a key sector itself, in terms of construction and design for example, but also critical to the quality of life experience of people living and working in the region. House prices in the region have risen considerably in recent years, rural house prices have risen by 154% in the East Midlands between the first quarter of 1996 and the third quarter of 2003. This compares to a rise of 133% in urban house prices over the same period in the region. Attractive and affordable housing creates communities where people want to live and therefore where businesses want to invest. Good environmental practice through waste minimisation, greater energy and water efficiency and improved environmental management practices will make the region both more competitive and attractive.

In Corby, regional partners are working to reinstate rail services to support regeneration of the local economy.

If the *flourishing region* vision is to be realised, the region needs to ensure efforts and resources address regional regeneration priorities, as well as taking opportunities to support growth. In the context of both need and opportunity, this should include maximising the potential assets and opportunities of our existing mature and growing urban areas, small urban areas and rural communities, as well as the growth centred around the MKSM growth area.

Place

The East Midlands as a 'polycentric' region consists of a large number of different-sized settlements and communities, from the main urban areas of Derby, Leicester, Lincoln, Northampton and Nottingham, through to smaller market towns and villages. They all have a role to play in supporting the region's economic growth and development and their respective offers should be enhanced and supported.

Cities are key drivers of economic growth. 'The Three Cities' collaboration (Derby, Leicester and Nottingham) helps provide co-ordinated action on some key strategic issues around economic competitiveness and complementarity; as well as connectivity between the cities. An increasing awareness of the 'city-region' concept is helping develop cross-boundary working between local authorities within and across the urban conurbations of the three individual cities. It also helps progress work relating to land supply and economic development, and the ease of movement of goods and people within the wider conurbations. Action at the level of the individual city or wider conurbation administrative areas remains key, including provision of local services, skills and education, driving forward regeneration and renewal, and implementing local transport improvements.

The region's unique spatial dimension throws up a number of opportunities and challenges that need to be supported in promoting long-term sustainable and balanced growth. Examples include; the Northamptonshire growth area (with planned housing, infrastructure, and employment development), aspirations for higher levels of growth within the Three Cities sub-area and in the north the continued revival of the former coalfield areas. The Eastern sub-area provides a further series of challenges; with Lincoln as an economic driver at the heart of a large rural county. Finally, the region's many smaller towns and villages have an important and distinctive role to play in the overall development of the region. Their businesses and communities have inherent growth potential to support sustainable and productive rural areas.

The region's many smaller towns and villages have an important and distinctive role to play.

It is important that the contribution of our cities and primary urban areas to the region's economy is recognised and appropriately supported. It is equally important, however, for the RES to provide the economic framework for individual area development plans or strategies in order to ensure that all parts of the region have the opportunity to grow and benefit from their increased performance.



PICTURED: BRAYFORD WHARF, LINCOLN.



PICTURED:
The Skylink bus
network to
Nottingham East
Midlands Airport.

4

Transport and logistics

AIM: To improve the quality of regional infrastructure to enable better connectivity within and outside the region.

Transport and ICT infrastructure provide the links which enable the region's economy to function effectively, and allow it to grow. In general terms, transport has a key role in helping regional and national economies function, and serves a catalytic role by providing people with access to employment and educational opportunities, and businesses with access to both labour and markets. The region has key assets such as Nottingham East Midlands Airport (NEMA), and a strategically advantageous location on national strategic transport networks. We share boundaries with five other regions which provides access to and from markets, investment, and opportunities in those regions in addition to our own indigenous growth. Therefore, our location and connectivity are key strengths enabling us to achieve our economic objectives and aspirations. Transport and accessibility issues link directly to objectives relating to increasing productivity, but also to sustainability and equality issues. The reliability and quality of links within the East Midlands must be maintained and improved. Whilst 99% of the region's population now has access to broadband, further steps are required to ensure the region can also respond to, and provide access to, next generation technologies.⁹⁶

Infrastructure, accessibility and connectivity

Good regional infrastructure is a fundamental prerequisite for successful regional development.⁹⁷ The quality and efficiency of the region's transport infrastructure is essential to its attractiveness and success as a place to live, work and invest. It has an important role in helping address or overcome peripherality or relative isolation from drivers of economic growth and opportunity, and improved management of travel demand and behaviour relates directly to both the productivity and the environmental agendas. Improved reliability and capacity of networks and public transport services can help improve local environments, the quality of life, and community participation. Good transport connectivity and accessibility are seen as a fundamental element and basis on which a successful regional economy, and successful and sustainable communities, will flourish. This applies equally and poses distinctive challenges in rural areas, in order to ensure vibrant economies and communities.

Transport contributes directly towards economic growth, both in areas of growth, and areas of regeneration need. Transport accessibility has been a key objective in efforts to progress regeneration and economic growth and restructuring in the former coalfield communities in the north of the East Midlands. By addressing the barrier of poor accessibility and the need to improve reliability, transport schemes and investment can help create new employment opportunities, and provide improved economic conditions and stability in the region. Similarly, in areas of growth and opportunity, such as MKSM, the provision of infrastructure and transport services is key to ensure more sustainable patterns of development.

Good regional infrastructure is a fundamental prerequisite for successful regional development.

The key surface routes that serve the region include:

- **rail** - the Midland, West Coast and East Coast main lines all provide high speed links to key destinations. Midland Mainline will soon provide integrated links with European networks via St Pancras in London;
- **road** - the M1, M69, A1, A14 and A42 are among the strategic road routes accessing the region.

East-west routes are generally poor compared to the north-south routes through the region. This has implications for the competitiveness of the region and means that the east of the region is relatively isolated from key centres of economic activity. Ensuring that main rail routes provide reliable and regular connections to London will continue to be a key priority, as will working to improve and increase rail connectivity to other key locations in neighbouring regions, such as Leeds, Birmingham, and Manchester, and important trade routes such as the Nuneaton to Felixstowe rail link. Regional partners will continue to work with transport operators and Government to explore opportunities to address weaknesses or gaps in regional rail connectivity through for example, the Department for Transport's Transport Innovation Fund.

In addition to the relatively poor east-west links, there are significant behavioural challenges facing the region: for example, in the decade up to 2003, the region saw the largest increase in road traffic of all the English regions. This has implications for the efficiency and reliability of the region's road networks, as well as performance against environmental objectives. The resulting congestion imposes costs on the regional and national economy, but the success of the congestion charge in reducing traffic levels in London shows that in certain circumstances public intervention can work to help reduce the negative impacts of congestion, and that demand management schemes should be explored in the regions.

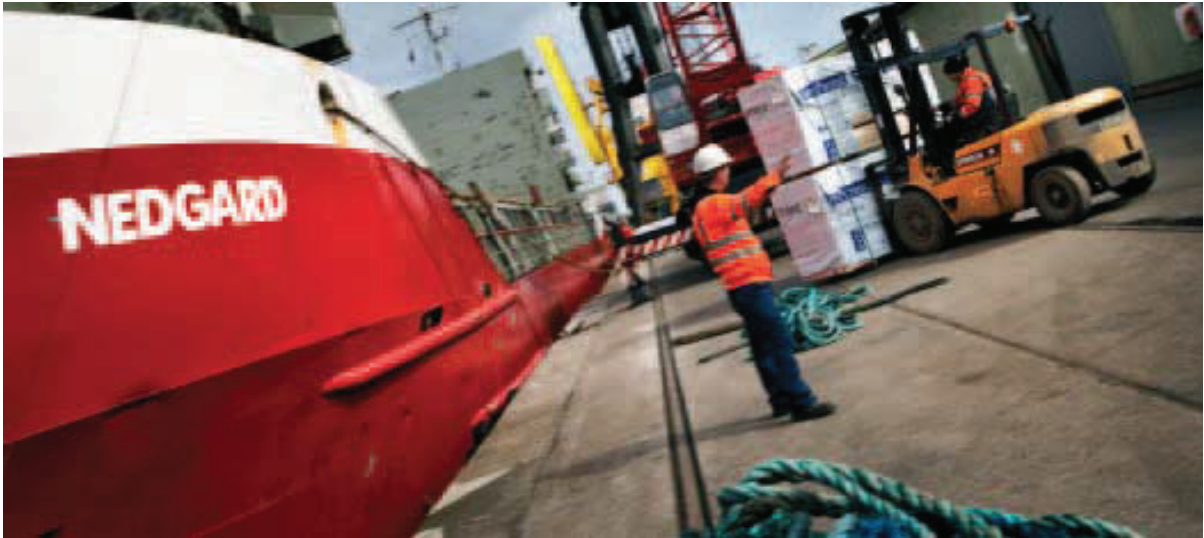
A strong message from the business community is that the reliability of journey time is often more of an issue than seeking to reduce journey time. Businesses and investors require a degree of certainty over how long journeys will take in order to be able to plan and manage supply chains, to distribute goods and people, and to meet customer expectations and commitments. Uncertainty over journey times requires them to plan for considerably longer journey times, and this can impose additional costs. However, issues relating to reliability are not only relevant to car and road travel. In terms of public transport journeys, the reliability and predictability of the quality of service, as well as journey times are key elements in efforts to improve the competitiveness and use of public transport.

A central location and the strategic routes that serve the region make it an attractive location for distribution activity.

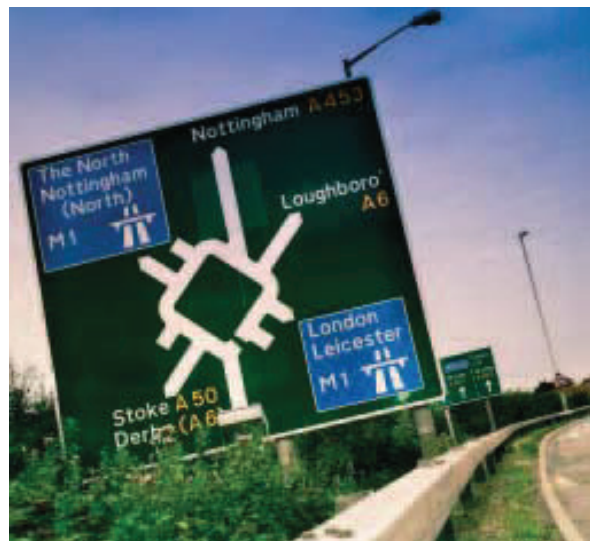
A key regional priority is working to achieve behavioural change to reduce reliance on the car, and encourage use of public transport.⁹⁸ This will require improvements to key interchanges and gateways, building on the masterplanning and accessibility planning activities currently underway. In addition to demand management and innovative policies and approaches to reduce the demand for car travel, new and improved infrastructure will also be needed. The Regional Funding Allocations advice for the East Midlands has identified a number of transport priorities to 2016 which support regional economic and regeneration objectives either by improving infrastructure of strategic significance, or supporting sub-regional growth and addressing the barriers to access.⁹⁹ The recommended package fully supports the RES, and includes key strategic schemes such as: the dualling of the A453 between the M1 and Nottingham; and the dualling of the A46 between Widmerpool and Newark which will help improve east-west, and urban-rural connectivity. Schemes such as the improvements to the A1073 in Lincolnshire will help address infrastructural weaknesses and help improve cross-regional accessibility in support of important economic sectors. Other schemes designed to meet a range of sub-regional economic growth and regeneration objectives, such as the Markham Vale motorway junction (the Markham Employment Growth Zone), Mansfield Bus Station, the A43 Corby Link Road, and the Lincoln Eastern by-pass are also included and will help support a range of economic and physical development objectives.

A central location and the strategic routes that serve the region make it an attractive location for distribution activity, and parts of the region have concentrations of logistics sector activity. Issues around employment land supply are covered in Strategic Priority 7. Freight movements are an important enabler that serve many sectors of the economy, and contribute directly to regional productivity. 'The Regional Freight Strategy' helps set out priorities, and actions to help realise regional objectives for improving the efficiency and reducing the impact of freight movements. Many of these objectives will be facilitated by improving strategic and local rail infrastructure and enhancing accessibility. A regional priority is to improve provision of inter-modal freight facilities and rail gauge clearance for modern container traffic.

transport and logistics



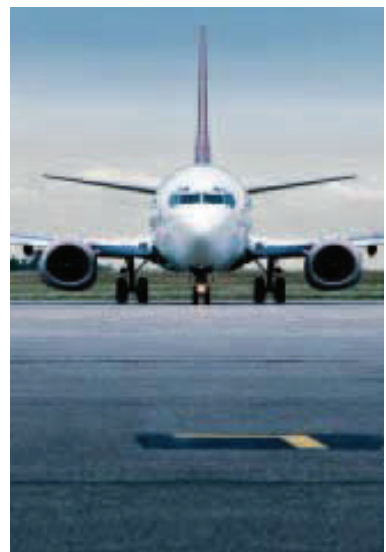
PICTURED:
Above: Workers at the Port of Boston, Lincolnshire;
left: Leicester Train Station;
below: East Midlands road network.



transport and logistics



PICTURED:
Nottingham
East Midlands
Airport.



In relation to freight movements, good road and rail connectivity to sea ports is vital to the region's economic competitiveness and success. This includes major international ports in other regions, such as Felixstowe in the Eastern region, and the Humber ports, as well as smaller ports like Boston and Sutton Bridge in the East Midlands.

Nottingham East Midlands Airport

Regional airports impact directly on the economic competitiveness of locations served by them.¹⁰⁰ The region has relatively good air accessibility, well served by Nottingham East Midlands Airport (NEMA) within the region, and a number of others outside the region which are used by people living and working in the East Midlands, including Robin Hood Doncaster Sheffield, Stansted, Coventry and Birmingham International.

NEMA is the second largest international freight hub in the UK (after Heathrow), and the largest for the volume carried on dedicated freight aircraft. NEMA serves as a national express freight hub specialising in the movement of high-value, low-weight items and so serves many growth sectors of the economy including pharmaceuticals, IT, business services, and high-value engineering.¹⁰¹ The express freight sector moves goods by a wide range of transport modes, with air movements only used to meet the needs of businesses for express deliveries to a wide range of foreign destinations. The vast majority of goods moved by express freight air are for business to business transactions. Therefore, in the context of international trade and competitiveness, the ongoing function and success of NEMA, particularly as a strategic express freight hub, is important as it is one of the region's key economic assets.

In addition to direct employment which is forecast to continue to grow, the economic benefits of airports include wider catalytic benefits such as support for inward investment, international trade and tourism. Successful regional airports offering a range of business and leisure services can help contribute to efforts to reduce the need for surface travel and reduce congestion and road mileage by removing the need for East Midlands' residents and business to undertake longer surface journeys to access air services.

The Government's Aviation White Paper (December 2003) supports the growth of NEMA with passenger and freight traffic, and acknowledges its national role for freight operations. However, the growth of NEMA will require improvements to surface access, especially by public transport, to maximise the benefits of that growth, enabling workers to access employment and training opportunities at NEMA. Improving surface access to airports, especially by public transport, will remain a key regional priority to help realise these benefits over the longer term, particularly where improvements help regional workers access employment and training opportunities at airports. At NEMA the development of the planned Parkway Station is a priority to improve public transport accessibility for passengers and employees and a long-term regional aspiration is for a fixed public transport link to NEMA.

As part of the NEMA's continued growth, the opportunity for non-operational airport related activities to be developed off-site, within the broader Three Cities sub-area will reduce the need for employees from urban areas to travel to the Airport site.

Whilst working to maximise the benefits of the expansion of NEMA, there also needs to be a comprehensive package of measures to help reduce and mitigate the environmental impacts associated with this forecast growth. The NEMA Masterplan, due for publication later in 2006, will be key in this regard and in helping inform local and regional plans and strategies.

NEMA is the second largest international freight hub in the UK (after Heathrow), and the largest for the volume carried on dedicated freight aircraft.

transport and logistics



PICTURED: CENTRE FOR TECHNOLOGY EXCELLENCE, EDWINSTOWE, NOTTINGHAMSHIRE.

ICT Infrastructure

The provision and use of ICT infrastructure will be critical to improving the productivity of business and the future competitiveness of the region, but is regularly excluded from the early phases of planning developments and regeneration projects. An affordable, entry level broadband is available to over 99% of the East Midlands' population, but to remain competitive the public and private sectors need to plan for investment in next generation technologies and infrastructure. All new build projects should consider the ICT connectivity needs as part of the design process as installing civil infrastructure after the construction of a building could be up to ten times more costly than during the build.

In rural areas, ongoing investment will be required, especially in the more remote areas which are in danger of being excluded from the benefits of the higher speed 'new generation' ICT connections. These connections could offer significant potential for e-business in otherwise isolated locations, and help reduce the disadvantages of remoteness in the drive for increased economic productivity. ICT connectivity will also have a role to play in helping reduce the need to travel within the broader context of the behavioural change agenda.

4 PRIORITY ACTIONS

IMPROVE TRANSPORT CONNECTIVITY AND ACCESSIBILITY

To maximise the contribution the region's transport infrastructure and services make to the delivery of the RES objectives, the following actions will be promoted by regional partners to be taken through national agencies, RSS and RTS, Local Transport Plans and Development Frameworks, and transport operators:

- improve inter and intra-regional connectivity by strengthening links between the region's main urban centres, improving reliability on key routes for passengers and freight, and address poor connectivity or capacity to key centres in other regions, including London, Leeds, Birmingham, and Manchester;
- improve international accessibility by improving surface access to NEMA and other airports serving the region (including Robin Hood Doncaster Sheffield), and strengthening connectivity to mainland Europe by a range of modes, including rail via London;
- support regional regeneration and growth by improving access from all communities to employment and maximising the impacts of economic drivers and growth areas, unlocking investment sites in disadvantaged communities, and addressing inequality by improving accessibility;
- contribute to environmental, quality of life, and wellbeing indicators by implementing demand management measures, and access to recreation, sport, and cultural facilities.

MAXIMISE BENEFITS OF NOTTINGHAM EAST MIDLANDS AIRPORT, AND ROBIN HOOD AIRPORT

Realise the economic opportunities and benefits of NEMA and Robin Hood Airport. This includes recognising the need to address and monitor key environmental issues to help secure long-term sustainable growth. Key issues for action by local, regional and national partners are:

- surface access improvements to reduce the local impact of transport movements, and enable all communities to access employment and training opportunities;
- secure employment land supply in local urban areas through local development frameworks and strategies;
- ongoing partnership working to ensure skills, labour supply, and training opportunities help meet future Airport needs through groups like the NEMA Employers Forum;
- ongoing mitigation and technological responses to help reduce local noise and wider environmental impacts of the forecast growth in passenger and freight activity.

TRAVEL DEMAND MANAGEMENT

Support regional competitiveness by improving transport efficiency and reducing road congestion by developing innovative approaches to behavioural change, travel demand management, and integration, including exploring measures of congestion charging and measures to realise economic, wellbeing and environmental benefits.

INDICATORS OF SUCCESS for Transport and Logistics

% of workforce travelling to work by public transport, walking or cycling.

To increase the proportion of the East Midlands' workforce travelling to work by public transport, walking or cycling to 23% by 2009.



PICTURED:
Award-winning
Sherwood Energy
Village in Ollerton,
Nottinghamshire.

5

Energy and resources

AIM: To transform the way we use resources and use and generate energy to ensure a sustainable economy, a high quality environment and lessen the impact on climate change.

The challenge of global climate change requires that we make profound improvements to the way that we use our natural resources, across all sectors and activities including business, construction, households and transport. Making the transition to a more resource efficient and low carbon led economy represents a huge challenge for consumers and producers. At the same time it offers a significant economic opportunity for the region in terms of productivity savings, new market opportunities and increased economic resilience.

The aim of a low carbon economy is to have cleaner, more efficient production processes which strengthen competitiveness. It will produce better designed products and buildings that reduce environmental impacts from energy and materials usage, and shift consumption patterns towards goods and services with lower environmental impacts. It will manage and mitigate the necessary evolution of indigenous and traditional energy sources, industries and distribution systems by exploiting new and emerging technologies and innovation. It will create new businesses and employment, be less reliant on fossil fuel energy for wealth creation and wellbeing and deliver more efficient, less wasteful businesses with high levels of productivity.

A key element of the approach required is to reduce the demand for energy and resources - particularly challenging in a growing economy. This requirement for a change in awareness and behaviour is covered within the Innovation section.

5a. Responding to the challenge of climate change

Prioritised by the Government as 'the most severe problem we are facing today',¹⁰² we must address the causes of climate change and be prepared for the consequences and ensure that the region is well positioned to benefit from the new economic opportunities which will emerge.

There will always be uncertainty in understanding a system as complex as the world's climate.¹⁰³ However, there is now near universal evidence that significant global warming is occurring and that most of the warming in recent decades can be attributed to human activities. As economic activities both impact and rely upon a well functioning climate it is critical that the East Midlands responds to this global challenge by reducing our impact and preparing for the consequences of change.¹⁰⁴

Climate change is largely caused by the level of carbon dioxide in the atmosphere which pushes up temperatures and subsequently leads to higher sea levels. Research undertaken by the Association of British Insurers confirms that climate change is also increasing the regularity and intensity of extreme weather conditions with resultant costs to the economy in terms of the effects of floods, the subsidence of buildings, increased insurance premiums, etc.¹⁰⁵

Further, average annual temperatures across the UK could increase by between 2 and 3.5°C by the end of the 21st century. Temperature increases could result in the need for higher refrigeration and air-conditioning costs and impact upon the region's agriculture and forestry sectors.¹⁰⁶

The implications for the regional economy are wide and varied. We need to ensure that we fully understand the nature of these implications across all aspects of our economy and identify where and how we mitigate against change, adapt to new circumstances and exploit new opportunities.

5a PRIORITY ACTIONS

ADAPTATION TO CLIMATE CHANGE

Ensure that public and private sector leaders understand and respond to the impacts of climate change by:

- developing a regional climate change adaptation and mitigation strategy/action plan;
- providing support to businesses to undertake climate change risk analysis.

REDUCING THE DEMAND FOR ENERGY AND RESOURCES

Ensure that our need for energy and resources is minimised by:

- investing in better management and skills;
- driving change through public procurement;
- encouraging use of low carbon technologies;
- stimulating clean design.

5b. Exploitation of new and growing low carbon markets

Accessing the increasingly carbon-sensitive global market place is essential for the region to reach its growth aspirations. The region has significant strengths to enable exploitation of the growing market place for low carbon technologies. It has a strong energy sector heritage which offers cutting edge research in both universities and business, and the strong international connections these provide need to be supported and capitalised upon.

The cutting edge technologies, such as fuel cells, that are some years away from being commonplace, will require extensive enabling and transitional technologies to surround them and pave the way for their acceptance. This provides another clear strength that the region will be able to support and build upon. Our universities collectively boast research and teaching capabilities within the low carbon agenda that are respected worldwide, especially at the universities of Loughborough, Nottingham and Northampton. To develop our market lead further we must improve links between industry and the region's universities, and support the commercialisation of low carbon technologies, processes and services.

Businesses that adapt to and address the aspirations of the market and ultimately of consumers will benefit from a distinct advantage. Investors are already becoming carbon risk averse, while disclosure of environmental and climate change related liabilities to shareholders are increasingly required.

Therefore businesses that have embraced the realisation that there are limits to the carrying capacity of the environment to sustain our activities will offer a clear and distinct selling message above their competitors and minimise their liabilities against environmental, social and pollution regulations and gain access to the growing demands of consumers and markets for more sustainable goods and services. This global marketplace is expected to reach £440 billion per year by 2010.¹⁰⁷

5b PRIORITY ACTIONS

UTILISING RENEWABLE ENERGY TECHNOLOGIES

Maximise the economic and environmental benefits of renewable energy technologies by promoting their development and deployment through:

- the creation of a regional renewables investment plan;
- promote demand for and showcase renewables technologies;
- support supply chain development to ensure regional economic benefit from renewables investments.

