

# Destination 2010 – The Achievements So Far

A report prepared by *emda*

2005

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# **DESTINATION**<sup>20</sup> The Achievements So Far



***“By 2010, the East Midlands will be one of Europe’s top 20 regions. It will be a place where people want to live, work and invest because of:***

- ◆ ***our vibrant economy***
- ◆ ***our healthy, safe, diverse and inclusive society***
- ◆ ***our quality environment”***

This report describes for the first time progress against the targets set in the current Regional Economic Strategy, *Destination 2010*.

This is not intended as a full assessment of progress against the targets, as data for 2005 will not be available for some time. It is intended to provide a snapshot of progress made by the region in delivering the Strategy. The East Midlands Development Agency (*emda*) will continue to monitor performance against these *Destination 2010* targets.

Separately, *emda* will monitor performance against the ambition to be a Top 20 region in Europe by 2010. As this report describes, progress against the ambition is measured using a composite of indicators covering economic performance, disparities within the region, employment, unemployment and efficiency in the use of environmental resources. This is related to, but distinct from, the targets associated with the strands of the Regional Economic Strategy, on which this report concentrates. *emda* will continue to report against the Top 20 Index until 2010.

PICTURED: scenery near Youlegrave, Derbyshire. Photograph by Chris Webb.



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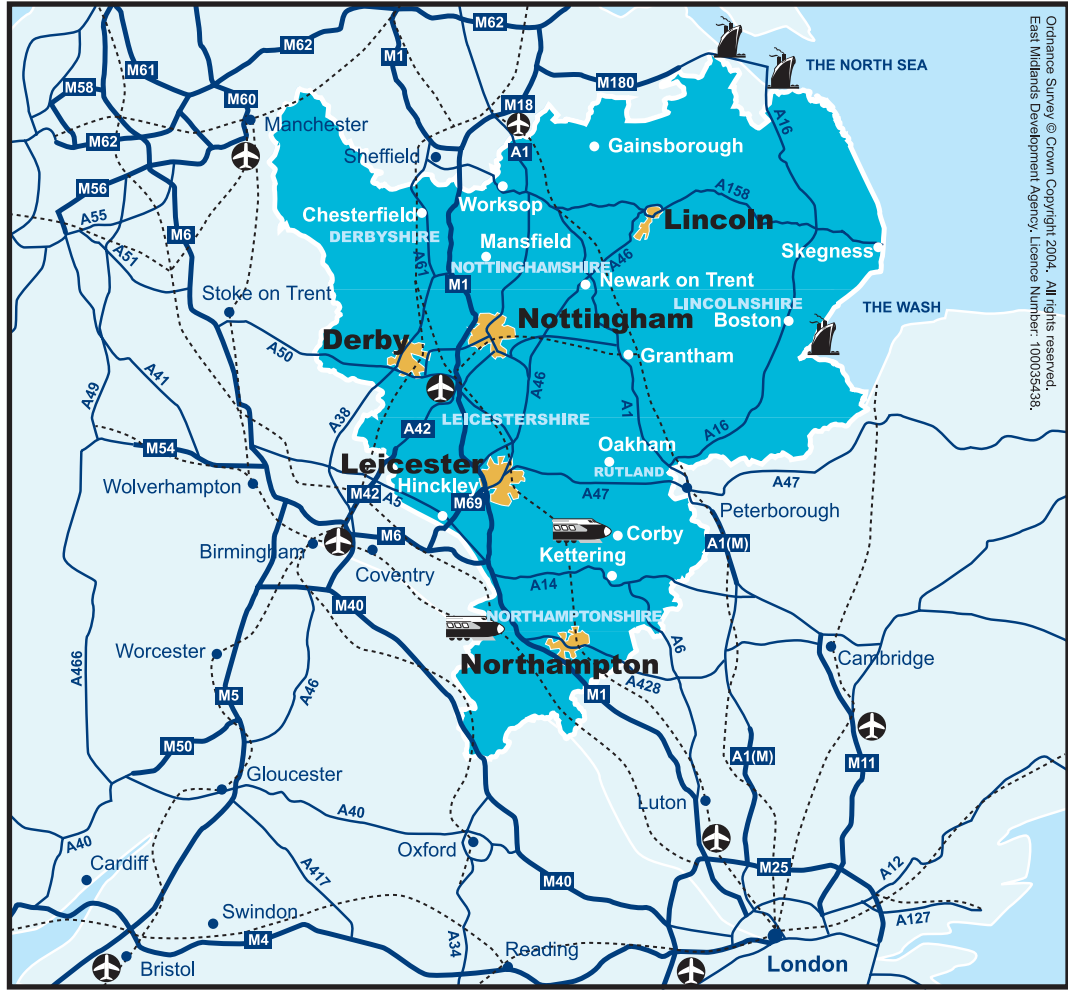
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PICTURED: Chatsworth House in Derbyshire. Photograph by Chris Webb.

**Map 1: the East Midlands**



# Foreword by Bryan Jackson

*“Since I joined the East Midlands Development Agency (emda) as Chairman in December 2004, I have been determined to ensure this region makes the most of its vast potential.*

In 2003, the revised Regional Economic Strategy *Destination 2010* set out the vision for the East Midlands to be one of Europe's top twenty regions by 2010. We are the only region to set such an ambitious and measurable target and I believe this has given focus to the progress we've made. This document will provide you with a flavour of what the region has achieved so far.

These are exciting times and there are many examples of how the East Midlands is driving change forward. Sherwood Energy Village, recently named the most enterprising place in Britain for 2005, is a sustainable and environmentally friendly business park built on the site of the former Ollerton colliery.

Silverstone Innovation Centre, developed to harness sustainable growth and provide quality jobs, opened in 2004 providing 16 incubator units for new companies and 27 suites for growing companies; and the Lachesis fund, launched in 2002, has almost doubled to £7.9 million, bridging the funding gap for promising new technologies emerging from our universities.

The Regeneration Companies work to give fresh life to our major towns and cities, while the 'British Midlands' international investment strategy shows how both East and West Midlands can work as one to ensure we consistently punch above our weight on a global scale.

Since 2003, the region has moved up from 35th to 28th position in Europe and I am determined to build on this progress and deliver our top 20 vision for 2010. However, we can't afford to stand still and it is now time for a review of the Regional Economic Strategy, looking forward to 2020.

There are still many challenges facing the region. We must not become complacent at a time when we have almost full employment as we still have a low skilled and low wage economy. I am passionate that we do not undervalue the importance of manufacturing to the region, but we need to create an environment in which all businesses continue to seek new markets and achieve their full potential.

It is only by raising skill levels and encouraging innovation, building an enterprising culture and developing a

competitive economy that we will tackle the issue of low productivity. We have to ensure there is sustainable growth for all, continuing to reduce the gap between the region's wealthiest and more deprived areas.

All of these issues will be addressed during the review of the Regional Economic Strategy. I urge everyone to get involved and play their part in shaping the region for the future. This Strategy belongs to the East Midlands and I believe the region has the talent and enthusiasm to deliver. By working together we'll make the difference and ensure the success of the East Midlands”



**Bryan Jackson**



PICTURED: Bryan Jackson,  
Chairman emda

# Executive Summary and Introduction

*...to improve and promote  
our region as an exciting and  
successful place to live,  
visit, work, study and invest*



PICTURED: The National Space Centre in Leicester. Photograph © Spike Photography.

The East Midlands Development Agency was established six years ago with a wide-ranging and challenging remit - to improve and promote our region as an exciting and successful place to live, visit, work, study and invest. Since then our remit has broadened as more responsibilities, such as business support, have been transferred to the Regional Development Agencies. We work with a wide range of partners in the private, public and voluntary sectors acting as a 'catalyst for change' across the whole of the East Midlands.

The East Midlands Regional Economic Strategy (RES) provides the framework for achieving the sustainable economic growth we were established to deliver. *emda* is charged with drawing up the RES and keeping it under review, but the strategy is owned by the whole region. It provides a shared strategic vision for developing the region's economy, improving economic performance and enhancing the region's competitiveness.

First published in 1999 as *Prosperity through People* and revised in 2003 as *Destination 2010*, the RES sets out an aspiration for the East Midlands to be a "top 20" region in Europe by 2010, through driving forward enterprise and innovation, encouraging international investment and ensuring the conditions are right for businesses to grow and thrive.

*Destination 2010* will be updated by spring 2006. At the beginning of the process to develop the next RES, this report assesses the region's progress against the ambitions in *Destination 2010*.

It highlights the region's success and the difference made. The challenges that remain in realising the region's full potential are also identified. It is intended that this will help inform the development of the next RES.



PICTURED ABOVE: The Tour of Britain 2004, East Midlands finish line at Nottingham Embankment. Photograph by Simon Bolton.

## Progress against the Strands

The report is structured around the strands set out in *Destination 2010*, as referred to in bold below, and demonstrates good progress made and some of the challenges that lie ahead.

In terms of **increasing wealth and productivity**, the East Midlands has exceeded the economic growth targets in *Destination 2010* and productivity has improved since 1999, but there is still a gap between the East Midlands and the UK average.

Levels of **enterprise** in the East Midlands have improved. The gap in business registration rates between the East Midlands and the UK average is closing. Registrations have increased in the East Midlands between 1999 and 2003, the latest year data is available. The number of businesses surviving their first year is now in line with the UK average.

On encouraging **enterprising communities**, although there are still areas of deprivation in the East Midlands, the relative gap has narrowed between the region's least and most deprived areas. The 2005 target for reducing the number of income support claimants has already been met, with strong progress towards the 2010 target.

In **employment, learning and skills**, the region's labour market continues to perform strongly, with high and stable employment rates. However, improving the quality of employment opportunities and increasing skill levels remain key challenges. This is reflected in below average earnings and lower proportions of the workforce educated to degree level. Clear progress has been made towards regional targets for young people and adult qualifications and employment levels in the East Midlands continue to exceed the national average, whilst unemployment levels remain below average. Recent figures suggest that the region is on course to achieve the *Destination 2010* targets for employment in Knowledge Intensive Services.

Levels of **innovation** and research and development are above the national average in the East Midlands, but concentrated in larger companies. The region contains a number of large R&D intensive companies and the challenge is to ensure that all companies in the region (and SMEs in particular) are able to invest in and reap the benefits from R&D. Further knowledge transfer between the region's universities and other research bodies and the business base needs to be encouraged.

The East Midlands is increasingly operating on a global scale through **international trade** and attracting **inward investment**. The region has exceeded the target for increasing the number of existing exporters





PICTURED: the IAE V2500 engine. ©Rolls-Royce plc.

trading in new markets. However, there has only been modest growth in the number of new exporters. World class companies see the East Midlands as a place for establishing UK and European operations.

To encourage **economic growth** that minimises any adverse impact on the **environment**, breaking links between economic activity and potential environmental degradation is a key policy challenge. Only modest progress has been made against the region's target to increase the amount of energy generated from renewable resources.

The region has performed very well in providing **sites for development**. Both the 2005 and 2010 target to increase the proportion of previously developed (brownfield) land for housing have been achieved. The challenge remains for the East Midlands to continue to ensure the supply of employment sites without impacting on the region's environmental quality and to optimise the development of brownfield sites.

With **transport**, the target for increasing the proportion of the workforce travelling to work by public transport remains a challenge. However, travel-to-work times remain well below the national average, a regional strength that can be built upon in attracting investment and recruiting staff.

**Information and communication technology** has become increasingly prevalent in the region. The 2005 target for

Small and Medium sized Enterprises trading online has already been met, with strong progress towards the 2010 target. Home internet usage is now above the UK average in the East Midlands, whereas it had previously lagged. 9 out of 10 households and businesses are now covered by broadband provision, with full regional coverage expected by summer 2005.

