

East Midlands Regional Economic Strategy “Creating a Flourishing Region Together” - Consultation Document

A strategy consultation document prepared by *emda*

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East Midlands Regional Economic Strategy

**“Creating a flourishing
region together”**

Consultation Document

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Raising Productivity

Innovation

Enterprise and business support

Employment, learning and skills

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Ensuring Sustainability

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Foreword

**by Dr Bryan Jackson OBE,
Chair, East Midlands Development Agency**

I am delighted to present the consultation document for the next Regional Economic Strategy (RES) for the East Midlands. Under the current Strategy, 'Destination 2010', we have succeeded in making excellent progress towards achieving our aim to become a Top 20 region in Europe by 2010 - but we must not be complacent. There is much to do to ensure we continue to advance the region's economy over the coming decades.

The effectiveness of the RES will depend on the support it commands from regional stakeholders. To help galvanise that support we have engaged the region through a comprehensive consultation process with a wide range of organisations, each representing a number of key interests and perspectives on the challenges we face. I am grateful, in particular, for the assistance from the Sub-regional Strategic Partnerships (SSPs) in coordinating events in each sub-region, and to the East Midlands Regional Assembly for its constructive support throughout the process to date. The RES has been discussed at around 80 separate events and meetings attended by more than 1,000 people. Our roadshow visited 11 venues during the summer and more than 5,000 people have visited the dedicated RES review website, www.haveyoursay.co.uk, to date. The views, comments, questions and observations expressed at these events and through the website have helped us to shape this consultation document.

Drawing on this, the document sets out our assessment of the challenges facing the region, and some early thoughts on the kinds of actions we might take to improve the sustainable economic performance of the East Midlands. We want your views on this, and on the accompanying evidence base and Sustainability Appraisal.

It is essential that we produce a Strategy which has wide support across the region and which all key partners and stakeholders can work towards and champion. The Strategy should make clear our strengths and our distinctiveness, helping the region to compete with the best. It must also make clear our collective vision for improving the region's economic prospects. In doing this, the Government has set us two key challenges: the Regional Economic Strategy must identify clear priorities, and it must be based on a robust and credible evidence base. Inevitably, this will require us all to make some difficult choices. A Strategy which meets these challenges will make clear what kind of region we want to live and work in for the future. It will also set out how we intend to achieve those joint aspirations, including how the actions necessary to get us to our destination might be funded. We can also be clear that a distinctive and focussed strategy will set the context for national Government policy and resourcing for the East Midlands over the coming years.

This consultation document sets the context of the East Midlands economy, and begins to identify some of the challenges we are likely to face for the future. It also proposes a vision for a flourishing region that will take us from 2010 to 2020 and beyond. It includes a number of questions for your consideration. We welcome comments on the questions and on any other issues or omissions. This is our Strategy - let's work together to demonstrate how we can create a flourishing and ambitious region in which every resident of the East Midlands has a stake. The challenge is a significant one, but I believe the East Midlands can rise to it and I look forward to hearing your views over the next few months as we develop the Strategy, and the actions which support it further.

How to take part in the consultation

We welcome views on the questions listed throughout this consultation document, which are summarised in section 12. Comments are also invited on two complementary documents: the interim evidence base and the Strategic Environmental Assessment / Sustainability Appraisal which are published separately. Comments and views on issues not directly addressed in the questions will also be welcome.

You can contribute views and comments in a number of ways:

- by completing the form at the back of this document and returning it to the freepost address
- by telephoning 0115 947 1730 and leaving a message
- directly through the response form on the website - www.haveyoursay.co.uk
- by attending a RES consultation event (details are available at www.haveyoursay.co.uk)

The deadline for all responses is **Friday 2 December 2005**.

Responses to this consultation will inform the preparation of the Strategy. The draft Strategy will be published early in 2006 for a further short period of consultation, before the final Regional Economic Strategy is published in April 2006.

1. Introduction

The Regional Economic Strategy (RES) sets the framework for ensuring the long term sustainable economic growth of the region. It provides the means for ensuring our economy continues to grow and the region continues to flourish over the next decade, and towards 2020. It will set out a vision which will lead the activities of private, public and social economy partners towards a shared aim. It will demonstrate how we can achieve this and what actions we need to take to get there.

The East Midlands' first RES, 'Progress Through People', was published in 1999. It set a target for the East Midlands of becoming a Top 20 region in Europe by 2010. The RES was revised and re-issued in 2003 as 'Destination 2010'. 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, including the Integrated Regional Strategy. The other strategies include the Regional Spatial, Housing, Transport, and Environment strategies, along with those for international trade, tourism, culture, freight, health and waste management. The RES must also reflect and add value to sub-regional and local level strategies. This includes the need to take account of the emerging concept of city regions and plans to expand Local Area Agreements.

As a region operating in a European and international context, the strategy must also be responsive to the funding and economic strategies of the European Union and to the dynamics of international trade and the global economy.

The RES must recognise the region's place in the wider world and understand the threats and opportunities presented by the growth of globalisation and the potential impact of low cost economies on the wealth and competitiveness of the region.

As part of this outward looking perspective, it is important to recognise and understand the region's role within the enlarged European Union. The revised RES must pay due regard to the higher level objectives of the Lisbon and Gothenburg European Strategies and make a positive contribution to their achievement through the alignment of strategic priorities and investment streams within the region. The East Midlands currently benefits from around £420 million from the Structural Funds for the period 2000-2006. There is likely to be less funding available after 2006. We need to ensure the alignment of the RES with European strategies so that the region is able to demonstrate complementarity with the European Commission's Community Strategic Guidelines 2007-13, and how we will make the most of the funding that is available. In addition, we need to be able to respond to the proposed reforms of the Common

Agricultural Policy (CAP) which will continue to impact on the region's rural and farming communities.

Nationally, the strategic priorities of Government departments are set out in their Public Service Agreement targets, and in their long term plans. Where relevant, the RES needs to have regard to these priorities and demonstrate the contribution it will make to achieving them, to ensure cohesion of public sector delivery and to help shape and inform national policy in the region. The RES should also show how the region contributes to national events such as the 2012 Olympic Games in London, and how we can maximise the regional benefits.

The East Midlands economy does not operate in isolation. The Strategy must support joint working across our boundaries with existing and proposed inter-regional strategies, such as The Midlands Way and The Northern Way. It should also support the Milton Keynes South Midlands (MKSM) growth agenda.

As an economic strategy, increasing economic growth, productivity and overall prosperity are primary objectives. We recognise, however, and the consultation to date has reinforced this message, that sustainability and achieving equality are also critical elements of a successful region. Economic growth, but not at any cost. We must take account of and understand the environmental and social consequences of economic growth and for that reason are proposing that the idea of 'economic wellbeing' is key to achieving our proposed vision of a flourishing region.

The RES can only be delivered in partnership with other organisations, businesses and individuals. We are proposing that the revised RES, which will be published in April 2006, is followed by a more detailed implementation plan which identifies the leadership roles, responsibilities, and commitments of key stakeholders to the delivery of the Strategy.

To be effective, the RES must be distinctive. It must identify and build on the comparative and specific advantages of the East Midlands and the challenges we face. It must prioritise our responses to these issues. **We would welcome views on the relative importance of the proposed 10 strategic priorities.** In support of these priorities we will also need to identify clear and focused actions which will best bring about economic growth and wellbeing.

We would welcome your views on the context in which the Regional Economic Strategy should operate and how best you consider spatial, sub-regional, inter-regional and national and international issues should be positioned.

2. A Picture of the East Midlands

Introduction

The East Midlands is part of an increasingly globalised economy. In a world where the movement of capital and labour is increasingly liberalised it is essential that the region recognises its own position and that of the UK in the global economy. This chapter begins with a brief description of the region, its population and labour market, before going on to consider the issue of productivity in a little more detail. We then present a summary of our forecasts for the East Midlands economy and conclude by highlighting a number of key challenges for the region. This chapter is a summary of an extensive evidence base which is available to view online at www.emintelligence.com, and is summarised in a short paper which accompanies this consultation document.

The consultation document summarises key challenges identified in the evidence base to illustrate and support particular statements and proposed actions. However, the evidence base needs to be considered in its entirety when policy conclusions are being drawn, to ensure a full assessment of the challenges and policy solutions is taken into account.

Land and People

The East Midlands is England's fourth largest region, covering an area of 15,607 sq km. It consists of six counties - Derbyshire, Leicestershire, Nottinghamshire, Northamptonshire, Lincolnshire and Rutland. The region's main population centres are the cities of Derby, Nottingham, Leicester and Lincoln, and the town of Northampton. Its population of 4.2 million is 7% of the UK total.¹ The East Midlands is geographically diverse. The Regional Spatial Strategy² identifies five distinct sub-areas which provide a useful way of describing the region, each with different characteristics and challenges:

- **Southern sub-area** - Northamptonshire and the most southerly parts of Leicestershire, with close functional relationships with adjacent regions (the South East, the West Midlands and the East of England);
- **Three cities sub-area** - comprising the cities of Derby, Leicester and Nottingham, which act as major administrative and cultural centres, and are strong engines of existing and potential growth, but also have pockets of economic, social and physical deprivation;
- **Peak sub-area** - the National Park and surrounding areas in the west of the region, which are largely rural in character;

Chart 1: The East Midlands in Figures	East Midlands	United Kingdom
Gross value added (GVA), 2003	£61.7bn	£874.2bn
Gross value added per head index, 2003 (UK=100)	90.8	100.0
Population, 2002 (millions)	4.2m	59.2m
Population - Percentage aged under 16	19.8%	19.9%
Population - Percentage pension age and over	18.6%	18.4%
Employment rate, 2003 annualised	75.3%	74.1%
Unemployment rate, 2003 annualised	4.7%	5.1%
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	£13.9bn	£110.0bn
Total Value of Imports	£12.6bn	£139.1bn
Workplace based annual earnings: men, 2004	£21,727	£23,065
Workplace based annual earnings: women, 2004	£11,649	£13,198
Infant mortality rate, 2002 (Per 1,000 under 12 months)	5.6	5.3

Source: Office for National Statistics (Crown Copyright), 2005³

- **Northern sub-area** - of North Derbyshire and North Nottinghamshire, which has been adversely affected by economic restructuring, especially from colliery closures and the decline of the textiles sector, and is a priority area for regeneration;
- **Eastern sub-area** - incorporating Lincolnshire, Rutland and the eastern parts of Northamptonshire and Leicestershire, which are predominantly rural in character some accessible, others more remote.