EXPLOITING LOW CARBON TECHNOLOGIES

Ensure that businesses are well placed to exploit the opportunities presented by the growing global marketplace for low carbon products and services through:

- regional awareness raising and communications campaign;
- the provision of dedicated low carbon business support;
- creating stronger linkages between the private sector and Higher Education Institutions active in low carbon research and development.

energy and resources



PICTURED: INLAND REVENUE SUSTAINABLE BUILDING DESIGN IN NOTTINGHAM.

energy and resources



PICTURED: BROCKS HILL VISITOR CENTRE AND COUNTRY PARK, LEICESTERSHIRE.

5c. Ensuring an infrastructure for a low carbon economy

Stable, secure, reliable and equitable systems of energy and environmental support systems (such as energy, waste and water services) must be achieved to enable a sustainable regional economy.

The region's energy infrastructure is in a transitional period; large coal-fired generating capacity faces a foreshortened operational lifetime and forced significant capital investment; electricity distribution networks, cables and pylons are close to the end of their design life and wholesale refurbishment and renewal is required; lack of storage facilities for imported gas (already under considerable global supply pressures) for power generation and heat may lead to restrictions at times of high demand.

The region's existing capacity for waste disposal will be exhausted within 10 years even if all current waste reduction targets are met.¹⁰⁸ The waste infrastructure is therefore similarly at the threshold of transition - demanding extensive investment, and a need for innovation and future-proofing. It is essential that investment, development, growth and innovation in these systems support the requirements of our economy in a way that assists in the low carbon transition. Power generation will benefit from being smaller and more localised, providing heat as well as power services and using diversity of technologies and fuels, and being far less reliant on fossil fuels. Distribution of power will need to be far more reactive, allowing two-way transmission and managing more variable inputs from generation. It will enable far greater scope for security and reliability, and offer opportunities for ownership within the region - capturing energy spend within the regional economy - as well as strengthening parts of the region, specifically rural areas.

The region's existing capacity for waste disposal will be exhausted within 10 years even if all current waste reduction targets are met.

5c PRIORITY ACTIONS



ENERGY AND WASTE CAPACITY

Promote the development of a more secure, diverse and sustainable energy and waste infrastructure and innovative approaches to providing energy and waste services within our economy by:

- promoting and investing in renewable and low carbon energy generation;
- promoting and investing in diverse and localised energy supply;
- promoting and investing in diverse and localised waste management;
- influencing private sector utilities and regulators concerning the capacity and longevity of existing supply and distribution and waste management infrastructure.

INDICATORS OF SUCCESS for Energy and Resources

Carbon dioxide emissions by end user per £ million GVA.

To move towards the national average in total CO₂ emitted per £ million GVA produced by 2009.

Waste produced per £ million GVA.

To move towards the national average in total waste produced per £ million GVA by 2009.



PICTURED:
Conkers Visitor
Centre, developed
on the site of the
old Rawdon
Colliery.

6

Environmental protection

AIM: To protect and enhance the region's environment through sustainable economic growth.

Introduction

The environment is best described as a series of interdependent natural systems which host our society and economy. How we manage, respond to, and impact upon these natural systems has implications for the sustainability of our economy, our social structures and the environment itself. It is therefore, a critical part of the region's infrastructure. The environment provides essential goods and services that support our quality of life and our economic activities. It provides for our leisure and tourism needs, contributes to our wellbeing, enjoyment and health, and fulfils the basic human needs we rely on for our survival. The UK Sustainable Development Strategy states that we must regard the local environment as a major public service (like the NHS or education) which benefits us everyday.¹⁰⁹

We can categorise the environment in terms of: environmental infrastructure; and green infrastructure. Environmental infrastructure relates to the infrastructure upon which our economy and wider lifestyles directly rely to function.

Green infrastructure is a part of the wider environmental infrastructure and is concerned with the region's network of multi-functional green spaces which contribute to a high quality natural and built environment and our quality of life and wellbeing.¹¹⁰ It includes our biodiversity, open spaces, landscape character, water courses and waterways, air quality and natural heritage.

Environmental infrastructure provides the space and capacity for our homes, businesses, transport and other infrastructure (including green infrastructure); it contains minerals, water and other raw materials and resources which we extract, consume and to which we add value to support human activity, provide goods and services and create economic wealth; it provides a sink in which waste materials are stored, discharged, diluted or treated rendering them harmless or reducing the risk to people.

The effects of unsustainable economic growth have increasingly led to the degradation, and in some cases irreversible loss, of our green and environmental infrastructures, such as habitats and biodiversity; the depletion of resources beyond the environment's natural capacity to replenish them (for instance the over-extraction of water resources); and to loading beyond the carrying capacity of natural sinks and dilution systems (air quality and climate change issues). The relative low price of the resources provided by our environmental infrastructure has meant that we have not sought to make the best use of our existing built infrastructure and extracted materials. As such, an important part of reducing the pressures on our environmental infrastructure will be to deliver a step change in how we maintain, repair and extend the life of our existing, built infrastructure.

The environment provides essential goods and services that support our quality of life and our economic activities.

The region needs to achieve economic growth, but not growth at any cost. Sustainable economic growth seeks to protect and enhance our green and environmental infrastructures; and minimise negative impacts whilst finding mechanisms to compensate for damage or depletion. In this way we can realise sustainable economic growth that neither diminishes our wellbeing nor, through damage, limits our potential for growth in the future and contributes to the realisation of a *flourishing region*.

6a. Protecting and enhancing our environmental infrastructure to ensure sustainable economic growth

Our economy and key industrial sectors are directly dependent upon a well-functioning environmental infrastructure (resources, sinks and services), which are inseparable from our economic infrastructure (transport, power, buildings, etc).¹¹¹ The UK Sustainable Development Strategy illustrates that our economy needs to acknowledge the carrying capacity and, therefore, the physical limits of our environmental infrastructure. There is scientific consensus that to continue with over-consumption patterns that disregard these limits will continue to degrade the very systems we rely upon, inhibit economic growth potential and affect our wellbeing.

Anticipating and adapting to the challenges facing our environmental infrastructure makes good business sense: reducing costs, liabilities and increasing productivity whilst opening up new markets and opportunities for wealth creation. Consequently, resource productivity (as described in the Raising Productivity Theme) is an essential element to our response to these issues.

Anticipating and adapting to the challenges facing our environmental infrastructure makes good business sense.

As well as the efficient management of resource inputs, further priority actions listed within Strategic Priority 5 and Strategic Priority 6 allow us to decouple economic growth from environmental degradation whilst enhancing the sustainability of our environmental infrastructure.

6a PRIORITY ACTIONS



ENVIRONMENTAL INFRASTRUCTURE

Develop and promote innovative and sustainable approaches to supply and demand management (relating to travel, energy, water and materials) to reduce pressures on environmental infrastructure by:

- improving resource efficiency (see priority action 3c);
- addressing travel demand management (see priority action 4a-3);
- delivering sustainable energy and resource management (see all the actions under the Energy and Resources section).



SUSTAINABLE CONSTRUCTION

Ensure that investments in the built environment integrate climate change considerations through:

- raising awareness of climate change factors on the built environment (see priority action 5a under the Energy and Resources section);
- applying high quality design and environmental standards for all developments (refurbishments and new builds) receiving public sector support;
- promoting and replicating models of leading construction best practice, such as Sherwood Energy Village and Attenborough Nature Reserve.



CLEANER PRODUCTION PROCESSES

Support the development and adoption of cleaner production processes and shift consumption towards goods and services with lower environmental impacts through:

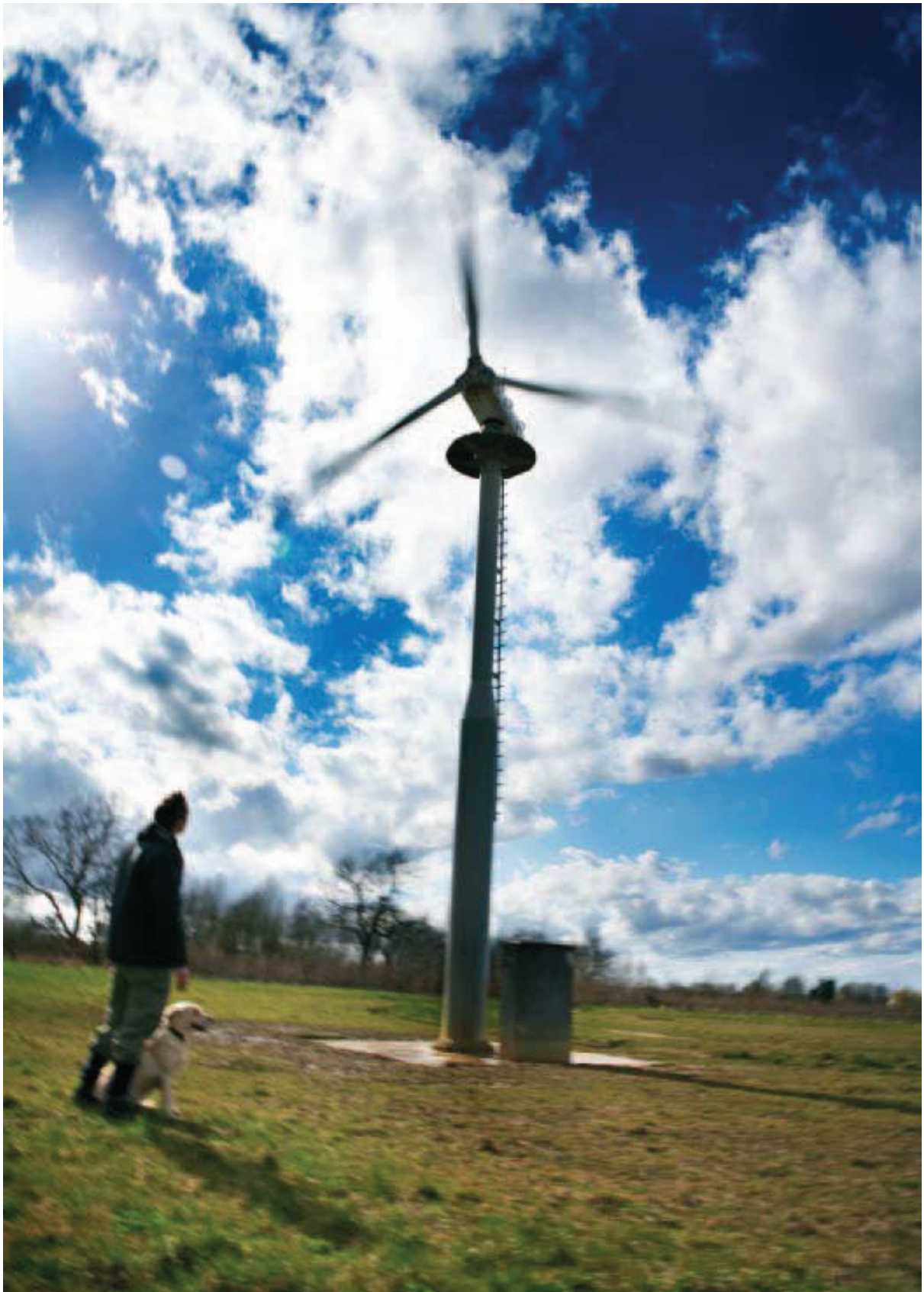
- assisting businesses with the provision of clean production process audits;
- building links between the region's Higher Education Institutions and businesses.

environmental protection



PICTURED: ATTENBOROUGH NATURE RESERVE AND VISITOR CENTRE, NOTTINGHAMSHIRE.

environmental protection



PICTURED: WIND TURBINE AT BROCKS HILL VISITOR CENTRE AND COUNTRY PARK, LEICESTERSHIRE.

6b. Protecting and enhancing green infrastructure through environmental stewardship

The concept of ‘green infrastructure’ elevates land (and its associated water and air environments) to an equal footing with built infrastructure and transforms open space from ‘nice to have’ to ‘must have’ as an integral part of new developments. Green infrastructure helps frame the most efficient and attractive location for development and growth in the context of sustainable development. It also helps address inequalities of health and quality of life issues particularly in more deprived communities. Green infrastructure embeds our need for a high quality environment into the planning context, helping to identify what must be protected, what can be enhanced and created and, therefore, where and how it is appropriate to avoid, mitigate and compensate for damage.

...a healthy and robust green infrastructure underpins a truly successful economy.

Consequently, a healthy and robust green infrastructure underpins a truly successful economy. The East Midlands’ tourism industry, for example, depends on a high quality environment and supports approximately 40,000 environmental tourism related jobs. Equally, environment sensitive farming and forestry practices sustain approximately 4,300 land-based jobs in the region.

6b PRIORITY ACTIONS



IMPROVE DAMAGED ENVIRONMENTS

- improve natural environments, damaged as a legacy of former industrial and development activity particularly where this is a barrier to investment in the region, especially in the coalfields;
- encourage sustainable agriculture which enhances and protects the countryside and protects the region’s biodiversity.



PROTECT AND ENHANCE GREEN INFRASTRUCTURE

Protect and enhance green infrastructure at the local and regional levels to contribute to more sustainable communities and enhance quality of life by:

- encouraging the integration of green infrastructure issues into the planning system, where possible;
- working with developers and land owners to ensure that opportunities for new or improved green infrastructure are integrated into physical development schemes;
- realise the environmental, social and economic potential of green infrastructure.

INDICATORS OF SUCCESS for Environmental Protection

Proportion of river distance classified as ‘good’ chemical and ‘good’ biological quality.

To maintain current proportion of East Midlands’ river length (% of total km) of ‘good’ chemical and ‘good’ biological quality up to 2009.



PICTURED:
Pride Park, Derby,
developed on
brownfield land.

7

Land and development

AIM: To ensure that the quality and supply of development land, and the balance between competing land uses, contributes towards the sustainable growth of the regional economy.

7a. Development

The Regional Spatial Strategy (RSS) provides the long-term spatial planning framework for the region and includes the Regional Transport Strategy (RTS). The RSS is prepared by the Regional Assembly in consultation with the region, and is approved by Government. The RES and RSS have a direct relationship and together provide the context for economic and spatial development in the region. While the RSS focuses on spatial and land-use related issues the RES provides the policy context for economic issues as they relate to development and regeneration. To help strengthen this relationship and provide alignment and consistency the proposed RSS spatial sub-areas are used to provide spatial definition.

Physical development has a key role to play in helping to create a *flourishing region*, and the creation of sustainable communities. To help contribute to these objectives, development proposals and decisions should have regard to the 'development principles' which ensure that development is brought forward in an effective and sustainable manner, helping to deliver the region's aspirations. These can be found in Annex B.

7b. Development land

An appropriate quality supply of development land is one of the fundamental requirements of a competitive regional economy, enabling the region to provide the type and quality of development required to attract and retain employers and a quality workforce.

Restructuring of development land

As the regional economy continues to restructure, the requirement for development land is changing. There will be a significant decline in demand for industrial floor space and a significant increase in demand for office floor space over the next 10 to 15 years.¹¹² This restructuring towards office based and service sector focused employment has implications for the allocation and use of employment land and the nature of new supply. Due to the higher density of employment in the service sector compared to industrial or manufacturing, less land will be required than that needed historically, but it remains essential that an appropriate supply of land is available in locations to help meet economic and other growth objectives. Despite the restructuring and overall decline, manufacturing remains an important sector to the East Midlands region.¹¹³ Between 2000 and 2004 the number of factory units was fairly constant but the amount of floor space occupied declined. There has been an increase in the amount of floor space occupied by offices and retail units.

Processes of economic change have also impacted on rural areas. The availability of land and premises to new, expanding and incoming businesses in rural areas is perhaps the most serious barrier to growth that rural businesses face.¹¹⁴ Ensuring an appropriate supply of employment land and premises (including allowing appropriate conversions of redundant buildings) in market towns, villages, farms or other rural locations is essential not only to ensure that these communities remain economically sustainable, but also to enable the rural areas as a whole to play their full part in contributing to regional economic growth. This is also key to reducing the need to travel to larger urban areas from more remote rural communities.

While the broad picture and trends relating to employment land are understood, the sub-regional pattern of office and industrial floor space supply and demand is more complex. In some parts of the region the supply of office and industrial space is constrained while in other areas the supply outstrips demand. Issues of quality are relevant across the region, and are at the heart of the regional approach in both the RSS and RES. At both a regional and sub-regional level, considerable amounts of work are being done to fully understand and respond to the different characteristics and dynamics of employment land supply and demand. For example, work being done by Local Authorities and SSPs, much of it building on the Regional Employment Land Priorities Study (RELPS) and the Quality of Employment Land Study (QUELS), is helping inform local and regional policies and land allocations.

Previously developed land and buildings

Derelict areas, abandoned buildings and rundown places are sights that blight our cities, towns and the countryside. There is currently a total of 64,130 hectares of previously developed land across England, identified by the National Land Use Database as at March 2004 and 9% of this national figure lies within the East Midlands.¹¹⁵

The objective is to accelerate the pace of the re-use of brownfield land to further the strategic development opportunities of the area under consideration.

One of the largest single origins of brownfield land is the colliery closure programme. Work will continue in the region on bringing former colliery sites back into beneficial use through the National Coalfields Programme. The work at each of the sites in the East Midlands includes remediation of contamination, reclamation and redevelopment for a range of end uses including housing, employment, recreation and greening. A notable success has been the development of the Sherwood Energy Village at the former Ollerton Colliery Site, which won the coveted 'Enterprising Britain Competition' in February 2005. The work aims to reflect Best Practice with regard to sustainability; design quality; employment; and training of the local workforce and forging relationships with local communities.

Supply issues

Some identified sites are unattractive or non-viable, and the policy of deallocating such sites should continue, unless there are realistic opportunities for improvement through public and/or private intervention. Local Development Frameworks should ensure an appropriate supply and range of quality employment sites, and for a range of different types of accommodation. For example, ensuring a supply of 'easy-in easy-out' accommodation or 'follow on' accommodation for small, established but growing businesses to continue their development is as essential as sites to help attract inward investment.

In areas of high growth, such as the MKSM growth area focused in and around urban areas in Northamptonshire, the supply of appropriate sites to provide a balance of land-uses is essential. Of equal importance is the provision of appropriate infrastructure to ensure that growth helps deliver sustainable communities and contributes towards the regional economy.

In addition to issues such as transport accessibility, environmental characteristics, and proximity to a skilled workforce, utility and ICT connectivity are a key part of ensuring a quality supply of land. The private sector alone is often not prepared or able to invest in full ICT connectivity of sites or communities outside urban areas which can further reduce attractiveness or viability, and add to issues of peripherality. The provision of appropriate infrastructure, including ICT connectivity, to serve new and redeveloped employment sites is therefore essential to deliver attractive and viable development opportunities. Initiatives such as the new 'blueprint' regional public-private partnership will acquire or develop sites in the region to support regeneration, and stimulate private sector activity.

Location of development

Ensuring appropriate quality and quantity of land supply for development is of most importance in the main urban centres. In addition to their economic role, the planning system sees urban areas as the most sustainable location for new development, and seeks to develop brownfield (previously developed) sites, before greenfield. However, evidence of recent trends indicates that more employment land has been developed on greenfield sites than on brownfield sites. In part this may be due to the strong housing led policy agenda which has seen many former employment sites in urban areas redeveloped for residential development.



PICTURED:
Above: Brook Park in Shirebrook is an ongoing development project on the former Shirebrook Colliery; left: Sherwood Energy Village was developed on a former colliery site.

In 2003/04 the region saw over 58% of all new houses built on brownfield land, but in some urban areas within the region these figures were considerably higher - for example in Nottingham and Leicester the proportions were 94.8% and 72.2% respectively. While this has benefits in terms of urban regeneration and the re-use of derelict land, it has implications for the patterns of development as the focus on urban brownfield sites for residential development is forcing increasing amounts of employment development to more peripheral greenfield locations. In 2003/04 the region had committed over 3,000 hectares of land for employment purposes and just over two thirds of the commitments were on greenfield sites.¹¹⁶ Greenfield development may sometimes be necessary, particularly in rural areas, but where this is the case, the impact on the environment must be minimised.

While more peripheral greenfield locations appeal to many developers and employers, regional and local land use policies need to consider issues such as the potential for harm to biodiversity in the region, the provision of supporting infrastructure and the potential for increasing the need to travel if employment activity is increasingly located on the periphery. Indeed, some greenfield locations might be located in more sustainable locations than brownfield sites. Ensuring appropriate mixes of use is key to economically viable and sustainable communities, and in reducing the need to travel. The regional application of a sequential approach to all development through the 'Regional Spatial Strategy' should mean there is a continuing supply of 'central' or urban employment land to support economic development and regeneration of urban areas, and consideration should be given to the protection of local high quality urban employment sites from pressure for other uses.

However, the urban focus of the sequential policies should not only relate to large urban areas. It is also important to ensure a sufficient supply of a range of serviced sites and premises in the rural areas to enable new businesses to establish and existing ones to expand to help ensure the continued success and viability of market towns and rural communities. This will support the RES objectives of raising productivity and achieving equality, and will help reduce the need to travel to access employment and other services.

7b PRIORITY ACTIONS

SECURE THE QUALITY AND SUPPLY OF EMPLOYMENT SITES

Ensuring and safeguarding an appropriate supply of quality employment land by providing supportive local and regional plans and policies. Key actions include:

- maintaining an up to date regional picture of employment land supply and quality issues by monitoring, and building on the results of local, sub-regional, and regional studies;
- bringing forward new sites, upgrading existing sites, and where necessary in order to further regeneration objectives, promoting the redevelopment of commercially unattractive sites for other economically beneficial uses;
- undertaking master planning exercises, and where appropriate use Environmental Impact Assessments (EIA), to provide an holistic approach to the supply of employment land;
- preparing relocation strategies for businesses affected by redevelopment proposals;
- encouraging job creation through private sector development and the targeting of public sector resources for priority sites.

INFRASTRUCTURE FOR EMPLOYMENT-RELATED SCHEMES

Ensure appropriate levels of infrastructure including transport, utilities and ICT for employment-related schemes, through:

- assessing regional deficiencies and identifying needs for utility provision and ICT;
- assessing and planning for infrastructure needs on proposed sites for development, using development briefs and local planning decisions to ensure appropriate provision;
- ensuring proactive investment by the public sector where market failures exist;
- assess potential environmental impacts using Environmental Impact Assessments (EIA) and environmental capacity studies

PREVIOUSLY DEVELOPED LAND AND BUILDINGS

■ Increase the re-use of previously developed land through an appropriate mix of actions including site remediation, reclamation and redevelopment, and ensure that effective use is made of the existing stock of buildings. Key actions include:

- rolling out the Brownfield Land Action Plan for the East Midlands;
- identifying appropriate previously used sites through Local Development Frameworks to bring forward economic investment consistent with the RES and RSS;
- ensuring that the legacy of severe problems of environmental degradation caused by coal mining continues to be addressed.



PICTURED: SHERWOOD ENERGY VILLAGE, OLLERTON, NOTTINGHAMSHIRE.