**Tourism** has made a substantial contribution to the East Midlands' economy. Levels of visitor expenditure in the region are increasing. The target for 2005 has already been achieved and excellent progress has been made towards meeting the 2010 target.

Encouraging **rural development** is vital for the East Midlands to prosper. The region is one of the most rural regions in England. Poor access due to remoteness and continued economic restructuring contribute to a slightly larger 'productivity gap' between more deprived rural areas in the East Midlands compared to the England average.

In the 1990s a declining population was a particular risk to the region's **urban development**. The population decline in the region's towns and cities since 1991 has now been reversed, with positive growth from 2000 demonstrating clear progress towards the long term 2010 target. The 2005 target for employment growth in Knowledge Intensive Services in urban areas has already been exceeded. However, a comparison of wages of those living and those working in

urban areas shows that there is still a challenge in improving access to quality employment for people living in urban areas.

## Progress towards the 'Top 20' ambition

For *Destination 2010*, an Index was developed to measure progress towards the ambition to be a Top 20 region in Europe. In order to reflect the vision for the region to have a 'vibrant economy', a 'healthy, safe, diverse and inclusive society', and a 'quality environment', the Index includes measures of economic performance - in GDP per head disparity in GDP between sub-regions, employment rate, unemployment rate, and efficiency in the use of environmental resources.

In spring 2004, new data allowed the Index to be recalculated. When *Destination 2010* was published in March 2003, the East Midlands was ranked 35th. According to the latest data available in 2004, the region has climbed to 28th out of the 71 regions in the pre-Accession 15 EU Member States.

Overall, the region's progress through the Index is closely connected with the UK's strong performance during the global

economic downturn of 2001-2003. The strongest comparative growth has been in the measure of economic performance, GDP PPS<sup>1</sup> per head. On this measure, the region has moved up from 40th to 31st between 1998 and 2001.

The overall gap in rankings using the index between the East Midlands and the leading UK regions has narrowed significantly. The gap between the East Midlands and London has closed from 14 places when the RES was published to 9 places with the latest update (London has remained at the same overall rank of 19th).

The East Midlands continues to perform well on employment and unemployment indicators. The region ranks 9th on employment and 18th on unemployment, demonstrating that it continues to have one of the most stable labour markets in Europe. On the latest available data, the East Midlands remains 49th on the environmental indicator.

There has also been an improvement in comparative economic disparity, with the East Midlands rank improving from 43rd to 39th. However, there are still significant disparities within the region that need to be addressed, and the East Midlands is still among those English regions with the highest levels of economic disparity.

## Working in partnership

The effectiveness of *Destination 2010* depends on the support it commands across the region. Regional partners in the business community, public and voluntary sectors need to cooperate effectively to make a real difference.

In preparing *Destination 2010*, *emda* worked with a wide range of parties to develop a shared strategy and agreed priorities.

The successful implementation of *Destination 2010* has been supported by the formation of the East Midlands Sub-regional Strategic Partnerships (SSPs). Since their creation, the seven business-led SSPs, shown on the map on the right, have played a crucial role in determining sub-regional priorities and delivering projects and activities at the sub-regional level.

*Destination 2010* will be updated in 2006. This report demonstrates the excellent progress made so far. It is essential that all partners and stakeholders work together to prepare the next Regional Economic Strategy to ensure that the challenges identified in this report are tackled and our Top 20 ambition is realised.

Map 2: Sub-regional Strategic Partnerships (SSPs)



Source: Ordnance Survey © Crown Copyright. All rights reserved. East Midlands Development Agency. Licence Number: 100035438

<sup>1</sup> Purchasing Power Standards (PPS) refers to a common currency conversion of national currencies, eliminating the differences in price levels between countries allowing for comparisons between regions across Europe.

# Increasing Wealth and Productivity

**UK growth has remained robust...a unique performance among the major economies**

Increasing wealth and productivity in the region is the key aim of *Destination 2010*. The period 2000-2004 has been a turbulent one for the global economy, with the crash among technology companies, recession in the United States and the aftermath of September 11, and a protracted period of below par growth in the Euro zone (including recession in all the major Euro zone economies). Despite these events, UK growth has remained robust, with no quarter showing negative growth - a unique performance among the major economies. These macroeconomic conditions have had a positive influence on regional trends.

A key objective of *Destination 2010* is increasing economic growth. The short term target was growth of 2.0% per annum in Gross Value Added (GVA)<sup>2</sup> per head up to 2005, increasing to 2.5% per annum by 2010. Latest estimates suggest that the East Midlands grew by an average of 2.2-2.3% per annum between 2000 and 2004<sup>3</sup>, which is around 0.1 percentage points below the average for the UK, but exceeds the *Destination 2010* target.

While data shows that the UK North-South gap has narrowed slightly during the early part of this decade, some expect the gap to start widening as private sector job creation increases at a faster rate in the South than the North.

It is also important that productivity in the region improves. Whilst recognising that areas of unemployment remain, for the most

part the region is at or near to 'full employment'. It is, therefore, becoming increasingly difficult to increase wealth simply by getting more people into work. The challenge is becoming one of increasing earnings through improving productivity.

International comparison shows that levels of productivity are lower in the UK than in our main competitors - most notably Germany, the United States and France (where output per hour worked is almost one third higher than in the UK). The East Midlands can learn from the success in these countries.

*Chart 1* shows that output per hour worked in the East Midlands was 97.7% of the UK average in 2001 (the latest figure for which the data is available) but has increased since 1999.

<sup>2</sup>Gross Value Added is the measure of economic output used in the production of regional economic statistics and is the sum of employee compensation and operating surpluses/mixed income.

<sup>3</sup>Cambridge Econometrics, 'Regional Economic Prospects,' February, 2005; Experian Business Strategies, 'Regional Planning Service,' 2004.

## Case Study

### Lachesis Fund

Established in June 2002, the Lachesis Fund is a partnership between De Montfort, Leicester, Loughborough, Nottingham and Nottingham Trent universities. The Fund is managed by Quester Capital Management Limited and aims to fill the funding gap for promising early stage technologies emerging from the university research base. The Fund helps to facilitate commercialisation, licensing and new business births, enhancing the prospects of attracting further equity capital for these businesses.

With the Fund expected to have invested its initial £4 million contribution, from the Office of Science and Technology and the universities, by 2005, *emda* contributed an additional £3 million. Further contributions of £650,000 from the Higher Education Funding Council for England and

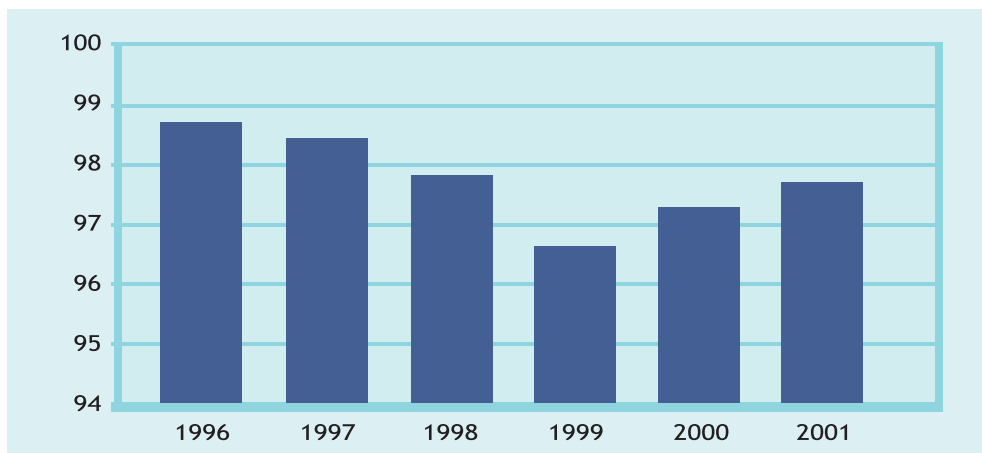
£250,000 from the European Regional Development Fund have almost doubled the size of the Fund to £7.9 million. By 2010 the Fund will have contributed to the birth of some 50 businesses employing highly-skilled scientists and graduates, aiding the development of a culture of innovation and entrepreneurship within the East Midlands.

Two companies that have already benefited from investments through the Lachesis Fund are Sports Dynamics Limited, a Loughborough University spin-out company, which has developed the world's first device to capture the spin of a ball in flight, and Critical Pharmaceuticals, a University of Nottingham spin-out company, which works on the development of novel drug delivery devices.

### Key Points INCREASING WEALTH AND PRODUCTIVITY

- The UK has been affected by a slowdown in global activity but has performed relatively well compared to major competitors
- Economic growth in the East Midlands has averaged 2.2-2.3% pa, which is above the *Destination 2010* target for the period 2000-05
- Productivity has improved since 1999 but there is still a gap between the East Midlands and the UK average

Chart 1: Productivity in the East Midlands (UK=100)



Source: Department for Trade & Industry, 'Regional Competitiveness & State of the Regions,' May 2004.



# Enterprise

*...increase competition, providing an incentive for new products and processes*

PICTURED: on target for success...Zoë Streeter of Zoetrope Career Planning. Provided courtesy of Business Link Nottinghamshire.

Enterprise is important because new businesses increase competition, providing an incentive for new products and processes. It leads to a more efficient economy through a process of 'churn' whereby new enterprises with new products replace those that are not able to compete, thus freeing resources for more productive uses.

The UK does have some advantages over its competitors when it comes to encouraging enterprise. For example, it is quicker and cheaper to start a business in the UK than it is in France or Germany and there are more opportunities in the UK to access venture capital funding than in these countries (the UK lags behind the US on these measures though).

The importance of enterprise is recognised in *Destination 2010*: "This strategy has the promotion of enterprise at its heart. This means promotion in all parts of the region and in all communities," including women and ethnic minority groups. Recently published data from the Global Entrepreneurship Monitor<sup>4</sup> suggest that levels of entrepreneurial activity have increased in the East Midlands in recent years. There are a number of targets contained in *Destination 2010* against which progress as an entrepreneurial region can be measured.

The first is a measure of business start-ups, an increase in the VAT registration rate to within 5% of the national average by 2005

and to within 3% by 2010. In 1999 there was a 10.3% gap in the registration rate between the East Midlands and the UK. By 2003 this had closed to 7.5% which represents good progress towards the interim 2005 target. *Chart 2* shows how the registration rate has increased in the East Midlands between 1999 and 2003.

Starting a business is only part of the story - it is important that new start-ups survive and grow so that they continue to contribute to the growth of the East Midlands. For this reason *Destination 2010* also contains a target for business survival: by 2005 92% of VAT registered businesses will survive for more than a year, increasing to 94% by 2010. The latest available data suggest that the interim target has already been met. Of businesses that registered in 2001, 92.1% lasted for more than a year, an increase from 90.1% from 1999.<sup>5</sup>

<sup>4</sup> London Business School, 'Global Entrepreneurship Monitor: 2004,' November 2004.

<sup>5</sup> Small Business Service, 'Survival Rates of VAT Registered Businesses, 1993-2001', January 2004.

## Case Study

### Sherwood Energy Village

The primary objective of the Sherwood Energy Village project was to create a mixed use development on the 91 acre former Ollerton colliery site to complement and enhance the existing town. The colliery closed in 1989 with the loss of over 1,000 jobs. By 2007-08, the Village will have generated 1,200 jobs - the same amount provided by the colliery

at its height. Enhanced transport infrastructure has improved access to the town and an overall increase in confidence has increased demand and value of existing housing stock. The site has now been reclaimed to create a development comprising industrial, commercial, residential and leisure uses that fully integrate with the adjacent town centre. The land reclamation work has been completed and the entire site is either occupied and in use, under construction, sold, under offer, or in negotiation. An area previously suffering from the effects of economic restructuring is now a sustainable, economic and environmental success.