The region also has a diverse economic and social mix, ranging from relatively prosperous city-dwellers and commuters to pockets of serious urban and rural deprivation. The region is one of England's more rural regions with 29.5% or 1.2 million of the region's population living in rural areas, compared to a national average of 19.3%.⁴ Many of these communities are experiencing a marked growth in the number of older people moving in whilst younger people migrate to urban centres. 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.⁵

An examination of data from England's Indices of Deprivation 2004, which ranks the deprivation of small areas relative to all other areas in England, 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.⁶

The region's environment is an important asset and protecting and investing in it makes economic sense. The East Midlands faces some significant challenges. It has, for example, almost 500 Sites of Special Scientific Interest (SSSIs);⁷ however, these cover a smaller proportion of the total land area than the national average. Although biodiversity has declined generally in the UK, it has probably declined faster in the East Midlands than elsewhere in part due to the dominance of high quality farmland, which has been improved and farmed intensively. 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. On average one plant species becomes extinct in each of our counties every year.

Environmentally sensitive farming and forestry practices such as agri-environment schemes, organic production and sustainable woodland management generate or relate to approximately 4,300 land-based jobs in the East Midlands. In the East Midlands tourism expenditure based on the quality of the environment is estimated at £521 million and supports around 58% of the 70,000 jobs supported by tourism activity across the region.⁸ We also enjoy a number of attractions of global importance, for example the Peak District is the second most visited national park in the world, after Mount Fuji in Japan.

Working in the East Midlands

The labour market in the East Midlands is relatively stable. The East Midlands is the only region out of the five Northern and Midlands regions to exceed the national average in employment. The employment rate is relatively high (75.3% compared to 74.1% for the UK) and the unemployment rate relatively low (4.7% compared to 5.1% for the UK).⁹

Despite this good performance, average earnings are relatively low and there are a large number of people with no qualifications. A 'low-pay low-skills equilibrium' persists in the East Midlands. This is a state where high employment rates are to an extent maintained by employment in low value production and service activities which demand less in terms of workforce skill levels and where competition is principally on the basis of cost.

An examination of the rural and urban labour markets shows marked differences. The average employment rate for all East Midlands rural local authorities is 79.3%, some 4 percentage points above the regional average. In contrast the average employment rate for urban local authorities is only 72.9%, 2.4 percentage points below the regional average. 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. The district of East Lindsey in Lincolnshire, for example, had a 2003 employment rate of 69.6% of the working age population, over 5 percentage points lower than the regional average. Bassetlaw and Bolsover, rural districts in the former coalfields areas, also have relatively low employment rates, at 69.3% and 71.8% respectively, due to the continued effects of the major industrial restructuring experienced in these areas.¹⁰

The East Midlands has higher than average proportions of its workforce with no qualifications. The region performs better on intermediate level qualifications. However, in higher level qualifications, the region continues to significantly lag the national average. This gap in skills performance is reflected in earnings levels, with individuals working in the East Midlands earning 6.7% less than the national average, only £16,967 compared to £18,192 in the UK.¹¹ 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.

Wealth and Productivity

The strong performance of the UK economy in recent years - especially compared to its main EU competitors (France, Germany and Italy) - means that the UK is now one of the wealthier members of the EU and has grown to become the world's fourth largest economy, behind the United States, Japan and Germany. The latest figures show that:

- In 2003 Gross Domestic Product¹² (GDP) per head in France and Germany was 93% and 91% respectively of the UK figure;
- The UK still lags behind the USA where GDP per head was around 25% higher than in the UK.

However, the available data on GDP per hour worked, which is a measure of productivity as opposed to wealth, tells a rather different story. Despite improvements in the last decade there is still a productivity gap between the UK and its major competitors:

- Workers in Germany and the United States produce 13% and 16% respectively more output per hour than their UK counterparts;
- On this measure, the most productive of the major economies is France where output per hour worked is 26% higher than in the UK.

Not only are there significant differences in wealth and productivity between the UK and its major competitors, but there are also significant differences within the UK, as illustrated in Chart 2. This shows that:

- In the East Midlands, Gross Value Added (GVA) per head was 90.8% of the UK average in 2003. In common with a number of other regions the East Midlands has fallen further behind the UK average during the last decade. The only regions to improve their position relative to the national average have been the South East and South West;
- In 2003 GVA per hour worked in the East Midlands was 96.9% of the UK average, an improvement on 94.8% in 1999.

This data shows that the East Midlands falls below the UK average on these measures of wealth and productivity. It is encouraging that the gap between the East Midlands and the UK in terms of GVA per hour worked is closing.¹³

The region's overseas trade has grown ahead of the national average for the last decade. Much of this success is

attributable to a small number of highly successful, global companies in the region and the total number of exporting companies remains relatively small, reflecting our low skill, low tech economy. The export of services is growing but remains significantly behind the Greater South East.

Drivers of Productivity in the East Midlands

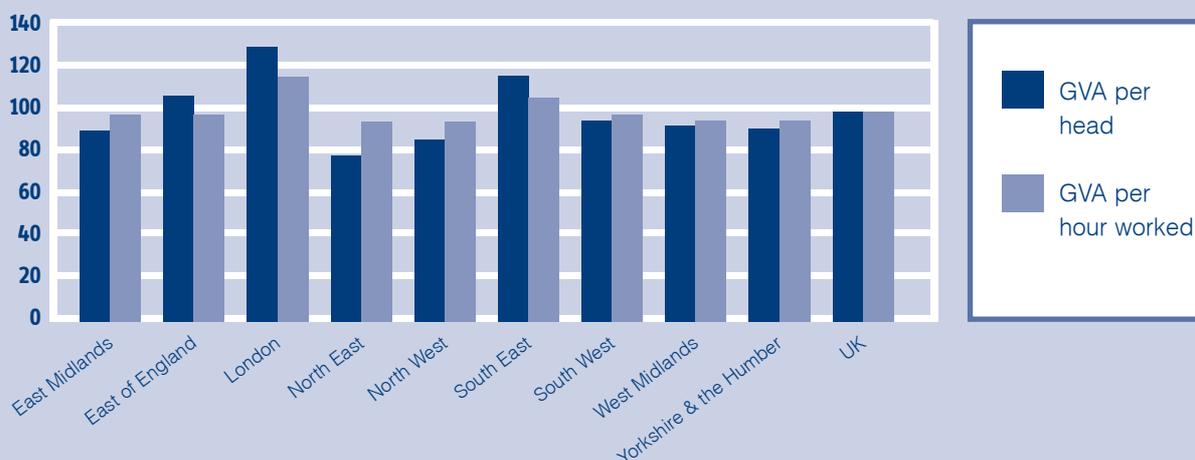
Understanding the current position and the factors that drive productivity will help us to better understand potential options and the limitations in policies and actions aimed at improving productivity. This section looks to explain the differences in productivity between the UK overall, and the East Midlands, within the framework of the drivers of productivity that have been identified by Government.

Investment

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.¹⁴

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, it is a concern that levels of investment in the service sector are relatively low given that this is expected to be the fastest growing sector of the economy in the next decade.

Chart 2: Regional Comparisons of Wealth and Productivity 2003 (UK=100)



Source: Department for Trade & Industry, 'Regional Competitiveness and State of the Regions', May 2005;
 Note: GVA per head figures are on a residence basis.

Innovation

Innovation is the successful exploitation of new ideas. There is a mixed picture when it comes to assessing innovation performance in the East Midlands. The data clearly shows that levels of investment in innovation are relatively high in the region but there remains a question about the distribution of this investment 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.¹⁵ There is also concern over the distribution of business expenditure on R&D among businesses in the region. Anecdotal evidence suggests that there are a small number of businesses that can be described as R&D intensive and many more businesses which undertake very little or no R&D.

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.¹⁶

Skills

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

The data on enterprise activity in the region shows a more positive picture. It shows that Total Entrepreneurial Activity¹⁷ (TEA) has increased in each of the last two years and is now above the UK average.¹⁸ The number of VAT registrations per 10,000 population has also increased since 1999 but remains below the UK average. On the basis of this information we can conclude that 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

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 most other regions in the UK. In 2003 exports from the East Midlands were equivalent to 21.6% of GVA, well above the average of 19.2% for the UK.¹⁹ Exports account for a larger share of output in the region than elsewhere, which is partly a reflection of the relatively large industrial base of the region.

Forecasts for the East Midlands Economy

This section summarises our forecasts for the East Midlands economy for the ten year period 2004-2014.²⁰

- We anticipate that economic growth in the East Midlands will be 2.6% per year in the period 2004-2014. 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);
- 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 an absolute increase of around 63,000 jobs;
- Sectoral employment growth in the East Midlands is likely to be most rapid in the business services sector, estimated to account for just over 30% of new jobs created) and the communications sector (estimated at 28% of new jobs created). Significant employment growth is also expected in the health, other services (which includes cultural and sporting activities) 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 & clothing and agriculture, forestry and fishing) but employment losses are also expected for the public administration and defence sectors.

Challenges

There are a number of key challenges that need to be addressed if the East Midlands is to remain competitive in the 21st century. These include:

- **Globalisation:** the East Midlands is part of an increasingly globalised economy and subject to ever increasing amounts of external competition. This is illustrated by the rapid development of China and, to a lesser extent, India. Research suggests that by the middle of the century China will be the world's largest economy and India the third largest.²¹ This will present a number of threats to the region's economy, in particular the loss of

low added value jobs to developing countries, but also new opportunities resulting from a more internationalised industrial and commercial base. It is important to identify and maximise those opportunities at the earliest stage in order to take the fullest possible advantage.

- **The productivity gap:** Given the relatively high employment rate and low unemployment rate there is relatively little scope for increasing wealth through increased labour market participation. Rather the challenge is to increase wealth by making the region and its workers more productive. Raising productivity will help the region to meet a number of the other challenges listed here.
- **Improving the quality of employment:** In order to address the challenges to low value, low skilled employment from overseas competition, we need to improve the skills and productivity of the region's workforce 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.
- **Industrial structure:** Production activities continue to play a more significant role in the East Midlands economy than they do in many other regions. In 2004 we estimate that 22.3% of the region's economic output came from manufacturing, compared to 15.6% for the UK as a whole. The picture on employment was similar with 19.4% of employment in these sectors compared to 13.3% for the UK. Much of this industrial production is exposed to international competition and is therefore more vulnerable than the region's service sector. Development of the service sector and of high value added manufacturing activities is essential if the region is to remain competitive.²²
- **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 leading regions of the country.
- **Urban challenge and the role of cities:** As centres of a significant proportion of economic activity in the region, our cities and towns are key drivers of regional economic performance. Evidence suggests that many urban areas are not achieving their full potential. Urban areas contain some of the region's most deprived communities. These are characterised by high levels of unemployment, a lack of affordable housing, high crime levels and poor educational attainment. Around many cities, peripheral estates face significant social and economic challenges. 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, creative and innovative companies and individuals are frequently drawn to these attractions. How the cities of the East

Midlands can capitalise on their strengths and their role in driving forward regional and sub-regional economies will be one of the key issues for the region over the next few years.