7c. Housing

The supply, quality and types of housing available in the region are a fundamental feature of the regional infrastructure, and in this way housing and the economy are closely linked. Regional economic competitiveness is affected by a range of component elements, and housing is one of them.¹⁷ An appropriate mix and quality of housing choice across public and private sectors is an essential aspect of creating a *flourishing region*. The 'growth areas' within the Department for Communities and Local Government (DCLG) Sustainable Communities Plan are intended to help tackle issues relating to housing supply and affordability which constrain economic growth and so help demonstrate the importance of these links. In areas affected by low demand for housing, projects are being funded by the regional Housing Board in Derby, Mansfield and Bolsover to test out a housing market renewal policy framework which will tackle both housing and regeneration issues.

Lack of balance between housing and job markets can lead to increased commuting and congestion, which also impact on economic growth and performance. The relationship and alignment between regional economic objectives, the RSS, and Local Plans and Development Frameworks is key in this regard, as are the masterplans of the URCs and other partners. The opportunity for people to live near to their place of work, social or cultural opportunities and services, and be well connected to the region's transport networks is vital if we are to create sustainable communities where people want to live and work, now and in the future. Mixed use schemes need to integrate housing as part of a balanced approach to future land use within the overall mix of employment opportunities to ensure longer term sustainability. 'City flight' has been identified as a key concern for many urban areas, including the Three Cities and it is likely that this pattern is not solely related to the quality and mix of housing but is due to a range of quality of life factors such as services, quality of education, crime levels and environmental quality. It also highlights the need to improve the built environment of towns and cities through high quality design more generally.

Issues of affordability and quality of housing, in both public and private sectors, are key to securing attractive communities in the region over the long term. 'The Regional Housing Strategy' has identified that in many areas of the region, such as the Peak District, parts of Northamptonshire and Lincolnshire, and parts of many urban areas, affordability is an increasing problem.

There are sections of the population who are disadvantaged or vulnerable due to a range of factors, particularly in low demand areas, including low income, ethnic group, age or poor health which may mean they have little or no choice in terms of housing provision and location. In order to address social exclusion and issues of equality, the housing needs of these diverse groups need to be addressed in combination with improved access to a range of other services such as education, health, employment, learning and skills opportunities, and childcare support.

The provision of new housing in the growth areas and increased levels of Government investment for both affordable housing and the improvement of older housing stock are placing considerable pressure on the skills capacity of the construction industry. Regional partners need to work together to support innovative solutions to the skills gaps identified, promote the use of local labour in construction, increase the number of women, minority groups and other under-represented groups in the industry and share good practice.

7c PRIORITY ACTIONS

- ▶ **SUPPORTING INFRASTRUCTURE FOR HOUSING GROWTH**
 In areas of housing growth, ensure provision of transport, economic, cultural, and community infrastructure, including green infrastructure, to support the creation of sustainable and integrated communities. This will be achieved by:
 - using development briefs and planning policies and decisions to ensure provision of adequate land supply for employment and community uses to support housing growth;
 - assessing and addressing the deficiencies and needs for utility provision to service the new development.

- ▶ **REGENERATION IN AREAS OF LOW HOUSING DEMAND**
 Ensure that regeneration and economic, social and environmental inclusion benefits are integral to future developments in areas of low housing demand through the provision of new and improved housing and community and economic infrastructure. Key actions are:
 - build on the experience of ongoing best practice, such as Meden Valley Making Places, and support the Housing Market Renewal pilot projects which will test out the Regional Policy Framework for housing market renewal;
 - develop a greater understanding of both the causes and the solutions to housing market failure in the region and address them through regional and local investment strategies.

- ▶ **RANGE OF HOUSING PROVISION**
 Improve the range, mix and quality of housing in the region, including the renewal of existing housing stock, through the Regional Housing Investment Strategy, through regional and local planning policies, and development control decisions.



PICTURED: NOTTINGHAM WATERSIDE DEVELOPMENT.

INDICATORS OF SUCCESS for Land and Development

Average annual growth rate over a five year period in employment floor space.

To maintain an average annual growth rate over a five year period of 1.5% in employment floor space by 2009.

PICTURED:
Mina Bharat
of the Kidz r Us Day
Nursery which provides
day nursery facilities in
Leicester city.



Section nine Structural theme **3**



Achieving equality

Achieving equality

AIM: To reduce economic inequalities and increase productivity by ensuring that everyone has the opportunity to contribute to and benefit from the region's sustainable economic growth.

Context

Regional economic success and wellbeing are dependent upon achieving high levels of productivity and high rates of economic participation.¹¹⁸ Often, equality and productivity are perceived as separate issues with equality being about social justice and productivity about economic performance. Recent Government research suggests that even with high levels of overall employment, enabling those who are currently excluded from the labour market to gain and maintain employment will deliver productivity benefits as well as furthering social justice.¹¹⁹ A successful region is one which recognises the connections between these and maximises the contribution of its whole population to creating a sustainable economy which in turn will benefit all the region's people.

Sometimes inequalities are experienced by individuals because of their background (for example, black and minority ethnic [BME] ex-offenders, homeless people, women, people with disabilities) and other times it is because of where they live. Individuals experiencing disadvantage typically experience multiple social disadvantages which are compounded by their economic exclusion. For instance, ex-offenders are 13 times more likely to be unemployed than the general population whilst being more likely to be homeless, suffer from mental illness and lack basic skills.

The 'Raising Productivity' and 'Ensuring Sustainability' structural themes are largely about increasing the efficiency of the East Midlands' economy. Whilst a major part of the 'Achieving Equality' structural theme is about addressing inequalities in the East Midlands rather than efficiency. Market failure can be a cause of inefficiency but can also lead to an inequitable distributional outcome and it is for this reason that this structural theme seeks to address economic inclusion and renewal issues.

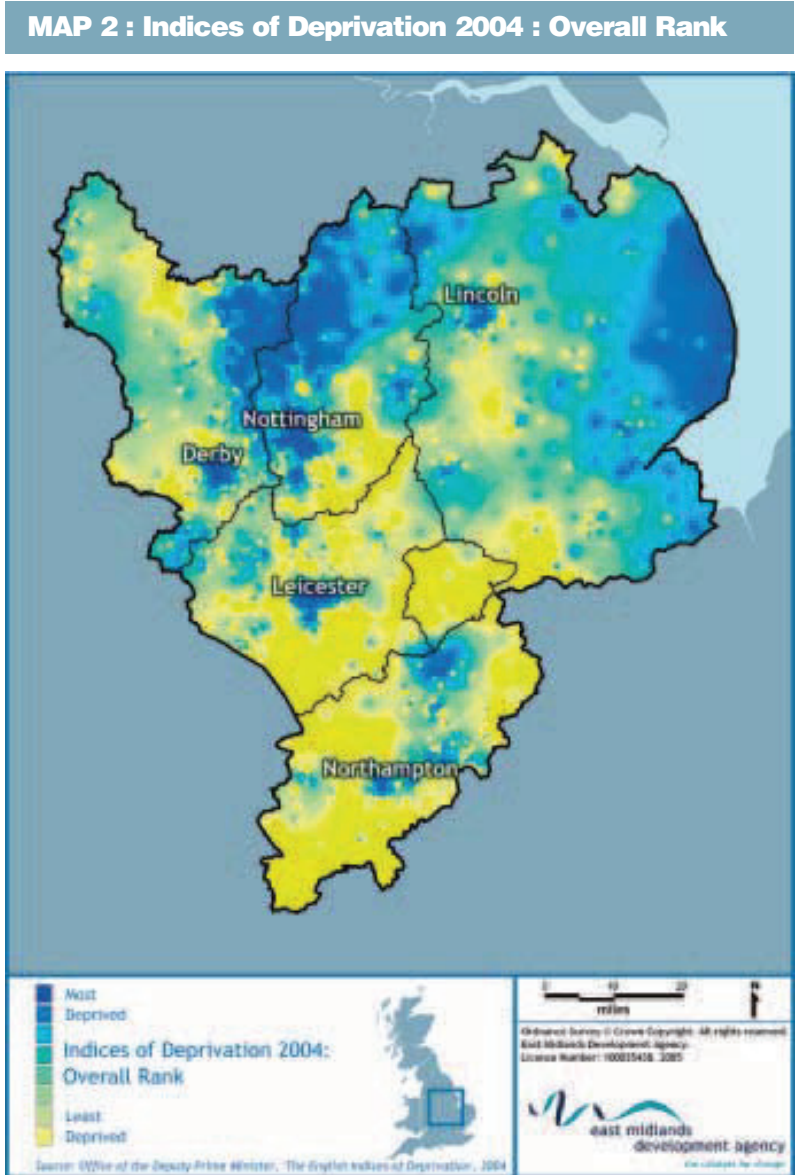
Scale of the challenge

The East Midlands, in common with other regions, has pockets of wealth and severe multiple deprivation, often in close proximity to one another. In 2004 the employment rate in the East Midlands was 75.4%, which is above the UK average. There are significant disparities within the region: the employment rate is 63.2% in the City of Nottingham compared to 80.3% in Leicestershire County. At local level these differences are even more pronounced. These intra-regional differences are greater than inter-regional differences. Tackling these disparities through the RES will allow our more disadvantaged communities to prosper and make a significant contribution to the attainment of the regional economic performance PSA target.

Place

Crude measurements suggest the region suffers a north-south, and east-west divide, with wealthier communities located in the south and west and poorer ones in the north and east. However, pockets of deprivation exist across the region, including in areas which are generally prosperous. The 2004 Indices of Multiple Deprivation (IMD) shows that the region's more deprived communities are located within our urban centres, the former coalfields, the Lincolnshire coastline and its rural hinterland.²⁰ This is illustrated on Map 2, where the region's most deprived communities are shaded in navy blue. The Indices of Multiple Deprivation lists Nottingham City as the most and South Northamptonshire as the least deprived areas in the region.

The region's more deprived communities are located within our urban centres, the former coalfields, the Lincolnshire coastline and its rural hinterland.



PICTURED: BROOK PARK, SHIREBROOK.



PICTURED:
Colston Bassett
Store in
Nottinghamshire.

8

Cohesive communities

AIM: To increase life chances for all leading to stronger and more cohesive communities, a dynamic society and a stronger economy.

Central to the concept of a *flourishing region* is making economic, social, environmental and cultural policy and investments work better to contribute to a coherent whole. Increasingly, research reveals that in more affluent communities there are correlations between community cohesion, strong stocks and flows of social capital, individual wellbeing, and economic prosperity.

A cohesive community is, therefore, one where:¹²¹

- the diversity of people's different backgrounds and circumstances are appreciated and positively valued;
- those from different backgrounds have similar life opportunities;
- strong and positive relationships are developed between people from different backgrounds and circumstances in the workplace, in schools and within neighbourhoods.

What cohesion means for different communities in the East Midlands is dependent on the demographics, social make-up and history of that community as well as recent influences from new arrivals. Promoting community cohesion involves addressing fractures, removing barriers and encouraging positive integration between groups. Community cohesion is closely linked to integration as it aims to build communities where people feel confident that they belong and are comfortable mixing and interacting with others, particularly people from different racial backgrounds or people of different faiths.¹²²

Quality of life experiences are not wholly influenced by economic circumstances, but deprivation and the polarisation of wealth can create tensions in fragmented communities. Consequently, progress on increasing life chances for all is a fundamental feature of building strong, cohesive communities and a dynamic society and economy.¹²³

This RES supports a commitment to creating an environment where all people and communities have the opportunity to create new and sustainable economic futures. However, sustainable and cohesive futures don't just rely on economic solutions. As with a *flourishing region*, cohesive communities are built on the foundations of strong connections between economic, social, community, cultural, and environmental considerations and creating a local culture of inclusion and participation. Consequently, interventions need to be mindful of and actively integrate these different issues. Social enterprises are an important business model as they purposefully address social, community, cultural and environmental issues through inclusive entrepreneurial behaviour.

Promoting community cohesion involves addressing fractures, removing barriers and encouraging positive integration between groups.

Social capital is critical to creating these connections. Social capital describes the glue that binds different groups and networks of people together,¹²⁴ including the institutions, networks and relationships that characterise a thriving civil society. The existence of neighbourhood networks, community groups, cultural opportunities, sport and leisure clubs, faith/religious organisations, local business networks, youth and parent groups all contribute to positive values, norms and lives in local communities.¹²⁵

cohesive communities



PICTURED:
St George's Centre,
Nottingham; Gym at
the Peepul Centre,
Leicester; below:
Award-winning
Sulgrave Post Office
and General Store,
Northamptonshire.



There are different types of social capital and different tools for building it: *bonding* social capital relates to strong links between family, friends and neighbours; *bridging* social capital is concerned with the relationships between people of similar circumstances; and, *linking* social capital is about connections between people from differing circumstances and situations (e.g., different social classes, different economic experiences, etc.).¹²⁶

All communities have stocks of bonding social capital. However, the challenge is how this capital is mobilised and transformed to create new links between people in local areas to create more cohesive and sustainable neighbourhoods.

Local authorities have a clear leadership role in developing cohesive communities. The introduction of Local Area Agreements and their focus on integration between social and economic development represents a significant opportunity. However, by their very nature cohesive communities are characterised by the engagement, participation and leadership of residents, businesses, voluntary and community organisations, social enterprises, and public agencies working towards a common and transformative purpose.

Local authorities have a clear leadership role in developing cohesive communities.

8 PRIORITY ACTIONS

- ▶ **PROMOTING SOCIAL CAPITAL**
 Support initiatives which mobilise existing social capital and create bridges and links between different groups including volunteering opportunities.

- ▶ **COLLABORATION TO ENCOURAGE PARTICIPATION**
 Encourage collaboration between cultural, leisure and tourist bodies to encourage community participation, build social capital and contribute to community cohesion.

- ▶ **DEVELOP COHESIVE COMMUNITIES**
 Support the development of cohesive communities through Local Area Agreements.



INDICATORS OF SUCCESS for Cohesive Communities

Participation in formal voluntary activities in the last 12 months.	Increase the proportion of the East Midlands population engaged in formal volunteering to within 3 percentage points of the leading region by 2009.
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PICTURED:
Textile business
on Leicester's
Belgrave Road.

9

Economic renewal

AIM: To ensure all people and communities have the opportunity to create new and sustainable economic futures.

Introduction

The East Midlands has a diverse population mix and different types and scale of spatial communities: inner cities; rural (accessible and remote); ex-coalfield; coastal; peripheral housing estates; and suburban. Despite the region's improved economic performance over recent years there are many places which still have high levels of deprivation and low economic activity.

A truly *flourishing region* is one that recognises these inequalities and seeks to achieve economic wellbeing for all communities thereby contributing to community cohesion. Clearly, creating the right conditions in the region to further enhance economic performance will provide additional opportunities for all East Midlands' communities. However, some disadvantaged places require additional support and investment to realise the benefits of this performance and to generate new and indigenous forms of economic activity.

The scale of the challenge should not be underestimated. Many disadvantaged areas have suffered from decades of decline associated with industrial re-structuring. Consequently, solutions to the needs of disadvantaged areas need to be sustained and integrated and enhance an area's adaptive capacity: the capacity to respond to external forces on the one hand and, on the other, to create new paths of economic development from within.¹²⁷

There are factors and characteristics common to the region's deprived areas which need to be attended to, although the scale and relevance of these issues and the consequent solutions have to be location specific. Commonly, disadvantaged areas:

- lack an extensive and diverse enterprise base;
- have weak market demand and/or market linkages to other areas;
- have a low skills base and low aspirations particularly amongst potential entrepreneurs;
- are perceived as a poor opportunity for private sector investment;
- are sometimes economically marginalised due to physical inaccessibility;
- have diverse cultural and industrial heritages;
- have poor quality physical and natural environments;
- have higher levels of health inequalities;
- have higher levels of crime, more victims of crime, offenders and ex-offenders.

Increasing the role of ICT as an enabler in economic renewal interventions, for example, through encouraging ICT usage and broadband applications can assist entrepreneurs in deprived areas to develop market linkages and market opportunities outside of these areas.

Achieving this scale of transformation requires the concerted and cooperative efforts of all stakeholders at a local level. The introduction of Local Area Agreements (particularly the 4th Block on Economic and Enterprise Development) provides an inclusive leadership mechanism through which economic renewal can be championed. In addition, the levels of investment available to Neighbourhood Renewal Areas through the Local Enterprise Growth Initiative (LEGI) represent significant opportunities to invest in structural change.

Fundamentally, the solution to the economic inequalities of disadvantaged areas hinges on the ability to create new indigenous economic opportunities whilst exploiting the potential of linkages to adjacent areas of economic growth. However, as with a *flourishing* regional economy, sustainable local communities need to develop the right assets and infrastructure to underpin an economic renewal approach, as well as the right mix of skills, institutional capacity and support to succeed.

9a. Building local capacity, resources and support

Without the right mix of assets, capacity and support, new enterprise opportunities cannot flourish in disadvantaged areas. Communities need to ensure that they have the necessary institutional capacity so that they are better able to make new economic opportunities happen. Consequently, local areas need to better understand the assets, capacity and support services they already have access to before developing a local economic renewal strategy. In addition, to ensure that interventions are grounded and sustainable, community asset development is important. Examples of asset development approaches in the East Midlands include Sherwood Energy Village, Ibstock Community Enterprise, and the Genesis Social Enterprise Centre.

There are many different forms of assets available to local areas: financial, economic (existing businesses, employment), cultural, people, social, and the built and green environments. In terms of people, disadvantaged people often have latent and untapped entrepreneurial talent and behaviour. Sometimes this may be an enterprising individual, or it could be a network/group of people who have a common passion. Consequently, communities which are able to identify and mobilise these untapped resources can develop innovative economic opportunities. In particular, social enterprises are important vehicles for mobilising latent talent and building the capacity of local areas to develop and sustain new economic opportunities.

9a PRIORITY ACTIONS



EFFECTIVE ENGAGEMENT & INVOLVEMENT OF LOCAL BUSINESSES AND RESIDENTS

Ensure that people and businesses in local communities have the skills and capacity to develop local economic renewal solutions through:

- the provision of economic development skills training;
- the provision of economic/enterprise coaches and business brokers;
- building social capital between the statutory, business and community sectors.



INCLUSIVE BUSINESS SUPPORT

Ensure that business support is responsive to the needs of all communities and under-represented groups through:

- the integration of specialist needs into the regional business support model;
- support for enterprise coaching models in the most disadvantaged areas (see priority action 2b-1 under the Enterprise and Business Support section).

9b. Reviving local infrastructure and environments

The 'Ensuring Sustainability' structural theme outlines what needs to be done to ensure that the region has in place (and can sustain) the right mix of assets, infrastructure and connectivity to achieve our regional vision of economic wellbeing. Successful local economic renewal is dependent upon areas improving, reviving and investing in their local environments to ensure the right conditions for economic development.

economic renewal



PICTURED: PEEPUL CENTRE, LEICESTER.

People are put off from living, working or investing in an area if it has a poor environment or a bad image. Crime and the fear of crime are regularly cited as key reasons for companies deciding not to invest in deprived areas. Further, finding suitable and available premises for new business start-ups can be a particular problem for entrepreneurs in deprived areas. The issue of suitable sites and premises has been addressed under the 'Ensuring Sustainability' structural theme, along with the requirement to provide access and connections to employment and economic opportunities. However, it should be noted that these problems can be more severe in the most deprived communities in the region.

9b PRIORITY ACTIONS

BUILT AND GREEN ENVIRONMENTS
 Improve the quality of the built and green environments to enhance local economic prospects through:

- applying best practice standards for design and construction (see priority action 6a-2 in the Environmental Protection section);
- working with developers to ensure the integration of green infrastructure factors and improving the public realm in development briefs.

ADDRESSING CRIME
 Reduce the impacts of crime on communities and businesses through neighbourhood and business crime reduction initiatives and activities to reduce re-offending.

9c. Stimulating new markets and enterprise opportunities

Ultimately, economic renewal is dependent upon markets which provide for sustainable enterprise, employment and wealth creation. Market activity can be created by building linkages to adjacent areas, attracting new investors and/or stimulating new local markets. Some of the markets for products and services can be stimulated within local areas, although sustainable and successful enterprises will also need to consider wider markets.

However, to realise and sustain markets, deprived areas also need access to appropriate investment. Where there is financial market failure Community Development Finance Institutions (CDFIs) can fill this gap; in other cases the statutory sector can take a strong leadership role through making investments (including grants and loans) and utilising their procurement functions to stimulate new local markets.

As the 'Raising Productivity' section demonstrates, the financial power of public procurement is significant. In disadvantaged areas, public procurement has the potential to play an enhanced role through developing procurement solutions that address local public service delivery whilst catalysing and promoting new local economic linkages. Clearly, enterprise density in disadvantaged areas is less than the regional average. As such, public authorities should be encouraged to develop markets and help new entrants. New entrants can be new or existing private or social enterprises. Social enterprises have the potential to deliver additional benefits as they deliver economic, social and (in many cases) environmental benefits as well.¹²⁸

Economic renewal can be enhanced by making existing resources work harder.

As well as accessing new money, economic renewal can be enhanced by making existing resources work harder. A successful economy is one which seeks to increase the multiplier effect of each pound spent in a local area thereby increasing economic activity and wealth retention. Consequently, solutions to economic renewal are not solely reliant upon new investments, but on local stakeholders identifying ways in which existing resources can enhance their local impact. As the national Neighbourhood Renewal Strategy recognises, in deprived areas the problem is not necessarily that too little money flows into a neighbourhood; rather, it is what consumers, public services and businesses do with that money. Too often it is spent on services with no local presence, and so immediately leaves the area.¹²⁹

Consequently, efforts to bring new investments into a local area and/or to enhance the multiplier effect of existing resources must be matched by efforts to build the capacity of local businesses and people to benefit from these investments. This means that the value of the investment can be made to stick and last into the medium and longer terms. Lessons from the last 20 years of government regeneration policy reveal that the impact of funding into a disadvantaged area can be sustained if local people and businesses are actively involved in the process of regeneration.

Many local areas often have other untapped economic assets which are not linked into the local economy. Often this may be in the form of a large scale employer which recruits its staff from other areas or contracts with suppliers not linked to the local area. Working with large firms to embed them in the local economy can bring enterprise and employment opportunities.

Creating effective market linkages within and between different spatial areas is crucial to developing both a networked economy and individually competitive spatial areas. The lack of market demand or poor market linkages are fundamental reasons for the enterprise gap in deprived areas.

9c PRIORITY ACTIONS

▶ NEW MARKETS AND ENTERPRISE OPPORTUNITIES

Stimulate new local markets and enterprise opportunities by unlocking the potential of local procurement by:

- encouraging local public authorities to adopt procurement approaches which deliver local, social, environmental and community benefits;
- supporting the development of social enterprises, and the broader Voluntary and Community Sector to deliver services whilst improving the economic, social and environmental capacity of a local area;
- encouraging large businesses to consider supply chain opportunities in their local areas.