In February 2005 these achievements were given national recognition when Sherwood Energy Village beat 11 other regional finalists to win the coveted "2005 Enterprising Britain Competition" as the most enterprising place in the UK.



PICTURED: Sherwood Energy Village

### Key Points **ENTERPRISE**

- The gap in business registration rates between the East Midlands and the UK is closing. Registrations have increased in the East Midlands between 1999 and 2003
- Survival rates for businesses in the East Midlands have improved significantly

Chart 2: VAT registration rates per 10,000 population 1999-2003



Source: Small Business Service, 'Business Registration and De-Registration Statistics, 2003', 2004.



PICTURED ABOVE: New Business New Life Enterprise Show, 2005 at Donington Exhibition Centre. Photograph by Andy Weekes.

# Enterprising Communities

*...to ensure that there is economic opportunity for all residents of the East Midlands*

PICTURED: Leicester Market traders. Photograph by Chris Webb.

Sustainable economic development is a key ambition of *Destination 2010*, “where economic progress at any cost is simply not an option”. This ensures that economic progress is not achieved at the expense of environmental and social factors. Furthermore, it must be ensured that economic growth benefits more deprived communities. This involves tackling the often difficult issues faced by disadvantaged individuals and communities. These include barriers to economic inclusion such as low skills, unemployment, poor childcare provision, degraded business infrastructure and lack of local public services. By tackling social exclusion and facilitating effective community regeneration, *Destination 2010* seeks to ensure that there is economic opportunity for all residents of the East Midlands.

The map on the opposite page, illustrates the areas and pockets of deprivation across the region, according to the Indices of Multiple Deprivation 2004,<sup>6</sup> which ranks the deprivation of small areas relative to all other areas in England. The darker areas on the map clearly show the region's more deprived communities. These include the urban centres, the former coalfield areas and the Lincolnshire coastline and rural hinterland.

There are a number of targets within *Destination 2010* related to tackling economic exclusion in the East Midlands. The first target seeks to reduce the deprivation gap between the 20% most deprived wards and the 20% least deprived wards, when ranked alongside all the wards in England. Figures for 2004 show that the gap has

narrowed between the most and the least deprived communities in the region.

*Destination 2010* also set the target to reduce the number of income support claimants in the East Midlands from 11% in 1999 to 7% by 2005. Latest data shows that this target has been met, with income support claimants falling to 6%. This indicates strong progress and is only just short of our 2010 target of 5%.

<sup>6</sup>ONS Crown Copyright, Table 7.6, Measures of Deprivation, Income Support Beneficiaries, May 2004, 'Region in Figures: East Midlands', Summer 2002-Winter 2004/2005.

## Case Study

### Local Alchemy

Local Alchemy is a programme for residents, business, voluntary agencies and the public sector to work together to reverse economic decline and support less prosperous places in becoming enterprising communities. Designed in partnership with the New Economics Foundation, Local Alchemy is a 2 year process that works by bringing together residents, stakeholders and businesses operating in a local community to help them develop the knowledge, capacity and ideas to re-invent their local economies. Communities select activities from the Local Alchemy toolkit which help them to understand their local economy, spot new opportunities and

develop self help solutions. Local Alchemy is helping people to think differently about their economies, to unlock the potential of under-used assets, inspire and lead change. Throughout the process, a Local Alchemy Coach provides ongoing support and facilitation.

Local Alchemy is being piloted with 2 phases of communities. In the first phase 4 communities were recruited in Gainsborough in Lincolnshire, North West Leicester, Kingswood in Corby and Sneinton in Nottingham. There are now a further 9 communities under phase 2 which will be going forward over the next 18 months.

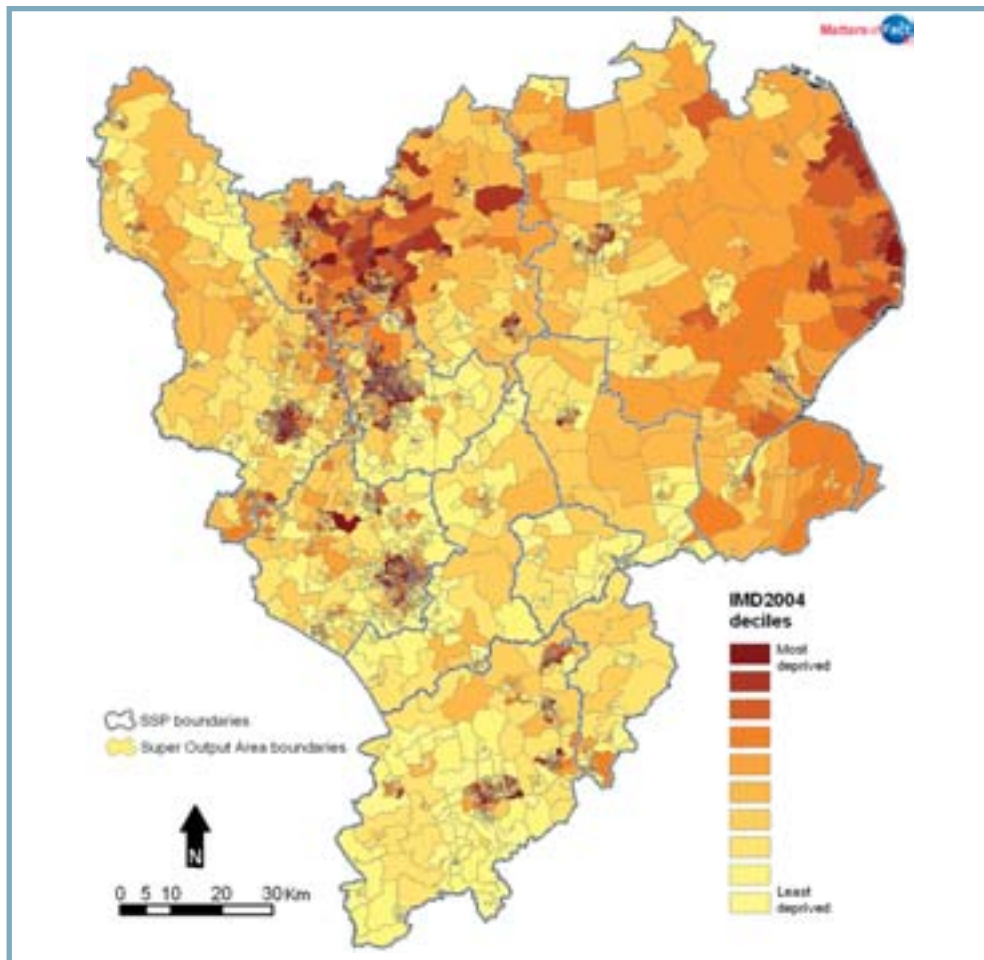


PICTURED: Patricia Hewitt at the Launch of Local Alchemy in 2003  
Photograph ©Octopus

### Key Points ENTERPRISING COMMUNITIES

- Although there are still areas of deprivation in the East Midlands, the relative gap has narrowed between the region's 20 per cent least and most deprived areas
- The 2005 target for reducing income support claimants has been met, with strong progress towards the 2010 target

Map 3: East Midlands Index of Multiple Deprivation 2004



Source: Matters of Fact Ltd, on behalf of the East Midlands Development Agency, 2005. Base maps reproduced under licence, Ordnance Survey © Crown Copyright, licence number: 1000 354 38



# Employment, Learning and Skills

...improve the quality of employment opportunities and drive up skill levels across the region

Increasing individual and employer demand for skills is a key theme in both *Destination 2010* and the December 2002 Framework for Regional Employment Skills Action (FRESA), 'Bringing Forward the Future'. The work of the FRESA is being carried forward by the Employment Skills and Productivity (esp) partnership, which will work to improve regional business productivity and competitiveness and drive up the demand for skills from employers. The esp was established in response to the Government's 2003 Skills Strategy White Paper call for Regional Skills Partnerships to be created. The core esp partners are *emda*, the Learning and Skills Councils and Job Centre Plus. The esp will be formally launched in June 2005.

Since the publication of *Destination 2010*, the East Midlands' labour market has remained very stable. Employment rates have consistently exceeded the national average over recent years. Similarly, unemployment has remained low, at 4.7% of the region's working age population compared to 5% nationally in 2003.

However, escaping the 'low pay low skill equilibrium' remains a challenge. The East Midlands still records relatively low wage rates. Average weekly workplace-based earnings were £429 in 2003, compared to £476 nationally, a gap of 10%.<sup>7</sup> The region is still over-represented by employment in lower level occupations and under-represented in higher level occupations when compared to the national average.

Progress has been made in addressing *Destination 2010's* targets for increasing the

qualifications of young people and adults. According to latest data, at the time *Destination 2010* was published the East Midlands lagged the UK average significantly on measures of young person and workforce qualifications. For instance, in 2001 the proportion of 19 year olds educated to NVQ Level 2 (the equivalent of 5 GCSEs at grades A\*-C) in the East Midlands was below the England average by 1 percentage point. Latest data for spring 2003 show that the region is now above the national average at 77% compared to 76%. Although this is still short of the 2005 target of 85% by some way, it demonstrates considerable progress in an area where the East Midlands was previously lagging.<sup>8</sup>

Clear progress has also been made towards workforce qualifications targets (see *Chart 3*). In spring 2001, the proportion of economically active adults in the East Midlands educated to

<sup>7</sup> ONS Crown Copyright, 'New Earnings Survey, 2003', from NOMIS, 5th April 2005. <sup>8</sup> ONS Crown Copyright, Table 5.11, Progress Towards National Learning Targets, 'Region in Figures: East Midlands', Summer 2002-Winter 2004/2005.

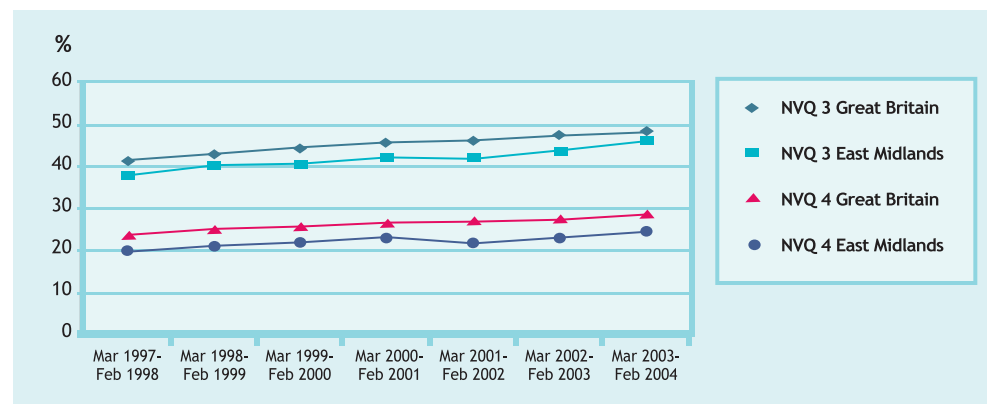
<sup>9</sup> Note: 'Knowledge Intensive Services' refers to the Eurostat definition of knowledge intensive service sectors, which are frozen for all EU countries and regions, and should not be confused with the K1-4 classification based on graduate level

NVQ Level 3 (equivalent to A levels or a range of vocational qualifications) lagged the England average by over 3 percentage points at 41.9%. Data for spring 2004 shows that this gap has closed, with the East Midlands recording 45.9% compared to an England average of 47.7%. However, the persistent gap with the national average on the proportion of the workforce qualified to NVQ Level 4+ (equivalent to degree level and above), remains a key challenge for the region.