- **Rural challenge:** There is a close interdependency between urban and rural areas which goes beyond commuting to work and urban facilities. It is predominantly the rural areas which provide food, water and other resources for supply chains, as well as open space and quality environments, both for enterprise and leisure/tourism. Efficient and sustainable transport and other linkages between urban and rural areas are critical to ensure both economic productivity and quality of life. However, there are extensive rural areas which are relatively remote from the infrastructure and opportunities provided by major urban centres. It is in these areas especially that local employment, enterprise and infrastructure must be fostered in order to ensure that villages and market towns are also sustainable communities.

Consultation Questions

1. **Do you agree with the challenges outlined? If not, what do you consider the key challenges to be?**
2. **Are there other challenges the region's economy and labour market might face over the timescale of the RES?**

3. Vision: A Flourishing East Midlands

Vision for 2010

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 underpin this vision was first measured in 2003, when the region was at 35th position. We are currently in 28th place. This demonstrates substantial progress in meeting the target and the region can rightly be proud of its performance.

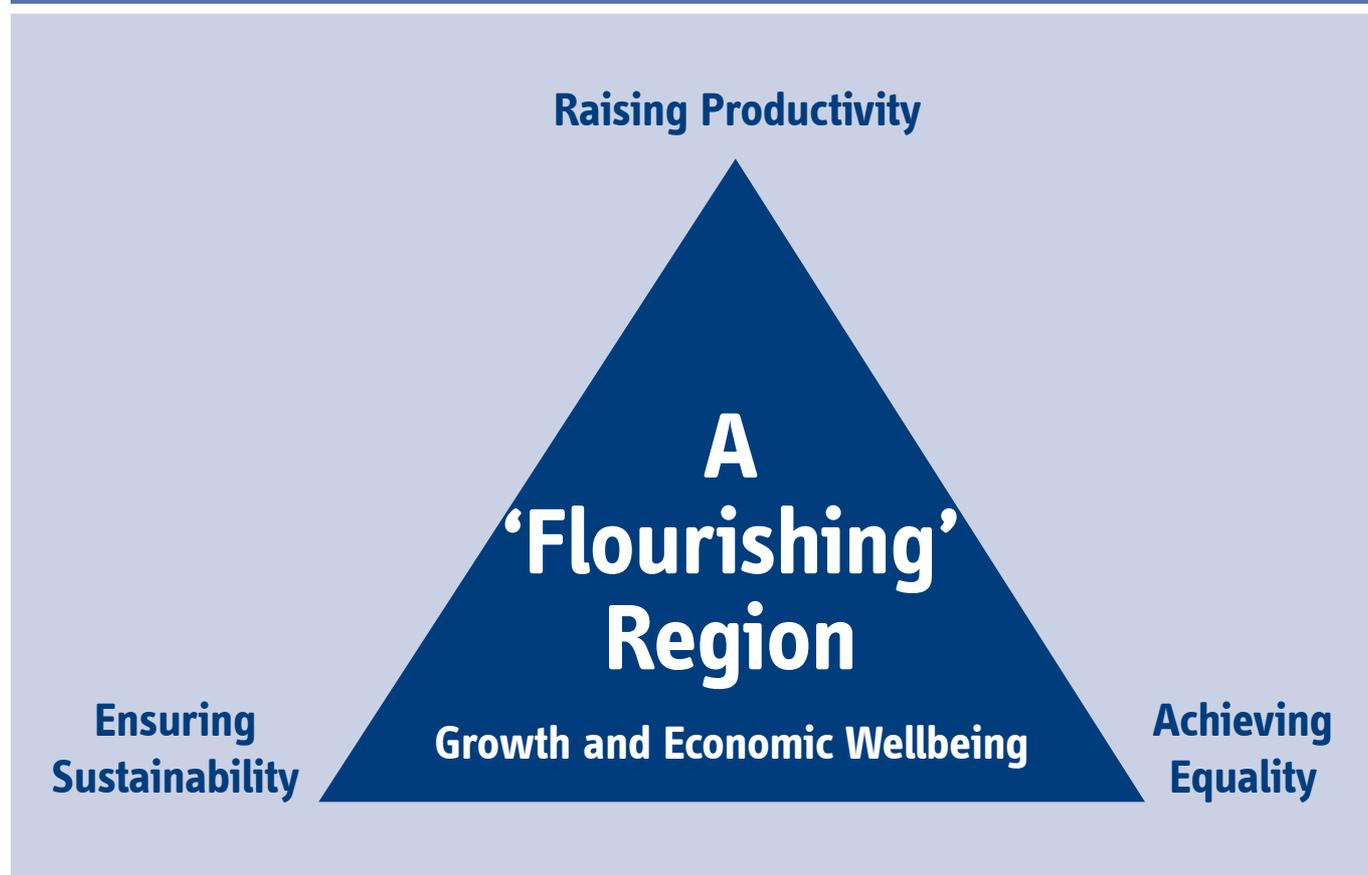
There is much more to do collectively to ensure we can meet or exceed this target, by increasing economic activity, reducing unemployment, helping the poorest parts of the region to grow, and protecting and improving the environment. Progress against this target will continue to be monitored up to 2010. We propose that the "Top 20" target remains firmly in place until 2010, part way through the life of this Strategy.

Creating a 'Flourishing' Region

To drive and shape the progress of this next Regional Economic Strategy, we need to begin to consider what kind of region we want the East Midlands to become beyond 2010 and towards 2020. As a region, we need to be clear what kind of economy we wish to work and invest in, what kind of jobs we aspire to for ourselves and our families and what kind of environment we want to live and spend our leisure time in. We need to put in place plans to support the opportunities that our increased growth and economic wellbeing can 'buy' for us as a region. It is our contention that increasing productivity and economic growth are prerequisites for improving the quality of our life experience in the region, but they are not themselves sufficient to achieve those wider aspirations.

Chart 3 describes the three structural themes which make up a 'flourishing' region. These are explained in more detail in sections 5 to 8.

Chart 3: What makes a 'Flourishing' Region?



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.

A 'flourishing' region is one which has economic wellbeing at its heart, where economic success has brought improved life chances for all its residents.

It is **productive**, with an efficient workforce and high levels of innovation in both manufacturing and services, able to compete on a global basis and achieve high levels of investment, enterprise and skills;

it is **a great place to live**, where people want to live, work and raise a family, with a good quality natural and built environment, with equal access to high quality services, cultural and civic opportunities, and it is safe and inclusive;

it is **people friendly**, characterised by a strong economy which provides opportunities for all and recognises the balance between work and life;

it is **resilient**, where people and businesses are responsive and adaptive to change;

it is **informed**, where people are educated, have skills appropriate and relevant to their work and have a strong sense of achievement;

it is **capable**, with high performing institutions and networks in the private, public and voluntary sectors which facilitate sustainable economic growth.

In summary, a region in which businesses, communities and individuals can reach their full potential.

A Vision for 2020

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.

Measuring Progress

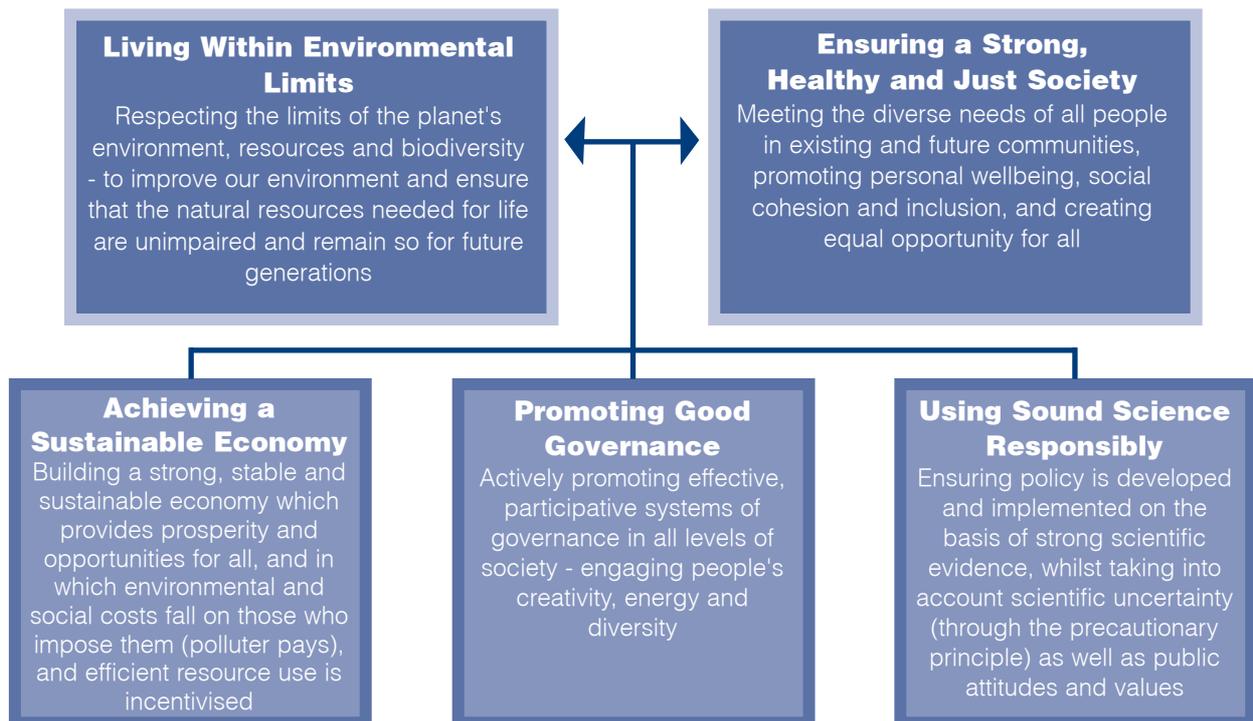
If adopted, measurable indices will be established to enable progress towards this vision to be monitored. This will be based on a measure of economic wealth, which is adjusted to take account of estimates of the costs and benefits which accrue to society, such as pollution and congestion and benefits from volunteering.