▶ IMPROVE ACCESS TO FINANCE

Improve access to finance for all entrepreneurs irrespective of location, personal characteristics and type of business by:

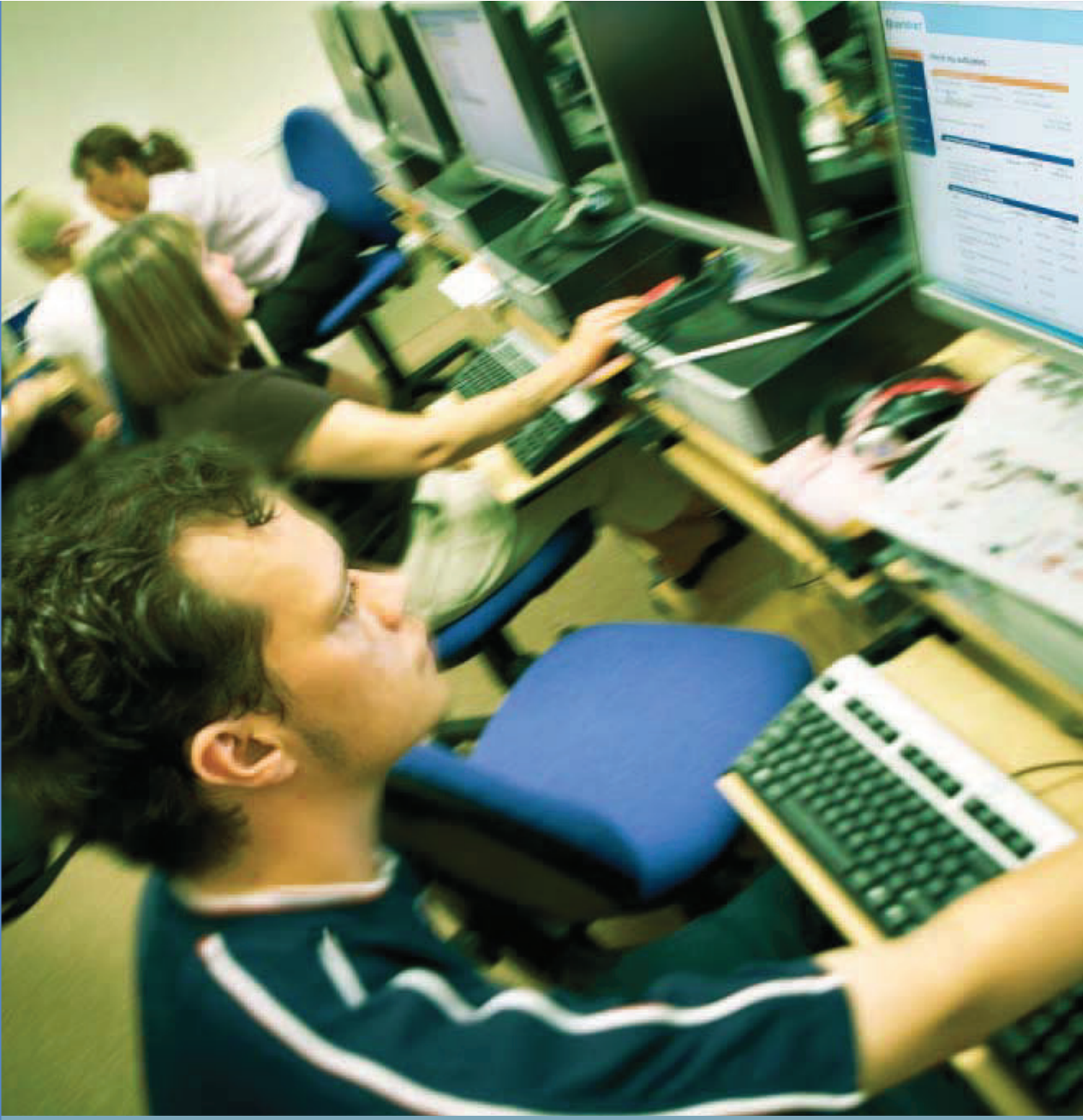
- providing an appropriate range and specification of financial services products tailored to their needs;
- influencing mainstream financiers;
- investing in community development finance instruments (CDFIs);
- promotion and coordination of CDFI investments.



INDICATORS OF SUCCESS for Economic Renewal

Economic activity rate (% working age) in urban and rural areas.

Maintain rural rates above 80% and increase urban activity rates to 78% by 2009.



PICTURED:
The Priory Centre
in Lincoln.

10

Economic inclusion

AIM: To help overcome the barriers, or market failures, that prevent people from participating fully in the regional and local economy.

Introduction

Economic Inclusion describes the process of overcoming the barriers that prevent people from participating (and sustaining participation) in the economy. Economic inclusion is about ensuring people have the skills they need to become employable; assisting those in work to improve their skills; addressing inequalities in the region's employment levels and ensuring that everyone has the opportunity to consider self employment as a career and lifestyle option.

Employment is the single most effective means of tackling poverty and social exclusion.¹³⁰ Work is at the heart of our society, and from it people gain self confidence and financial reward; those who work are generally in better health, have wider social contacts and a stronger sense of self-worth.

Many economically disadvantaged people also experience other factors which impact on their ability to enter and retain employment. Consequently, economic inclusion activities must be complemented by actions which address broader social inclusion barriers: childcare provision and assistance to people with other caring responsibilities; personal financial exclusion; availability of affordable and quality housing; health inequalities; and the effects of crime. The voluntary and community sectors have an important role to play working with employment, education and training providers to develop holistic and integrated solutions to the needs of excluded individuals.

Increasing ICT access to and usage by communities living in deprived areas can improve their quality of life, for example through increasing levels of basic skills, building employability and entrepreneurial capabilities as well as facilitating better dialogue with the public sector on the delivery of local public services. Hence, addressing the digital divide is critical to not only regenerating deprived areas but also in bringing socially excluded communities back into the mainstream of economic activity as well as empowering them to influence the public policy discourse.

The economic case for increasing and sustaining economic participation rates is strong. Ultimately, increasing participation reduces societal costs and increases aggregate economic gain. Increasing participation in the economy has a number of positive effects: it improves an individual's economic participation, productivity and prosperity; which leads to higher income levels and purchasing power. Economic inclusion helps to address other elements of an individual's experiences of exclusion; and, ultimately these positive impacts help to reduce societal costs (e.g. social security and jobseeker costs; costs due to ill health; costs related to crime, etc) all of which in turn help to boost the region's economic performance.

10a. Employability

Lack of participation in the labour market impacts on an individual's standard of living and can be associated with other factors contributing to the experience of deprivation, such as poor health. Employability is about ensuring that people are prepared for the jobs that exist now and will exist in the future thereby reducing their vulnerability in the labour market. For some, simply getting a job will be the first step to getting a better job.

The employment rate in the East Midlands is above the UK average but this disguises pockets of severe labour market deprivation that exist within the region. The region's economy also has a high proportion of jobs that are low skilled, low paid and require few or no qualifications. Evidence shows that 12.2% of the economically active, working age population have no qualifications, compared to 10.8% in the UK.¹³¹

Although the East Midlands has an above average supply of jobs which require few or no qualifications or skills, an individual with no qualifications is still far more likely to be unemployed and far more likely to earn low wages if they are in employment. The employment rate for those with no qualifications in the East Midlands in 2003 was only 54.9%, compared to 78.5% for those qualified up to an equivalent of 5 GCSEs at A*-C (Level 2). Additionally, the average weekly pay for workers with no qualifications in 2003 was only £229, compared to £268 for those with a Level 2 qualification and less than half that earned by workers with an equivalent of a degree (Level 4). Improving basic skill levels amongst adults is therefore important to help address significant social inequalities as well as contributing to the improvement of workforce productivity.¹³²

Improving skills levels in the East Midlands is important for both the future competitiveness of the economy and for individuals.

This is a considerable challenge for policy makers, as all adults should be equipped with a basic level of qualification on leaving compulsory education. Although there have been marked improvements in the qualifications of young people leaving the education system in recent years, evidence suggests that the majority of people attain their highest qualification level before the age of 25. The Government's Review of Skills undertaken by Lord Leitch suggests that half of the working age population required for 2020 is already over 25.¹³³ Given that skill requirements are expected to continue to increase in the future, combined with an ageing population and the prospects of a later retirement age, this means that there is a risk that older individuals with no or limited qualifications will become trapped in a cycle of low-paid casual work and intermittent periods of worklessness and benefit dependency.

Improving skills levels in the East Midlands is both important for the future competitiveness of the economy and for individuals to ensure that they adapt to changing conditions and sustain their employability. Interventions to increase the demand for and supply of skills are discussed under the 'Raising Productivity' structural theme but there are some groups of people who are under-represented in the labour market and face additional barriers and it is these who are addressed here. These groups include: ethnic minorities; people with disabilities and those on incapacity benefit; lone parents; people aged over 50; under 18s who are outside education or training, women and migrant workers, and people living in the most deprived areas, including those isolated by remoteness and sparsity.¹³⁴ Statistics relating to under-represented groups are detailed in Annex C.

There is evidence to suggest that while 73% of workplaces in the UK have equality and diversity policies (including 96% of large private sector businesses and 45% of SMEs), the application of these policies is lower. Twenty three per cent of large private sector businesses and 10% of SMEs apply them.¹³⁵



PICTURED: DISABILITY DIRECT, DERBY.

10a PRIORITY ACTIONS

▶ **ENHANCE EMPLOYABILITY OF THE MOST DISADVANTAGED**

Improve the employability of those without skills and qualifications through:

- the provision of 'skills for life' (including ESOL (English for Speakers of Other Languages), vocational and core employability skills);
- encouraging the take up of Level 2 qualifications.

▶ **ADDRESS WORKLESSNESS**

Address persistent and high levels of worklessness in communities by :

- connecting local people to job opportunities created by public sector investment in key infrastructure projects;
- encouraging private sector developers and employers to recruit from underutilised local labour sources;
- connecting people in areas of limited opportunity to areas of growth;
- supporting innovative solutions to long term unemployment such as work trials, peer mentoring schemes and intermediate labour markets.

▶ **IMPROVING DIVERSITY OF THE WORKFORCE**

Work with employers to increase the diversity of the East Midlands workforce and address the under representation of different groups in work by:

- developing a regional campaign to demonstrate the business case for diversity;
- providing support to businesses to undertake diversity assessments and develop action plans;
- creating and promoting an East Midlands diversity quality mark for employers.

10b. Achieving a healthy workforce

The East Midlands faces some major challenges if it is to improve the health of those that live and work in the region. Each year it is estimated that £222m is lost to the region's economy as a result of people taking sickness absence. Although the East Midlands has a slightly lower rate than average for workers taking days off due to work-related sickness or injury, at 1.5 days per worker compared to 1.6 in England, this still lags the leading regions considerably.¹³⁶ There is also a legacy of long term ill health; notably in the northern, coastal and urban areas. In these areas there appears to be a close association between high concentrations of worklessness and greater incidence of poor health. Additionally, 24.8% of the East Midlands' population is classified as obese - the highest of all the English regions.¹³⁷ The relationship between obesity, ill health, an ageing population and a decline in physical activity is putting increasing demands on the region's health services and having a detrimental effect on the region's productivity.

10b PRIORITY ACTIONS

▶ **WORKING WITH EMPLOYERS TO IMPROVE THE HEALTH OF THE REGION'S WORKFORCE**

Ensure that employers are informed on the detrimental effects of poor health on business performance and take steps to improve and protect the health of their employees by:

- promoting the benefits of a healthy workforce through business support services;
- working through the Investment for Health Strategy to promote healthy workforce initiatives.

▶ **ADDRESS ILL HEALTH AS A BARRIER TO EMPLOYABILITY**

Ensure that those who experience poor health as a barrier to employment are supported in entering the labour market in positions consistent with their personal circumstances. This will be achieved by ensuring that employment support activities in the region take account of the varying health needs of these groups.



PICTURED: COMPUTER SUITE AT AGE CONCERN CENTRE, LEICESTER.

10c. Enterprising people

Section 4 highlighted a number of economic challenges facing the region, both global and local. The 'Raising Productivity' structural theme sets out the role of enterprise and business support in responding to these challenges. Those actions are generic and aimed at all who wish to pursue entrepreneurial activities. This section is more directly concerned at ensuring that those from the most disadvantaged groups and communities in the East Midlands have access to relevant tailored support.

Conventional thinking suggests that entrepreneurial behaviour solely relates to starting a new business. Recently though, the term enterprise has been used to convey the need for a more dynamic cultural change where entrepreneurial behaviour is utilised to address not only economic but social and environmental challenges. Thus, enterprise is not only a vehicle for wealth creation opportunities but also a catalyst for other socio-economic benefits.

Consequently, a strong entrepreneurial base can contribute to achieving economic, social, environmental and cultural objectives through:¹³⁸

- helping to foster social and economic cohesion (reflecting their size, new and small enterprises tend to be more embedded in their local community);
- creating economic inclusion opportunities in deprived areas both in terms of ownership and employment creation opportunities; and
- unlocking personal potential and contributing to personal wellbeing in terms of enhanced self fulfilment, freedom and independence.

However, entrepreneurial activity will not be an appropriate route to economic inclusion for everybody, and that for some employment will offer the best route to inclusion. This Strategy sets out a range of support measures for both routes.

The common barriers that people face in setting up a business are accessing appropriate business support; and accessing appropriate finance for start-up and growth (debt, equity and working capital).¹³⁹ How individuals experience these barriers is dependent upon their background and, sometimes, on where they live. As such, business support solutions need to be sensitive to an individual's characteristics, location, needs and experiences.



PICTURED: FLORISTS ON BELGRAVE ROAD, LEICESTER.

In terms of business support, the needs of under-represented and disadvantaged groups should be addressed through the development of a cost effective and sustainable approach. This means the provision of a core package of support (e.g. Universal Start-up Offer and the Information, Diagnostic and Brokerage (IDB) model) augmented, where necessary, to meet the demonstrable needs of specific groups.

For example, the ageing population of the UK means that one third of enterprises will need to be transferred to the next generation in the coming 10 years.¹⁴⁰ In addition, by 2028 the pensionable age group will account for 30% of the region's population compared to a current share of 19% of the population. This will have significant implications for both health care and labour market participation and is likely to considerably alter the balance between the economically active and inactive.¹⁴¹ This means that the region will need sustained efforts to build enterprise aspirations and capabilities with younger and older people if it is to capitalise on this challenge.

The self employment rate amongst Indians, Pakistanis and Bangladeshis is nearly 2½ times greater than that of African-Caribbean communities.

The presence of black and minority ethnic (BME) communities - including new arrivals - in the region is also set to grow over the next 20 to 30 years with areas such as Leicester seeing this community making the transition from a minority to a majority population.¹⁴² Where this is the case, there are real opportunities to empower local communities for them to be the entrepreneurial architects of local regeneration initiatives. In addition BME communities have a much younger age profile than the white population: 45% of the UK's BME population is less than 25 years old, compared to a third of the white population.¹⁴³

Furthermore, although entrepreneurship levels amongst BME communities are slightly higher than the regional average, there are disparities between different ethnic groups. For example, the self employment rate amongst Indians, Pakistanis and Bangladeshis is nearly 2½ times greater than that of African-Caribbean communities.¹⁴⁴ In addition, the educational attainment of Black Caribbean, Bangladeshi and Pakistani pupils is well below the national average.¹⁴⁵ Hence, education initiatives need to focus both on improving education attainment levels and the aspirations of these young people in terms of entrepreneurial behaviour. The gender dynamics of enterprise creation are discussed under the 'Raising Productivity' structural theme, where it is noted that although women make up 51%¹⁴⁶ of the region's population they are half as likely to set up in business as men.¹⁴⁷

Consequently, in order to realise the opportunities and respond to the challenges of global economic change, increasing entrepreneurial behaviour in the East Midlands is crucial. The region's diverse population mix, rich cultural heritage and changing demographic patterns mean that in order to drive this cultural challenge forward, it is approached in an inclusive and integrated way.

10c PRIORITY ACTIONS

DEVELOP ENTREPRENEURSHIP SKILLS

- Ensure the region consistently generates entrepreneurs from all sections of society by:
- promoting entrepreneurship as a viable career choice through targeted awareness raising activities (see priority action 2b-1 in the Enterprise and Business Support section);
 - integrating entrepreneurship at all levels of the education curriculum (schools, FE and HE) and creating effective links between education institutions and businesses;
 - providing business support appropriate to all sections of society (see the priority action 9a-2 in the Economic Renewal section).

INDICATORS OF SUCCESS for Economic Inclusion

Proportion of the population of working age claiming key benefits.

To halve the gap between the East Midlands and the South East from 3.6 percentage points to 1.8 percentage points by 2009.

Economic activity rates in bottom decile of East Midlands Local Authority Districts/Unitary Authorities.

Increase economic activity rates in the bottom decile of LADs/UAs to 75% by 2009.

PICTURED:
Oakham Market,
Rutland.



Section ten



Challenges for the sub-regions

Challenges for the sub-regions

The ability of the East Midlands to achieve its vision of become a *flourishing region* will depend on the extent to which vibrant and cohesive communities in attractive and prosperous towns, cities and rural areas, in which people wish to live and invest, can be created and maintained.

Our cities and towns in particular have a major contribution to make in driving and enhancing our regional competitiveness and productivity. Strong cities are necessary for strong regions and increasingly strong 'city-regions' are beginning to play a role in supporting and driving regional economies. Collaborative efforts across cities and between cities and their surrounding areas can improve competitiveness, skills and transport connectivity and bring new dynamism and creativity in finding solutions. Nottingham and the greater Nottingham conurbation area, Leicester and Derby will look to capitalise on their unique strengths and proximity to raise their economic game. Northampton, an increasingly important urban settlement, and the City of Lincoln have significant scope to bring wider benefits to their surrounding hinterlands and neighbouring areas, and Northampton in particular, to the rest of the region. Within this context, partners in the region, especially the Three Cities sub-region, may explore the potential for additional housing and associated growth presented by the emerging Department for Communities and Local Government (DCLG) led 'Key Growth Points' initiative.

Our diverse rural and coastal areas equally have an important contribution to make. Nearly one third of the population of the East Midlands, approximately 1.2 million people, live in our rural areas. These communities have significant capacity to encourage rural enterprise, including land-based industries, and in providing an attractive environment for inward investment. Investment in rural areas to encourage vibrant and sustainable communities will enhance the quality of life for urban as well as rural residents. Key to these areas being vibrant and sustainable is the retention of a balanced community of all age groups including young people, particularly 16 to 24 year olds. There needs to be adequate provision of all services to rural communities, including housing, transport and advice and support for the wide spread of rural businesses including agriculture. There is a real and vital interdependence between our rural and urban communities.

Nearly one third, of the population of the East Midlands, approximately 1.2 million people, live in our rural areas.

Sub-regional investment plans and strategies will be critical in identifying clear actions that target specific challenges at sub-regional level within the context of the overall priorities and challenges identified at regional level. There will be strong links with Local Area Agreements particularly the new enterprise support resources through the Local Enterprise Growth Initiative (LEGI). Sub-regional Investment Plans will also be key in leveraging in private sector resources and business engagement.

The majority of priority actions outlined in this Strategy are not geographically specific, with a few exceptions; they will apply, with a greater or lesser degree of emphasis across the entire region.

Eastern sub-area

This sub-area which consists of the counties of Lincolnshire and Rutland is predominantly rural in character, but also includes the City of Lincoln and a number of significant towns, such as Grantham, Boston, Sleaford, Skegness, Spalding, Louth, Gainsborough, Bourne, Oakham and Stamford. There are significant disparities in performance and circumstances at local levels across the sub-area and these disparities make straight forward generalisations problematic. In general, Lincoln and the A1 corridor are

Section ten



PICTURED: THE LINCOLNSHIRE SEASIDE.

characterised by very different circumstances and prospects than the east coast. The latter faces major structural challenges that inhibit both economic performance and wellbeing.

Estimates of recent growth rates in GVA and employment for the Eastern sub-area exceed the regional average and are expected to do so over the next decade. However, it must be emphasised that the sub-area is starting from a significantly lower base than elsewhere in the region: it is estimated that GVA per head in Lincolnshire was only 77% of the UK average in 2003, a slight improvement since the low point of 75% in 2000. Notwithstanding relatively positive growth projections, at these rates of growth, convergence with the regional average would take many decades. There is considerable variation across the sub-area, with stronger growth anticipated around the City of Lincoln and along the A1 route in the southern half of Lincolnshire (linked to Peterborough). In contrast, growth is projected to be weaker in East Lindsey on the Lincolnshire coast.

The Eastern sub-area accounts for 16.6% of the regional population, with 710,000 residents in 2004, but is by far the largest sub-area in land size, and thus has the lowest overall population density. Whilst between 1994 and 2004, it recorded the largest population increase in the East Midlands, growing by a total of 11.3%, compared to an overall regional growth of 5.1%, this growth has been driven by a strong increase in the pensionable age group, as described in more detail in the demography section of the Evidence Base and identified as one of the regional challenges in Section 4.

Land use in the Eastern sub-area is predominantly arable and mixed farming, with a concentration of horticulture, including vegetable, salad, flower and bulb production especially in the Fenland area of south Lincolnshire, which contains some of the most fertile farmland in the country. Food processing, packaging and distribution industries have grown in this area, where increasing numbers of migrant workers provide a critical contribution to the local economy and an additional dimension to the socio-economic profile of the area. It is believed that the economic impact of CAP reform in this sub-region will not overall be unduly negative. In addition to the already highly market-responsive food production sector, large-scale grain, sugar beet and other 'commodity' production offers potential for diversification into non-food and renewable energy markets.

In labour market terms, whilst the Eastern sub-area compares relatively well to the regional average, with higher employment rates and lower unemployment rates, this again masks significant local variation - with acute deprivation along the coastline, indicative of remote rurality and dependence on weak local labour markets. Earnings are somewhat lower than the regional average, with the earnings of those resident in the Eastern sub-area exceeding the earnings of those working in the sub-area, suggesting that many residents in higher paid jobs commute to work elsewhere.

The Eastern sub-area performs less well in its share of the business population and in indicators of enterprise. The sub-area has a relatively large business population, accounting for 18.5% of the regional total, but density is very sparse when one takes into account

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PHOTOGRAPH BY CHRIS WEBB PHOTOGRAPHY FOR EMDA



PHOTOGRAPH BY SIMON BOLTON FOR EMDA

PICTURED: PLEASLEY COLLIERY, MANSFIELD, NOTTINGHAMSHIRE; THE PEAK DISTRICT, DERBYSHIRE.

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its large area size. The VAT registration rate per 10,000 population head in 2004 was significantly lower than the regional average. The coast suffers particular problems relating to access and deprivation. The UK's first Coastal Action Zone (CAZ) is aiming to address these problems, by finding new service delivery methods and promoting new initiatives to address the distinctive socio-economic problems suffered in coastal areas.

Key challenges

- Relative economic peripherality and poor transport and communications.
- Low population densities in more remote rural areas.
- There is a reliance on weak local labour markets characterised by high levels of casualisation and extensive use of temporary, seasonal and migrant labour usually in low-skilled and low-paid occupations.
- Poor transport links constitute significant barriers to participation in training, education and employment.
- Relatively low levels of economic activity.
- Significant incidence of 'hidden unemployment' in the north and east of the sub-area.
- Extreme disparities in performance at local level across the sub-area.

Sub-regional emphasis

Key sub-area strategic priorities

- Enterprise and business support
- Employment, learning and skills
- Land and development
- Transport and logistics

The Northern sub-area

The Northern sub-area includes the north of Nottinghamshire and north-eastern Derbyshire. This sub-area has been heavily affected by the decline of traditional manufacturing industries and coalmining, and covers a large proportion of the East Midlands' former coalfield areas. The Northern sub-area has a number of sub-regional centres, such as Mansfield, Worksop and Chesterfield, and has close functional ties with the cities of Nottingham and Derby in the East Midlands, and Sheffield in South Yorkshire.

