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Covering Letter

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

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

D2N2 Local Enterprise Partnership is a partnership with the purpose of delivering economic growth, committed in the long term to taking a prioritised and focused approach to creating the conditions for businesses to thrive and create jobs. The D2N2 Strategic Economic Plan provides a framework to enable growth, create jobs and make a strong case for investment. By 2023, we want to be recognised as a place that:

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

This European Structural and Investment Fund Strategy, 2014-2020, sets out the priorities of the D2N2 ESIF Committee for action to deliver our strategic ambitions. It has been developed after extensive consultation with local partners. Although we will continue to review, refine and improve our Strategy through being agile in realising emerging growth opportunities, our relentless focus will be on implementation and delivery.

Peter Richardson, Chairman
D2N2

Cllr Ranjit Banwait
Leader, Derby City Council

Cllr Roger Blaney
Leader, Newark & Sherwood District Council

Cllr John Burrows
Leader, Chesterfield Borough Council

Cllr Jon Collins
Leader, Nottingham City Council

Sylvia Green
Chief Executive, Derbyshire Rural Communities Council

Liz Fothergill
Chief Executive, Pennine Healthcare

Peter Gadsby
Chairman, Ark Capital Ltd

Professor David Greenaway
Vice Chancellor, University of Nottingham

Dame Asha Khemka
Principal and Chief Executive, Vision West Nottinghamshire

Stephen Lehane
Director, Alliance Boots

Ian Morgan
Chairman, Wellglade

Cllr Alan Rhodes
Leader, Nottinghamshire County Council

Melanie Ulyett
Chief Executive, One to One Support Services

Cllr Anne Western
Leader, Derbyshire County Council

David Williams
Chairman, Butt Foods

Sylvia Green
Chief Executive, Derbyshire Rural Communities Council

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Cllr Anne Western
Leader, Derbyshire County Council

David Williams
Chairman, Butt Foods
Executive Summary

Introduction to the Strategy

This Strategy sets out the ambitions for the use of €255.7 of European Structural and Investment Funds in the D2N2 Local Enterprise Partnership area during the 2014-2020 period, comprising €123.5m of ERDF, €125.3m ESF and €6.9m EAFRD. D2N2, which covers Derby, Nottingham, Derbyshire and Nottinghamshire, is one of the largest LEP areas in England, covering a population of more than 2m people and with an economic output of nearly £40bn.

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

Development of the Strategy

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

The D2N2 ESIF Strategy has been developed through rounds of iterative consultation with a wide range of stakeholders from across the D2N2 area. It has developed through a series of iterations and been informed by numerous consultations.

D2N2’s allocation of European Structural and Investment Funds

Under the European Union Structural and Investment Fund Programme, D2N2 has been allocated €244m of ERDF and ESF to be invested during the 2014-2020 cycle. The D2N2 ESIF Committee wish to maintain the maximum possible flexibility in relation to these allocations and would welcome discussions with Government about the potential to increase the proportion of ERDF funding to allow us to respond to local needs. In addition, D2N2 has been allocated €6.9m of EAFRD.

In this Strategy, the D2N2 ESIF Committee, following the guidance received from the Managing Authorities, expresses its advice on the allocation of ESIF resources between Priority Axes to reflect local strategic priorities. The advice in the earlier iterations of this strategy has informed the Managing Authorities’ negotiation of Operational Programmes with the European Commission. However, the final allocation of funding to each of the Priority Axes in LEP areas has been undertaken on an approximately pro-rata division of the England allocations and spend profiles in the final Operational Programmes. For several Priority Axes, this D2N2 allocation does not reflect the advice of the Committee on local strategic needs and priorities. For example, the D2N2 ESIF Committee would wish for a greater concentration of funding to support Innovation and SME Competitiveness whereas the allocation provides additional funding to support Low Carbon and ICT activities.

The D2N2 ESIF Committee will continue to review and monitor local strategic priorities and the delivery of the programme and provide advice as appropriate to support further discussions between the Managing Authorities and the European Commission to secure a more locally appropriate allocation by Priority Axis, alongside further discussions about devolution of responsibility for ESIF decision-making to local areas.