Consultation Question

3. Is the proposed vision for the region one you share and can sign up to?

4. Sustainable Development and Diversity

The UK Sustainable Development strategy, *Securing the Future*, defines the goal of sustainable development as follows: "to enable 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." ²³ In supporting our aspirations for increased economic growth and wellbeing, sustainable development will be a key element underpinning all activity in support of the RES vision. Our contribution to this national and global endeavour will be achieved through adhering to the strategy's guiding principles:



These principles are embedded throughout this consultation document, as are the four priorities outlined in the national strategy:

- **sustainable consumption and production** - achieving more with less and breaking the link between economic growth and environmental degradation;
- **climate change and energy** - seeking a profound change in the way in which we generate and use energy to lessen the impact on climate change;
- **natural resource protection and environmental enhancement** - ensuring a decent environment for all and the better use of resources vital to our existence;
- creating **sustainable communities** that embody sustainable development principles.

Our approach reflects 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." ²⁴

We are undertaking a combined Sustainability Appraisal and Strategic Environmental Assessment. This will assess the RES against objectives agreed with statutory consultees and their key stakeholders. A draft scoping report was published in early September and it is available to view online or download from - www.emintelligence.com

Diversity

Valuing the diversity of our region is crucial to sustainable growth. It is essential to provide equality of access to opportunity for everyone regardless of race, gender, disability, age, sexual orientation or faith. Evidence shows that people from under-represented groups suffer multiple barriers to inclusion (including social, economic and financial). Harnessing the diversity of the region is crucial in ensuring that economic growth is both sustainable and inclusive. Evidence clearly indicates that people from under-represented groups are currently not fulfilling their potential in the labour market:

Disabled people

In the UK, only 32% of disabled people of working age are in employment, compared to 80% of non-disabled people. The picture is slightly better in the East Midlands, where 34% of people with disabilities are working, however, the higher overall employment rates in the region, suggest that there is significant room for improvement.²⁵

Women in work

Despite nearly 30 years of gender legislation, a gender pay gap still exists. Women earn an average of 43% less than men each year in the UK, and this gap is larger in the East Midlands: men working in the East Midlands are paid a median of £21,727, over £10,000 a year more than the median for women working in the region, a 46% gap.²⁶ In terms of enterprise, women are half as likely to be involved in start-up activity as men.²⁷

Ethnic minorities

Ethnic minority groups generally have lower rates of employment. In 2003, the ethnic minority employment rate for the UK was 58%, which compares with an overall employment rate of over 74%. Again in the East Midlands, the gap is wider still: 55% of people in ethnic minority groups were in employment in 2003, compared to 75% overall.²⁸ This wide gap in employment rates has been consistent over the past 20 years.

Addressing the barriers to inclusion for under-represented groups will enable people not only to fulfil their potential but will also contribute to raising productivity in the economy.

5. Introduction to Structural Themes

The RES must identify our long term aspiration, but it also needs to set an agenda for action to improve economic performance in the short and medium term.

We propose to support the central vision of a 'flourishing' region described in section 3, through the 3 structural themes:

Structural Themes

Raising productivity
Ensuring sustainability
Achieving equality

These structural themes will be supported by 10 strategic priorities, under which a number of actions are proposed.

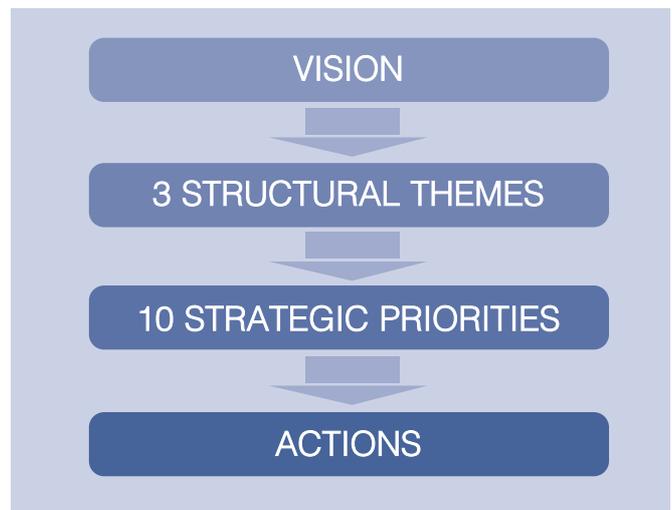
Strategic Priorities

Innovation

Enterprise and business support
Employment, learning and skills
Land and development
Transport and logistics
Environmental protection
Resource efficiency
Social capital
Economic inclusion
Economic renewal

Each strategic priority contains a proposed list of Priority Actions. These will be developed during the consultation period, as delivery partners help to make them more specific by identifying their contributions.

The linkages are expressed as follows:



Consultation Questions

- 4. Are the structural themes and strategic priorities the right ones?**
- 5. Which strategic priorities do you consider to be the most important for sustainable economic growth?**

6. Structural Theme 1:

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 the productivity agenda. 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, regional and national. An example of micro level intervention is supporting businesses to invest in research and development by demonstrating the positive impact such action can have on improving business productivity or competitiveness.

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 productivity 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 the under-performers.

Scale of the Challenge

Given the relatively high employment rate and low unemployment rate in the East Midlands there is limited scope for increasing wealth simply through increased labour market participation. The challenge is to increase wealth by making the region and its workers more productive, and internationally competitive. Section 2 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 that drive productivity: investment, innovation, skills, enterprise, competition and employment.

Investment - levels of investment by businesses are lower than average in the East Midlands, due to low levels of investment in the service sector. This is a particular concern given that this sector is expected to be a key driver of the economy over the next decade.

Innovation - levels of investment in innovation are relatively high in the region but there remains a question about the distribution of this investment and its translation into successful market outcomes. There is a clear need to improve the effective commercialisation of Research & Development (R&D) in the region alongside increasing the number of smaller businesses who engage in this activity.

Skills - there remains 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 limited skills, alongside a persistent lag in higher level skills.

Enterprise - although enterprise activity has increased in each of the last two years and is now above the UK average, more still needs to be done if we are to compete with the leading regions in the UK and internationally.

Competition - the East Midlands is more exposed to international competition than most other regions in the UK. Exports account for a larger share of output in the region than elsewhere, which is a reflection of the relatively large industrial base of the region. Many of our businesses are low added value and vulnerable to the impact of low cost production overseas.

Place - the Spatial Dimension

It is difficult to identify productivity at a *sub-regional* level as data for “output per hour worked” is not available below the regional level. 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.²⁹ Key findings from the evidence suggest:

- 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;
- The lowest level of GVA per head is in South Nottinghamshire (not including Nottingham City), where it is just 71% of the UK average;
- GVA per head is also below the UK and East Midlands averages in East Derbyshire, Lincolnshire, North Nottinghamshire, South & West Derbyshire, Leicestershire and Rutland.

Aligned to the problem of low productivity is the existence of a 'low-wage low-skill' equilibrium in the region. This is characterised by the low demand for and low supply of high level skills. There are also significant disparities in skills levels within the East Midlands - NVQ Level 4 qualifications are highest in Rutland and lowest in Leicester.³⁰ Addressing the productivity gap will allow the region to break free from this position.

As centres of a significant proportion of economic activity in the region, 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. 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.

Strategic Priorities

The Government's drivers of productivity are described in section 2. These are explained in greater detail below and 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.

Indicators of Success

We propose a number of indicators to measure our progress against the 'raising productivity' structural theme. Section 9 outlines the principles which underpin our proposed framework for measuring progress towards RES objectives. More detail of our approach is laid out in a technical paper which is available to download from www.emintelligence.com

Productivity

- **Gross Value Added per hour worked (UK=100)**
- **Employment rate (% working age population)**

1) Innovation

- **Gross Domestic Expenditure on Research & Development (R&D)**
- **Proportion of turnover accounted for by new and improved products**

2) Enterprise and Business Support

- **Business start-ups per 10,000 population**
- **Proportion of businesses surviving three years (%)**

3) Employment, Learning and Skills

- **Employment in 'knowledge intensive industries' (K1) and low knowledge intensive industries (K4) - including sub-regional variation**
- **Percentage of economically active adults with an NVQ4 and above - including sub regional variation**

Strategic Priority 1: Innovation

Aim:

To become a dynamic economy founded upon innovative and knowledge focussed businesses competing in a global economy.

Creating an innovation culture and community in the East Midlands will accelerate and drive productivity. Businesses must be enabled to commercially exploit research excellence which will build an economy dependent on expertise and knowledge. A competitive region will actively bring together science and industry to increase the rate and level of innovation across the region. Equally, creativity and design should be available to all businesses, but particularly among SMEs. The level of awareness of innovation among SMEs needs to be raised and support needs to be simplified.

1a) Increasing investment in research & development

The key input into the innovation process is research and development (R&D). 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 1998.³¹ 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 than average in the East Midlands. This provides justification for aiming to increase levels of R&D in both the private and public sectors.

Innovative businesses have demonstrated that they are more sustainable in the long term and have higher growth potential. UK firms with high levels of R&D investment have seen their share prices out-perform the market in each of the past six years. However, private sector R&D in the East Midlands is dominated by a few global businesses with significant R&D investment across the region, such as Rolls-Royce and AstraZeneca. The challenge is to broaden the base of R&D investment by encouraging more businesses, and particularly SMEs, to invest in R&D, which has the potential to have a significant impact on the regional economy.

1a. Priority Actions

- Develop research excellence so that the region can benefit from a larger share of public and privately funded R&D;
- Encourage businesses to undertake more R&D in order to create new market opportunities;
- Facilitate greater collaboration between businesses and HE in order to match business ideas to research capability.

1b) Deploying new technologies and processes

Technology drives productivity by facilitating the development of new products and processes. A measure of an innovative economy is how effectively technology is developed and used. New product development and processes, development of more efficient and flexible manufacturing, improved resourcing of materials, reduced downtime, meeting customer needs and accessing new markets can all be improved by the intelligent integration of technology into business strategies.

Technology and knowledge also create entirely new markets and products. The region is already involved in the development of nanotechnology, fuel cells and low carbon technologies. Our capacity to exploit these new technologies presents major opportunities for the regional economy.

Advances in technology have eliminated some of the constraints caused by time and geography; people live and

work in a world where anyone can do anything, anytime and almost anywhere. A business can now have the capability of managing a range of functions across the world at the same time, whether manufacturing, product design and development or meeting customers. Businesses that challenge the way they use technology today will be better prepared and achieve greater returns tomorrow.