The Northern sub-area accounts for 16.4% of the East Midlands population, with 702,900 residents in 2004. This is comparable to the population of the Eastern sub-area, but it is considerably more densely populated given its smaller geographical size. The population of the Northern sub-area has grown least of all the sub-areas between 1994 and 2004, at a total of 2.1%, 3 percentage points less than the East Midlands overall, with population decline in a number of districts. Sheffield, in the Yorkshire and the Humber region, has a significant impact on the Northern sub-area, in terms of employment and provision of services. This is demonstrated by the inclusion of some parts of this sub-area within the Sheffield city region.

The Northern sub-area has experienced some of the lowest GVA and employment growth rates in recent years, but is forecast to grow in line with the regional average over the next decade. This picture is not uniform across the sub-area, with areas to the north of the region, close to Sheffield and Rotherham, forecast to grow faster than the regional average, whilst districts in the central coalfields area, north of Nottingham City are forecast to experience slower GVA growth rates and to continue to experience a contraction in the number of jobs.

In labour market terms, parts of the sub-area exhibit characteristics indicative of acute employment deprivation. Overall employment rates are significantly lower than the regional average, but again local variations are large. Employment rates in the districts of Bolsover and Mansfield were around five percentage points below the districts of Bassetlaw and Newark and Sherwood. Estimates of 'hidden unemployment' are also high in this sub-area where relatively high levels of incapacity benefit claimants suggest that health problems constitute a significant barrier to economic participation.¹⁴⁸ Earnings in the Northern sub-area are the lowest of the five sub-areas. The average earnings of those who work in the sub-area are considerably lower than the average earnings of residents of the sub-area - suggesting that many higher paid workers commute to work elsewhere.

The Northern sub-area accounts for 14% of the region's VAT registered business stock, but business registration is particularly weak. The sub-area recorded a VAT registration rate of 31.2 businesses per 10,000 population in 2004, the lowest rate of the five sub-areas.

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Key challenges

- High levels of unemployment, estimated 'hidden unemployment' and associated ill health should constitute a major focus of public sector intervention.
- Physical regeneration and economic renewal will remain major long term priorities for the sub-area.
- Despite some success in generating replacement jobs in the service sectors, there is concern that these employment opportunities do not match the quality of the jobs lost.
- A significant legacy of environmental damage associated with its industrial past.
- Major strategic sites are in need of physical regeneration. Proximity to the M1 and the Sheffield/Rotherham conurbation does however present the sub-area with significant economic opportunity that must be exploited.
- Many communities are small and relatively isolated from services and employment.

Sub-regional emphasis

Key sub-area strategic priorities

- Economic renewal
- Enterprise and business support
- Employment, learning and skills
- Land and development.

Peak sub-area

The Peak sub-area incorporates the districts of High Peak and Derbyshire Dales and the part of the Peak District National Park which falls in the East Midlands. The sub-area is predominantly rural in character, with a few smaller towns such as Matlock and Buxton. It is situated close to the Greater Manchester conurbation in the North West region, which along with the attractive landscape, has contributed to the Peak sub-area recording some of the strongest growth in property prices in the East Midlands.

The Peak sub-area is both small in geographical terms and relatively sparsely populated, and as such accounts for only 3.8% of the East Midlands' population with 160,500 residents in 2004. Population growth from 1994 has been below the regional average, increasing by just 4% in the last decade. Like the Eastern sub-area, the Peak sub-area has a high proportion of its population over pensionable age.

Much of the economic activity of the Peak sub-area relates to either tourism or primary industry. The area is strong in terms of tourism with the Peak District National Park being the most visited National Park in Britain, with strong emphasis on the number of day visitors. Geology and climate within the Peak sub-area dictate that agriculture is restricted to livestock/dairy production and this sector is widely thought to be the most likely to be adversely affected by recent reforms of the Common Agriculture Policy (CAP).

Labour market indicators for the Peak sub-area compare well to the regional average, with an employment rate of almost 78% in 2004, and one of the highest economic activity rates in the region. Residence based earnings are above the regional average, but, like other sub-areas in the East Midlands, the earnings for those working in the Peak sub-area are below the regional average.

Not surprisingly, given its small geographical size and relative rurality, the business population of the Peak sub-area is very small, accounting for only 5.3% of the total East Midlands' VAT business stock at the end of 2004. However, the registration rate is relatively strong, at 41.1 businesses registering for VAT in 2004 per 10,000 population head.

Key challenges

- This area is small in size, both in terms of land area and population, but the environmental quality of the Peak National Park generates significant wealth for the region through tourism.
- House price inflation has caused affordability problems for some residents.
- Although the Peak sub-area is well connected to the greater Manchester conurbation there are issues with connectivity to other areas within the East Midlands.
- Upland livestock farming faces particular challenges in adapting to the impact of Common Agricultural Policy reform, and will require appropriate support.

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Sub-regional emphasis

Key sub-area strategic priorities

- Environmental protection
- Transport and logistics
- Enterprise and business support
- Employment, learning and skills

Three Cities sub-area

This sub-area comprises of the cities of Derby, Nottingham and Leicester, and their surrounding districts, including parts of Derbyshire, Leicestershire and Nottinghamshire. The cities act as the region's major administrative, commercial and cultural centres, although they exhibit substantial pockets of deprivation. The Three Cities sub-area has the most enclosed location of the five sub-areas, with only one border external to the East Midlands.

This sub-area accounts for the largest proportion of the region's population, a total of 2,059,600 estimated residents in 2004, almost half the total East Midlands' population. However, population growth has fallen below the regional average over the last decade, with population decline in Nottingham and Leicester cities. This has been offset to an extent by very strong growth in some of the outlying areas: for example the district of Harborough, adjacent to Leicester city, grew by 14% between 1994 and 2004.

The sub-area includes the largest local economies in the East Midlands. Estimates of GVA per head for Nottingham City are 32% above the UK average, the highest in the region, whilst GVA per head also exceeds the national average in both Leicester and Derby. However, historic and forecast GVA and employment growth rates are below the regional average, suggesting that the sub-area is not maximising its opportunities for growth.

Labour market indicators for the sub-area suggest significant challenges relating to acute deprivation in all three major conurbations. The Three Cities sub-area has the highest unemployment rate of the five sub-areas, and both employment and economic activity rates are below the regional average. However, the large student populations in the three cities contribute to lower economic activity rates. Earnings in the Three Cities sub-area are above the regional average, but unlike the other sub-areas in the East Midlands, the average for those working in the sub-area is higher than the average for residents - suggesting that a significant proportion of higher paid individuals commute to the sub-area from elsewhere. There are significant local variations, with residence based earnings in some of the affluent areas around the three cities considerably in excess of the regional average.

The Three Cities sub-area accounts for the largest share of the region's business population, at 45% of the East Midlands' VAT registered business stock at the end of 2004. However, on indicators of enterprise activity, the sub-area compares less favourably, with below average business registration rates. The Three Cities collaboration includes the three urban Unitary Authorities, working in partnership with their County Councils to tackle economic development.

Key challenges

- The Three Cities sub-area is characterised by the juxtaposition of great wealth and economic dynamism with extreme relative deprivation.
- The three cities themselves (Derby, Leicester and Nottingham) are not 'punching above their weight' in economic and competitiveness terms. The need to optimise the performance of the region's cities as principal engines of economic growth whilst addressing the economic exclusion of deprived communities who seem not to benefit from the huge economic opportunities on their doorstep, is increasingly recognised as important.
- Low levels of functional specialisation across the cities suggest a pressing need to build the functional linkages and complementarity of the cities.

Sub-regional emphasis

Key sub-area strategic priorities

- Innovation
- Transport and logistics
- Land and development
- Enterprise and business support
- Employment, learning and skills

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PICTURED: THE SHIRES SHOPPING CENTRE, LEICESTER; NORTHAMPTON TOWN CENTRE.

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Southern sub-area

This sub-area describes the county of Northamptonshire and its relatively accessible rural areas in close proximity to a number of large towns, particularly Northampton, but also Corby, Kettering, Daventry and Wellingborough. Much of the sub-area can be described as highly affluent, with high levels of labour market participation and higher than average property prices. However, pockets of deprivation are evident - particularly in the town of Corby and in parts of the sub-area's other main towns, and to a lesser degree in rural areas where access to key services can be difficult for less mobile groups.

The Southern sub-area has close functional relationships with London, the South East, East of England and the West Midlands, with the M1 and A14 corridors running through the sub-area, and rapid train links to London from many of the area's towns, although notably not Corby. Its location makes it a key focus for logistics activity, as well as residence for many professionals working in London and the South East. The south of the sub-area falls within the Milton Keynes South Midlands (MKSM) Growth Area.

The Southern sub-area had an estimated population of 646,800 in 2004, which is 15.1% of the regional total. It has experienced strong population growth over the last decade, growing by 9% from 1994, which significantly exceeds the regional average. Population growth is expected to increase considerably over future years as a result of the MKSM development with the Regional Spatial Strategy making provision for an additional 99,500 houses for the period 2001 to 2021.

Overall, the Southern sub-area has very high employment and economic activity rates: both of which are in excess of 80% of the working age population. Unemployment rates are one percentage point below the regional average, almost two percentage points below the UK average. It would therefore be reasonable to say that much of the sub-area is at full employment. However, local variations are considerable. Earnings for both those resident and those working in the sub-area are above the regional average but this overall picture of relative affluence masks pockets of far lower earnings.

The Southern sub-area has a relatively significant share of the region's business population, at 17.2% of the East Midlands VAT business stock at the end of 2004. It has a particularly high business registration rate, at 44.2 per VAT registrations per 10,000 population head in 2004. This is almost 10 registrations per 10,000 population head higher than the regional average.

Key challenges

- The Southern sub-area enjoys considerable locational advantages and relative affluence, with notable exceptions.
- A significant policy focus must be to maximise the benefits of proximity to London and the South East. Northampton is at the heart of the MKSM growth area and this presents the sub-area with a huge economic opportunity, but also major challenges to deliver development on this scale while ensuring that essential infrastructure, employment provision and services keep pace with growing demand.
- Projected housing growth and associated investments in Northampton will reinforce Northampton's economic significance over the medium to long term.
- Regeneration of Corby to ensure it can benefit from the opportunities in other parts of the sub-area.
- Continued development of the Urban Development Corporation in West Northamptonshire and the Local Delivery Vehicle in North Northamptonshire.

Sub-regional emphasis

Key sub-area strategic priorities

- Transport and logistics
- Land and development
- Enterprise and business support
- Employment, learning and skills

PICTURED:
Conkers Visitor
Centre, Leicestershire.



Section eleven



Integration and delivery

Integration and delivery

Delivering a flourishing region

Delivery of the Strategy will be achieved only by a concerted effort by all public, private and voluntary sector organisations in the region, and with the support of national Government. The RES is the region's Strategy, not *emda*'s; the contribution *emda* will make to delivering the RES is laid out in its Corporate Plan. The vision of creating a *flourishing region* can therefore be realised only if it is shared by all key stakeholders across the region and if those same organisations and partners are committed to playing their part in its implementation.

This section summarises the wide range of partners and stakeholders it will take to deliver the RES, looks at how this links to other strategies and provides an indication of the resources available to achieve this, as a first step in the production of a RES Implementation Plan.

11a. Links to other regional strategies

Given the huge importance of economic growth to the wider sustainable development of the region, to businesses, the environment and the overall quality of life of people and communities, the RES must inform and support the range of other strategies in the region under the umbrella of the East Midlands Assembly's Integrated Regional Strategy and add value to sub-regional and local level strategies.

CHART 7 : The Integrated Regional Strategy



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The Integrated Regional Strategy (IRS) framework aims to ensure that policies and strategies are not prepared in isolation but in a compatible and integrated way. The Regional Economic Strategy, Regional Spatial Strategy, Regional Environment Strategy and the family of social strategies - Investment for Health, Housing and the Regional Cultural Strategy (which is currently under review) - have been developed within the context provided by the IRS Framework and together will help the region move towards its vision, objectives and priorities. The RES sits firmly within that framework and complements all other regional strategies. Links with other Regional Strategies are summarised in Annex D.

11b. Links to inter-regional strategies

Smart Growth - Midlands Way (SGMW)

The Smart Growth - Midlands Way initiative is a collaborative inter-regional growth strategy across the East and West Midlands. It outlines a bespoke Midlands response to the challenges of the Government's Sustainable Communities Plan and national productivity drivers. Smart Growth is about how the Midlands can help its own communities, whilst also contributing to the delivery of national targets and objectives.

The work has been led by the two Midlands RDAs - Advantage West Midlands, and *emda* - working with the two Regional Assemblies and Government Offices. Smart Growth seeks to reinforce and assist in the delivery and implementation of existing regional policy. It neither replaces nor duplicates these strategies; rather it provides a vehicle for accelerated delivery, through improved linkages and cross boundary working. Initial indications have suggested that such an approach could bring real opportunities and benefits for the Midlands. The development of the growth strategy is on-going. In its present form, it identifies key priorities for action which relate to three theme areas:

- SMART Renaissance - which relates to regeneration activity;
- SMART Productivity - which relates to improving productivity;
- SMART Connections - which relates to improving infrastructure.

The outcomes and evidence of RES revision processes in the East and West Midlands will be used to refine and further inform the development of SGMW.

The Northern Way

The Northern Way is being led by the three Northern Regional Development Agencies (Yorkshire Forward, One NorthEast and the Northwest Regional Development Agency), and the objective is to develop a long-term strategy for growing the economy of the whole of the North of England looking to 2025. The Northern Way's Steering Group published a Growth Strategy report in September 2004 which identifies the changes required and prioritises actions. A key focus is the £30 billion output gap between the North and South which is shown to be widening. The Northern Way aims to unlock the potential of the North by:

- adding value through pan-regional working;
- building on combined assets and networks;
- creating a world-class critical mass.

A key element of the Northern Way is the work being taken forward by eight City Regions which have developed City Region Development Plans. The Sheffield City Region includes parts of Derbyshire and Nottinghamshire.

11c. Delivering the RES: Resources

Successful delivery of this Strategy is dependent upon the commitment and support of many people, businesses and organisations in the region. The priority actions will be delivered by the continuation of existing activity or redirection of activity to better align with RES priorities. However, many actions will also need direct financial investment. The East Midlands is a £66 billion economy. If a

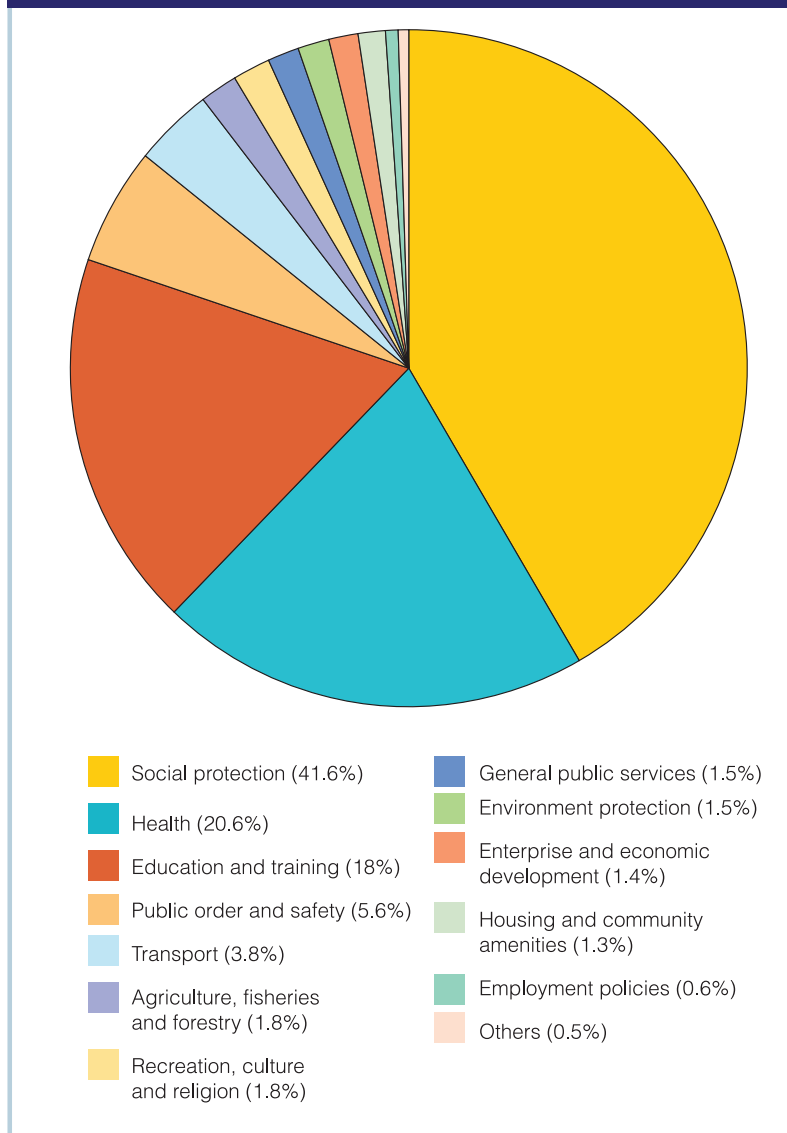
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larger share of the investment in the economy from public and private sources can be mobilised behind RES objectives, the region is more likely to achieve its vision of becoming a *flourishing region*. We know that in 2003/04, around £23 billion could be attributed to public expenditure in the East Midlands, of which around £6.7 billion was spent by local government. Chart 8 below shows how this is broken down by activity.

More than three quarters of the identifiable public expenditure in the region is on education and training, health and public order and safety - these are all important in furthering the economic wellbeing of the region, but they will not all directly contribute to many of the actions in the RES. Resources for many of the actions must therefore come from private support and investment. The proportion of public expenditure devoted to economic development is small - around 1.5%, reinforcing the point that the Strategy cannot be delivered and the vision cannot be achieved without inputs from those responsible for the remainder of public expenditure and the billions of pounds of business spending in the region each year. This investment will take the form of, for example, property, plant and equipment, IT, research and development and training - all of which can be directed in support of RES priorities.

The RES Implementation Plan will map those organisations whose contribution will be critical to the successful delivery of the RES, including where possible details of resources to be invested.

CHART 8 : Identifiable Public Expenditure in the East Midlands, 2004-05



Source: HM Treasury, Public Expenditure Statistical Analysis (PESA), May 2006.

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11d. Indicative delivery plan

Structural theme 1 : Raising productivity

STRATEGIC PRIORITIES	SUB PRIORITIES	PRIORITY ACTIONS	KEY PARTNERS	LINK TO PSA TARGETS	
<h1 style="font-size: 48px; margin: 0;">1</h1> <p style="margin: 5px 0 0 0;">Employment, learning and skills</p>	<p>1a. Developing the skill levels of the current and future workforce</p>	<p>Engaging schools and colleges with businesses Equip school and college leavers with the skills and knowledge that businesses require by:</p> <ul style="list-style-type: none"> ■ developing stronger linkages between education providers and employers; ■ working with businesses to ensure that every young person has access to a week's work experience every year from the age of 14; ■ improving the delivery of the provision and coordination of STEM (Sciences, Technology, Engineering and Maths) subjects, along with work-readiness of school leavers. 	<p>Connexions, Education business partnerships, EMBF, <i>emda</i>, GOEM, Local authorities, LSCs, SSCs, SSPs.</p>	<p>DFES: PSA 1 DFES: PSA 2 DFES: PSA 5</p>	
			<p>Developing adult workforce skills (Pathways for Learning) Increase the proportion of the adult workforce studying for and gaining new qualifications by developing clear learning pathways for people in work to progress from Skills for Life through to Foundation degrees through:</p> <ul style="list-style-type: none"> ■ improving the integration of existing qualifications; ■ providing access to further opportunities to develop high level skills that are relevant to the economy; ■ providing meaningful information to young people and those in work about the likely outcome of their chosen learning pathways including information on potential earnings, career opportunities and further skills needs. 	<p><i>emda</i>, HEIs, LSC, SSCs, SSPs, Private training providers.</p>	<p>DFES: PSA 10 DFES: PSA 11</p>
		<p>1b. Stimulating business demand for skills</p>	<p>Stimulating skills demand Encourage employers to stimulate demand for high level and transferable skills by:</p> <ul style="list-style-type: none"> ■ promoting the adoption of innovative working practices, including effective work organisation and employee development; ■ using public procurement to promote skills development; ■ providing support and ensuring easy access to information about how to develop the skills of the workforce (including a published network of named contacts in further and higher education that businesses can contact directly to diagnose and discuss their needs); ■ providing consistent and relevant business support, advice and guidance. ■ Working with partners to improve management skills in the region. 	<p>Business support organisations, EMBF, EMCBE, <i>emda</i>, EM Procurement Centre of Excellence, HEIs, JobCentre Plus, SFBN, SSPs.</p>	<p>DTI: PSA 1 DEFRA: PSA 5</p>

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STRATEGIC PRIORITIES	SUB PRIORITIES	PRIORITY ACTIONS	KEY PARTNERS	LINK TO PSA TARGETS
<h1 style="font-size: 48px; margin: 0;">2</h1> <p style="margin: 0; font-weight: bold;">Enterprise and business support</p>	1c. Improving the infrastructure and responsiveness of skills supply	<p>Matching skills provision to employer demand</p> <p>Ensure that training providers prioritise resources and develop the capacity to deliver the skills required by employers in a growing economy.</p>	Business support organisations, EMBF, <i>emda</i> , Jobcentre Plus, Local authorities, LSCs, Training providers, SSPs.	DTI: PSA 1
	1d. Improving the infrastructure and responsiveness of skills supply	<p>Exploiting the opportunity of Higher Education</p> <p>Ensure that adult learners, irrespective of age, gender or location, have access to academic and vocational qualifications to Level 4 and above whilst remaining engaged in the workforce by:</p> <ul style="list-style-type: none"> ■ developing lifelong learning networks to link further and higher education to improve access to skills provision; ■ supporting HEIs to increase the flexibility of their offer so more people already in the workforce have an opportunity to gain higher level skills. 	Business support organisations, <i>emda</i> , HEIs, Jobcentre Plus, Local authorities, LSCs, Training providers, SSPs.	DTI: PSA 1
<h1 style="font-size: 48px; margin: 0;">2</h1> <p style="margin: 0; font-weight: bold;">Enterprise and business support</p>	2a. Building an enterprise culture	<p>Harness a culture of enterprise</p> <p>Create a continuous path of enterprise education and awareness available to all in the region, linked to the provision of start-up assistance for those who wish to access it.</p>	Business support organisations, EMBF (FSB), <i>emda</i> , HEIs, Industry groups, Local authorities, SBS, SSPs.	DTI: PSA 6 DEFRA: PSA 5
	2b. Creating a dynamic SME base	<p>Targeted provision to improve business creation</p> <p>Create a coordinated long-term campaign to develop enterprise skills, raise the profile of enterprise and help people identify opportunities; focusing on people aged 35-55, particularly women. The 35-55 age group is proven to have the capital, competence and ideas to successfully start a new business.</p>	Business support organisations, EMBF (FSB), <i>emda</i> , Industry groups, Local authorities, SBS, SSPs.	DTI: PSA 6 DEFRA: PSA 5
	2b. Creating a dynamic SME base	<p>Increase business survival</p> <p>Provide best practice support, linked to the enterprise campaign, to ensure that all people are offered:</p> <ul style="list-style-type: none"> ■ consistent high quality advice prior to setting up their businesses, irrespective of where they are based in the region, that is tailored to their individual needs; ■ ongoing business support as their business grows that is targeted at increasing survival rates amongst businesses that are 12 to 36 months old. 	Business support organisations, EMBF (FSB), <i>emda</i> , Industry groups, Local authorities, SBS, SSPs.	DTI: PSA 6 DEFRA: PSA 5
2c. Supporting innovation & diversification in manufacturing	<p>Supporting innovation & diversification in manufacturing</p> <p>Through the national Manufacturing Advisory Service, target support to firms that are ready and willing to innovate and assist their investment in diversifying their products, processes or markets and link these firms to wider Business Link support for growth and skill development.</p>	Business support organisations, <i>emda</i> , MAS, SSPs.	DTI: PSA 6	