The idea of a 'knowledge intensive' economy, which utilises knowledge as its principal

competitive asset, has become increasingly prevalent in regional and national strategies, especially in light of competition from the low cost economies of developing countries like China and India. *Destination 2010* sets a regional target for 'Knowledge Intensive Services' (which includes telecommunications, financial services, education, etc).<sup>9</sup> Latest data for 2002 shows that this has increased to 36%, significant progress on the 1999 figure of 33.7% published in *Destination 2010*, providing a strong indication that the 2005 target of 40% could be achieved.<sup>10</sup>

**Chart 3: Economically active people with equivalences of NVQ 3 and NVQ 4 and above**



Source: ONS Crown Copyright, 'Labour Force Survey' (quarterly: four quarter rolling averages), Spring 1998-Spring 2004, from NOMIS, 5th April, 2005.

employment, which are unique classifications recalculated for each region. <sup>10</sup> Eurostat, Annual data on employment in technology and knowledge-intensive sectors at the regional level, 1994-2002, downloaded from the Eurostat NewChronos database, 6th April, 2005.

## Case Study

### "Skills at Work" and "Valuable Skills" Employer Training Pilots

Leicestershire's "Skills at Work" and Derbyshire's "Valuable Skills" are two of the 18 Government funded Employer Training Pilots.



These pilots offer local employers across all sectors up to 35 hours compensation for time spent by staff learning new skills, plus free or low-cost training tailored to individual company and employee needs. The training aims to improve the essential skills of the workforce and may additionally lead to accreditation at NVQ Level 2, a nationally recognised standard equivalent to five GCSEs at grade C or above.

The success of the pilots in Derbyshire, Leicestershire and across the country has encouraged the Government to roll the initiative out nationally from 2006-07.

## Key Points EMPLOYMENT, LEARNING AND SKILLS

- Employment levels in the East Midlands continue to exceed the national average, whilst unemployment levels remain below average
- Characteristics connected with the 'low pay low skills equilibrium' remain challenging, with below average earnings and lower proportions of the workforce educated to degree level
- Clear progress has been made towards regional targets for young people and adult qualifications
- Recent figures suggest that the region is on course to achieve targets for employment in 'Knowledge Intensive Services'

# Innovation

*...successful exploitation of new ideas - either new products or new processes...*

Innovation can be described as the successful exploitation of new ideas - either new products or new processes. A stream of constant, successful innovation is therefore essential if an economy is to remain competitive and standards of living are to increase. There is a positive correlation between levels of innovation and measures of economic performance. The UK has a highly productive science base but has difficulty in translating this into new products and processes.

The aims of the innovation strand of *Destination 2010* are to foster a culture of innovation; exploit regional research strengths; improve knowledge transfer; and provide the support for business to exploit the science and technology base.

One of the two targets set out in *Destination 2010* to measure progress of this strand is to increase business expenditure on R&D as a proportion of Gross Value Added. *Chart 4*, on the next page, shows that this is above the UK average in the East Midlands and has increased from 1.6% in 1999 to 1.7% in 2001. *Destination 2010* notes that there are a number of large research intensive companies located in the region, which may mean that these figures are somewhat skewed. Businesses of all sizes and sectors need to invest in R&D to be competitive in a global economy and reap the benefits of higher levels of innovation.

It is also important that businesses explore other ways of exploiting knowledge and one way of doing this is through links with other organisations. The third Community Innovation Survey measured the extent to which businesses in a region cite the science and engineering base (universities and other public research institutions) as an important source of information. Nationally, 28% of enterprises graded these institutional sources as being of some importance. The corresponding figure for the East Midlands was slightly lower at 27%. Improving the quantity and quality of these links is an on-going challenge.<sup>11</sup>

<sup>11</sup> Department of Trade and Industry, 'Regional Innovation Performance in the UK,' May 2004.

## Case Study

### Silverstone Innovation Centre

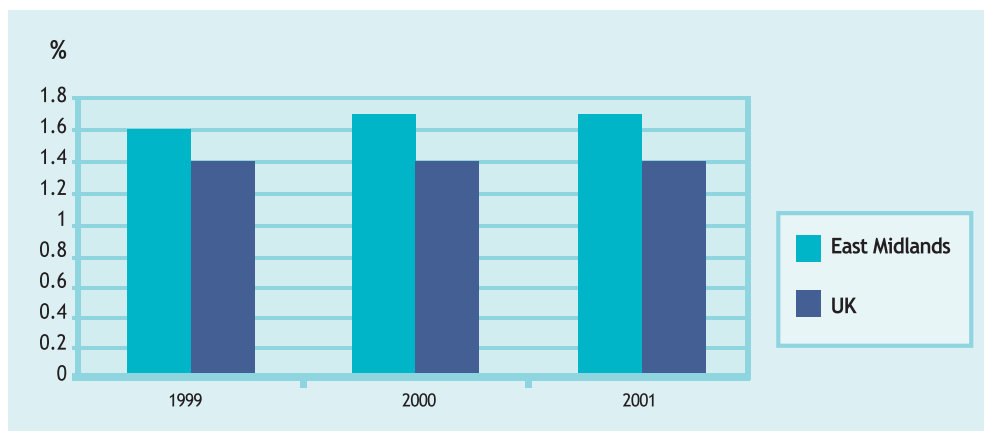


Opened in December 2004, the Silverstone Innovation Centre has been developed to harness sustainable growth and provide quality jobs. The £4.2 million centre, housed on Silverstone Technology Park, is a joint venture between track owners, Silverstone Estates Limited, and *emda*. The centre provides 16 'incubator' units for new businesses and 27 suites for growing companies. Tenant firms will be encouraged to get involved with other activities designed to boost their competitiveness. The Innovation Centre will house up to 40 high performance engineering start-up companies as well as more established, growing businesses operating in motor sport and related industries. This plays a pivotal role in supporting the motor sport sector, employing 5,600 people.

### Key Points INNOVATION

- Levels of research and development are above the national average in the East Midlands. The East Midlands contains a number of large R&D intensive companies. The challenge is to make sure that companies across the region (and SMEs in particular) are able to invest in and reap the benefits from R&D
- There is a requirement to encourage further knowledge transfer between the region's universities and other research bodies and the business base

Chart 4: Business enterprise R&D as per cent of GVA



Source: Department for Trade & Industry, 'Regional Competitiveness & State of the Regions,' May 2004.



PICTURED ABOVE: Cars on display at Silverstone Innovation Centre. ©Jane West Photography.

# International Trade and Inward Investment

*...to build on existing strengths to trade more intensively...*

PICTURED: Rolls-Royce and European collaboration test flight, China. Provided courtesy of eRollis-Royce plc.

International trade and investment plays a pivotal role in the creation of jobs, wealth, and improved competitiveness in the region. *Destination 2010* called for the region to build on existing strengths to trade more intensively and attract higher value, knowledge-intensive industries and services in key growth sectors in the East Midlands. In the East Midlands these activities are led by UK Trade & Investment (UKT&I), acting as *emda's* international trade arm in the region, with support from other regional partners. UK Trade & Investment provide integrated support services to UK SMEs engaged in overseas trade. UKT&I and *emda* have developed the East Midlands International Trade Strategy which sets out how regional partners will help exporters improve competitiveness, and increase growth and productivity.

The strategy identified three key activities:

- Increase the capability of the region's smaller companies to trade internationally

- Develop the global trading activity of the region's middle market businesses

- Improve the international trading performance of the region's key sectors

started exporting for the first time. This has grown steadily year-on-year to 142 in 2003/04, as shown in *Chart 5*. Good progress has been made but much more has to be done if the region is to achieve the 2010 target on this measure. However, strong performance has been achieved on the accompanying target for existing exporters moving into new markets each year. The region has greatly exceeded the 2010 target of an average of 400 per year, with 500 existing exporters moving into new markets in 2003/04.

*Destination 2010* set a number of targets which measure the region's success in international trade and investment. The first target called for an average of 200 new companies exporting each year by 2010. In 2000/01, 100 companies in the East Midlands

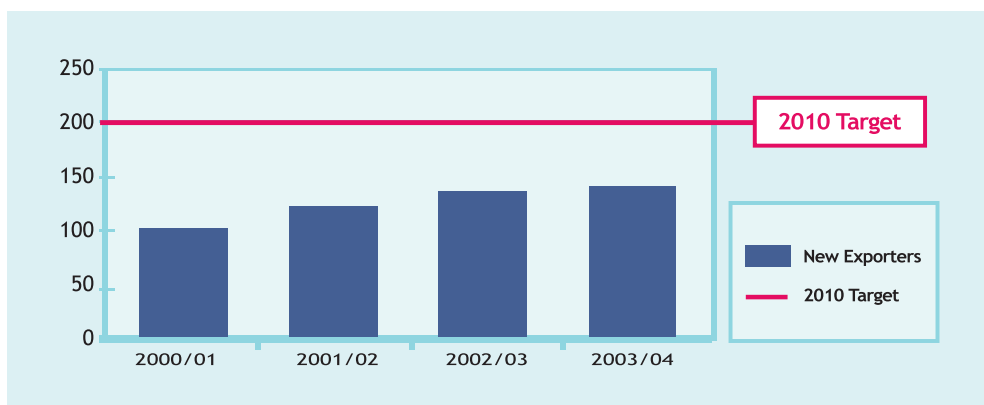
*emda* works with Advantage West Midlands, the RDA for the West Midlands, in attracting international investment, operating overseas under the joint banner of "The British Midlands". A new office in Toronto

was opened in April 2004, bringing the total British Midlands representation in North America to five offices and seven staff. Within Europe, the region is marketed as "England's East Midlands".

The East Midlands is already home to over 1,000 overseas companies and the region continues to attract foreign investment because of the vibrant economic and business environment it offers companies

looking to establish a UK presence. Recent inward investment successes include the Emerio Corporation of Singapore, which has brought up to 200 jobs to Loughborough, and the Japanese automotive company FIUK to South Derbyshire, which created 300 jobs. Activities also include working with global companies who already have a presence in the East Midlands to help growth and sustainability. These include Toyota, Capital One, Caterpillar and PepsiCo.

**Chart 5: Growth in annual number of new exporters**



Source: UK Trade & Investment Data, Feb 2004.

## Case Study

### Emerio Corporation and Loughborough Technology Centre

In March 2005, Emerio Corporation, a leading global provider of IT consulting and services, opened its new UK operations at the Loughborough Technology Centre, creating up to 200 jobs.

*emda* and Invest Leicestershire have supported Emerio through identifying

suitable premises in Loughborough as well as business, legal and recruitment advice. Invest Leicestershire is continuing to support the company by offering business support services and facilitating introductions to potential partners for Emerio in new market areas.



## Key Points INTERNATIONAL TRADE AND INWARD INVESTMENT

- The region has exceeded its target for increasing the number of existing exporters trading in new markets
- There has only been modest growth in the number of new exporters
- World class companies see the East Midlands as an ideal location for establishing UK and European operations

# Economic Growth and the Environment

...moving  
towards a more  
resource efficient  
economy and  
encouraging  
growth in the  
environmental  
economy

PICTURED: Solar panels. Photograph ©Purple Circle.

*Destination 2010* is not a 'growth at any cost' strategy. It recognises that there are environmental and social consequences associated with economic activity and identifies three overriding environmental challenges: adapting to climate change, moving towards a more resource efficient economy and encouraging growth in the environmental economy.