Innovation is not just about technological development and application, it is also about making improvements to the organisation of production itself. Simple changes to the organisation of work and production, such as making improvements to a manufacturing line, are forms of innovation attainable by the vast majority of SMEs - provided they possess the management and leadership capability required.³²

1b. Priority Actions

- Creation of business support services, capacity and expertise that will assist in the development and implementation of new products and processes;
- Promotion of the commercial benefits arising from the development and adoption of new technologies - such as nanotechnology, satellite navigation systems and environmental technologies - and processes;
- Helping businesses recognise and realise the benefits of Intellectual Property;
- Development of a Regional Innovation Business Strategy and Plan which will align regional investment to support business innovation priorities;
- Linking regional priorities to improve the environment, reduce energy consumption and the sustainability of the region's businesses.

1c) Maximising the regional benefits of public procurement

There is considerable scope for public sector organisations to use their purchasing powers to influence the marketplace. Although there is a raft of legislation and directives relating to procurement this is arguably not as problematic as is widely believed.

Data from the Public Expenditure Statistical Analyses 2005, published by HM Treasury, shows that total identifiable expenditure³³ in the East Midlands was around £23.2bn (£16.5bn by central government departments and £6.7bn by local government) in 2003/04, which is 6.2% of the total for the UK.³⁴ 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 the scale.

By carefully specifying the requirements when procuring goods and services, the public sector has an opportunity to encourage changes to work organisation and processes and

to increase levels of innovation and skills. By procuring a higher specification product or service than previously there is potential for a chain reaction whereby businesses innovate to improve their products or processes in order to meet the new specification which, in turn, can lead to an increase in the demand for workforce skills.³⁵

Businesses, particularly SMEs, 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.

1c. Priority Actions

- Develop a Regional Procurement Opportunities Plan aligned with the National Procurement Portal to open up more market opportunities to regional businesses which will:
 - Provide targeted support for SMEs seeking to do business with the public sector, including training in general public procurement processes and how to identify market opportunities;
 - Secure the commitment of the region's major public procurers to use procurement purposively to maximise positive economic development, social and environmental outcomes for the region.

Strategic Priority 2: Enterprise and Business Support

Aim:

To create dynamic and high value added businesses in the region.

The region must encourage a shift of resources to support higher value activities in new and existing businesses. Interventions need to be targeted appropriately and focus on the quality of activity, not quantity.

2a) Creating a dynamic SME base

New businesses have the potential to innovate - exploring new products, services and markets for new opportunities. Overall there has been an improvement in the number of business start-ups in the region - from 35 VAT registrations per 10,000 population in 1998 to 37 in 2003.³⁶ Despite this improvement, there remains untapped potential across the East Midlands, particularly for women and ethnic minorities. Research suggests that women have low rates of start up and ethnic minorities are still more likely to start businesses in marginal sectors providing limited returns. Geographically, Nottingham and Derby have particularly low rates of business creation. Research also indicates that the region has low rates of

business starts among qualified people aged 35-55.³⁷ This group tends to start the most successful businesses, so encouraging them to be more entrepreneurial is the key to creating more high growth businesses. However, not all businesses have growth as an objective and support should be targeted at those that do want to grow.

2a. Priority Actions

- Target support to make start up more realistic and sustainable for women and deprived groups;
- Raise the level of enterprise and entrepreneurship across the region, especially encouraging high growth start-up businesses.

2b) Overcoming barriers to SME growth

Removing barriers to growth is crucial. For an SME, growth brings uncertainty and risk. This challenge is particularly acute for new or existing firms moving into new markets. SMEs that want to grow need help in a number of areas including: developing skills (or qualities) to run a business; understanding regulations; investment readiness and access to capital; entering a new export or product market; and accessing high quality affordable support services.³⁸ Evidence suggests that the key failure in most small firms is the lack of information (and resource to find information) on how to address these issues.³⁹ This is exacerbated in many remote rural areas.

Regional and sub-regional business support organisations, business networks, established businesses as well as public and private business advisors all have a part to play in helping firms overcome these barriers. Business support needs to be coordinated and adaptable to cater for both the general and specific needs of the business community.

2b. Priority Actions

- Develop the capacity of a fully integrated regional business support network to address the market failures relating to information that can prevent SMEs from maximising growth opportunities;
- Identify the barriers to growth, for example regulation, and agree a process for their removal.

2c) Improving the flexibility of the manufacturing base

The region has existing strengths, particularly in manufacturing, which accounts for almost 23% of regional GDP.⁴⁰ However, businesses throughout the East Midlands face increasing international competition. As the pace of technological change accelerates and new industrial economies advance, the East Midlands can only remain competitive by being innovative, bringing new and differentiated products and services to market. 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.

2c. Priority Actions

- Targeted support to maximise the value added and diversity of the existing business base;
- Clarify the future direction of manufacturing in the region and challenge the perception that it is low skill and low tech.

2d) Supporting firms to become internationally competitive

International firms, whether foreign-owned or domestic exporters trading overseas, tend to have higher rates of productivity and innovation. Research by the University of Nottingham has identified that assisting domestic firms to start exporting and helping existing exporters to expand into new overseas markets is the most effective long-term way to improve competitiveness and build the stock of international firms. Attraction of foreign investment must be carefully targeted; knowledge-driven and R&D intensive investments should be given priority over generic low-skilled employment provision. In a global marketplace it is essential for businesses to identify the best ways in which to grow internationally, which may involve partnering with others to share the risk of large investments or research projects.

2d. Priority Actions

- Support SMEs to start to expand their export markets including market diversification, outsourcing, offshoring, joint ventures and finding overseas niche markets;
- Market the region's business strengths and develop a single regional data source to both promote and help attract higher quality foreign investment - targeting sectors that will maximise the economic wellbeing of the region.

Strategic Priority 3: Employment, Learning and Skills

Aim:

More people into better jobs in better businesses.

A dynamic, flexible and skilled workforce helps businesses to survive and thrive and individuals to maintain their employability.

The East Midlands is characterised by a combination of high employment and a predominance of jobs demanding low skills and paying low wages. Business demand for skilled

people is limited. There are, however, skills shortages and businesses claim that employees lack the skills to help them to innovate. The changing demography of the region means that 80% of the workforce required for 2012 is already in employment. Re-skilling and up-skilling adults in the current workforce will become increasingly important.

This low demand for higher level skills results in highly qualified people leaving the region to find work elsewhere. Too often skilled people made redundant are forced to 'trade down' in the labour market, accepting lower skilled, lower paid work. People who live in the East Midlands are often better paid by commuting to work outside the region; this is particularly true in Northamptonshire, where people commute to London and the South East.

The region has an ageing workforce, with fewer numbers of young people entering the labour market. A coordinated approach is required to encourage businesses to both recognise the asset that an age diverse workforce represents and the responsibility to continually re-skill and up-skill existing employees.

3a) Stimulating business demand

Businesses sometimes require help to seek out domestic and international opportunities which will enable them to grow and prosper in higher value markets. They sometimes need support to be more innovative, to exploit new ideas and markets profitably and to be more enterprising. Improving business strategy relies on having the leadership and management skills to promote and manage change. This can have a positive effect on raising the ambitions and competitiveness of the business and increasing demand for a workforce with higher level and transferable skills.

3a. Priority Actions

- Ensure that skills support, including management and leadership, is integrated into regional business support mechanisms;
- Encourage SMEs to invest in market focused R&D and adopt more innovative practices which will accelerate the demand for higher level skills;
- Create new labour market opportunities within our more disadvantaged communities, such as the region's urban centres, the former coalfield areas of North Derbyshire and North Nottinghamshire and the Lincolnshire coastline and its rural hinterland.

3b) Ensuring responsive supply

Stimulating business demand for skills will require a parallel response from training providers. Supply must be better tailored to meet the demands of the region's changing economy. This will require government funded provision to be shaped by regional economic need. To ensure the supply of higher level skills we also need to create career paths for individuals, including work-based training and prioritising growth sectors. It is important that school leavers are equipped with the skills businesses need. Creating vocational diplomas that meet employer demand, 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.

3b. Priority Actions

- Develop a regional quality assurance system for training providers that demonstrates effective engagement with businesses;
- Encourage businesses to work with schools and colleges to ensure that students are more effectively prepared to engage in the world of work, and to ensure that skills provision is relevant to current and projected demand.

Sectors and Clusters: A Proposed Approach

A sector can be defined as a group of competing companies who produce similar products or services but are not necessarily linked to a particular location. Clusters can be defined as systems of localised economic activity and innovation. They tend to be characterised by geographical proximity and the presence of 'clustering' behaviour. Both sectors and clusters have great significance for the development of regional economies, but they require quite distinct policy interventions. There is little evidence that sustainable clusters can be created in the absence of genuine competitive advantage. Much has been done in this region to promote cluster development, but cluster policy must develop based on collective experience of delivery and research. There are limited public policy levers available to influence the development of particular clusters. It is important however that interventions support the development of the essential infrastructure required for the development of competitive clusters. For example, through promoting entrepreneurship, skills development, broadening access to capital, and promoting investment in the physical and knowledge transfer infrastructure that represent the essential prerequisites of successful cluster development.⁴¹

Sector Policy Principles

The case for targeting intervention at sectors is stronger and policy levers at the disposal of regional partners have significant potential to impact on regional competitiveness. The prime objective of sector policy should be to promote the development of those sectors that make, or have the potential to make, the greatest contributions to the regional economy in terms of productivity, quality of employment, enterprise and innovation. The impact of long term industrial restructuring should be addressed by generalist business support and policies intended to enhance the employability of displaced workers. Any public sector intervention that is sectorally targeted should be directed towards an identified market failure or developmental bottleneck. All sector priorities should be time-limited and subject to regular review over the lifetime of the RES. Exit strategies must be in place from the outset and consistent criteria should be used in order to

identify priority sectors. Wherever possible, overlaps and relationships between priority sectors should be exploited in order to maximise regional benefit through business to business knowledge and technological transfer.

Selection Criteria

In order to assist in the identification of regionally significant sectors, a number of criteria are suggested. No single criterion can be used in isolation to inform the identification of priorities – judgements should be based on a balanced assessment of the relevant criteria. These criteria could include: scale, productivity, future growth potential, strategic significance to the region, employment quality, investment performance and export activity/potential.

Consultation Questions

- 6. Are the challenges highlighted at the beginning of this section the right ones? If not, what is missing and what should be included?**
- 7. We propose a number of strategic priorities and actions to 'raise productivity' in the East Midlands, do you agree these are the right priorities and actions? If not, what do you consider the right ones to be?**
- 8. Are these sector policy principles correct? If not, what principles should we adopt?**
- 9. Are the sector selection criteria appropriate, and how should they be weighted? If not, on what basis should sector support be determined?**

7. Structural Theme 2:

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, resource efficiency, transport investment and investing in community assets makes 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 in section 4, 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 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.⁴² Attractive and affordable housing creates

communities where people want to live and therefore where businesses want to invest.