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STRATEGIC PRIORITIES	SUB PRIORITIES	PRIORITY ACTIONS	KEY PARTNERS	LINK TO PSA TARGETS
<h1 style="font-size: 48px; margin: 0;">2</h1> <p style="margin: 0; font-weight: bold;">Enterprise and business support</p>	2d. Overcoming barriers to SME growth	<p>Providing high quality business support</p> <p>Develop an integrated regional business support network that:</p> <ul style="list-style-type: none"> ■ helps SMEs to overcome the knowledge based barriers that can prevent them from maximising growth opportunities; ■ provides access to relevant advice and guidance to businesses as they grow and is easy for businesses to understand and access. 	Business support organisations, EMBF (FSB), <i>emda</i> , HEIs, Industry groups, SBS, SSPs.	DTI: PSA 6 DEFRA: PSA 5
		<p>Improving access to finance</p> <p>Create a regional 'escalator' of funding sources, from both the public and private sectors, so that businesses have access to appropriate finance as they grow, delivered through:</p> <ul style="list-style-type: none"> ■ programmes which ensure they are 'investment ready' to maximise available opportunities; ■ targeted financial support packages for specific business groups. 	Business support organisations, EMBF, <i>emda</i> , Industry groups, Local authorities, SSPs.	DTI: PSA 6 DEFRA: PSA 5
	2e. Supporting firms to become internationally competitive and attracting inward investment	<p>Increasing international trade</p> <p>Support businesses to increase their overseas trade by:</p> <ul style="list-style-type: none"> ■ providing tailored export services, including specialist support for businesses looking for opportunities in Brazil, Russia, India and China; ■ devising programmes to develop business skills in areas such as international sales and marketing, language and culture; ■ assisting companies, where appropriate, to internationalise through offshoring, joint ventures and strategic partnerships. 	Business support organisations, EMBF, <i>emda</i> , Local authorities, UKTI,	DTI: PSA 1 DTI: PSA 11
		<p>Targeting foreign direct investment</p> <p>Target FDI activity on those market sectors that are likely to contain knowledge driven, R&D intensive investments and back this up with:</p> <ul style="list-style-type: none"> ■ specialist support to the investing companies to their local needs, including aftercare support; ■ specialist support that meets the needs of those larger companies that fall outside mainstream business support mechanisms. 	Business support organisations, EMBF, <i>emda</i> , Industry groups, Local authorities, SSPs, UKTI, URCs,	DTI: PSA 11
	2f. Building the visitor economy	<p>Increasing visitor spend</p> <ul style="list-style-type: none"> ■ Target regional and sub-regional marketing and promotion with the aim of increasing visitor spend, particularly from staying and inbound visitors. ■ develop a coordinated campaign to encourage investment in public realm, conferencing and business tourism facilities. 	DCMS, <i>emda</i> , EM Tourism Destination Management Partnerships, Local authorities.	DCMS: PSA 3

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STRATEGIC PRIORITIES	SUB PRIORITIES	PRIORITY ACTIONS	KEY PARTNERS	LINK TO PSA TARGETS
<h1 style="font-size: 48px; margin: 0;">2</h1> <p style="margin: 0; font-weight: bold;">Enterprise and business support</p>	<p>2g. Harnessing culture in the East Midlands</p>	<p>Targeting growth of creative & cultural industries</p> <ul style="list-style-type: none"> ■ Protect, conserve and enhance the key regional cultural and historic assets to maximise their contribution to the regional economy; ■ Support the cultural sector to create opportunities for community participation and to develop social capital. 	Culture East Midlands, EM Cultural Observatory, <i>emda</i> , Local authorities, SSPs.	DCMS: PSA 3
	<p>2h. Supporting SMEs to harness business opportunities such as public procurement</p>	<p>Maximising the benefits of public procurement</p> <p>Develop a Regional Procurement Opportunities Plan aligned with the National Procurement Portal to open up more market opportunities, in the region and nationally, to regional businesses.</p>	EMBF, EM Procurement Centre of Excellence, Local authorities, GOEM.	DCLG: PSA 4
	<p>2h. Supporting SMEs to harness business opportunities such as public procurement</p>	<p>Maximising the benefits of the London 2012 Olympic and Paralympic Games</p> <p>Develop a 2012 Action Plan which:</p> <ul style="list-style-type: none"> ■ provides businesses with the information and support they need to bid for contracts associated with the 2012 Games; ■ optimises the opportunities from the 2012 Games by providing dedicated support/advice to SMEs bidding for contracts, and the targeted marketing of training facilities; ■ builds the region's sports infrastructure to attract elite athletes as well as benefit local communities, so a legacy in terms of skills, health, culture and participation remains. 	Culture East Midlands, East Midlands Tourism, EMBF, <i>emda</i> , EM Procurement Centre of Excellence, GOEM, Local authorities, Sport England.	DTI: PSA 6
<h1 style="font-size: 48px; margin: 0;">3</h1> <p style="margin: 0; font-weight: bold;">Innovation</p>	<p>3a. Increasing Investment in R&D</p>	<p>Increasing research and development</p> <p>Provide targeted support to foster innovation within businesses and encourage them to undertake more research and development with the aim of:</p> <ul style="list-style-type: none"> ■ creating new market opportunities; ■ developing innovative new products, processes and services; ■ maximising the opportunities offered by existing support mechanisms (such as R&D tax credits) and improving access to finance for R&D. 	Business support organisations, EMBF, <i>emda</i> , HEIs, Industry groups, Innovation East Midlands, SSPs.	DTI: PSA 2
	<p>3a. Increasing Investment in R&D</p>	<p>Developing research excellence</p> <ul style="list-style-type: none"> ■ Develop research excellence so the region can compete for and benefit from a larger share of public and privately funded R&D; ■ enhance the growth and investment in the region's research and science base, including the universities. 	Business support organisations, EMBF, <i>emda</i> , GOEM, HEIs, Innovation East Midlands, SSPs.	DTI: PSA 6

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STRATEGIC PRIORITIES	SUB PRIORITIES	PRIORITY ACTIONS	KEY PARTNERS	LINK TO PSA TARGETS
<h1 style="font-size: 48px; margin: 0;">3</h1> <h2 style="margin: 0;">Innovation</h2>	3b. Helping existing businesses deploy technologies and processes	<p>Developing and applying new technologies</p> <ul style="list-style-type: none"> ■ Provide assistance in the development, promotion and implementation of new enabling technologies, products and processes, utilising support services that are aligned with the needs of businesses; ■ establish collaborative networks between researchers, businesses, venture capitalists to ensure emerging technologies are brought to market. 	Business support organisations, EMBF, <i>emda</i> , HEIs, Industry groups, Innovation East Midlands.	DTI: PSA 6
	3c. Resource efficiency through effective use of technology and management practices	<p>Providing business support on resource efficiency</p> <p>Introduce a range of resource efficiency business support measures that enable regional businesses to adopt leading best practise related to:</p> <ul style="list-style-type: none"> ■ avoidance, reduction and improved management of waste; ■ creation of new markets for innovative products and services derived from waste; ■ more productive and efficient use of energy, water and materials; ■ promotion and implementation of environmental and sustainable benefits to businesses. 	Business support organisations, EMBF, <i>emda</i> , EMRA, HEIs, SSCs, SSPs.	DFT: PSA 2 DEFRA: PSA 2
	3d. Translating scientific excellence into business success	<p>Maximising the impact of Science City Nottingham</p> <p>Maximise the impact of Nottingham's Science City designation to the benefit of the wider region particularly in science and technology focused infrastructure development and regeneration by:</p> <ul style="list-style-type: none"> ■ encouraging greater and more effective collaborative working between the Nottingham Universities, other research establishments and businesses to build the infrastructure, expertise and knowledge needed to attract and retain high value science and technology based businesses; ■ extending outwards from Nottingham to develop regional research excellence. 	Business support organisations, EMBF, <i>emda</i> , HEIs, Innovation East Midlands, SSPs (GNP).	DTI: PSA 2
	3d. Translating scientific excellence into business success	<p>Commercialising scientific excellence through facilitated business collaboration</p> <p>Introduce more effective initiatives to facilitate greater collaboration between businesses and the regional research community, including the universities, with the aim of:</p> <ul style="list-style-type: none"> ■ matching research capability to business needs, leading to increased commercialisation of the region's scientific excellence; ■ exploiting the benefits associated with wider intellectual property rights in order to develop innovative new products and services and create new market opportunities; ■ providing specific business support throughout the commercialisation process. 	Business support organisations, EMBF, HEIs, Innovation East Midlands, Local authorities.	DTI: PSA 2

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STRATEGIC PRIORITIES	SUB PRIORITIES	PRIORITY ACTIONS	KEY PARTNERS	LINK TO PSA TARGETS
<h1 style="font-size: 48px; margin: 0;">3</h1> <p style="font-weight: bold; margin: 5px 0;">Innovation</p>		<p>Development of land and property Develop land, property and facilities which maximise opportunities for collaborative innovation activities and inward investment by providing quality sites and buildings which support enterprise development. Proposed developments should:</p> <ul style="list-style-type: none"> ■ be linked to RES priority sectors; ■ maximise clustering benefits; ■ improve links between academic institutions and businesses; ■ be supported by the work of Innovation East Midlands and blueprint; ■ encourage sustainable building design. 	Business support organisations, <i>emda</i> , SSPs, HEIs, Local authorities, URCs.	DTI: PSA 2
	3e. Growing the region's key sectors	<p>Growing the region's key sectors Ensure that the priority sectors (transport equipment, construction, food and drink and healthcare) are considered in the implementation of other actions in the RES to support growth, address skills needs and focus on efficiency and excellence, for example:</p> <ul style="list-style-type: none"> ■ by ensuring skills and training providers are matching their provision to the needs of these sectors; ■ by encouraging business support organisations to consider these sectors in the setting of their priorities and delivery of their services. 	Business support organisations, EMBF, <i>emda</i> , EMUA, HEIs, Innovation East Midlands, LSC, Sector representatives, SSCs, SSPs.	DTI: PSA 1 DTI: PSA 2

Structural theme 3 : Ensuring sustainability

STRATEGIC PRIORITIES	SUB PRIORITIES	PRIORITY ACTIONS	KEY PARTNERS	LINK TO PSA TARGETS
<h1 style="font-size: 48px; margin: 0;">4</h1> <p style="font-weight: bold; margin: 5px 0;">Transport and logistics</p>	Infrastructure, accessibility and connectivity	<p>Improve transport connectivity and accessibility To maximise the contribution the region's transport infrastructure and services make to the delivery of the RES objectives, the following actions will be promoted by regional partners to be taken through national agencies, RSS and RTS, Local Transport Plans and Development Frameworks, and transport operators:</p> <ul style="list-style-type: none"> ■ improve inter and intra-regional connectivity by strengthening links between the regions main urban centres, improving reliability on key routes for passengers and freight, and address poor connectivity or capacity to key centres in other regions, including London, Leeds, Birmingham, and Manchester; ■ improve international accessibility by improving surface access to NEMA and other airports serving the region (including Robin Hood Doncaster Sheffield), and strengthening connectivity to mainland Europe by a range of modes, including rail via London; 	Department for Transport, <i>emda</i> , EMRAF, EMRA (RSS), Local transport authorities, Transport operators.	DTI: PSA 2 DFT: PSA 1 DFT: PSA 3

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STRATEGIC PRIORITIES	SUB PRIORITIES	PRIORITY ACTIONS	KEY PARTNERS	LINK TO PSA TARGETS
<h1 style="font-size: 48px; margin: 0;">4</h1> <p style="font-weight: bold; margin: 5px 0;">Transport and logistics</p>		<ul style="list-style-type: none"> ■ support regional regeneration and growth by improving access from all communities to employment and maximising the impacts of economic drivers and growth areas, unlocking investment sites in disadvantaged communities, and addressing inequality by improving accessibility; ■ contribute to environmental, quality of life, and wellbeing indicators by implementing demand management measures, and access to recreation, sport, and cultural facilities. 		
		<p>Maximise benefits of Nottingham East Midlands Airport, and Robin Hood Airport</p> <p>Realise the economic opportunities and benefits of NEMA and Robin Hood Airport. This includes recognising the need to address and monitor key environmental issues to help secure long-term sustainable growth. Key issues for action by local, regional and national partners are:</p> <ul style="list-style-type: none"> ■ surface access improvements to reduce the local impact of transport movements, and enable all communities to access employment and training opportunities; ■ secure employment land supply in surrounding urban areas through local development frameworks and strategies; ■ ongoing partnership working to ensure skills, labour supply, and training opportunities help meet future Airport needs through groups like the NEMA Employers Forum; ■ ongoing mitigation and technological responses to help reduce local noise and wider environmental impacts of the forecast growth in passenger and freight activity. 	Airport companies, <i>emda</i> , Local authorities, NEMA, SSPs.	DTI: PSA 1 DFT: PSA 3
		<p>Travel demand management</p> <p>Support regional competitiveness by improving transport efficiency and reducing road congestion by developing innovative approaches to behavioural change, travel demand management, and integration, including exploring measures of congestion charging and other measures to realise economic, wellbeing and environmental benefits.</p>	Department of Transport, EMRA (RSS), Local authorities.	DFT: PSA 1 DFT: PSA 3

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STRATEGIC PRIORITIES	SUB PRIORITIES	PRIORITY ACTIONS	KEY PARTNERS	LINK TO PSA TARGETS
<h1 style="font-size: 48px; margin: 0;">5</h1> <p style="font-weight: bold; margin: 5px 0;">Energy and resources</p>	<p>5a. Responding to the challenge of climate change</p>	<p>Adaptation to climate change Ensure that public and private sector leaders understand and respond to the impacts of climate change by:</p> <ul style="list-style-type: none"> ■ developing a regional climate change adaptation and mitigation strategy/ action plan; ■ providing support to businesses to undertake climate change risk analysis. 	<p><i>emda</i>, EMRA, EMBF, GOEM, HEIs, Local authorities, Private sector energy utility companies.</p>	<p>DEFRA: PSA 2</p> <p>DEFRA: PSA 6</p>
		<p>Reducing the demand for energy and resources Ensure that our need for energy and resources is minimised by:</p> <ul style="list-style-type: none"> ■ investing in better management and skills ■ driving change through public procurement; ■ encouraging use of low carbon technologies; ■ stimulating clean design. 	<p>CABE, EMBF, EMCBE, <i>emda</i>, EMRA, GOEM, HEIs, Housing associations, Local authorities, Private sector energy utility companies, REM.</p>	<p>DEFRA: PSA 2</p> <p>DEFRA: PSA 6</p>
	<p>5b. Exploitation of new and growing low carbon markets</p>	<p>Utilising renewable energy technologies Maximise the economic and environmental benefits of renewable energy technologies by promoting their development and deployment through:</p> <ul style="list-style-type: none"> ■ the creation of a regional renewables investment plan; ■ promote demand for and showcase renewables technologies; ■ support supply chain development to ensure regional economic benefit from renewables investments. 	<p>Carbon Trust, EMBF, EMRA, Private sector energy utility companies, Local authorities, NISP, SSPs.</p>	<p>DEFRA: PSA 2</p>
		<p>Exploiting low carbon technologies Ensure that businesses are well placed to exploit the opportunities presented by the growing global marketplace for low carbon products/services through:</p> <ul style="list-style-type: none"> ■ regional awareness raising and communications campaign; ■ the provision of dedicated low carbon business support; ■ creating stronger linkages between the private sector and Higher Education Institutions active in low carbon research and development. 	<p>Business support organisations, Carbon Trust, EMBF, EMRA, Envirowise, HEIs, NISP, WRAP, SSPs.</p>	<p>DEFRA: PSA 2</p>
	<p>5c. Ensuring an infrastructure for a low carbon economy</p>	<p>Energy and waste capacity Promote the development of a more secure, diverse and sustainable energy and waste infrastructure and innovative approaches to providing energy and waste services within our economy by:</p> <ul style="list-style-type: none"> ■ promoting and investing in renewable and low carbon energy generation; ■ promoting and investing in diverse and localised energy supply; ■ promoting and investing in diverse and localised waste management; ■ influencing private sector utilities and regulators concerning the capacity and longevity of existing supply and distribution and waste management infrastructure. 	<p>Business support organisations, CABE, EMBF, EMCBE, <i>emda</i>, EMRA, Local authorities, Natural England, Private sector energy utility companies, REM, SSPs.</p>	<p>DEFRA: PSA 2</p>

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STRATEGIC PRIORITIES	SUB PRIORITIES	PRIORITY ACTIONS	KEY PARTNERS	LINK TO PSA TARGETS
<h1 style="font-size: 48px; margin: 0;">6</h1> <p style="font-weight: bold; margin: 5px 0;">Environmental protection</p>	<p>6a. Protecting and enhancing our environmental infrastructure to ensure sustainable economic growth</p>	<p>Environmental infrastructure Promote innovative approaches to supply and demand management (relating to travel, energy, water and materials) to reduce pressures on environmental infrastructure by:</p> <ul style="list-style-type: none"> ■ improve resource efficiency (see priority action 3c); ■ addressing travel demand management (see priority action 4a-3); ■ delivering sustainable energy and resource management (see Energy and Resources section). 	Business support organisations, Carbon Trust, EMBF, EMRA, English Heritage, Environment Agency, Local authorities, Natural England, Private sector energy utility companies.	DEFRA: PSA 2
		<p>Sustainable construction Ensure that investments in the built environment integrate climate change considerations through:</p> <ul style="list-style-type: none"> ■ raising awareness of climate change factors on the built environment (see priority action 5a); ■ applying high quality design and environmental standards for all developments (refurbishments and new builds) receiving public sector support; ■ promoting and replicating models of leading construction best practice, such as Sherwood Energy Village and Attenborough Nature Reserve. 	CABE, EMCBE, Housing associations, Local authorities, REM, RHB Partners, URCs.	DEFRA: PSA 2
		<p>Cleaner production processes Encourage the development and adoption of cleaner production processes and shift consumption towards goods and services with lower environmental impacts through:</p> <ul style="list-style-type: none"> ■ assisting businesses with the provision of clean production process audits; ■ building links between the region's Higher Education Institutions and businesses. 	Business support organisations, EMRA, English Heritage, Environment Agency, Envirowise, HEIs, Local authorities, NISP.	DEFRA: PSA 2
	<p>6b. Protecting and enhancing Green Infrastructure through environmental stewardship</p>	<p>Improve damaged environments</p> <ul style="list-style-type: none"> ■ Improve natural environments, damaged as a legacy of former industrial and development activity particularly where this is a barrier to investment in the region, especially in the coalfields; ■ encourage sustainable agriculture which enhances and protects the countryside and protects the region's biodiversity. 	CRT, EMRA, <i>emda</i> , English Heritage, English Partnerships, Environment Agency, Local authorities, Natural England, National Trust, SSPs.	DEFRA: PSA 3
		<p>Protect and enhance green infrastructure Protect and enhance local green infrastructure at the local and regional levels to contribute to more sustainable communities and enhance quality of life by:</p> <ul style="list-style-type: none"> ■ encouraging the integration of green infrastructure issues into the planning system, where possible; ■ working with developers and land owners to ensure that opportunities for new or improved green infrastructure are integrated into physical development schemes; ■ realise the environmental, social and economic potential of green infrastructure. 	<i>emda</i> , EMRA, English Heritage, English Partnerships, Environment Agency, Housing associations, Local authorities, Natural England, SSPs.	DEFRA: PSA 2

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STRATEGIC PRIORITIES	SUB PRIORITIES	PRIORITY ACTIONS	KEY PARTNERS	LINK TO PSA TARGETS
<h1 style="font-size: 48px; margin: 0;">7</h1> <p style="font-weight: bold; margin: 5px 0;">Land and development</p>	<p>7b. Development land</p>	<p>Secure the supply of quality employment land</p> <p>Ensuring and safeguarding an appropriate supply of quality employment land by providing supportive local and regional plans and policies. Key actions include:</p> <ul style="list-style-type: none"> ■ maintaining an up to date regional picture of employment land supply and quality issues by monitoring, and building on the results of local, sub-regional, and regional studies; ■ bringing forward new sites, upgrading existing sites, and where necessary in order to further regeneration objectives, promoting the redevelopment of commercially unattractive sites for other economically beneficial uses; ■ undertaking master planning, and where appropriate use Environmental Impact Assessments (EIA), exercises to provide an holistic approach to the supply of employment land; ■ preparing relocation strategies for businesses affected by redevelopment proposals; ■ encouraging job creation through private sector development and the targeting of public sector resources for priority sites. 	<p>Local authorities; English Partnerships, EMRA; Private sector developers; Urban regeneration companies.</p>	<p>DWP: PSA 3</p>
		<p>Infrastructure for employment related schemes</p> <p>Ensure appropriate levels of infrastructure including transport, utilities, green and ICT for employment-related schemes, through:</p> <ul style="list-style-type: none"> ■ assessing regional deficiencies and identifying needs for utility provision and ICT; ■ assessing and planning for infrastructure needs on proposed sites for development, using development briefs and local planning decisions to ensure appropriate provision; ■ ensuring proactive investment by the public sector where identified gaps in provision exist; ■ assess potential environmental impacts using Environmental Impact Assessments (EIA) and environmental capacity studies. 	<p>Department of Transport, <i>emda</i>, Local authorities, Private sector developers, Private sector utility companies, SSPs.</p>	<p>DWP: PSA 3</p>
		<p>Previously developed land and buildings</p> <p>Increase the re-use of previously developed land through an appropriate mix of actions including site remediation, reclamation and redevelopment, and ensure that effective use is made of the existing stock of buildings. Key actions include:</p> <ul style="list-style-type: none"> ■ rolling out the Brownfield Land Action Plan for the East Midlands; ■ identifying appropriate previously used sites through Local Development Frameworks to bring forward economic investment consistent with the RES and RSS; ■ ensuring that the legacy of severe problems of environmental degradation caused by coal mining continues to be addressed. 	<p><i>emda</i>, English Partnerships, Local authorities, Private sector developers, Urban Regeneration Companies, SSPs.</p>	<p>DTI: PSA 1</p>