Structure of the Programme

The 2014-2020 programme in the D2N2 area will adopt a balanced approach, investing resources against eligible Priority Axes. The main areas of ERDF investment will promote SME competitiveness, knowledge-driven growth and developing the low carbon economy. ERDF will also address ICT, resource efficiency,
climate change and the environment with 20% of ERDF funds to be used on these activities. ESF resources will be focussed on supporting the skills required for a higher value economy. ESF will also address disadvantage in the labour market and 20% of funds will be used on active inclusion related activities.

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

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

<table>
<thead>
<tr>
<th>PA</th>
<th>Overview</th>
<th>Rationale</th>
<th>D2N2 Preferred Allocation</th>
<th>Final Allocation from OPs</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>We will provide support for smart specialisation and collaborative research between businesses, research institutions and public institutions; and support the commercialisation of new products and businesses processes. We will also develop new innovation space and facilities to benefit local businesses.</td>
<td>Innovation is the principle source of competitive advantage in advanced economies. D2N2 performs better than some areas on innovation indicators but local firms have a lack of absorptive capacity for innovation and a lower than average number of highly qualified workers.</td>
<td>€26.3m ERDF</td>
<td>€23.4m ERDF</td>
</tr>
<tr>
<td>2</td>
<td>We will ensure that D2N2 businesses are able to benefit from the opportunities presented by new and emerging ICTs by raising awareness of what is available; improving ICT connections; exploring opportunities for new markets and services; and investing in the ICT infrastructure where a clear need can be demonstrated.</td>
<td>Technology is increasingly linked to economic competitiveness and high level ICT skills and connectivity are playing an increasing role in the success of local economies. New technologies are emerging which will affect the competitiveness of the D2N2 economy during the life of the EU programme.</td>
<td>€12.5m ERDF</td>
<td>€15.8m ERDF</td>
</tr>
<tr>
<td>3</td>
<td>We will support businesses to grow by ensuring they are able to access finance, develop growth strategies and improve productivity. We will provide incubation and grow-on space so there is an adequate supply of high quality premises. We will also target support at our eight key sectors – Transport Equipment Manufacturing, Life Sciences, Food and Drink Manufacturing, Construction, Visitor Economy, Transport and Logistics, Creative Industries; and Low Carbon Goods and Services.</td>
<td>SMEs are the lifeblood of the D2N2 economy, employing over half of all workers. Ensuring they can start up, survive, prosper and remain competitive in an increasingly global market is crucial to the success of D2N2.</td>
<td>€48.8m ERDF</td>
<td>€44.7m ERDF</td>
</tr>
<tr>
<td>4</td>
<td>We will support the development of low carbon markets and technologies and help SMEs to adopt energy efficiency measures, including domestic energy efficiency and low carbon construction techniques.</td>
<td>Supporting the shift to a low carbon economy is vital, both in promoting sustainable economic growth through building the market in low carbon environmental goods and services and associated low carbon innovation, and to address the issue of climate change.</td>
<td>€25.1m ERDF</td>
<td>€29m ERDF</td>
</tr>
<tr>
<td>5</td>
<td>We will support flood mitigation measures which protect existing employment sites and sites identified as important to realise our growth ambitions.</td>
<td>Managing flood risk is a high priority to protect existing economic assets and minimising the economic impact of adverse events.</td>
<td>€6.3m ERDF</td>
<td>€6.3 ERDF</td>
</tr>
<tr>
<td>6</td>
<td>We will support investment in green and blue infrastructure where there are clear links to economic development objectives, and will encourage resource efficiency amongst businesses.</td>
<td>D2N2’s natural environment plays a key role in the economy and attracts business, visitors and people to live and work in the area.</td>
<td>€6.3m ERDF</td>
<td>€6.1m ERDF</td>
</tr>
</tbody>
</table>

ESF

We will help people back into work through intensive support, work experience, re-training and community-led approaches, as well as promoting self-employment. We will support There is a need to tackle unemployment, reduce the number of residents who are economically inactive and open up routes to employment for those not currently in work. (IP8: €46.2m) (IP8: €24m)
young people by building linkages with employers, increasing the number of apprenticeships and tackling those who are NEET. Too many individuals and families in D2N2 continue to face disadvantage. Action is needed to ensure that every individual and family is socially included and can access support to help them out of poverty.