Economic activity impacts on the environment through its use of inputs and the production of potentially harmful outputs. The key challenge facing the region (and the wider world) is to make economic growth more sustainable through more efficient use of resources. For example, the Energy White Paper sets out the concept of a low carbon economy - an economy that emits 60% fewer greenhouse gases by 2050. This requires a break in the link between fossil fuel energy use and economic activity, which is known as "de-coupling". This is happening already to some extent. Since 1970 the UK economy has doubled in size but energy consumption has increased by only 15%. The challenge is for further improvements to be made.

A number of activities were identified in *Destination 2010* in order to address the challenges of maximising growth whilst at the same time maintaining the environment and ensuring that the East Midlands is a place "where people want to live, work and invest".

These were:

- Reducing the emissions of greenhouse gases by business
- Encouraging more businesses to develop an environmental management system
- Developing a more resource efficient business culture
- Encouraging the use of sustainable design for new developments
- Increasing electricity generated from renewable resources
- Encouraging sustainable approaches to floodplain development
- Developing and tracking consistent resource productivity indicators
- Expanding the environmental economy cluster

One of the key targets in *Destination 2010* is that by 2005 the proportion of energy generated from renewable resources will be 5%, rising to 8.3% by 2010. The latest data that we have shows that only modest progress has been made - an increase from 1.5% in 2000 to 1.6% in 2004.<sup>12</sup>

<sup>12</sup> East Midlands Regional Assembly, 'The East Midlands Energy Challenge: Regional Energy Strategy', 2004.

## Case Study

### The BEST Project

The BEST project is a collaboration between *emda* and Nottingham Trent University, which aims to help businesses improve their environmental performance in the commercial world and increase the productivity of small firms in the East Midlands. The partnership will help companies to undertake a review of their environmental impact and develop action plans for business and staff training. The

project aims to help 325 SMEs over the course of its three year lifespan.

The project won a National Green Apple Environment Award in 2004, beating competition from more than 1,000 entries. The Green Apple Awards, run by The Green Organisation, recognise efforts to preserve and protect the environment.



PICTURED: Sara Macey and Mary Burt of BEST Network with their Green Apple Award

### Key Points ECONOMIC GROWTH AND THE ENVIRONMENT

- Breaking the link between economic activity and potential environmental degradation is a key policy challenge
- Only modest progress has been made against the region's target to increase the amount of energy generated from renewable resources



PICTURED ABOVE: the Seagull Recycling Centre, Lincolnshire. Photograph by R.A. Davey.



# Site Provision and Development

...provision of sites that meet the demands of businesses and the workforce...

PICTURED: Plesley Colliery regeneration project. Photograph by Chris Webb.

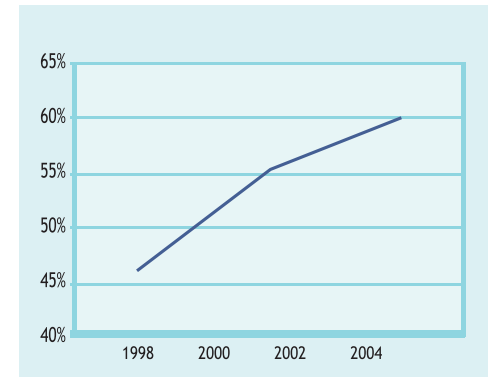
The sustainable growth of the region is heavily dependent on the provision of sites that meet the demands of businesses and the workforce in the East Midlands. This is about creating a 'climate for investment', which provides the necessary physical infrastructure, employment sites, transport links, planning, housing and environmental improvements to stimulate activity and investment, and satisfy market demand. These contribute to economic success by ensuring the region is a place where people want to live, work and invest.

*Destination 2010* called for 50% of new housing to be provided on previously developed brownfield land, or through conversion of existing buildings by 2005 and 55% by 2010. According to the latest available data, the region has not only exceeded the 2005 target but has also achieved the 2010 target in this respect. Currently 60% of all new housing in the East Midlands is built on either previously developed land, or as part of existing building conversions. This is illustrated in *Chart 6* which shows growth in housing development on brownfield land in the region since 1998.

It is important that a sustainable balance is retained in the availability of quality sites for housing and employment and other uses. Regional partners have invested heavily in the refurbishment of a number of large scale former industrial sites through the English Partnerships Coalfields Programme. To date this activity has been very successful, attracting new investors into the former

coalfield area and regenerating some of the region's most deprived local communities by providing new employment sites, housing, and amenities.

**Chart 6: Growth in provision of previously developed land for housing**



Source: DTZ Pleda Consulting, on behalf of the East Midlands Regional Assembly, 'East Midlands Regional Spatial Strategy: Annual Monitoring Report 2003/04,' February, 2005.

## Case Study

### Shirebrook Colliery Regeneration

Since 1999, *emda* has worked with its regional partners to refurbish the former colliery site at Shirebrook in Derbyshire. In October 2004 contracts were exchanged for the sale of 62 acres of serviced industrial development land to

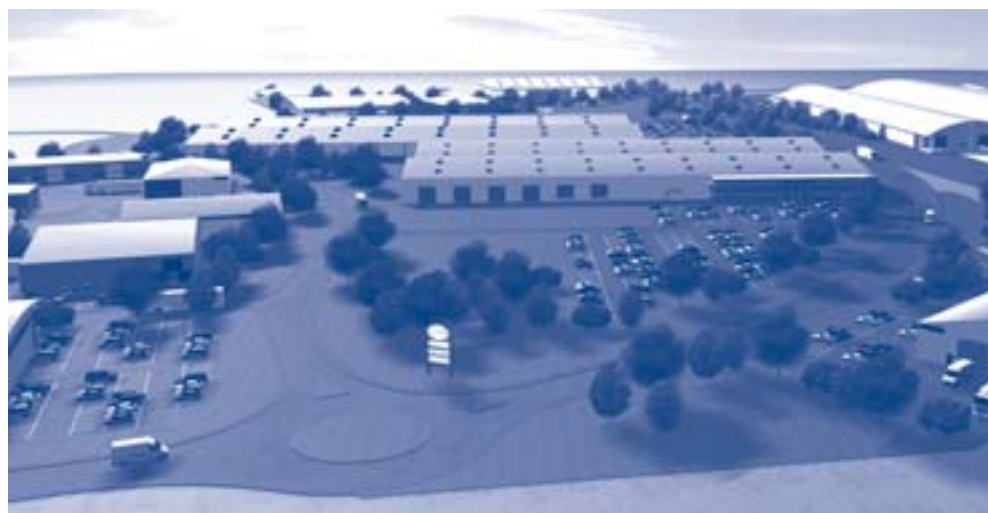
Sports World International Limited, a major high street sports goods supplier intending to build one of the UK's largest distribution centres on the site. The 128,763 sq. m. (1,386,000 sq. ft.) facility will become a hub for its European business. Work is nearing completion on the first two units which total 60,294 sq. m. (649,000 sq. ft.) and which are scheduled to be operational by summer this year. Three more units will follow in the next four years. The development as a whole will provide over 1,000 jobs. Sports World's purchase accounted for two-thirds of the developable area. The remaining land is currently being marketed and a number of offers have been received. The next step is to provide housing and the selection of a preferred developer for the first phase of residential land is currently underway.



PICTURED: Brook Park, Shirebrook  
Photograph ©Webfell Earthwork Solutions

### Key Points SITE PROVISION AND DEVELOPMENT

- The region has achieved both the 2005 and 2010 target to increase the proportion of previously developed (brownfield) land for housing
- The challenge remains for the East Midlands to continue to ensure the supply of employment sites, minimising negative impacts on the region's environmental quality and to optimise the development of brownfield sites



PICTURED ABOVE: Shirebrook aerial photograph, provided courtesy of English Partnerships. Artist's impression of the future vision for Brook Park.

# Transport

...a key role in regional economic development, linking businesses to their labour supplies...

Transport plays a key role in regional economic development, linking businesses to their labour supplies, enabling communities to access employment opportunities, and acting as an asset to attract investment from elsewhere. This strand is closely tied to the Regional Transport Strategy (RTS), which sits within the East Midlands Regional Assembly's Regional Spatial Strategy. *Destination 2010* places particular emphasis on the priorities for transport to improve accessibility to employment sites, and to facilitate economic inclusion by addressing access to work barriers experienced by deprived or isolated communities. There are also close links with urban and rural strands, to reflect adequate transport provision to support sustainable economic growth.

Behavioural change forms a key element of the Regional Transport Strategy, encouraging people to reduce their need to travel and to use alternatives to the car where applicable. An emphasis is placed on integrating public transport services and managing the existing road networks to reduce congestion and improve safety.

*Destination 2010* sets a challenging regional target for travel to work by public transport. The target for 2005 is for 8.5% of the population using public transport to travel to work, increasing to 10% by 2010. Progress towards this target remains a key challenge. Latest estimates from the Labour Force Survey report that only 6.5% of the region's workforce use public transport to travel to work, under half the national average of 13.7%.<sup>13</sup> This data relates to 2002, so does not account for some of the major public transport developments in the region, such

as the Nottingham Express Transit (NET) tram service and the enhanced Corby bus services. Nonetheless this presents the extent of the challenge for both improving public transport systems and influencing individual behaviour to bring about the necessary step change by the time data for 2005 is available. This is a challenge to be addressed by a range of local, regional and national partners.

However, more positively, employees and self-employed people in the region have shorter travel to work times than the national average. 34.8% have usual travel to work times of under ten minutes in the East Midlands (this excludes those who work from home), compared to 31.3% in the UK overall, whilst only 2.3% of the region's workforce usually spend over an hour travelling to work compared to 4.4% in the UK.<sup>14</sup>

<sup>13</sup> ONS Crown Copyright, derived from autumn 2002 Labour Force Survey, published in 'Table 10.9: Main method of travel to work', *Regional Trends*, No. 38, 2004.

<sup>14</sup> ONS Crown Copyright, derived from autumn 2003 Labour Force Survey, published in: 'Table 6.4: Usual time taken by employees and self-employed to travel to work', *Region in Figures*, winter 2004-2005 edition.

## Case Study

In order to increase the use of more environmentally sustainable means of transporting freight and reducing road congestion, *Destination 2010* sets a target for increasing rail freight movements by 30 extra trains per day originating or

terminating in the region by 2010 from a 2002 baseline of 113 per day.<sup>15</sup> This indicator will be revised in line with the development of the Regional Freight Strategy and an update on progress will be available when the strategy is published in June 2005.



## Mansfield and Ashfield Regeneration Route



PICTURED: the new route

The Mansfield and Ashfield Regeneration Route between Pleasley and Rainworth opened in December 2004, six months ahead of schedule. At £30 million, this regeneration project is the largest ever handled by Nottinghamshire County Council.

The road improves accessibility to the former coalfields and opens up new sites for development in the north of the East Midlands. The route will encourage business to move into Mansfield and Ashfield bringing up to 10,000 new jobs to the area. Bus services will also be improved by reducing traffic on existing roads. 5,000 vehicles every day will be diverted onto the new road from residential areas.

The scheme creates massive opportunities in a former coalfield area.

## Key Points TRANSPORT

- The target for increasing the proportion of the workforce travelling to work by public transport remains a challenge
- Travel to work times remain well below the national average, a regional strength that can be built upon in attracting investment and recruiting staff

<sup>15</sup> Sinclair Knight Merz, on behalf of the East Midlands Regional Planning Body, *emda*, and the Department of Transport, *The State of Freight in the East Midlands*, October 2002.  
PICTURED ABOVE: Nottingham East Midlands Airport entrance. Derby Midland Station and traffic road pictures by Chris Webb Photography; Nottingham Tram ©Spike Photography.