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 urban areas and rural communities. High levels of growth are being focused on locations in Northamptonshire as part of the Milton Keynes and South Midlands growth area. In addition, there is much activity to address areas at risk from low demand in housing which are located mainly in the north of the region. A number of pilot projects in Derby, Mansfield and Bolsover are being developed to test out a housing market renewal policy framework which will tackle both housing and regeneration issues. In addition, several major cities located outside the region impact on the East Midlands economy, such as Sheffield, Peterborough and Birmingham, and this cross-regional dimension presents both opportunities and challenges.

Place - the Spatial Dimension

The East Midlands can be described as a "polycentric" region - in other words, it 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. All of these different communities have a role to play in supporting the region's economic growth and development and their respective offers should be enhanced and supported.

The urban areas are key motors of growth for the region. They provide jobs and education, leisure and cultural facilities, a focus for community activity and interaction, are key interchanges on our regional and national transport networks, and act as key centres supporting the region's overall tourism offer. A number of urban areas are enjoying a renaissance. As the main locations of population and activity, towns and cities have a key role to play in the continued improvement of the region's economic performance and productivity. It is also clear that smaller towns and villages add value to our cities and larger towns. The abundance of sub-regional centres i.e. smaller towns, market towns and village communities throughout the region, is a considerable asset.

Indicators of success

We propose a number of indicators to measure our progress against the 'ensuring sustainability' structural theme. Section 9 outlines the principles which underpin our proposed framework for measuring progress towards RES objectives. More detail of our approach is laid out in a technical paper which is available to download from www.emintelligence.com

4) Land and Development

- **Percentage of new housing on previously developed land or through conversion of existing buildings**
- **Employment sites developed on previously developed land**

5) Transport and Logistics

- **Percentage of the workforce travelling to work by public transport, walking or cycling**

6) Environmental Protection

- **No recommendations are made here pending production of the draft Strategic Environmental Assessment (SEA) baseline. Choice of indicator here must reflect those used as part of the SEA baseline.**

7) Resource Efficiency

- **Generation of electricity from renewable resources**
- **Waste production/GVA (as an indicator relating to waste minimisation)**

Strategic Priority 4: Land and Development

Aim:

Maximise economic opportunity through planning and development.

The Regional Spatial Strategy (RSS8), and the Regional Economic Strategy set the context for ensuring maximum sustainable economic impact is achieved through land and development opportunities across the East Midlands. This section identifies the economic priorities and principles to be considered in development proposals and bringing sites forward for development. 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.

4a) Development

To ensure development is brought forward in an effective and sustainable manner to deliver our economic aspirations it will be essential to consider the following criteria:

4a. Criteria

- The close alignment of spatial, land-use, economic and environmental policy frameworks in the region to reflect and help deliver our collective economic ambitions;
- Opportunities within the planning system to better unlock land values to invest in a broad range of economic development and accessibility priorities. In addition, seeking innovative ways of maximising the benefits of proposed developments to deliver the social and physical infrastructure required (e.g. the pooling of developer contributions);
- The continued renaissance of our urban areas and market towns, through joint private and public sector action: with ongoing and future master planning activity playing a key role in defining that renaissance, and an emphasis on the redevelopment of brownfield land, over greenfield development;
- The promotion of local job creation and skills development through the construction sector as it undertakes development and regeneration projects, working with the Employment, Skills and Productivity (esp) partnership and other regional organisations;
- That innovative design, with particular regard to sustainable construction techniques, is applied to all public projects, including promotion of high energy efficiency standards, 'designing out crime', and qualitative design issues;
- That new developments minimise their impact on the local environment;
- That the range of utilities needed, including Information and Communication Technologies (ICT), to service developments is able to meet existing and future demand.

4b) Employment Land

Land allocations must ensure an appropriate supply of high quality sites for employment use throughout the region, particularly in relation to key high skill employment sectors. In addition to allocated land supply, the needs of key sectors may result in specific requirements and a case to be demonstrated by developers for flexibility beyond existing site provision.

4b. Priority Actions

- Viable and attractive sites for employment need to be safeguarded within planning frameworks - any decisions to approve losses of such sites must demonstrate that this will not be detrimental to the overall supply and quality of employment land;
- Appropriate levels of infrastructure including availability of and connectivity to utility services must be provided for employment-related schemes, as well as appropriate transport links.

4c) Housing

Housing and the economy are closely linked. Housing is a key sector in itself and also as a means of providing a quality environment in which people wish to live and businesses wish to locate. A successful economy raises income levels and allows housing stock to be improved and stable markets to be encouraged. An appropriate mix and quality of housing choice across public and private sectors is an essential aspect of realising a flourishing region. The opportunity for people to live near to their place of work, and 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. The Regional Housing Strategy evidence 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. The provision of new housing in the growth areas and government investment to improve older housing are placing considerable pressure on the skills capacity of the construction industry. 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. In ensuring the appropriate supply of housing it will be necessary to consider the following actions.

4c. Priority Actions

- In areas of growth, the need for economic investment, transport, cultural and community infrastructure to support housing increases will need to be supported to create truly integrated and sustainable communities;
- In low demand areas, the need for regeneration and community infrastructure which supports economic inclusion will need to be central to future developments;
- In many urban and rural areas, issues of affordability and quality, both in public and private sectors will need to be addressed, in order to improve the range and mix of housing available;
- Mixed use schemes should consider the proportion and suitability of housing within the overall mix of employment opportunities, retail and other infrastructure provision.

Strategic Priority 5: Transport and Logistics

Aim:

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

Transport, physical connectivity and ICT will be increasingly important if the region is to compete with the best and realise its vision. Transport and connectivity affect business success and impact significantly on the economy. The quality of the

region's transport is essential to enable sustainable economic growth. Improvements to the region's transport links and accessibility have significant positive economic outcomes, in support of regeneration and improved business productivity and efficiency. Improved reliability and capacity of networks and services will also enhance established international, inter-regional and intra-regional connectivity for goods and people, as well as improving local access to job and community participation. For many under-represented groups, and those in economically deprived areas, a reliable, integrated public transport system is a key element in securing the ability to fully contribute to and benefit from the region's development. In this way, it is essential to support the themes of 'raising productivity', and 'ensuring equality', as well as the overall vision of creating a 'flourishing' region. Integrated and sensitive transport and infrastructure decisions will also play a key role in contributing to environmental objectives.

5a) Infrastructure and Connectivity

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 provides the connections and links which underpin the development of the region's economy and communities. In the national context access to the Midland, East, and West Coast main rail lines, as well as the strategic road network, provides the East Midlands with links to key markets and opportunities through connections to key centres, including seaports in other regions, and London. The region's strategic rail links to London via the Midland main line will soon also provide integrated rail links with mainland Europe. East-West links in the region are generally poor compared to North-South links as provided by main road infrastructure such as the M1 and A1, and main rail routes, which has implications for our economic competitiveness. Efficient, reliable, high quality transport networks and services are important for the movement of goods and people to enable the full benefits and value of the region's assets to be maximised. The promotion of infrastructure needs to be balanced by working to achieve behavioural change to help meet economic, environmental, and resource efficiency objectives. Related to this, demand management and innovative policies and approaches to reduce the demand for car travel could have a key role to play in helping improve productivity and efficiency, and reduce road congestion. An assessment of existing and realistic transport alternatives will be essential in determining feasibility and working to assess and mitigate any negative impacts on economic competitiveness.

The future role of regional airports is an important aspect of the international and national competitiveness of the region. The region is well served with one international airport located in the region - Nottingham East Midlands Airport (NEMA), and a number of others outside the region which are used by people living and working in the East Midlands. These include: Robin Hood (Doncaster/Sheffield), Stansted, Coventry and Birmingham International. Each of these provide local access to an increasing range of domestic and

international destinations; support inbound tourism, and business related travel; and reduce the need to travel to airports further outside the region. NEMA is the second largest international express freight hub in the UK (after Heathrow), and largest for the volume on dedicated freight aircraft. The provision of employment land to locate non-operational airport related development in the three cities and northern sub-region urban areas is essential to maximise the benefits of airports to the region. Surface access to NEMA and Robin Hood Airport, in particular by public transport, is also an important issue to reduce the number of car journeys to regional airports. Airports are now preparing masterplans for their future development. These provide an opportunity to consider long-term economic, social and environmental issues associated with their potential future growth.

The East Midlands is an attractive location for distribution activity as a result of its central location in the UK, and good access to national transport networks. Freight movements are important to many sectors of the economy, and partnership working in the region will continue to encourage more rail freight to help reduce road congestion and improve reliability. Some of this may be facilitated by improving rail infrastructure. For example, improving rail links between Felixstowe and the Midlands would encourage more freight to use rail, thereby relieving pressure on the A14. Connections to seaports in and outside the East Midlands continue to be important, given the region's high level of international trade, particularly in relation to rail access and East-West connectivity.

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 will be available to over 99% of the East Midlands population by the end of 2005, but to remain competitive the public and private sectors need to plan for investment in next generation technologies and infrastructure.

5a. Priority Actions

- Improve regional transport connectivity, service quality and reliability, including improving capacity where appropriate - both inter-regional and intra-regional connectivity;
- Advance improvements to key interchanges and gateways, building on the masterplanning and Accessibility Planning activities currently underway;
- Realise the economic opportunities, benefits and challenges of airports in or impacting on the region, recognising key environmental considerations. Key issues concern the development and location of employment land supply and infrastructure, in support of activity around inward investment, employment generation, labour market and skills, tourism, and supply chain. Improve surface access and particularly public transport availability.

5a. Priority Actions continued

- Develop innovative approaches to travel demand management, taking into account issues of competitiveness and economic viability, as well as improvements to efficiency and congestion, including encouraging behavioural change;
- Embed communications infrastructure into the planning and development process to improve the region's commercial and residential property stock.

Strategic Priority 6: Environmental Protection

Aim:

To mitigate the negative effects of economic growth on the region's environment.

The relationships between the environment and the economy are hugely complex. Our natural environment creates resource inputs for the economy, provides support systems (water, land and air) upon which we rely and contributes to the quality of our physical communities and the wellbeing of those that live and work here. The region needs to ensure that we mitigate the negative effects of economic growth by decoupling it from environmental degradation and by regenerating our environmental infrastructure. The environment needs to be seen as a valuable part of the regional infrastructure within which the economy operates. Mitigating negative environmental impacts is not necessarily uneconomic. Action to promote renewable energy and use resources more efficiently, as well as utilising attractive environments can improve business efficiency and productivity and increase access to new markets.