We will provide support in targeted communities where there are high rates of social exclusion. We will support excluded groups to access training and work through specific support and anti-discrimination measures.

**ESF**

We will address skills gaps and shortages, including higher level skills, and will support more people to start and grow a business. Young people will be supported through improved IAG, higher level apprenticeships and internship and placement programmes for graduates.

The need for lifelong learning is more evident now than ever before. People no longer have jobs for life with many people changing career as well as employers during their working life.

<table>
<thead>
<tr>
<th>ESF</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>€49.2m ESF</td>
<td>€48.4m ESF</td>
</tr>
</tbody>
</table>

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

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

The Board considered a number of options for the allocation of resources between the Priority Axes and agreed that the indicative distribution set out in the table above provides the best fit to D2N2’s strategic aims and ambitions. The programme has been purposely designed to be flexible, to ensure that over the seven year programming period, the LEP is in a position to respond positively to changes including new innovations, technological advances and industry developments.

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

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

**Sustainable Urban Development Strategy for Nottingham**

Ten percent of the D2N2 notional allocation of ERDF monies will be allocated to a Sustainable Urban Development Strategy for Nottingham following the invitation from the UK Government to Core City LEP areas.

Sustainable Urban Development Strategies or ‘SUDs’ provide for an ‘urban authority’ to act as the ‘intermediate body’ for the ‘selection of operations’ over activities to deliver the D2N2 ESIF Strategy using up to 10% of ERDF funds for a ‘Core City’ area of at least 600,000 population coverage. Nottingham City Council are the ‘urban authority’ for the Nottingham City Region SUDs. The geographic coverage of the SUDs includes all the wards in the Nottingham City Council area and a number of contiguous wards in the local authority districts of Ashfield, Broxtowe, Gedling and Rushcliffe. This gives a total population of around 620,000 (based on the 2011 Census).

The SUD strategy is an ‘implementation’ strategy of the overall ESIF strategy focused on the local priorities of the SUD area. SUDs address locally specific issues to add value to the ‘mainstream’ delivery of the ESIF
strategy. The outputs achieved under ‘SUD’s programmes count towards the targets of the overall ESIF strategy.

The Intermediate Body for the SUDs will share information with the D2N2 ESIF Committee to promote a co-ordinated approach to the implementation of the strategies.

Programme Targets
The EU programme represents a major source of investment which has the potential to make a significant impact on the D2N2 economy over the next seven years. It is envisaged the investment will result in:

- Nearly 6,000 businesses receiving support in relation to innovation, ICT, competitiveness and low carbon
- Over 1500 new enterprises supported
- Over 40,000 individuals supported in relation to employment, over 10,000 supported in relation to social inclusion and almost 40,000 in relation to skills

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

Introduction to the Strategy
This Strategy sets out D2N2’s ambitions for the 2014-2020 European Structural and Investment Funds Strategy, and how the LEP proposes to use its €250.1m notional allocation of ERDF, ESF and EAFRD funds to achieve these ambitions, whilst ensuring compliance with State Aid regulations. The EU programme provides an important opportunity to drive forward economic growth in a way that recognises existing strengths and opportunities, addressing issues that may be constraining growth. It sets out a wide range of intervention areas that reflect both local circumstances and EU requirements.

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

In line with national policy, the 2014-2020 European Structural and Investment Funds Strategy supports delivery of the Strategic Economic Plan (SEP) for D2N2 and ambitious local plans to co-ordinate devolved resources to drive growth. The Strategy adds value to, and complements, the investments supported by the D2N2 Strategic Economic Plan, ensuring we collectively deliver an environment for growth and skills which will enable local people to benefit from that growth, and ensuring the limited funding available through ERDF for certain types of investments (e.g. transport, green/blue infrastructure etc), is used to best effect.

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

The initial draft of the strategy was informed by region-wide events, detailed consultation workshops with organisations representing the 8 key sectors in the D2N2 Strategic Economic Plan and a range of the other key partners.

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

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

In the autumn of 2014, D2N2 issued a Local Implementation Plan Consultation Document to gather views to inform the D2N2 ESIF Committee's approach to implementing the D2N2 ESIF Strategy. Forty-six detailed and considered responses were made to consultation.