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STRATEGIC PRIORITIES	SUB PRIORITIES	PRIORITY ACTIONS	KEY PARTNERS	LINK TO PSA TARGETS
<h1 style="font-size: 48px; margin: 0;">7</h1> <p style="margin: 0; font-weight: bold;">Land and development</p>	<p style="margin: 0; font-weight: bold;">7c. Housing</p>	<p>Supporting infrastructure for housing growth</p> <p>In areas of housing growth, ensure provision of transport, economic, cultural and community infrastructure, including green infrastructure, to support the creation of sustainable and integrated communities. This will be achieved by:</p> <ul style="list-style-type: none"> ■ using development briefs and planning policies and decisions to ensure provision of adequate land supply for employment and community uses to support housing growth; ■ assessing and addressing the deficiencies & needs for utility provision to service the new development. 	Culture East Midlands, DCMS, <i>emda</i> , EMRA, EMRAF, Housing associations, Local authorities, SSPs.	DCLG: PSA 7
		<p>Regeneration in areas of low housing demand</p> <p>Ensure that regeneration and economic, social and environmental inclusion benefits are integral to future developments in areas of low housing demand through the provision of new and improved housing, community and economic infrastructure. Key actions are:</p> <ul style="list-style-type: none"> ■ build on the experience of ongoing best practice, such as Meden Valley Making Places, and support the Housing Market Renewal pilot projects which will test out the Regional Policy Framework for housing market renewal; ■ develop a greater understanding of both the causes and the solutions to housing market failure in the region and address them through regional and local investment strategies. 	Housing associations, Housing market renewal pilot projects, Local authorities, RHB Partners, SSPs.	DCLG: PSA 5 DCLG: PSA 7
		<p>Range of housing provision</p> <p>Improve the range, mix and quality of housing in the region, including the renewal of existing housing stock, through the Regional Housing Investment Strategy, through regional and local planning policies, and development control decisions.</p>	EMRAF, Local authorities, Housing associations, Private developers, RHB Partners.	DCLG: PSA 5

Structural theme 3 : Achieving equality

STRATEGIC PRIORITIES	SUB PRIORITIES	PRIORITY ACTIONS	KEY PARTNERS	LINK TO PSA TARGETS
<h1 style="font-size: 48px; margin: 0;">8</h1> <p style="margin: 0; font-weight: bold;">Cohesive Communities</p>	<p style="margin: 0; font-weight: bold;">None</p>	<p>Promoting Social capital</p> <p>Support initiatives which mobilise existing social capital and create bridges and links between different groups including volunteering opportunities.</p>	Business support organisations, <i>emda</i> , Engage EM, GOEM, Local authorities, R3N, SSPs, Voice EM.	HO: PSA 8 HO: PSA 9

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STRATEGIC PRIORITIES	SUB PRIORITIES	PRIORITY ACTIONS	KEY PARTNERS	LINK TO PSA TARGETS
<h1 style="font-size: 48px; margin: 0;">8</h1> <p style="margin: 0; font-weight: bold;">Cohesive Communities</p>	<p>None</p>	<p>Collaboration to encourage participation Encourage collaboration between cultural, leisure and tourist bodies to encourage community participation, build social capital and contribute to community cohesion</p>	<p>Culture EM, <i>emda</i>, EM Tourism, GOEM, Local authorities, Social economy partners, SSPs.</p>	<p>DCMS: PSA2 HO: PSA 9</p>
		<p>Develop Cohesive communities Support the development of cohesive communities through Local Area Agreements.</p>	<p><i>emda</i>, GOEM, Local authorities, Social economy partners, SSPs.</p>	<p>DCLG: PSA 1 DCLG: PSA 4 HO: PSA 9</p>
<h1 style="font-size: 48px; margin: 0;">9</h1> <p style="margin: 0; font-weight: bold;">Economic renewal</p>	<p>9a. Building local capacity, resources & support</p>	<p>Effective engagement and involvement of local businesses and residents Ensure that people and businesses in local communities have the skills and capacity to develop local economic renewal solutions through:</p> <ul style="list-style-type: none"> ■ the provision of economic development skills training; ■ the provision of economic/enterprise coaches and business brokers; ■ building social capital between the statutory, business and community sectors. 	<p>Business support organisations, <i>emda</i> Local authorities, Local businesses, LSC, Jobcentre Plus, Social economy partners, SSPs.</p>	<p>DFES: PSA 5 DFES: PSA 10 DFES: PSA 11 DCLG: PSA 1</p>
		<p>Inclusive business support Ensure that business support is responsive to the needs of all communities and under-represented groups through:</p> <ul style="list-style-type: none"> ■ integrating specialist needs into the regional business support model; ■ support for enterprise coaching models in the most disadvantaged areas. 	<p>Business support organisations, <i>emda</i>, Jobcentre Plus, LSC, Social economy partners, SSPs.</p>	<p>DTI: PSA 6 DCLG: PSA 1</p>
	<p>9b. Reviving local infrastructure & environments</p>	<p>Built and green environments Improve the quality of the built and green environments to enhance local economic prospects through:</p> <ul style="list-style-type: none"> ■ applying best practice standards for design and construction (see priority action 6a-2 in the Environmental Protection section); ■ working with developers to ensure the integration of green infrastructure factors and improving the public realm in development briefs. 	<p>Department of Transport, EMRA, Housing associations, LGEM, Local authorities, SSPs, URCs.</p>	<p>DTI: PSA 6</p>
<p>Addressing crime Reduce the impacts of crime on communities and businesses through neighbourhood and business crime reduction initiatives and activities to reduce re-offending.</p>	<p>Business Against Crime networks, Community Safety Partnerships, EM Business Crime Forum, GOEM, Local authorities, NOMS, Police, SSPs.</p>	<p>HO: PSA 6</p>		

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STRATEGIC PRIORITIES	SUB PRIORITIES	PRIORITY ACTIONS	KEY PARTNERS	LINK TO PSA TARGETS
<h1 style="font-size: 48px; margin: 0;">9</h1> <p style="font-weight: bold; margin: 5px 0;">Economic renewal</p>	<p>9c. Stimulating new markets and investment</p>	<p>New markets and enterprise opportunities Stimulate new local markets and enterprise opportunities by unlocking the potential of local procurement by:</p> <ul style="list-style-type: none"> ■ encouraging local public authorities to adopt procurement approaches which deliver local, social, environmental and community benefits; ■ supporting the development of social enterprises, and the broader Voluntary and Community Sector to deliver services whilst improving the economic, social and environmental capacity of a local area; ■ embedding large scale employers in businesses into local areas through supply chain diversity initiatives. 	East Midlands Centre for Procurement Excellence, English Partnerships, FE and HE institutions, Housing associations, Jobcentre Plus, Local authorities, LSC, Regional and local health bodies, Social economy partners, SSPs.	DTI: PSA 6
		<p>Improve access to finance Improve access to finance for all entrepreneurs irrespective of location, personal characteristics and type of business by:</p> <ul style="list-style-type: none"> ■ providing an appropriate range and specification of financial services products tailored to their needs; ■ influencing mainstream financiers; ■ investing in community development finance instruments (CDFIs); ■ promotion and coordination of CDFI investments. 	Business support organisations, CDFA, CDFIs, EMBF, <i>emda</i> , Financial institutions, Local authorities, Social economy partners, SSPs.	DTI: PSA 6 DCLG: PSA 1
<h1 style="font-size: 48px; margin: 0;">10</h1> <p style="font-weight: bold; margin: 5px 0;">Economic inclusion</p>	<p>10a. Employability</p>	<p>Enhance employability of the most disadvantaged Improve the employability of those without skills and qualifications through:</p> <ul style="list-style-type: none"> ■ the provision of 'Skills for Life' (including ESOL (English for Speakers of Other Languages), vocational and core employability skills); ■ encouraging the take up of Level 2 qualifications. 	FE colleges, GOEM, Jobcentre Plus, Local authorities, LSC, Social economy partners, SSPs.	DWP: PSA 3 DFES: PSA 10
		<p>Address worklessness Address persistent and high levels of worklessness in communities by :</p> <ul style="list-style-type: none"> ■ connecting local people to job opportunities created by public sector investment in key infrastructure projects; ■ encouraging private sector developers and employers to recruit from underutilised local labour sources; ■ connecting people in areas of limited opportunity to areas of growth; ■ supporting innovative solutions to long term unemployment such as work trials, peer mentoring schemes and intermediate labour markets. 	EMBF, Housing associations, Jobcentre Plus, Local authorities, LSC, Social economy partners, SSPs, URCs.	DWP: PSA 3

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STRATEGIC PRIORITIES	SUB PRIORITIES	PRIORITY ACTIONS	KEY PARTNERS	LINK TO PSA TARGETS
<h1 style="font-size: 48px; margin: 0;">10</h1> <p style="margin: 5px 0 0 0;">Economic inclusion</p>		<p>Improving the diversity of the workforce</p> <p>Work with employers to increase the diversity of the East Midlands' workforce and address the under representation of different groups in work by:</p> <ul style="list-style-type: none"> ■ developing a regional campaign to demonstrate the business case for diversity; ■ providing support to businesses to undertake diversity assessments and develop action plans; ■ creating and promoting an East Midlands' diversity quality mark for employers. 	EMBF, <i>emda</i> , Jobcentre Plus, LSC, SSPs.	HO: PSA 9
	10b. Achieving a healthy workforce	<p>Working with employers to improve the health of the region's workforce</p> <p>Ensure that employers are informed on the detrimental effects of poor health on business performance and take steps to improve and protect the health of their employees by:</p> <ul style="list-style-type: none"> ■ promoting the benefits of a healthy workforce through business support services; ■ working through the Investment for Health Strategy to promote healthy workforce initiatives. 	Business support organisations, Department of Health, EMBF, <i>emda</i> , EM Public Health Task Group, Local authorities, SSPs.	DWP: PSA 3
		<p>Address ill health as a barrier to employability</p> <p>Ensure that those who experience poor health as a barrier to employment are supported in entering the labour market in positions consistent with their personal circumstances. This will be achieved by ensuring that employment support activities in the region take account of the varying health needs of these groups.</p>	Business support organisations, Department of Health, EMBF, <i>emda</i> , EM Public Health Task Group, Jobcentre Plus, Local authorities, SSPs.	DWP: PSA 3
	10c. Enterprising people	<p>Develop entrepreneurship skills</p> <p>Ensure the region consistently generates entrepreneurs from all sections of society by:</p> <ul style="list-style-type: none"> ■ promoting entrepreneurship as a viable career choice through targeted awareness raising activities (see priority action 2b-1 under the Enterprise and Business Support section); ■ integrating entrepreneurship at all levels of the education curriculum (schools, FE and HE) and creating effective links between education institutions and businesses; ■ providing business support appropriate to all sections of society (see the priority action 9a-2 under Economic Renewal). 	Business support organisations, Connexions, Education business partnerships. EMBF, <i>emda</i> , EMUA, FE colleges, HEIs, Local authorities, Prowess, Schools, SSPs,	DTI: PSA 6 DWP: PSA 3

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11e. RES priority actions and PSA targets

The RES must assist Public Sector partners in the delivery of Public Service Agreements (PSAs). Each PSA target represents a step change in the level of quality of a specific service, or an improvement in the lives of people in the East Midlands.

All priority actions will assist in the delivery of three overarching PSA Targets:

DTI: PSA 7 (Shared with HMT/DCLG)	Make sustainable improvements in the economic performance of all English regions by 2008 and over the long term reduce the persistent gap in growth rates between the regions, demonstrating progress by 2006.
DEFRA: PSA 4 (Shared with DCLG)	Reduce the gap in productivity between the least well performing quartile of rural areas and the English median by 2008, demonstrating progress by 2006.
DCLG: PSA 5 (Shared with DEFRA)	Promote sustainable development across Government and the country as a whole as measured by achieving positive trends in the Government's headline indicators of sustainable development.

The delivery tables on pages 156-169 (section 11d) detail PSA target alignment for each RES priority action. Chart 9 below provides full details of these Public Sector Agreements, organised by Government department.

CHART 9 : PSA Targets by Government department	
Department for Communities and Local Government	
DCLG: PSA 1	Promote better policy integration nationally, regionally and locally; in particular to work with departments to help them meet their PSA floor targets for neighbourhood renewal and social inclusion.
DCLG: PSA 2	Make sustainable improvements in the economic performance of all English regions by 2008 and over the long term reduce persistent gap in growth rates between the regions, demonstrating progress by 2006. Joint target with DTI and HM Treasury.
DCLG: PSA 3	Provide for effective devolved decision making within a framework of national targets and policies.
DCLG: PSA 4	Improve delivery and value for money of local services by: <ul style="list-style-type: none"> ■ Introducing comprehensive performance assessments and action plans, and securing a progressive improvement in authorities' scores; ■ Overall annual improvements in cost effectiveness of 2% or more; ■ Assisting local government to achieve 100% capability in electronic delivery of priority services by 2005, in ways that customers will use.
DCLG: PSA 5	Achieve a better balance between housing availability and the demand for housing in all English regions while protecting valuable countryside around our towns, cities and in the greenbelt - and the sustainability of existing towns and cities - through specific measures to be set out in the SDA.
DCLG: PSA 6	All local planning authorities to complete local development frameworks by 2006 and to perform at or above best value targets for development control by 2006 with interim milestones to be agreed in the SDA. The Department to deal with called in cases and recovered appeals in accordance with statutory targets.
DCLG: PSA 7	By 2010, bring all social housing into decent condition with most of this improvement taking place in deprived areas, and increase the proportion of private housing in decent condition occupied by vulnerable groups.

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Department for Culture Media and Sport

DCMS: PSA 1	Enhance the take-up of sporting opportunities by 5-16 year olds by increasing the percentage of schoolchildren who spend a minimum of two hours each week on high quality PE and sport.
DCMS: PSA 2	Increase significantly the take-up of cultural and sporting opportunities by new users aged 20 and above from priority groups.
DCMS: PSA 3	Improve the productivity of the tourism, creative and leisure industries.
DCMS: PSA 4	Improve significantly the value for money of the Department's sponsored bodies, measured by a matrix of NDPB indicators.

Department for Work and Pensions

DWP: PSA 3	Demonstrate progress by Spring 2006 on increasing the employment rate and reducing the unemployment rate over the economic cycle.
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Home Office

HO:PSA 6	Reduce the harm caused by drugs by: <ul style="list-style-type: none"> ■ reducing the use of Class A drugs and the frequent use of any illicit drug among all young people under the age of 25 especially by the most vulnerable young people; ■ reduce drug related crime, including as measured by the proportion of offenders testing positive at arrest.
HO:PSA 8	To increase Voluntary and Community Sector activity, including increasing community participation, by 5% by 2006.
HO:PSA 9	Bring about measurable improvements in race equality and community cohesion across a range of performance indicators, as part of the Government's objectives on equality and social inclusion.

Department for Transport

DFT: PSA 1	Reduce congestion on the inter-urban trunk road network and in large urban areas in England below 2000 levels by 2010.
DFT: PSA 3	Secure improvements to the accessibility, punctuality and reliability of local public transport (bus and light rail) with an increase in use of more than 12% by 2010 compared with 2000 levels.
DFT: PSA 5	Reduce the number of people killed or seriously injured in Great Britain in road accidents by 40% and the number of children killed or seriously injured by 50% by 2010 compared with the average for 1994-98, tackling the incidence of disadvantage communities.
DFT: PSA 6	Improve air quality by meeting our National Air Quality strategy objectives for carbon monoxide, lead, nitrogen dioxide, particles, sulphur dioxide, benzene and 1-3 butadiene. (Joint target with DEFRA).

Department for Trade and Industry

DTI: PSA 1	Demonstrate progress by 2006 on the Government's long term objective of raising the rate of UK productivity growth over the economic cycle, improving competitiveness and narrowing the productivity gap with the US, France and Germany. Joint target with HM Treasury.
DTI: PSA 2	Improve the relative international performance of the UK's science and engineering base, the exploitation of the science base, and the overall innovation performance of the UK economy.
DTI: PSA 6	Help to build an enterprise society in which small firms of all kinds thrive and achieve their potential, with (i) an increase in the number of people considering going into small business, (ii) an improvement in the overall productivity of small firms, and (iii) more enterprise in disadvantaged communities.
DTI: PSA 7	Make sustainable improvements in the economic performance of all English regions by 2008 and over the long term reduce the persistent gap in growth rates between the regions, demonstrating progress by 2006. Joint target with DCLG and HM Treasury.
DTI: PSA 11	Deliver a measurable improvement in business performance of Trade Partners UK's customers; and maintain the UK as the prime location in the EU for foreign direct investment. Joint target with FCO.

Section eleven

Department for Environment, Food and Rural Affairs	
DEFRA: PSA 1	Promote sustainable development across Government and the country as a whole as measured by achieving positive trends in the Government's headline indicators of sustainable development. Joint with DCLG.
DEFRA: PSA 2	Improve the environment and the sustainable use of natural resources, including through the use of energy saving technologies, to help reduce greenhouse gas emissions by 12.5% from 1990 levels and moving towards a 20% reduction of CO ₂ emissions by 2010. Joint with DTI.
DEFRA: PSA 3	Care for our natural heritage, make the countryside attractive and enjoyable for all, and preserve biological diversity by reversing the long-term decline in the number of farmland birds by 2020, as measured annually against underlying trends; bring into favourable condition by 2010 95% of all nationally important wildlife sites; and opening up public access to mountain, moor, heath and down and registered common land by the end of 2005.
DEFRA: PSA 4	Reduce the gap in productivity between the least well performing quartile of rural areas and the English median by 2006, and improve the accessibility of services for rural people.
DEFRA: PSA 5	Deliver more customer-focused, competitive and sustainable food and farming as measured by the increase in agriculture's gross value added per person excluding support payments; and secure CAP reforms that reduce production-linked support, enabling enhanced EU funding for environmental conservation and rural development.
DEFRA: PSA 6	Enable 25% of household waste to be recycled or composted by 2005/06.
Department for Education and Skills	
DFES: PSA 1	Raise standards in English and maths so that: <ul style="list-style-type: none"> ■ by 2004 85% of 11 year olds achieve level 4 or above, and 35% achieve level 5 or above with this performance sustained to 2006; ■ by 2006, the number of schools in which fewer than 65% of pupils achieve level 4 or above is significantly reduced.
DFES: PSA 2	Raise standards in English, maths, ICT and science in secondary education so that: <ul style="list-style-type: none"> ■ by 2004 75% of 14 year olds achieve level 5 or above in English, maths and ICT (70% in science) nationally and by 2007 85% (80% in science); ■ by 2007 the number of schools where fewer than 60% of 14 year olds achieve level 5 or above is significantly reduced; ■ by 2007 90% of pupils will reach level 4 in English and maths by age 12.
DFES: PSA 3	By 2004 reduce school truancies by 10% compared with 2002, and sustain the new lower level and improve overall attendance levels thereafter.
DFES: PSA 5	Raise standards in schools and colleges so that: <ul style="list-style-type: none"> ■ between 2002 and 2006 the proportion of those aged 16 who get qualifications equivalent to 5 GCSEs at Grade A*-C rises by two percentage points each year on average, and in all schools at least 20% of pupils will achieve this standard by 2004 rising to 25% by 2006.
DFES: PSA 10	Improve the basic skill levels of 1.5 million adults between the launch of Skills for Life in 2001 and 2007, with a milestone of 750,000 by 2004.
DFES: PSA 11	To reduce by at least 40% the number of adults in the UK workforce who lack NVQ2 or equivalent qualifications by 2010. Working towards this; one million adults in the workforce to achieve NVQ2 and between 2003 and 2006.
HM Treasury	
HMT: PSA 4	Demonstrate further progress by 2008 on the Government's long-term objective of raising the rate of UK productivity growth over the economic cycle, improving competitiveness and narrowing the gap with our major industrial competitors.
HMT: PSA 5	As part of the wider objective of full employment in every region, over the three years to spring 2008, and taking account of the economic cycle, demonstrate progress on increasing the employment rate.
HMT: PSA 6	Make sustainable improvements in the economic performance of all English regions by 2008, and over the long term reduce the persistent gap in growth rates between the regions, demonstrating progress by 2006.

Section eleven



PICTURED: WORKERS AT THE PORT OF BOSTON, LINCOLNSHIRE.

PICTURED:
Peepul Centre,
Leicester.





Annexes

Annex A: The Regional Index of Sustainable Economic Wellbeing

The Regional Index of Sustainable Economic Wellbeing (Regional ISEW) is a composite indicator of wellbeing that seeks to measure different factors that relate to economic wellbeing and create a single performance indicator. Its model is effectively a macro-level cost benefit analysis. Wherever possible, the components of the index have been selected to reflect the strategic priorities of the RES.

It starts with the economic benefits derived from consumer expenditure. Then some economic adjustments are made for ensuring that economies prudently invest for the future and manage their trade balances effectively. Depending on the actual year and state of the economy these may involve extra economic costs. The value of social benefits are added that are not accounted for in personal consumption figures, such as public expenditure on health and education as well as an estimate of the value of unpaid domestic labour at home. In the Regional ISEW estimates of the value of unpaid voluntary work outside the home are also included.

Social costs are deducted such as expenditures that defend our quality of life rather than enhance it. These include factors such as the cost of car accidents, crime, and family breakdown. In addition changes in the distribution of income are accounted for, reflecting the diminishing marginal utility of money. Estimates of environmental costs are then made. These include water and air pollution as well as estimates of the costs of climate change and ozone depletion. Further adjustments are made regarding the management of renewable and non-renewable stocks of natural capital such as fossil fuels and natural assets, such as farmlands and natural habitats. A list of components which make up the ISEW composite indicator are listed in chart 10 below.