# Information and Communication Technologies

*...effective harnessing of ICT across the economy is a crucial component of competitiveness*

Information and Communication Technologies (ICT) are identified as a cross-cutting theme in the RES, as an enabler of each of the three drivers of regional success, Enterprise & Innovation, Employment, Learning and Skills and Climate for Investment. The Government increasingly emphasises effective harnessing of ICT across the economy as a crucial component of competitiveness. In the East Midlands, partner organisations have worked to improve regional connectivity, notably in the extension of broadband coverage, and to promote ICT as an enabler for both improved business competitiveness and individual learning through business support programmes and large-scale marketing campaigns.

Clear progress has been made against the regional target for businesses trading online set out in *Destination 2010*. The 'Challenge of E-Adoption in the East Midlands Survey' (2003) reports that 17% of East Midlands' businesses can be described as trading online, compared to 10% in 2002. This exceeds the target of 15% by 2005 and makes strong progress towards the 2010 target of 20%. The E-Adoption Survey<sup>16</sup> also establishes that over two-thirds (70%) of the region's SMEs now use computers as part of their business, an increase of 3 percentage points on the previous year.

Household internet access has increased considerably in recent years. Home access to the internet in the East Midlands is above the UK average, at 49% in the 2002-2003 financial year, compared to 46% nationally. This is up from 41% the previous year (see

*Chart 7*). According to these estimates, the East Midlands was fourth in the UK, behind the East and South East (both 52%) and London (51%).

Since the publication of *Destination 2010* in March 2003, extending broadband coverage across the region has been a key strategic priority, as the benefits of broadband improve individual access to online learning facilities and enable businesses to better take advantage of the benefits of trading online in a global environment. Mapping work completed in June 2004 established that almost 90% of the region's businesses and households were in range of broadband provision.<sup>17</sup> Recent developments indicate that near full regional coverage will be achieved by summer 2005.

<sup>16</sup> East Midlands Business Links and UK Online, 'The Challenge of E-Adoption in the East Midlands: The East Midlands Small Business E-Adoption Report, 2003', September 2003.

<sup>17</sup> Bell Hanson Ltd, 'East Midlands Broadband Demand', June 2004.

## Case Study

### East Midlands eCommerce Awards 2004

*emda* continues to support the national eCommerce Awards as a forum for raising the profile of the benefits of ICT in business by celebrating best practice.

The regional event was held in Nottingham on September 16 2004. The event attracted 154 entries. The winners of each category went forward to compete in the National finals in London

on October 6 where the East Midlands scored a triple success - not only scooping the overall prize for Nottingham based online appliance retailer, Trade Appliances, but East Midlands companies also won the categories of eTrading (Trade Appliances again) and Best Rural eBusiness (SillyJokes.co.uk). *emda* will be supporting the regional event again in 2005.

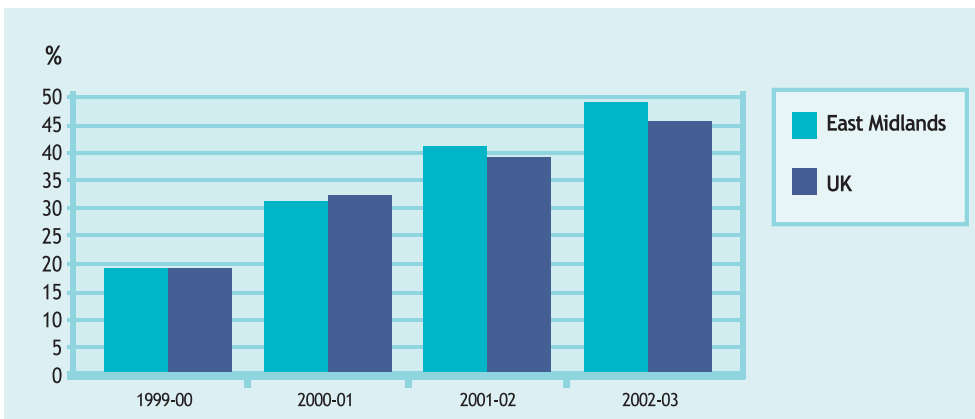


PICTURED: Trade Appliances, winners of the e-Commerce Awards, 2004. Photograph by Simon Bolton

### Key Points INFORMATION AND COMMUNICATION TECHNOLOGIES

- The 2005 target for Small-to-Medium sized Enterprises trading online has been met, with strong progress towards the 2010 target
- Home internet usage is now above the UK average in the East Midlands
- 9 out of 10 households and businesses are now covered by broadband provision, with full regional coverage expected by summer 2005

Chart 7: Households with home access to the Internet, 1999-2000 to 2002-2003



Source: ONS Crown Copyright, 'Family Expenditure Survey' (1998-2001) and 'Expenditure and Food Survey' (2001-2003), data for 2002-2003 financial year is flagged as provisional.



PICTURED ABOVE: InterFlora offices in Sleaford, Lincolnshire. Photograph by Chris Webb.

# Tourism and Culture

*Tourism makes an important contribution to the region's economy*

**Tourism and Culture is one of the global economy's faster growing sectors.**

Tourism is enjoying significant growth following a relatively lean period. The foot and mouth crisis, September 11, and the resulting fall in demand for overseas travel, all had an adverse impact on the number of trips and the amount of expenditure visitors contributed to the UK and East Midlands economy.

## Tourism

Tourism makes an important contribution to the region's economy by attracting visitors, who in turn support jobs and businesses through their expenditure. Latest estimates suggest that tourist spend directly supports 152,000 full or part-time jobs in the region and a further 91,000 jobs in areas such as retailing.

Maximising visitor expenditure in the region will ensure that tourism activities support as many jobs and businesses as possible. For this reason one of the measures of success set out in *Destination 2010* is to increase the rate of growth of average visitor expenditure to 1.6% per annum by 2005 and to 2.0% per annum by 2010. In 2000 a visitor to the region spent an average of £31.64 and by 2003 this had increased to £33.20. This represents growth of 1.6% per annum,

which is in line with the interim target for 2005.

Activities to support the tourism sector will increase the value and size of the sector. The second tourism target in *Destination 2010* is that the sector will account for 4.5% of Gross Value Added by 2010. Latest figures published in the East Midlands Tourism Corporate Plan 2005-2008 suggest that in 2002 the sector was worth 4.1% of the regional economy.<sup>18</sup>

<sup>18</sup> Source: East Midlands Tourism, in East Midlands Development Agency, 'Corporate Plan, 2005-8', April 2005.

## Culture

Creative industries make a considerable contribution to the East Midlands economy. According to the latest Annual Business Inquiry, the industrial group, "recreation, culture and sport" employs over 39,000 people in the East Midlands.<sup>19</sup>

As well as being important economic drivers, culture and sport also enrich and improve quality of life for the region's population. In recent years the region has succeeded in attracting major cultural events such the newly established Tour of Britain cycle race to the region and also funded a project aimed at building the business capacity of festivals in the region to deliver high profile quality events. The development of the region's cultural infrastructure has been significant over the last few years, adding to the capacity to deliver high quality and high profile cultural events. Cultural centres across the region are increasingly prestigious. For example, the cultural quarter in Leicester will have a flagship performing arts and conference centre. The challenge remains to increase the size and influence of these vital sectors.



## Case Study

### Enjoy England Excellence Awards Success

East Midlands Tourism, the newly created strategic tourism body, held the region's first awards in nearly a decade in September 2004.

The introduction of this important event marked a significant change for tourism in the region, with East Midlands businesses able to gain the recognition they deserve for delivering quality and excellence to visitors.

As a result of their success at a regional level, four East Midlands businesses found themselves going head to head with

England's best tourism businesses, at the national final of the Enjoy England Excellence Awards in April 2005.

Awards success for Chesterfield Tourist Information Centre, Shardaroba Caravan Park, Peak District Farm Holidays and Southwell's Workhouse has provided huge opportunities to promote the region nationally. Their success has given a real boost to this important industry and established a great platform to grow awareness of the tourism product on offer in the region.



PICTURED: Southwell Workhouse, Nottinghamshire  
©National Trust/Andrew Butler

## Key Points TOURISM AND CULTURE

- Tourism contributed 4.1% of the East Midlands' economy in 2002
- Levels of visitor expenditure in the region are increasing. The target for 2005 has been achieved and excellent progress has been made towards meeting the 2010 target

<sup>19</sup> ONS Crown Copyright, 'Annual Business Inquiry 2003', from NOMIS, 22nd April 2005.

PICTURED ABOVE: The Tour of Britain 2004, East Midlands route starting line at Bakewell, Derbyshire. Photograph by Simon Bolton.



# Rural Development



*...the East Midlands is one of England's more rural regions*

PICTURED: Rural Lincolnshire. Photograph by Chris Webb.

The East Midlands is one of England's more rural regions, with 29.5% of the region's population living in rural areas compared to the national average of 19.3%.<sup>20</sup> The region's rural landscapes are very diverse and include: the former mining villages of Nottinghamshire, Derbyshire and Leicestershire; parts of the Peak District National Park; rolling arable and mixed farming communities in the East and South West; intensive arable and horticulture in the Lincolnshire Fens; and the coastal resorts of Lincolnshire and their rural hinterland.

Map 4 on the page opposite shows the region's rural and urban areas, using the newly released Department for the Environment, Food and Rural Affairs (DEFRA) area definitions. It clearly illustrates the predominance of rural land areas in the region, which are the lighter areas on the map.

Although the region's rural areas vary markedly, they share a number of common challenges. Factors related to poor access due to remoteness and the restructuring of the rural economy (employment in agriculture is forecast to account for less than 1.5% of regional employment by 2010)<sup>21</sup>, contribute to lower productivity in many of the region's rural areas. *Destination 2010* sets a target for addressing these issues by reducing the productivity gap between a number of rural indicator areas, identified because they suffer low productivity and characteristics of

deprivation, and the English average. Baseline data from DEFRA suggests that productivity for rural areas in the East Midlands falls below the national average by a slightly greater amount when compared to rural areas in England as a whole.<sup>22</sup> Data is not yet available to comment on progress over the last year - however, this baseline illustrates the scale of the challenge in the East Midlands.



<sup>20</sup> ONS Crown Copyright, 'Key Statistics for the rural and urban area classification 2004', March 2005

<sup>21</sup> Institute of Employment Research and Cambridge Econometrics, on behalf of the Sector Skills Development Agency and the Learning and Skills Council, 'Working Futures: New Projections of Occupational Employment by Sector and Region, 2002-2012', December 2003.

## Case Study

### Boston College Mobile Learning Centres

Lincolnshire Enterprise has supported a state-of-the-art learning mobile unit which has helped to raise skill levels across the rural community. The project has been delivered by Boston College and is helping overcome the inability of isolated families and communities to access and use Information Communication Technology (ICT). The mobile unit is particularly aimed

at people and businesses in hard to reach areas that do not have access to other services, and the units are designed to be used in the most extreme and rural locations.

The service is based around three vehicles: a mobile "classroom" and two units which carry ICT equipment that can be set up in practically any community venue. The learning 'mobiles' are freely available for use by adult education groups, colleges, or any voluntary community or social group to undertake training on most ICT applications. The busy mobile units and their staff visit some twenty different groups and communities a week. The success and value of the service was nationally recognised in November 2003 when it was Highly Commended in the prestigious Beacon Award for Colleges (Lifelong Learning category).