Ensuring long term sustainable economic growth is dependent upon us respecting and living within the capacity of our environmental systems and therefore protecting and investing in it makes sense. In the East Midlands we are well placed to achieve this through, for example, adopting the principles of environmental stewardship and realising the opportunities of developing a resource efficient low carbon economy, which will bring forward economic opportunities.

A smarter approach is needed towards how we travel, produce and consume goods, and service the needs of industry and consumers, working towards achieving more with less through more sustainable consumption and production patterns and behaviour. Technological advances and innovation in business, in sustainable building design, ICT, transport and logistics will form part of the efforts to stimulate behavioural change.

6a) Environmental stewardship

Our economy and key industrial sectors are directly and indirectly reliant upon well-functioning environmental infrastructure - landscape, seascape and biodiversity - which is inseparable from our economic, cultural and regional

identity. 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 East Midlands.⁴³ Sustainable economic growth is dependent upon the protection and enhancement of this environmental infrastructure, using resources as efficiently as possible and minimising waste.

6a. Priority Actions

- Address poor quality natural environments (e.g. legacy from former industrial use) which are a barrier to investment;
- Invest in and protect the quality of the natural environment to create sustainable communities;
- Realise the potential of sustainable economic opportunities linked to the quality and diversity of our natural environment: leisure and tourism; land based industries; enhanced biodiversity.

Strategic Priority 7: Resource Efficiency

Aim:

To maximise resource use to increase productivity and reduce the negative environmental impacts of economic growth.

The challenge of global climate change requires that we make a profound change in the way that we use our natural resources. This is a challenge across all sectors and activities including business, construction, households and transport. Moving towards a resource efficient low carbon economy represents a huge cultural 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 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 energy, particularly fossil fuels, for wealth creation and wellbeing and deliver more efficient businesses with high levels of productivity.

7. Priority Actions

- Improve the productivity and performance of businesses through more efficient use of resources;
- Exploit new economic opportunities from low carbon technologies, processes and services;
- Encourage the avoidance, and improved management, of waste (including recycling) and the creation of new markets for products derived from waste;
- Promote sustainable building design;
- Promote diverse energy generation, distribution and supply to meet future economic needs reliably, securely and sustainably: e.g. renewables; energy recovery from waste; combined heat and power.

Consultation Questions

- 10. Do you agree with the development criteria set out in section 4a?**
- 11. Are the challenges highlighted at the beginning of this section the right ones? If not, what is missing and what should be included?**
- 12. We propose a number of strategic priorities and actions to help 'ensure sustainability' in the East Midlands, do you agree these are the right priorities and actions? If not, what do you consider the right ones to be?**

8. Structural Theme 3:

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. Often, equality and productivity are perceived as separate issues with equality being about social justice and productivity about economic performance. 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) individuals, ex-offenders, homeless people, women, people with disabilities, etc) and other times it is because of where they live. Many individuals experience both types of inequality further compounding their exclusion.

Scale of the Challenge

Like many regions, the East Midlands has pockets of wealth and deprivation often sitting side by side. Key to resolving regional inequalities is tackling economic inclusion. Our high regional economic activity rate of 79.5% disguises severe pockets of labour market disadvantage. Employment rates tend to be lower in the cities: in 2003 the respective employment rates for Nottingham and Leicester were 60.5% and 63%, over 10 percentage points below the regional average. Conversely, employment rates for 2003 were higher in the south with Leicestershire, Northamptonshire and Rutland all recording employment rates significantly above the regional average: 82%, 80.3% and 76.1% respectively. One of the key challenges for the RES is to reduce these economic inequalities in the region to allow our poorer communities to prosper.

Place - the Spatial Dimension

Crude measurements suggest the region suffers a north-south divide, with wealthier communities located in the south and

poorer ones in the north and east. However, pockets of deprivation exist across the region. 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. It lists Nottingham City as the most and South Northamptonshire as the least deprived areas in the region. These more disadvantaged communities suffer from varying degrees of deprivation and are marked by low levels of economic inclusion, low productivity, high unemployment, poor access to services, low skill levels, physical deprivation, very low levels of entrepreneurship, ill health and high crime rates.

Indicators of success

We propose a number of indicators to measure our progress against the 'achieving equality' structural theme. Section 9 outlines the principles which underpin our proposed framework for measuring progress towards RES objectives. More detail of our approach is laid out in a technical paper which is available to download from www.emintelligence.com

8) Social Capital

- **Participation in voluntary and community activities within the last 12 months**

9) Economic Inclusion

- **The percentage of the population of working age that is claiming key benefits**

10) Economic Renewal

- **Economic Activity Rate (and measure of sub-regional variation)**

Strategic Priority 8: Social Capital

Aim:

To build and mobilise social capital to create a growing economy which is equitable, inclusive and productive.

Social capital is defined as the collective value of working together. It describes the interactions of institutions and networks that make up a thriving civil society. The existence of neighbourhood networks, community groups, sport and

leisure clubs, faith/religious organisations, local business networks, youth and parent groups all contribute positively to the overall sense of wellbeing.

Research from around the world demonstrates correlations between strong social capital, individual wellbeing, community cohesion and economic prosperity. Social capital is both a means to an end and an end in itself. Building and mobilising social capital can impact positively on community and economic development in many different ways: promoting active citizenship; building community cohesion; improving quality of life and social wellbeing; addressing health and educational inequalities; reducing crime and anti-social behaviour; reducing poverty and social exclusion; and, contributing to economic inclusion, renewal and productivity.

Investment in social capital increases economic participation, reduces costs to society and increases economic gain. Increasing participation in the economy has positive effects: it improves an individual's economic participation, productivity and prosperity; leading to higher income levels, purchasing power and money supply into the local economy; and, ultimately these positive impacts help to reduce costs to society (for example, incapacity and jobseeker costs; costs due to ill health; costs due to crime) all of which in turn help to boost the region's economic performance.

8. Priority Actions

- Encourage the voluntary and community sector to get more people involved in their activities and promote the importance of social enterprises in bridging social exclusion and economic inclusion;
- Integrate social capital best practice into Local Strategic Partnerships' Community Strategies and Local Area Agreements;
- Promote social capital actions which improve quality of life and build more sustainable communities (e.g. addressing: crime, public health, anti-social behaviour, youth exclusion, volunteering programmes, etc) and build social capital between business and communities through corporate social responsibility.

Strategic Priority 9: Economic Inclusion

Aim:

To reduce economic inequalities and ensure that everyone has the opportunity to contribute to and benefit from the economy.

Economic inclusion is about overcoming the barriers that prevent people from participating fully in the economy. It is about ensuring people have the skills they need to be employable; addressing inequalities in the employment levels of different communities; assisting those in work to improve their skills; and ensuring that everyone has the opportunity to consider self employment as a career option.

9a) Employability for life

Employability is about ensuring everyone has the right skills to enter the labour market and to sustain this by adapting to changing labour market conditions, thereby meeting the needs of employers and contributing to the region's competitiveness. The region has one of the highest employment levels in England but still has pockets of high worklessness such as the cities of Nottingham and Leicester which need to be addressed. The economy has a low wage/low skills equilibrium with a high proportion of low skilled adults doing low paid work. Consequently, a primary objective is to stimulate the demand for higher level skills. Many individuals experience multiple barriers to accessing and progressing within the labour market. Individuals experience inequalities in different ways and consequently require support sensitive to their needs.

Many of these barriers relate to broader issues such as inequality of access to health services; appropriate financial services; and affordable childcare. For many individuals actions to address employability must be complemented by concerted efforts to resolve other factors affecting their inclusion. A further group which faces multiple challenges is ex-offenders. It is estimated that some 52% of male and 71% of female adult prisoners have no qualifications at all. Although having a job halves the risk of re-offending, three quarters of prisoners do not have paid employment to go on to following release.⁴⁴ Support to allow prisoners to develop skills will help them to access employment on release, and reduce the likelihood of re-offending.

9a. Priority Actions

- Develop integrated support packages addressing skills for life (self esteem, confidence, basic skills, etc), employability and vocational skills and support to address broader entry and progression barriers: health exclusion; financial exclusion; lack of childcare facilities; etc
- Develop innovative approaches to bridge labour market exclusion: for example, mentoring and peer support; intermediate labour markets; guaranteed interview schemes; work trials; etc
- Manage the employment consequences of industrial restructuring, and support individuals to maintain their position in the labour market.

9b) Entrepreneurship for all

Entrepreneurship is first and foremost a mindset, describing an individual's motivation and capacity to spot an opportunity and pursue it through to economic success. It is a critical factor in wealth and job creation. It is not suitable for everyone, but everyone should have the opportunity to consider it as a life and career option.

A strong entrepreneurial culture ensures that an economy can adapt to structural change by responding to, stimulating and exploiting new market opportunities. New enterprises foster social and economic cohesion as they tend to be more

embedded in local areas than larger firms. Also, as a lifestyle choice, entrepreneurship allows people to unlock their potential and enhance their personal wellbeing through greater freedom and independence. The potential of social enterprises is important here because of their explicit commitment to social objectives and addressing market failures. There are, though, barriers to setting up in business. Many relate to the legislative and administrative burden which can only be addressed by Government. Other primary barriers include:

- access to finance (debt, equity, working capital and collateral gaps);
- the perceived imbalance between risk and reward (threat of personal bankruptcy; lack of a social protection system; perceptions of failure);
- lack of education and training to nurture new generations of entrepreneurs;
- a culture of low aspirations with respect to entrepreneurship;
- access to business support which is sensitive to the needs of under-represented groups.

These are barriers common to creating a culture of enterprise. However, how individuals experience these barriers is often dependent on their background and where they live. For instance, women are half as likely to set up in business as men. There are confidence and skills reasons for this, but women also experience difficulties in accessing finance. The lost opportunity to the economy (in terms of economic gain and the chance to reduce societal costs) is significant, especially given that around 20% of women come to self-employment from unemployment (compared with 7% of men).

Furthermore, although entrepreneurship levels amongst BME communities are comparable to the regional average, there are disparities between different ethnic groups. The self-employment rate amongst Indians, Pakistanis and Bangladeshis is nearly 2½ times greater than that of Afro-Caribbeans. Also, BME businesses tend to be focused in low entry sectors and face difficulties in breaking into higher value economic sectors. Women and BMEs are not the only groups under-represented in terms of entrepreneurship: older people, people with disabilities, ex-offenders and young people represent significant opportunities to grow the region's stock of entrepreneurs.