CHART 10 : Components of ISEW

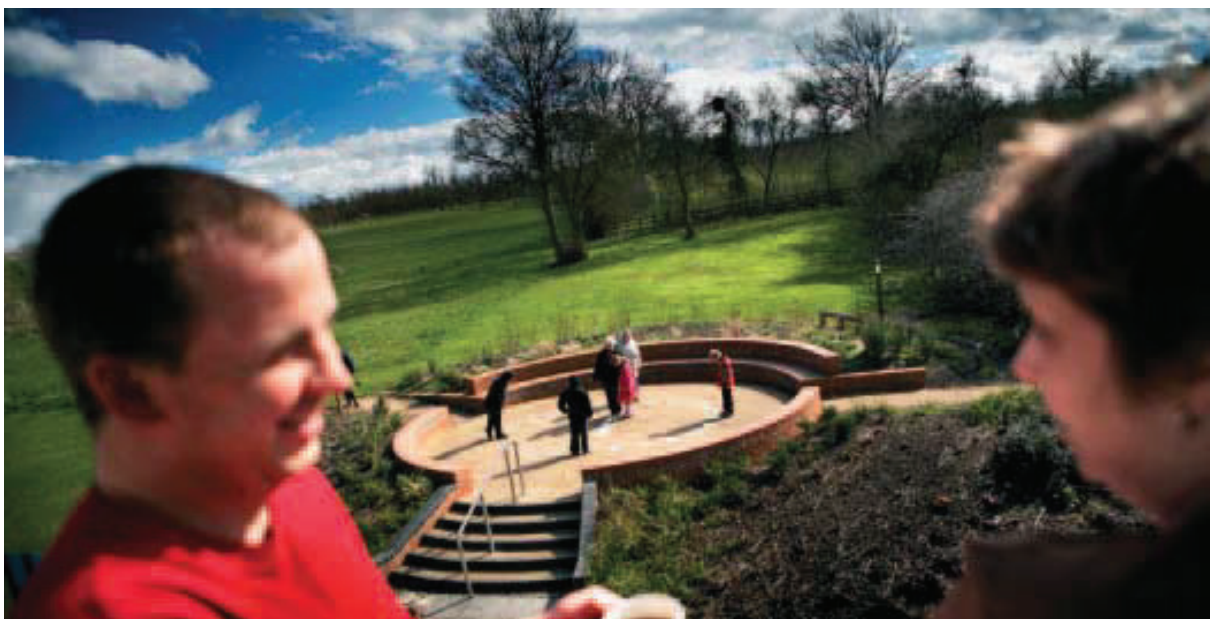
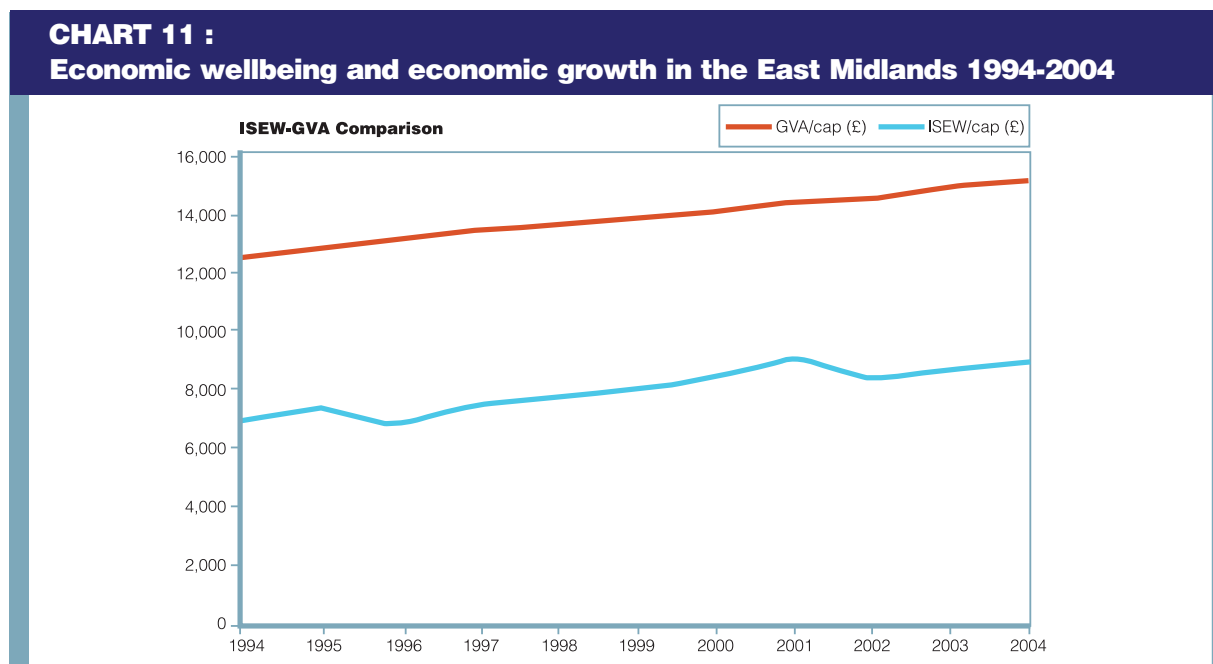
Economic benefits costs & adjustments	<ul style="list-style-type: none"> Consumer Expenditure Net Capital Growth Change in Net International Position Under Utilisation of Consumer Durables
Social costs and benefits	<ul style="list-style-type: none"> Household Labour and Volunteering Negative Effects of Income Distribution Divorce, Crime & Car Accidents Public Expenditure on Health & Education Defensive Expenditure on Commuting
Environmental costs	<ul style="list-style-type: none"> Costs of Pollution Long Term Environmental Damage Loss of Habitats Farmland & Soil Erosion Depletion of Non-renewable Natural Resources

Annex A

All of these domains, and the factors beneath them, have different trends over time and one of the benefits of a transparently constructed indicator, such as Regional ISEW, is that they can be tracked individually. The Regional ISEW will be updated periodically.

Regional performance

As chart 11 below shows, the Regional ISEW per capita has grown steadily during the last decade, at a slightly faster rate than GVA per capita. The latest data shows that regional ISEW per capita is £8,953. This is 59.5% of GVA per capita in the region and an increase from 55.7% in 1994.



PICTURED: BROCKS HILL VISITOR CENTRE AND COUNTRY PARK, LEICESTERSHIRE.

Annex B: development principles

Physical development has a key role to play in helping to create a *flourishing region*, and the creation of sustainable communities. To help contribute to the RES, development proposals and decisions should have regard to the following 'development principles'. These will ensure that development is brought forward in an effective and sustainable manner, helping to deliver the region's aspirations.

1. Through regional and local action and policy, the East Midlands will maintain a sustainable supply of quality land and premises for new business, residential development and mixed uses.

- A range of opportunities will be promoted to secure the renaissance of urban areas; the development of sustainable communities in rural areas and the regeneration of priority sites, with the development of previously developed land a strong policy objective.
- Priority should be given to ensuring that high quality sites and buildings are provided for high growth and priority sectors of the economy, particularly knowledge intensive businesses.

2. The region will ensure that development contributes to wider economic objectives and regeneration to improve the overall economic performance.

- Development policies and plans should work to reduce intra-regional economic disparities, and address those physical and spatial issues which support 'Productivity' and 'Equality' objectives, as well as 'Sustainability' objectives.

3. Development decisions will consider accessibility, proximity of labour supply, and the potential for generating or supporting agglomeration benefits.

- Locational decisions should have regard to the proximity of labour supply and the potential to contribute to, and benefit from, agglomeration effects due to closeness of other businesses and infrastructure.

4. Regional action and policy will seek to maximise the opportunities presented by a network of major settlements.

- Develop a clear vision and role for all parts of the regional urban and rural network, by framing regeneration activity within masterplans which reflect the views of all stakeholders as well as community aspirations.

5. Development will support and promote the diversification of rural areas.

- With a particular focus on supporting the most deprived rural districts and market towns. Development proposals in rural areas should make a positive contribution to supporting local business, extending employment opportunities, providing affordable housing and enhancing service provision.

6. Improving the built environment through high standards of design.

- Using sustainable construction techniques and high standards of design in all development including investment in the public realm to act as a catalyst for private sector investment.

7. Support and develop increased social cohesion and capture community benefit.

- To support initiatives which help to build social cohesion within the region's communities, particularly projects which make a demonstrable impact on reducing high levels of deprivation and developing the social economy.
- To explore ways of unlocking land values for community benefit and ensuring that public investment acts as a catalyst for private sector investment and involvement.

8. Consider the needs for all types of infrastructure and utility connectivity.

- To ensure that a high level of connectivity is provided for the full range of utilities, including an appropriate level of information and communications technology (ICT), which will support both existing and future business development needs.
- To promote opportunities for the provision, retention and enhancement of green infrastructure in both urban and rural areas so as to encourage more sustainable living patterns.

Annex B



PICTURED: EAGLE CENTRE DEVELOPMENT BY WESTFIELD IN DERBY.

Annex C: Under-represented groups

Black and minority ethnic

According to the 2001 Census, about 9% of the region's population classify themselves as coming from an ethnic minority background. Ethnic minority groups generally have lower levels of employment. For example, in 2004, the employment rate for those of Pakistani or Bangladeshi origin in the East Midlands was only 43.8% of the working age population, over 30 percent below the regional average.¹⁴⁹ Although there have been significant improvements in the employment rates of ethnic minority groups in recent years and there is significant variation between different groups,¹⁵⁰ this gap in employment rates has been consistent over the past 20 years.

Disabled people

There are nearly 10 million people in the UK with disabilities. Many disabled people lack the skills required to compete equitably in the jobs market because they have been denied the opportunity to acquire them. There is also evidence to suggest that those with disabilities encounter more barriers to accessing training and learning: only 14% of those with disabilities in the region participate in training, compared to 42% without disabilities.¹⁵¹ The employment rate among those with disabilities in the East Midlands was less than half that of those without disabilities in 2004.¹⁵² Additionally, those on Incapacity Benefit make up the largest proportion of the 'hidden unemployed'. This describes people who are out of work, who might reasonably be expected to find work in a fully employed economy, but have been diverted onto benefits that have removed them from the claimant count of Jobseekers' Allowance. These are people with genuine health problems, often related to the industry they had previously worked in (such as former colliery workers), that could be expected to find work suiting their abilities in a more fully employed economy. The 'hidden unemployed' tend to be concentrated in areas which already exhibit high levels of claimant count unemployment, such as the former coalfields in the Northern sub-area.¹⁵³ Assisting such individuals back into work, and supporting them into sustained and quality employment, is the primary aim of the Government's Pathways to Work Pilots.

Older workers

Older workers are significantly more likely to have few or no qualifications. The proportion of the economically active population aged between 50 and retirement age with no qualifications is almost double the average for all working age.¹⁵⁴ Although employment rates for older people have been increasing, the implications for skill requirements of continued industrial and technological change, along with the changing demographic structure of the region, means that this group will require particular support to sustain and increase labour market participation.

Women

Much of the growth in employment across the UK can be attributed to a dramatic increase in the number of women joining the labour market. Women currently make up nearly half the country's workforce and the proportion is growing. In the East Midlands in 1999, women made up 45% of the workforce, which was slightly below the national average. By 2002, this share had grown to 48%, which is higher than the national average. Women in the East Midlands are forecast to continue to account for a larger share of the

Annex C

workforce than nationally over the next decade.¹⁵⁵ However, despite nearly 30 years of gender equality legislation, women still earn less than men. Increasing numbers of people are working flexibly and this growth, largely driven by women, should be an asset as we move towards a 24/7 economy. Women could be Britain's competitive edge.¹⁵⁶ However:

- A persistent pay gap exists. Women in the East Midlands are paid an average of 46% a year less than men, or £10,078 less. This gap is higher in the region than in the UK, where women are paid £9,876 less each year- a 43% difference.¹⁵⁷
- The economic activity rate for women is lower than that of men (72% compared to 82%).
- The employment rate for women is, at around 71%, nine percentage points lower than the male employment rate.¹⁵⁸
- Women are half as likely to be involved in entrepreneurship as men. In the East Midlands 4.3% of women were actively involved in creating or running a new business in 2004, compared to 9% of men.

Migrant workers

Research suggests that migrants account for about 10% of the working age population in the UK. The migrant population is extremely diverse, encompassing skilled and unskilled migrants from both EU and non EU countries, and transient seasonal workers, refugees and asylum seekers. There is evidence to suggest that economic migration yields substantial benefits to the economy. Migrant labour addresses shortages at either extreme of the labour market. Skilled migrants fill vacancies for doctors, teachers and other professional occupations, whilst lower skilled economic migrants play an important role in addressing shortages in unskilled, temporary, and casual employment in the agriculture and hospitality sectors, especially in South Lincolnshire. Research indicates that key problems faced by employers in employing migrants include problems in gaining work documentation; lack of willingness to deal with legal requirements; a negative public image of refugees; and a lack of familiarity and comparability of qualifications and work experience.¹⁵⁹

There is evidence to suggest that economic migration yields substantial benefits to the economy.

Employability and worklessness

Addressing employability and worklessness involves tackling a range of factors affecting individuals and their inclusion. It is widely recognised that improved access to quality, affordable and flexible childcare and dependant care, can provide individuals with greater opportunities to access the labour market. However, an increasing challenge will be posed by the region's ageing population. This will lead to an increased number of people caring for elderly relatives, an issue which regional partners will need to address. This is an important consideration in ensuring diversity and inclusion in the labour market, as evidence suggests that care responsibilities affect disproportionately more women than men.¹⁶⁰ Physical access to services and opportunities is an issue in rural areas. Another key factor is providing accessibility to better quality information, advice and guidance about learning and work, particularly for the low skilled who may require more intensive support.

Ensuring local communities have easy access to a range of services appropriate to their needs and are supported to find work locally, will reduce their vulnerability in the labour market and provide opportunities to enhance their employability. Employers will benefit from having access to a wider pool of labour to recruit from, whilst training that is accessible to local people will help to address poor skills as a barrier to sustained and high quality employment within local communities.

Further details

For a detailed picture of the demography of the East Midlands see Chapter 1 of the 'RES Evidence Base: The East Midlands in 2006'. This is available to download from - www.emintelligence.com

Annex D: Links to other regional strategies

In the guidance to RDAs on Regional Economic Strategies (RESs), the Secretary of State for Trade and Industry emphasised the need for RESs to have regard to other relevant regional strategies which will influence, and be influenced by it.

In the East Midlands the Regional Economic Strategy is one of a suite of regional strategies which will address key development issues under the overall umbrella of the East Midlands Integrated Regional Strategy (IRS). A summary of these strategies is presented at the end of this section.

Links between the Regional Economic Strategy and the Regional Spatial Strategy

The Integrated Regional Strategy represents the overarching strategy with the Regional Spatial Strategy (RSS) elaborating the spatial theme and the RES developing the economic development priorities.

Joint working between *emda*, the East Midlands Regional Assembly (EMRA) and the Government Office for the East Midlands has resulted in closely aligned strategies which take account of and reflect regional priorities. The process to develop regional funding prioritisation for transport, housing and economic development has also further enhanced this relationship.

The Regional Economic Strategy (RES) and the Regional Spatial Strategy (RSS) are mutually supportive and reinforcing. They jointly provide the context for securing sustainable economic development across the East Midlands. The aim is to ensure a positive sustainable contribution to economic growth when taking forward options for development, whether in an urban or rural context. The strategies are underpinned by a set of common assumptions about economic growth and change based on economic forecasts developed by *emda*. This is in accordance with the ODPM Guide '*Improving the Economic Evidence Base supporting Regional Economic and Spatial Strategies*' published in September 2005.

Key principles which underpin both strategies include the following:

The practice and pursuit of sustainable development.

- The RES seeks to achieve economic growth but not at any cost by having regard for the social and environmental consequences of economic growth. Both strategies have also been subject to an independent Sustainability Appraisal during their preparation as part of an iterative process which has fed policy development.

A shared understanding of the geography of the East Midlands.

- Although the vehicle for the expression of spatial policy is the RSS it is nevertheless recognised that other strategies, notably the RES are not 'spatially neutral' - the effect of the implementation of its priorities will be felt across the region and there will be clear differential spatial impacts and effects. It was important therefore that the RSS and the RES agreed to define the region in terms of a shared understanding of functional sub-regions each with different characteristics and challenges.

The need to develop a competitive economy.

- Both strategies recognise that the East Midlands' region needs to compete in a global market place, and should aim to increase productivity through innovative and knowledge focused businesses, drawing on an efficient workforce with high levels of innovation, enterprise and skills. Specifically, both strategies recognise the importance of ensuring a good supply of high quality land and premises to support economic activity, particularly in priority sectors.

Annex D

Harnessing the growth potential of the major cities and towns as economic drivers.

- Both strategies seek to help cities drive forward regional and sub-regional economies. Clear and cohesive visions are promoted based on masterplans and joint working to secure agreed regeneration priorities. More detailed guidance on policy priorities for urban areas is provided in the Urban Action Plan which was prepared by a multi-agency Urban Partnership Group. This includes the need to bring back previously used land into productive use.

Addressing the specific needs of rural areas.

- The specific needs of rural areas where the sparsity of population, the need for rural diversification, the limited employment opportunities and lack of affordable housing and service provision combine to pose particular difficulties which require a targeted approach with a focus upon the most deprived rural areas and an emphasis upon the role of market towns as service providers.

The creation of sustainable communities that embody sustainable development principles and help to promote social inclusion.

- Areas of prosperity and deprivation often coexist in close proximity. Ensuring that development opportunities reach those in most need is an agreed priority.

The promotion of environmental quality in urban and rural areas to make them attractive places to live, work and invest in.

- This includes the need to minimise the impact of development upon climate change and the promotion of sustainable patterns of development that make efficient use of land, resources and infrastructure. Both strategies recognise that the region's environment is an important asset.

The need to improve the infrastructure of the region so as to improve accessibility to jobs, homes and services.

- There is agreement that the nature of transport problems cannot be solved simply by building new roads. However, reducing the need to travel, green travel plans and an emphasis on public transport are all key ingredients of a successful transport policy. Both regional organisations (*emda* and EMRA) are committed to working jointly to secure a process for regional prioritisation of transport schemes.

Active stakeholder involvement and community participation.

- During the preparation of both strategies there has been significant involvement of stakeholders and other partners. Both *emda* and EMRA have also actively sought the involvement of 'hard to reach groups' in helping to shape policy.

A framework for implementation and monitoring.

- Both strategies have placed a high priority upon implementation and monitoring, to ensure that their effectiveness can be monitored. In the case of the RES the comprehensive Evidence Base which was used to inform the development of the Strategy will be kept up to date to assess the effect of RES implementation.

Annex D

Summary of other regional strategies

The following regional strategies all form part of and contribute towards the IRS Framework.

Regional Strategy	Lead Organisation	Key Points
Regional Housing Strategy	Regional Housing Board (RHB)	<p>The strategy's overall objective is: 'to ensure that the existing and future housing stock is appropriate to meet the housing needs of all parts of the community'.</p> <p>It has four key aims:</p> <ul style="list-style-type: none"> ■ Deliver the Sustainable Communities Plan ■ Encourage Regional Integration ■ Provide Guidance to Stakeholders ■ Inform the Regional Housing Investment Strategy <p>For more information visit: www.goem.gov.uk/goem/psc/housing/?a=42496</p>
Investment for Health	East Midlands Regional Assembly (EMRA)	<p>Identifies the most important public health issues for the region, and created a public health agenda for the IRS. Outlines 5 public health priorities which could provide a rapid dividend at regional level and add value to the work of local partnerships. Creates a framework of 16 objectives with identified Lead Agencies.</p> <p>For more information visit: www.investmentforhealth.org.uk/report/index.asp</p>
Destination East Midlands The East Midlands Tourism Strategy 2003-2010	East Midlands Tourism	<p>The Regional Tourism Strategy recognises the value of investing in our key regional assets, including world-class brands such as Robin Hood and Sherwood Forest, the Peak District, the National Forest and Silverstone, as well as emerging strengths such as sports and cultural tourism.</p> <p>www.emda.org.uk/uploaddocuments/emTourismStrategyFull.pdf</p>
The Place of Choice The Regional Cultural Strategy	Culture East Midlands	<p>The region's cultural strategy, seeks to improve the region's quality of life by offering a blue print for the cultural development of the East Midlands. www.culture-em.org.uk</p>
Change 4 Sport	Sport England East Midlands	<p>This is the plan for sport in the East Midlands. It is the region's response to the national government strategy for sport, "Game Plan", and the Framework for Sport led by Sport England. www.sportengland.org/c4s.pdf</p>
Regional Environment Strategy	EMRA	<p>Part of the IRS Framework, sitting beside the RSS and the Regional Economic Strategy. Considers the impact of our activities on the environment, sets objectives and policies and actions which are being tackled at the regional level, with targets and indicators to help us measure our progress.</p> <p>www.emra.gov.uk/publications/environment.asp</p>
Regional Energy Strategy	EMRA	<p>Provides the policy framework for developing an action plan to guide decisions on the generation, supply and use of energy across the region and makes the connections between energy and other key policy areas, in particular in relation to spatial planning, waste, the economy and transport, but also food and farming and housing.</p> <p>For further information visit: www.emra.gov.uk/e4e/publications/policy.asp</p>
Putting Wildlife back on the map (draft)	Regional Biodiversity Forum	<p>The aim is to promote the strategic framework within which conservation and enhancement of biodiversity can best be achieved for the region as part of the IRS framework.</p>

Annex D

Regional Strategy	Lead Organisation	Key Points
Regional Spatial Strategy (RSS8)	EMRA	The aim is to realise the IRS's vision of sustainable development within the context of a spatial plan. The RSS or Regional Plan contains 10 core objectives and policies covering 5 identified sub-areas and topic based regional priorities covering housing, the economy and regeneration, natural and cultural assets and transport (as the Regional Transport Strategy). For further information visit: www.emra.gov.uk/regionalplan
Milton Keynes and South Midlands Sub-Regional Strategy	Government / EMRA	The MKSM Sub-Regional Strategy is an integral part of the RSS (See previous) and seeks to promote growth in the south of the region in a way that is consistent with the principles of sustainable development. For further information visit: www.emra.gov.uk/regionalplan
Regional Transport Strategy	EMRA	The RTS is an integral part of the RSS and contains 6 Regional Objectives, a series of sub-area Objectives, along with priorities for investment. It is based on reducing the need to travel, promoting public transport, making better use of existing infrastructure and only then developing additional highway capacity. For further information visit: www.emra.gov.uk/regionalplan
Regional Waste Strategy	EMRA	The RWS falls within the RSS. It provides the strategic framework for waste management at the Regional level in order to ensure that the East Midlands moves towards waste minimisation, efficient resource use and sustainable waste management practice in future. For further information visit: www.emra.gov.uk/waste
Regional Freight Strategy	EMRA	The RFS falls within the RSS. It seeks to create a framework which helps industry and society to develop a more efficient and sustainable distribution sector. For further information visit: www.emra.gov.uk/freight
Regional Rural Delivery Framework (RRDF)	EMRAF	The RRDF sets the framework for delivery across all IRS themes and strategies as they impact on rural areas and their distinctive needs and issues. This is a requirement of DEFRA's Rural Strategy 2004.



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Glossary

Biodiversity

Literally means 'the variety of life', and includes all the different plant, animal, fungus and micro-organism species worldwide, the genes they contain, and the ecosystems of which they form a part.

Brownfield land

'Brownfield' is a term generally used to describe previously developed land, which may or may not be contaminated.

Comparative advantage

Countries and regions differ in the amount and types of resources that they have, meaning that they have differing strengths. This is comparative advantage.

Externalities

The economic activities of one person or business can impact upon the activities of others. These spillover effects are known as externalities and can be positive or negative.

Greenfield land

Land on the edge of a town or city, or away from larger urban areas. It is land that is undeveloped, but has development proposed for it.

Gross Domestic Product (GDP)

A commonly-used measure of output in national economies. It can be calculated in three ways: as the sum of all incomes, all expenditures, or all production.

Gross Value Added (GVA)

Gross value added is the recognised measure of economic output used at regional level. It is a measure of output at basic prices, whereas GDP is a measure of output at market prices. The difference between the two is down to the treatment of taxes and subsidies. GDP is equal to GVA plus taxes minus subsidies.

Market failure

Market failure occurs when the conditions required for the achievement of the market efficient solution fail to exist or are contravened in some way.

Milton Keynes South Midlands (MKSM)

The Government has designated the Milton Keynes South Midlands (MKSM) sub-region as a major growth area over the next 25 years. The MKSM Growth Area comprises areas around the towns of Luton, Dunstable, Aylesbury, Bedford, Milton Keynes, Northampton, Wellingborough, Kettering and Corby.

Public Service Agreements (PSAs)

Public Service Agreements set out the key improvements that the public can expect from government expenditure. They are three year agreements, negotiated between each of the main government departments and HM Treasury during the Spending Review process. Each PSA sets out a department's high-level aim, priority objectives and key performance targets.

Strategic Environmental Assessment (SEA)

Strategic Environmental Assessment is a process to ensure that significant environmental effects arising from policies, plans and programmes are identified, assessed, mitigated, communicated to decision makers, monitored, and that opportunities for public involvement are provided. The SEA Regulations require that Statutory Consultation Bodies be consulted. These are the Countryside Agency, English Heritage, English Nature and the Environment Agency

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A man and a woman are shown from the waist up, flying a kite. The woman, in the foreground, is wearing a light pink long-sleeved shirt and light purple pants. She is holding a pink kite string. The man, behind her, is wearing a dark jacket and has his arm around her waist. They are both looking towards the right, where a thin white string extends across the sky. The background is a bright blue sky filled with scattered white clouds.

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