The consultation endorsed the approach to seek to use ESIF monies to deliver the D2N2 Strategic Economic Plan via projects of scale and impact and that D2N2 ESIF funding should be available to support individuals and businesses in all parts of the D2N2 area.

To enable applicants to more clearly understand how the ESIF programme Board will assess the fit of applications with the D2N2 ESIF Strategy, it is suggested that a set of ‘core delivery principles’ is included in the Final Local Implementation Plan and in each call specification.
Finally, the changes made between the early and final drafts of the ESF, ERDF and EAFRD Operational Programmes has meant that the strategic intent of the previous iterations of the D2N2 ESIF Strategies has had to be expressed in an updated framework of indicators, priority axes and investment priorities. Moreover, the final Operational Programmes agreed between the European Commission and the Managing Authorities do not reflect the cumulative financial profile of the allocations by priority axis / thematic objective in LEP area ESIF Strategies. Therefore LEPs areas have been issued with allocations of ESIF funding for each Priority Axis that do not reflect those in their previous draft strategies. This draft strategy includes both the financial allocation that the D2N2 ESIF Committee consider necessary to deliver this strategy alongside the level of funding notionally allocated by the managing authorities. Due to the disparity in funding between the allocation and the strategic view of the Committee, the Managing Authorities may need to prepare requests to the European Commission to amend the Operational Programmes.

**Document Content and Supporting Documentation**

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

- The characteristics of the economy (see Section 2);
- The LEP area’s growth agenda and objectives to be satisfied through delivery (see Section 3);
- The investment priorities identified for the programme, set out by Priority Axis (see Section 4);
- How the cross-cutting themes of sustainable development and equality and anti-discrimination will be considered across all elements of the programme (Section 5);
- The division of funds between Priority Axes and years of the programme (Section 6);
- Proposed programme-level outputs and targets (Section 7); and
- Proposed governance and delivery arrangements, including the role of financial instruments and Community Programme (Section 8).
2. The D2N2 Economic Context for the EU Strategy

Headline Summary

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

Introduction

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

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

The D2N2 economic area is a diverse and relatively complex area. Nottingham and Derby (within the area) and Sheffield (lying outside of D2N2) are the most important cities in terms of supplying jobs for D2N2 residents...
Within Nottinghamshire, four travel to work areas (TTWAs) span the county. These involve three TTWAs largely located within the county – Worksop and Retford, Mansfield and Nottingham – and Lincoln which mainly falls outside of the county’s boundary but takes in a number of areas to the east of D2N2, notably Newark & Sherwood. In Nottinghamshire, 80% of the population live within the largest city (Nottingham) and towns (Mansfield, Kirkby-in-Ashfield, Sutton-in-Ashfield, Newark-on-Trent, Worksop and Retford).

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

**Employment Trends**

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

[Chart showing employment trends from 1998 to 2008]

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

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

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

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

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

Source: BRES

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

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

In contrast, the following service sectors are under-represented:
- Professional, scientific and technical, a growth sector nationally, but accounting for just 5.4% of D2N2 employment compared with 7.7% nationally;
- Information and communication, accounting for 2.5% of D2N2 employment compared with 4.1% nationally; and
- Financial and insurance, accounting for just 1.5% in D2N2 compared with 3.9% nationally.

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

It is unlikely that the public sector will provide the employment growth required to help reduce unemployment. The additional jobs required to provide the opportunities needed for communities and young people will need to come from the private sector. While some of these will be a result of local demand, such as retail and leisure, others will require a pro-active approach to ensure that D2N2 captures significant investment in high growth sub sectors such as business and financial services, digital and creative industries, and transport and logistics. D2N2 has a smaller private sector economy when compared with its peer group and neighbouring LEPs. The difference between the LEP area and the national average is substantial, equating to nearly 4,700 per 100,000 residents. In order to meet the national average, there would need to be an additional 63,800 private sector jobs within the D2N2 economy. Narrowing this gap is one of the fundamental challenges facing the LEP and partners over the coming years.