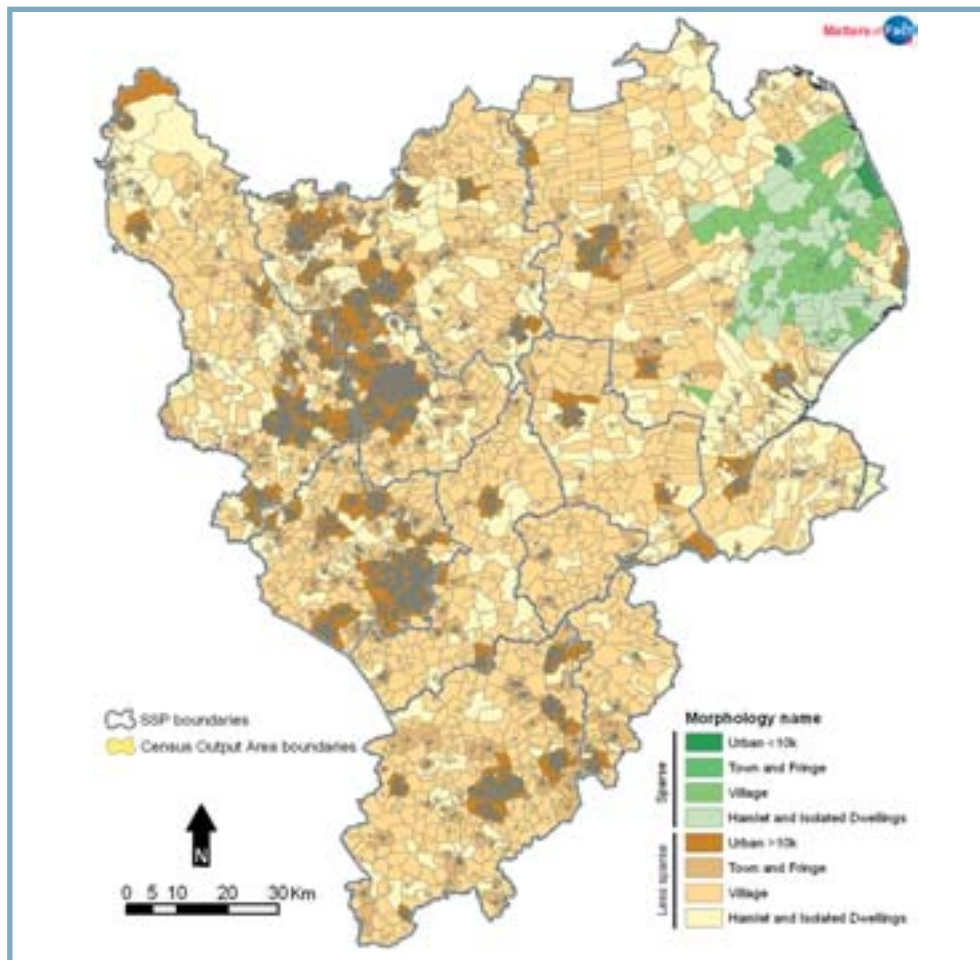


PICTURED: interior of one of the Boston Mobile Learning Centres

### Key Points RURAL DEVELOPMENT

- The East Midlands is one of the most rural regions in England
- Poor access and continued economic restructuring contribute to a slightly larger 'productivity gap' between more deprived rural areas in the East Midlands compared to the England average

Map 4: East Midlands DEFRA Urban rural area definitions



Source: Matters of Fact Ltd, on behalf of the East Midlands Development Agency, 2005. Base maps reproduced under license, Ordnance Survey © Crown Copyright, license number: 1000 354 38

<sup>22</sup>The lagging rural areas in the East Midlands include: Bolsover, East Lindsey, High Peak, South Holland, and West Lindsey. These are selected by the Department for the Environment, Food and Rural Affairs, who are responsible for producing baseline and update estimates of productivity.

# Urban Regeneration

*...harness the key contribution made by urban areas to the region's prosperity*

PICTURED: Nottingham at night. Photograph by Chris Webb.

*Destination 2010* emphasises the importance of the region's cities and towns as 'motors of growth', but suggests that urban areas are not achieving their full potential. This strand has close ties with the Urban Action Plan, a delivery plan for the region's urban areas for the next 5 years. The Urban Action Plan brings together urban development programmes across the region in order to harness the key contribution made by urban areas to the region's prosperity. Examples of large scale developments taking place across the region to achieve this aim include Derby Cityscape, the Eastside City redevelopment in Nottingham, the Waterside regeneration scheme in Leicester, and the Parkland Gateway civic centre development in Corby.

The key urban target in *Destination 2010* is to reverse the population decline in the region's towns and cities, which has been observed since 1991. This can be linked to the availability of suitable housing, crime levels and school performance. Based on population estimates for urban Unitary and Local Authority Districts, the baseline published in *Destination 2010* reported population decline of 0.2% between 1996 and 2000.

However, latest population estimates for 2000-2003 indicate a positive population growth of 0.7% in these areas, compared to a figure for the East Midlands overall of 2% and a UK average of 1.1%. *Chart 8*, right, illustrates that this has been driven by the continued strong growth in Northampton, steady growth in Derby, and a reversal of the population decline in Nottingham and Leicester, the two most populous Unitary Authorities, from the mid 1990s to modest growth from 2001.<sup>23</sup> This can be regarded as an indication of progress in regenerating the

region's urban areas as quality places to live, learn and work, and demonstrates success against the interim target of tackling urban population decline and progress towards the long-term target of achieving a total growth of over 4% by 2010.

*Destination 2010* includes a target for employment on Knowledge Intensive Services for urban areas.<sup>24</sup> This reflects how urban centres help drive the knowledge economy as well as the concern that the continued shift towards a service based economy should produce quality, high-value employment opportunities. This increased from 43% in 2000 to 44% in 2001, 49% in 2002 and 51% in 2003, an average annual growth rate of 5.9%, considerably exceeding the 2005 target in *Destination 2010* of 1.5%.<sup>25</sup>

However, significant challenges remain in increasing wage rates in urban areas. Newly available data for earnings by residence (based on where people live) and by

<sup>23</sup> Note: in order to be consistent with other indicators, these estimates are based on Unitary Authority and Local Authority District boundaries. For accurate presentations of urban and rural population trends, it is preferable to use a far smaller geographical unit. Additionally, we recognise that the Nottingham City Unitary Authority boundary is an imperfect representation of the conurbation of Greater Nottingham, and would recommend reference to the definition of the Greater Nottingham area used by Nottingham City Council and the Greater Nottingham Partnership as a more representative presentation of the city's population.

## Case Study

### Derby Cityscape

Derby Cityscape is a city Masterplan for transforming Derby's prospects. This ambitious initiative will attract more than £1.3 billion of investment over 10 years and spearheads the physical regeneration for the city centre through major development and transport projects. This

includes an expansion of the Eagle Centre, a new Sixth Form Further Education College, a mixed commercial and leisure scheme at Riverlights and the implementation of the Connecting Derby transport proposals.



PICTURED: vision of the Eagle Centre, Derby. Image supplied courtesy of Derby Cityscape

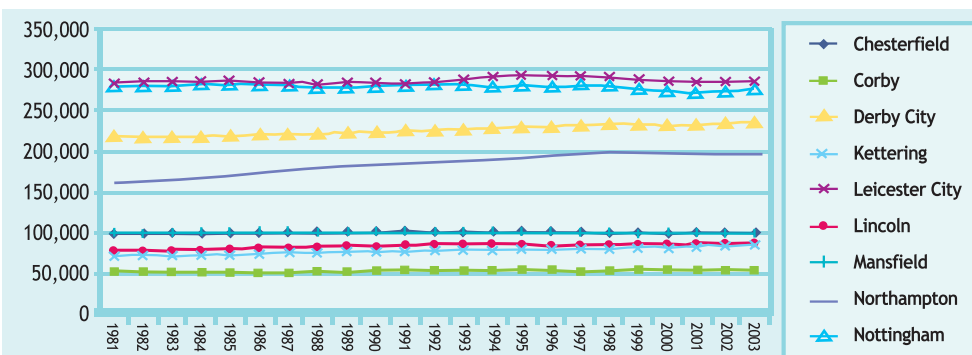
workplace (based on where they work) allows us to comment on progress towards the *Destination 2010* target for improving wages in urban areas.

In order to represent a step-change in both employment quality and living conditions in urban areas in the East Midlands, *Destination 2010* sets the target for wage rates to come within 5% of the national average by 2005 and 2% by 2010. Revised estimates for workplace based wages in East Midlands urban areas and new residence based estimates, suggest that the gap with the Great Britain<sup>26</sup> average is still a considerable way from this target, although they suggest that it is improving slowly over time. Average weekly wages of people living in East Midlands urban areas for 2003 were £412.31, considerably below the regional (£439.37) and national average (£475.78). This represents a 13.3% gap with the national

average, although there has been a very slight improvement from 2002. Average weekly wages are considerably higher for people working in urban areas, at £422.71 for 2003, just below the regional average of £428.65 and 11.1% below the national average, an improvement on 2002 in closing the gap by almost 1 percentage point.<sup>27</sup>

The difference between the residence and workplace based estimates supports the understanding that a significant proportion of higher paid employees in urban areas commute to work from outside, whilst a larger number of people resident in urban areas are engaged in lower paid activities. Therefore, there is a considerable challenge for the region to not just increase the quality of employment opportunities in urban areas, but in finding ways to improve access to employment for residents of those areas.

**Chart 8: Midyear Population Estimates for Urban Unitary Authorities and Local Authority Districts in the East Midlands**



Source: ONS Crown Copyright, 'Midyear Population Estimates', 1981-2003, from NOMIS, 1 April, 2005.

<sup>24</sup> See Employment, Learning and Skills section for definition of KIS.

<sup>25</sup> Derived from ONS Crown Copyright, 'Annual Business Inquiry: Employee Analysis', 2003

<sup>26</sup> 'Great Britain' refers to England, Scotland and Wales, and does not include Northern Ireland.

<sup>27</sup> ONS Crown Copyright, 'New Earnings Survey 2003', from NOMIS, 7th April, 2005.

### Key Points URBAN REGENERATION

- The negative population growth in the region's towns and cities since 1991 has been reversed, with positive growth from 2000 demonstrating clear progress towards the long term 2010 target
- The 2005 target for employment growth in Knowledge Intensive Services in urban areas has been exceeded
- A comparison of wages of those resident and those working in urban areas shows that there is still a challenge in improving access to quality employment for people living in East Midlands towns and cities

# Future Opportunities and Challenges

*...the East Midlands is making considerable progress towards achieving the challenging targets set in Destination 2010*

PICTURED: The Jubilee Campus, University of Nottingham. ©University of Nottingham.

Thanks to the determined efforts of businesses and stakeholders across the region, the East Midlands is making considerable progress towards achieving the challenging targets set in *Destination 2010*. Some targets are on track to be exceeded and others will require an additional focus from *emda* and partners to bring them closer to achievement by 2010.

As the process of developing the next Regional Economic Strategy begins, this assessment should help to inform decisions on the areas of the region's economic development that most need attention.

The good news is clear: the region is making excellent progress towards its headline target to be a Top 20 region in Europe by 2010 and both productivity and economic growth are improving. Improvements in enterprise rates, a continued healthy labour market and increases in international trade, for example, demonstrate the areas of success.

Tackling deprivation and disparities within the region, raising skill levels, encouraging a greater range of businesses to carry out research and development, and breaking the link between economic activity and potential environmental degradation are some of the key challenges we face over the life of the next Regional Economic Strategy. The region has a relatively high proportion of activity focused on production and an

under-representation of the fastest growing service sectors which are driving growth in other regions. Tackling structural reform is a further challenge. A concerted effort from all partners can help address these issues.