9b. Priority Actions

- Promote a culture of enterprise and opportunity for all;
- Integrate entrepreneurship at all levels of the education system;
- Ensure that new and established entrepreneurs have access to the skills and business support they need which is (where necessary) sensitive to the needs of different under-represented groups;
- Ensure that entrepreneurs have access to the finance they need to establish and grow.

Strategic Priority 10: Economic Renewal

Aim:

To create sustainable communities through economic renewal.

The East Midlands has a diverse population mix and different types of spatial communities: inner cities; rural (accessible and remote); ex-coalfield; coastal; peripheral housing estates; and suburban. Despite the region's improving economic performance over recent years there are many places which have high levels of deprivation and low economic activity. Consequently, as well as addressing economic inclusion, a region characterised by high levels of economic wellbeing must also address the economic inequalities of different geographical communities.

Over recent decades significant investments have been made by Government to address the physical and social features of deprived areas. However, more can be done to ensure that improvements and benefits are sustained. In the same way that addressing economic inequalities and raising productivity are flip sides of the same coin, the regeneration and economic development of deprived areas have the same aims, but have not always been properly integrated. Given this, our challenge is to develop integrated solutions to economic renewal which reduce the scale of deprivation in local areas whilst contributing to more competitive and resilient economies. An effective approach must be twin-tracked: linking areas of need to areas of growth; and, creating new and indigenous economic activities. The solution for a rural as opposed to an inner city area will be different. To achieve this economic transformation areas must become:

- highly networked (in terms of economic activities and flows);
- inclusive and diverse;
- adaptive to change;
- competitive, productive and resilient.

Achieving this scale of transformation requires concerted and cooperative effort involving all stakeholders addressing economic, social, environmental and infrastructural issues. Many deprived areas suffer from significant levels of crime, poor housing, poor transport and a shortage of appropriate public services. Successful economic renewal must take account of and respond to these factors.

10a) Building local capacity and resources

Although an area may be considered deprived this doesn't mean it is without the talent or assets to drive an economic renaissance. Local areas need to better understand the assets they already have: financial, economic (existing businesses, employment), cultural, people, social, and the built and green infrastructures. Mapping these will help the area to better understand its starting point, gaps in knowledge and participation and, therefore, potential for change.

10a. Priority Actions

- Improve understanding of how local economies work;
- Map and build knowledge of local assets (social, cultural, economic, skills, financial, green and physical) which will inform the potential for new economic opportunities (through attracting new inward investors and/or creating new local activities);
- Provide business support appropriate to the needs of all groups;
- Promote and develop a diverse enterprise base (micro, social, community, small, medium and large) and build effective business to business relationships.

10b) Improving local 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 and infrastructure to achieve our regional vision of economic wellbeing. This section emphasises the need to revive the physical fabric of local neighbourhoods because successful approaches to economic renewal are reliant upon high quality local environments. People are put off from living, working or investing in an area if it has a poor environment. Environmental factors can include the built and aesthetic environments, green infrastructure, and ICT and transport capacities. In addition, the perceptions and effects of crime on a local area can significantly affect its desirability. Consequently, a successful approach to economic renewal must consider the quality of local infrastructure alongside building the capacity of local people.

10b. Priority Actions

- Ensure the availability of employment land and appropriate workspace and incubation facilities for micro, small, medium and large enterprises;
- Improve the aesthetic and green environments;
- Improve transport facilities and ICT connectivity;
- Improve community safety and reduce the effects of crime.

10c) Stimulating new markets and investment 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. However, to realise and sustain markets, deprived areas also need access to appropriate investment. Where there is financial market failure community development finance instruments (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 well as accessing new money, economic renewal can be enhanced by making existing resources work harder. Money is the life-blood of any economy; a successful local economy is one which retains, circulates and recycles money by identifying and plugging monetary 'leaks' and increasing the multiplier effect of each pound. Increasing the lifecycle of money in a local economy requires that there are facilities in place (shops, services, leisure facilities, etc) to retain that money. Any efforts to bring new investments into a local area 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 last into the medium and longer terms.

10c. Priority Actions

- Stimulate new markets and link employment to the workless;
- Stimulate local enterprise through procurement opportunities: business to business links; public procurement; and, supply chain diversity initiatives;
- Plug the gaps in local money flows leading to new enterprises and ensure the provision of finance to support enterprise starts and growth;
- Build corporate social responsibility links between large firms, SMEs and communities.

Consultation Questions

- 13. Are the challenges highlighted at the beginning of this section the right ones? If not, what is missing and what should be included?**
- 14. We propose a number of strategic priorities and actions to help 'achieve equality' in the East Midlands, do you agree these are the right priorities and actions? If not, what do you consider the right ones to be?**

9. Creating a Flourishing Region Together

Throughout this consultation document we have drawn out how the Structural Themes identified will together contribute to a vision to create a flourishing region. This vision can only be realised if it is shared by all key stakeholders and influencers across the region and if those same organisations and partners are committed to playing their part in its implementation. 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 we make to delivering the RES is laid out in our Corporate Plan. During the consultation period we are seeking the views of partners on the actions they intend to take in support of the Strategy. This might include a commitment of resources, a clear leadership role or an intention to support or encourage particular activities.

Combined with indications of other public sector resources, the region will be in a position to develop clear investment plans in support of the Regional Economic Strategy. The Government's work on longer term Regional Funding Allocations for economic development, housing and transport will also inform this process. This will not only assist in identifying priorities for Government investment, but will also allow gaps to be identified and connections to be made between planned investments from different sources. This approach may take time to develop, but we propose, as a first step, collating and publishing clear statements of the actions that a wide range of partners and stakeholders will take to deliver the RES and an indication of the resources available to achieve this.

It is also our intention to produce an Implementation Plan in support of the RES and to measure our collective progress against it. Such a plan would enable an assessment of progress towards the objectives of the RES against specific actions.

Measuring Progress Towards the Vision

The current Regional Economy Strategy proposes a vision that the East Midlands should become a Top 20 Region in Europe by 2010. In order to measure progress towards this a "Top 20" index is used. This represents a composite derived from measures of economic output, intra-regional differences, employment, unemployment and resource efficiency.

In order to measure progress towards becoming a truly 'flourishing' region we are proposing a measure of economic wellbeing that incorporates a range of indicies.⁴⁵ This would have regional GVA – a measure of economic output at its heart - but attempt to capture some of the wider elements of a 'flourishing' region and take account of the costs and benefits of achieving, or failing to achieve, our Strategic Priorities. For example, the regional GVA figure might be adjusted to take account of estimates of the costs and benefits that accrue to society as a consequence of a particular level of output.⁴⁶ Examples of the wider benefits that we might wish to account for include the value of household labour and volunteering. Examples of costs to the region include those associated with pollution, commuting, crime and accidents. More detail of our proposed approach to measuring progress is laid out in a technical paper which is available to download from www.emintelligence.com.

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- ³²Professor Keith Sisson, 'Improving work organisation, the case for a regional action programme', August 2005.
- ³³Identifiable expenditure is that which has been incurred for the benefit of individuals, businesses or communities within particular regions. Non-identifiable expenditure is that which benefits the whole of the UK such as defence.
- ³⁴HM Treasury, 'Public Expenditure Statistical Analyses 2005', April 2005.
- ³⁵Ken Mayhew of SKOPE speaking at the Regional Skills Conference, Tewkesbury 2005.
- ³⁶Department for Trade & Industry, 'Regional Competitiveness and State of the Regions', May 2005.
- ³⁷London Business School, 'Global Entrepreneurship Monitor: East Midlands 2004', January 2005.
- ³⁸Some of these skills - such as communication or problem solving - are also vital for employment and should be available to all. Others may be specific to starting a business.
- ³⁹Small Business Service, 'SBS Evidence Base', April 2005.
- ⁴⁰Department for Trade & Industry, 'Regional Competitiveness and State of the Regions', May 2005.
- ⁴¹This section draws heavily on 'Challenging Clusters: The Prospects and Pitfalls of Clustering for Innovation and Economic Development', Advanced Institute of Management Research, June 2005.
- ⁴²Countryside Agency, 'East Midlands State of the Countryside Report', April 2005.
- ⁴³ONS Crown Copyright, 'Local Area Labour Force Survey' (annualised), March 2003-February 2004, from NOMIS, 12th August, 2005.
- ⁴⁴The Home Office, 'Reducing Reoffending National Action Plan', August 2005.
- ⁴⁵The proposed framework is based on principles described in guidance documents including 'Choosing The Right FABRIC: A Framework for Performance Information' published jointly by HM Treasury, Cabinet Office, National Audit Office, Audit Commission and the Office for National Statistics (March 2001) and as updated in 'Setting Key Targets for Executive Agencies: A Guide' (HMT, Cabinet Office & NAO, November 2003).
- ⁴⁶New Economics Foundation (NEF) and University of Surrey, 'Interim report on constructing a regional measure of domestic progress (MDP) for East Midlands Development Agency', August 2005.

11. How to take part

We welcome views on the questions listed throughout this consultation document, which are summarised in **section 12**. Comments are also invited on two complementary documents: the interim evidence base and the Strategic Environmental Assessment / Sustainability Appraisal which are published separately. Comments and views on issues not directly addressed in the questions will also be welcome.

You can contribute views and comments in a number of ways:

- by completing section 12 and returning it to the freepost address below
- by telephoning 0115 947 1730 and leaving a message
- directly through the response form on the website - www.haveyoursay.co.uk
- by attending a RES consultation event (details available at www.haveyoursay.co.uk)

The deadline for all responses is **Friday 2 December 2005**.

Responses to this consultation will inform the preparation of the Strategy. The final Regional Economic Strategy will be published in April 2006.

How to respond in writing

Please complete the following pages with your comments, continuing on additional sheets if necessary, and post to our Freepost address at:

RES Consultation Responses
East Midlands Development Agency
FREEPOST LV7525
NOTTINGHAM
NG2 4LA

12. Questions and Your Comments

Your Details

Please complete your details below, so we can contact you to address any issues raised.

NAME:

COMPANY:

POSITION:

TELEPHONE:

EMAIL:

This section summarises the 14 questions we would like you to respond to.

Chapter 2 - A Picture of the East Midlands

1. Do you agree with the challenges outlined? If not, what do you consider the key challenges to be?

2. Are there other challenges the region's economy and labour market might face over the timescale of the RES?

Please continue on additional sheets if necessary.

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