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

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

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

<table>
<thead>
<tr>
<th>Priority Sector Employment 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>D2N2</strong></td>
</tr>
<tr>
<td>Visitor economy</td>
</tr>
<tr>
<td>Construction</td>
</tr>
<tr>
<td>Transport and logistics</td>
</tr>
<tr>
<td>Creative Industries</td>
</tr>
<tr>
<td>Transport equipment manufacturing</td>
</tr>
<tr>
<td>Food and drink manufacturing</td>
</tr>
<tr>
<td>Life Sciences</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
<tr>
<td>Low carbon goods and services</td>
</tr>
</tbody>
</table>

Source: BRES and Low Carbon Environmental, Goods and Services, Report for 2011/12, Department for Business Innovation and Skills, July 2013

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

**GVA**

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

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

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

**The Business Base**

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

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

<table>
<thead>
<tr>
<th>Businesses by Sizeband 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Business size</strong></td>
</tr>
<tr>
<td>No.</td>
</tr>
<tr>
<td>Micro (1-9 employees)</td>
</tr>
<tr>
<td>Small (10-49 employees)</td>
</tr>
<tr>
<td>Medium (50-249 employees)</td>
</tr>
<tr>
<td>Large (250+ employees)</td>
</tr>
</tbody>
</table>

Source: UK Business: Size, Activity, Location
Business start up rates in the D2N2 economy currently stand at 10%. These have largely been in line with the East Midlands and England averages over the past decade, with a peak of 14% in 2005. Entrepreneurial activity in the D2N2 area is generally relatively low and the number of new business births within the D2N2 economy has been declining since 2007. At its peak in 2005, the D2N2 economy saw nearly 9,000 business births. During the period 2009-2011, there has been an average of just 6,347 which represents a drop of just less than 30%. In terms of business deaths, the D2N2 economy peaked during 2009 and 2010 with 8,095 and 7,215 respectively during these difficult trading years following the economic recession. However, in 2011 the business death rate was back to pre-recession levels of circa 6,500 per annum.

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

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

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

The rural areas within the D2N2 geography perform well, with key characteristics including:
- Higher levels of employment growth during the period 1998-2008 than the urban local authority areas within D2N2;
- High economic activity rates when compared with the national average;
- A higher proportion of residents with higher level skills and lower proportion with no qualifications than elsewhere in the D2N2 area and the East Midlands; and
- A similar private / public sector employment split to the urban areas within D2N2, which involves an over reliance on public sector employment.

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

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

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

<table>
<thead>
<tr>
<th>Forecast Population Change in D2N2 2011-2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Area</td>
</tr>
<tr>
<td>D2N2 (Numbers)</td>
</tr>
<tr>
<td>D2N2 (%)</td>
</tr>
<tr>
<td>England (%)</td>
</tr>
</tbody>
</table>

Source: Sub-national population projections 2011

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

<table>
<thead>
<tr>
<th>Population Projections, 2011-2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Geographic Area</td>
</tr>
<tr>
<td>Derby</td>
</tr>
<tr>
<td>Nottingham</td>
</tr>
<tr>
<td>Derbyshire</td>
</tr>
<tr>
<td>Nottinghamshire</td>
</tr>
<tr>
<td>D2N2</td>
</tr>
</tbody>
</table>

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

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

<table>
<thead>
<tr>
<th>Population by Ethnicity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ethnicity</td>
</tr>
<tr>
<td>White</td>
</tr>
<tr>
<td>Mixed/Multiple Ethnic Group</td>
</tr>
<tr>
<td>Asian/Asian British</td>
</tr>
<tr>
<td>Black/African/Caribbean/Black British</td>
</tr>
<tr>
<td>Other Ethnic Group</td>
</tr>
</tbody>
</table>

Source: 2011 Census

Skill Levels

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

There are around 150,000 people aged 16-64 with no qualifications. This is in line is with the regional profile (11%) but slightly higher than the equivalent figure for England.
Skill levels however vary across the D2N2 area. Some areas, including Rushcliffe, have much higher rates of high level qualifications than the D2N2 average, whilst in Mansfield and Ashfield the number of residents holding degree-level qualifications is much lower – circa 1 in 4 of the working age population. Mansfield, Ashfield, Derby City and South Derbyshire also have higher proportions of residents who hold qualifications below level 2, generally accepted as the minimum level required in the 21st century labour market.