A different set of challenges and opportunities are dependent on factors outside our control where responsiveness will be more important than direct attempts to intervene. Conditions in the global economy, such as the low economic growth in Euro zone countries, will have implications for the potential of the East Midlands economy. The rapid growth of the Chinese economy in recent years and the likelihood that China will surpass the USA as the world's largest economy some time in the next 50 years will present significant challenges.

As 2010 approaches, the Top 20 index will need to be developed to provide a new and challenging vision for the years beyond. This provides an opportunity to develop the factors contributing to the Top 20 index to include a wider range of indicators, better

reflecting the challenges which this report describes. We may wish to broaden the range of indicators to include measures of enterprise and innovation, taking account of issues of importance to the regional economy.

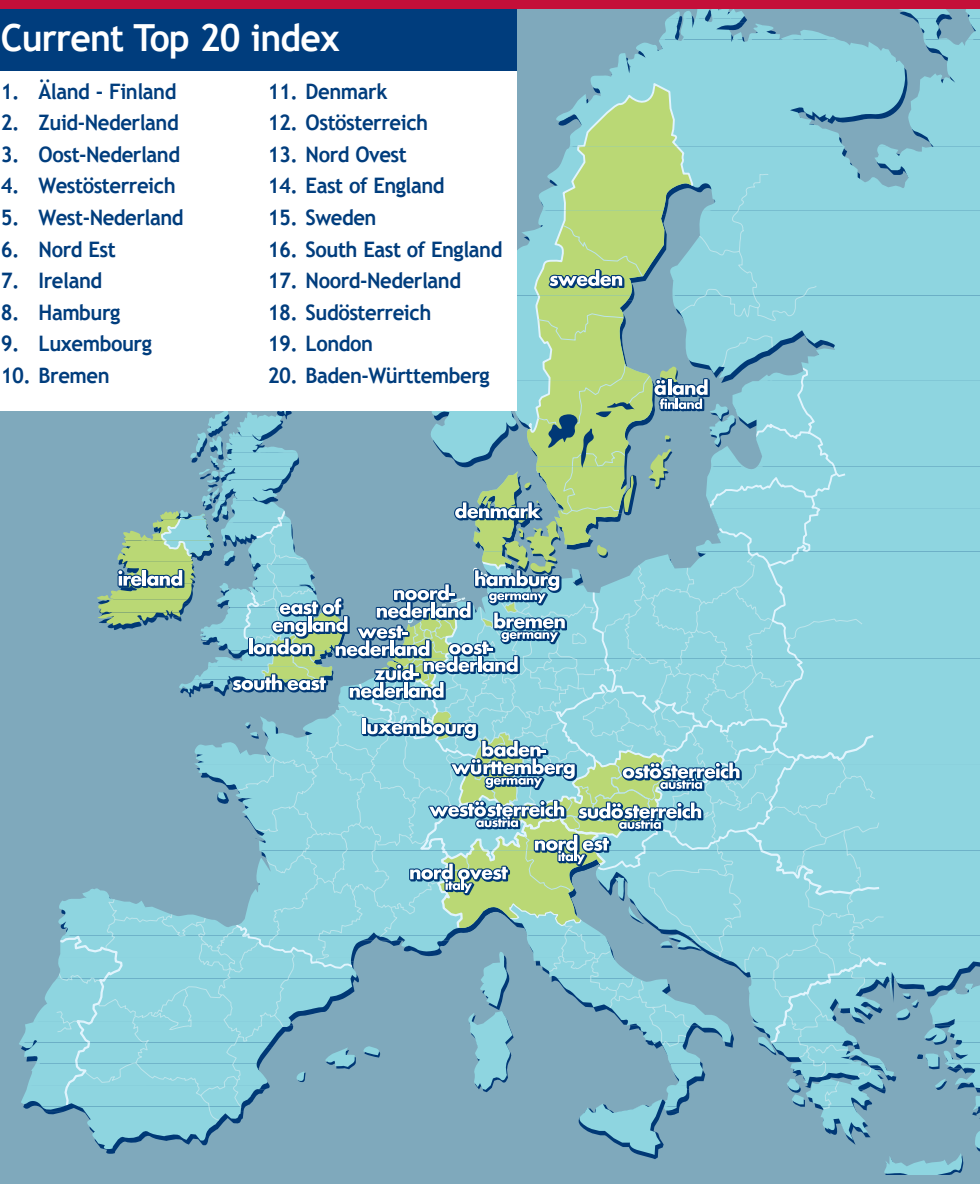
Alternatively, the list of comparator regions could be extended beyond Europe to some of our major international competitors.

The index could also be developed to ensure that the broader social and environmental consequences of economic growth are better understood and reflected. This would enable the East Midlands to confidently declare that the region is striving for economic growth and wellbeing, but not at any cost.

Economic 'wellbeing' is a broad concept, but linking the costs of crime and pollution, and the benefits of a quality natural environment and cohesive and safe communities, directly to economic growth, and measuring their impacts, will put the region on a stronger footing to meet the challenges of the next decades. The region can only thrive in this way if there is a commitment from the private, public and voluntary sectors to improving the economic growth and quality of life of everyone who lives, works and invests in the region. Working together, the East Midlands will become a flourishing region.

## Current Top 20 index

- |                    |                           |
|--------------------|---------------------------|
| 1. Äland - Finland | 11. Denmark               |
| 2. Zuid-Nederland  | 12. Ostösterreich         |
| 3. Oost-Nederland  | 13. Nord Ovest            |
| 4. Westösterreich  | 14. East of England       |
| 5. West-Nederland  | 15. Sweden                |
| 6. Nord Est        | 16. South East of England |
| 7. Ireland         | 17. Noord-Nederland       |
| 8. Hamburg         | 18. Sudösterreich         |
| 9. Luxembourg      | 19. London                |
| 10. Bremen         | 20. Baden-Württemberg     |



PICTURED ABOVE: Nottingham East Midlands Airport. Photograph by Chris Webb.  
Map of European Top 20 regions source derived from Eurostat. For illustrative purposes only.

# Annex 1: Destination 2010 targets

| Strand                                    | Target  |   |   |
|---|---|---|---|
| <b>Increasing Wealth and Productivity</b> | 2005 - maintain trend annual growth rate in GVA per head at 2.0%  | <b>Employment, Learning and Skills</b>                                      | 2005 - increase the employment rate to 76.7%  |
|   | 2010 - increase trend annual growth rate in GVA per head to 2.5%  |   | 2010 - increase the employment rate to 80%  |
|   | 2010 - increase GVA per hour worked by an average of 0.7% per annum by 2010   |   | 2005 - increase employment in Knowledge Intensive Services (KIS) to 40%                         |
|   | 2005 - increase the proportion of individuals considering starting up their own business to 12%   |   | 2010 - increase employment in Knowledge Intensive Services to 45%                               |
|   | 2010 - increase the proportion of individuals considering starting up their own business to 15%   |   | 2005 - 85% of 19 year olds qualified to an NVQ2 or equivalent                                   |
| <b>Enterprise</b>                         | 2005 - increase the VAT registration rate (per 10,000 population) to within 5% of the national average  | 2010 - 90% of 19 year olds qualified to an NVQ2 or equivalent               | 2005 - 60% of 21 year olds qualified to an NVQ3 or equivalent                                   |
|   | 2010 - increase the VAT registration rate (per 10,000 population) to within 3% of the national average  | 2005 - 66% of 21 year olds qualified to an NVQ3 or equivalent               | 2010 - 66% of 21 year olds qualified to an NVQ3 or equivalent                                   |
|   | 2005 - increase the proportion of businesses surviving their first year to 92%  | 2005 - 54% of economically active adults qualified to an NVQ3 or equivalent | 2010 - 59% of economically active adults qualified to an NVQ3 or equivalent                     |
|   | 2010 - increase the proportion of businesses surviving their first year to 94%  | 2005 - 31% of economically active adults qualified to an NVQ4 or equivalent | 2010 - 40% of economically active adults qualified to an NVQ4 or equivalent                     |
|   | Reduce the gap in VAT registration rates between the most and least deprived wards by 1% per annum  | <b>Innovation</b>   | 2005 - increase business expenditure on R&D as a % of GDP to 1.4%                               |
|   | 2010 - increase business expenditure on R&D as a % of GDP to 1.6%   |   |   |
| <b>Enterprising Communities</b>           | 2010 - reduce the regional deprivation gap between wards in the bottom 20% of the Indices of Multiple Deprivation (IMD) and the top 20% from a multiple of 6.5 to 4 | <b>International Trade and Inward Investment</b>                            | Increase participation in knowledge transfer schemes by 5% per annum                            |
|   | 2010 - reduce the number of wards in the lowest quartile of the employment deprivation index of the IMD to 120  |   | 2010 - an average of 200 new exporters per year   |
|   | 2005 - reduce the proportion of income support claimants to 7%  |   | 2010 - an average of 400 existing exporters moving into new markets per year                    |
|   | 2010 - reduce the proportion of income support claimants to 5%  |   | 2010 - increase Foreign Direct Investment, year on year, by 1% above the EU average growth rate |

| Strand                                     | Target   |                           |   |
|--|--|---------------------------|---|
| <b>Economic Growth and the Environment</b> | 2005 - 5% of electricity generated from renewable sources  | <b>Rural Development</b>  | 2006 - reduce the productivity gap between the English median and the DEFRA defined East Midlands 'Lagging Rural Areas' (East Lindsey, West Lindsey, South Holland, High Peak, and Bolsover)  |
|  | 2010 - 8.3% of electricity generated from renewable sources  |                           |   |
|  | 2005 - 300 new organisations registered to accredited schemes (ISO 401, MACC II, EMAS)   |                           |   |
|  | 2010 - 1000 new organisations registered to accredited schemes   |                           |   |
|  | 2005 - reduce commercial waste to landfill by 15% (compared to 1998 levels)  |                           |   |
| <b>Site Provision and Development</b>      | 2005 - provide 50% of new housing on previously developed land or through the conversion of existing buildings                                 | <b>Urban Regeneration</b> | 2010 - a total of 4.7% population growth in the region's urban districts<br>2005 - an average growth rate of 1.5% per annum in employment in Knowledge Intensive Services (KIS) in urban districts until 2005<br>2010 - an average growth rate of 1% per annum in employment in Knowledge Intensive Services (KIS) in urban districts between 2005 and 2010<br>2005 - increase the average economic activity rate in urban districts to 61.5%<br>2010 - increase the average economic activity rate in urban districts to 64.5%<br>2005 - increase average weekly earnings in urban districts to within 5% of the national average<br>2010 - increase average weekly earnings in urban districts to within 2% of the national average |
|  | 2010 - provide 55% of new housing on previously developed land or through the conversion of existing buildings (60% by 2021 in line with RPG8) |                           |   |
| <b>Transport</b>                           | 2010 - increase the number of freight train movements to a minimum 30 extra trains per day by 2010 (in line with RPG)                          |                           |   |
|  | 2005 - increase the proportion of the workforce travelling to work by public transport to 8.5%   |                           |   |
|  | 2010 - increase the proportion of the Workforce travelling to work by public transport to 10%  |                           |   |
| <b>ICT</b>                                 | 2005 - increase the proportion of businesses trading online to 15%   |                           |   |
|  | 2010 - increase the proportion of businesses trading online to 20%   |                           |   |
| <b>Tourism</b>                             | 2005 - increase visitor spend in the region by an average of 1.6% per annum  |                           |   |
|  | 2010 - increase visitor spend in the region by an average of 2% per annum  |                           |   |
|  | 2010 - increase the contribution of tourism to regional GDP to 4.5%  |                           |   |



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Published May 2005