**D2N2: Skills Levels 2011**

Source: Census 2011

![Chart showing D2N2, East Midlands, and England skill levels 2011](chart.png)

**Occupational Profile**

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

**Occupational Profile 2012**

Source: APS, workplace analysis

![Chart showing D2N2, East Midlands, and England occupational profile 2012](chart2.png)

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

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

Source: Annual Population Survey

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

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

Employment Deprivation in D2N2 Super Output Areas
Source: IMD 2010
The economic inactivity rate is slightly higher in D2N2 than in England as a whole (23.5% of the working age population are economically inactive). Levels of inactivity in the D2N2 area fell during the previous growth period, at the same time that inactivity increased in England and in some of the LEP’s peer areas. However, during the recession and subsequent slow recovery, D2N2 has experienced a greater increase in economic inactivity than has been the case nationally. There are high rates of economic inactivity in certain parts of the D2N2 area, including Nottingham (reflecting the large student population), Derbyshire Dales (reflecting a high number of early-retired residents), South Derbyshire and Mansfield.

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

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

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

**Groups within the Labour Market with Protected Characteristics**

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

<table>
<thead>
<tr>
<th>Target Group</th>
<th>Working age population</th>
<th>Economic activity</th>
<th>Employment</th>
<th>Unemployment</th>
<th>Self employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>D2N2 average</td>
<td>1,362,100</td>
<td>76.5%</td>
<td>70.2%</td>
<td>7.8%</td>
<td>7.3%</td>
</tr>
<tr>
<td>Women</td>
<td>680,200</td>
<td>71.4%</td>
<td>65.8%</td>
<td>7.3%</td>
<td>4.6%</td>
</tr>
<tr>
<td>Young people (16-24)</td>
<td>258,900</td>
<td>64.4%</td>
<td>50.3%</td>
<td>20.4%</td>
<td>n/k</td>
</tr>
<tr>
<td>Older people (50-64)</td>
<td>388,000</td>
<td>67.3%</td>
<td>64.2%</td>
<td>5.4%</td>
<td>n/k</td>
</tr>
<tr>
<td>Disabled people</td>
<td>320,400</td>
<td>56.8%</td>
<td>50.2%</td>
<td>11.5%</td>
<td>n/k</td>
</tr>
<tr>
<td>BME</td>
<td>106,500</td>
<td>67.5%</td>
<td>54.4%</td>
<td>16.7%*</td>
<td>n/k</td>
</tr>
</tbody>
</table>


* 16+ not working age

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

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

<table>
<thead>
<tr>
<th>People</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Strengths</strong></td>
<td><strong>Poor take up of apprenticeships in some sectors – e.g. finance, insurance, tourism only 8-10% of employers currently engage with apprentices.</strong></td>
</tr>
<tr>
<td>Skilled workforce (with room for improvement in relation to NVQ Level 4+): The D2N2 economy has a lower than average proportion of the working age population qualified to NVQ level 4 plus (38%) compared to 43% nationally.</td>
<td><strong>Limited opportunities for highly qualified younger workers.</strong></td>
</tr>
<tr>
<td>Diverse occupational profile, including a strong professional and managerial workforce.</td>
<td><strong>Skills levels of labour market entrants – GSCE attainment is variable.</strong></td>
</tr>
<tr>
<td>Universities offering a range of undergraduate degrees in both technical and academic subjects, placements/internships, graduate enterprise and knowledge transfer opportunities.</td>
<td><strong>Skills gaps and a lack of proficiency in elementary occupations, sales and customer services, machine operatives and skilled trades.</strong></td>
</tr>
<tr>
<td>Investment plans in existing FE colleges.</td>
<td><strong>Skills shortages, particularly in relation to professional occupations. Insufficient interest in careers in a range of sectors, including engineering and science related industries (with additional opportunities arising through replacement demand as the population ages).</strong></td>
</tr>
<tr>
<td>A relatively active population – economic activity rates are 77.2% compared with 77.1% nationally – and declining economic inactivity.</td>
<td><strong>Youth unemployment is a particular issue in certain parts of the D2N2 area, especially within Nottingham.</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Between 2007 and 2011, the percentage of those economically active and unemployed in the D2N2 area grew from 5% to almost 8%.</strong></td>
</tr>
<tr>
<td></td>
<td><strong>Significant pockets of worklessness, particularly in former coal mining areas to the north of D2N2 and in the cities (particularly Nottingham).</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Opportunities</th>
<th>Threats</th>
</tr>
</thead>
<tbody>
<tr>
<td>Universities offering local employers new graduates in a range of disciplines, including those linked to employment opportunities in future growth sectors.</td>
<td>Increasing tuition fees impacting upon university enrolments and has drastically reduced the demand for part-time learning.</td>
</tr>
<tr>
<td>Increasing demand for well qualified young people in key sectors such as creative and digital and low carbon.</td>
<td>Reduction in public sector spending across local authorities, higher education and further education having a direct impact on the capacity of agencies to resource activity that supports employability.</td>
</tr>
<tr>
<td>Increase in home working enabled by ICT infrastructure and flexible work arrangements.</td>
<td>Lack of substantial growth in the private sector employment base during the growth period of 1998-2008 relying on the public sector for growth.</td>
</tr>
<tr>
<td>Expanding care sector offering a range of new employment opportunities and for an increased role for the third sector to support social inclusion and employability activities.</td>
<td>Employers reluctant to recruit young people and with a poor perception of their abilities and skills.</td>
</tr>
<tr>
<td>Increasing commitment to, and interest in, apprenticeship campaigns and programmes across the region.</td>
<td>Ageing population, many continuing to work, reducing employment opportunities for young people.</td>
</tr>
<tr>
<td>Scale of projections for workforce expansion and replacement demand across all occupations (skewed towards higher level occupations).</td>
<td>Lack of connection between education and training provision and employer needs</td>
</tr>
<tr>
<td>Some strong third sector organisations with an appetite to engage in social innovation and social enterprise activities.</td>
<td>Redundancies (linked to reduced public expenditure) leading to loss of talent from the area.</td>
</tr>
<tr>
<td>An opportunity to stimulate higher levels of graduate employment and enterprise in the area to capture their skills and enthusiasm, and build on existing research strengths, particularly relationships with the local business base.</td>
<td>Transport links and barriers to travel making it difficult for local employers to access personnel from the wider labour market and job seekers to access employment and training opportunities.</td>
</tr>
</tbody>
</table>
**Business**

### Strengths

- One of the largest LEP areas in employment and population terms, giving it a ready supply of labour.
- Central location with affordable business land, excellent infrastructure, competitive wage rates and a high quality of life.
- The area’s eight growth sectors employ over 205,000 (excluding low carbon), nearly one fifth of the workforce.
- The area secured over 2,000 jobs through foreign direct investment during 2011/12. The D2N2 LEP is one of the top performing LEPs in the country on FDI.
- An industrial profile with strengths in manufacturing and export intensive industries.
- The area is home to a number of large and world renowned companies from Sygnature Discovery, Premier Foods, Bombardier, Toyota UK, Alliance Boots, E.ON, Capital One, Experian and Rolls Royce.
- Higher education and research, particularly medical, science and low carbon.
- A strong and diverse incubation offer as well as some nationally important assets/clusters including Bio City and Medi-City Nottingham and Infinity Park, Derby.
- Strong visitor economy, tourism and international students.

### Weaknesses

- A smaller than average and declining private sector base, particularly the private service sector with disappointing performance during the last growth period of 1998-2008.
- Low proportion of employment in knowledge intensive industries and low innovation levels.
- Entrepreneurial activity is generally relatively low and the number of new business births has been declining since 2007 (though survival rates are positive).
- Significant recent decline in the area’s industrial base – 33% loss during 1998-2008. Some of the area’s strategic sectors have not grown significantly over the past decade.
- Lower than average skills levels and the under-representation of professional and technical occupations.
- The average GVA per FTE is nearly 12% behind the England average. During the last growth period it rose year on year, although the gap with the national figure widened.
- A lack of absorptive capacity for innovation or leadership in local firms combined with a lack of access to external knowledge or exemplars. Accessing innovation active SMEs or SMEs with potential and raising awareness are key challenges.
- D2N2 is in the mid-range of LEPs in terms of patents per 100,000 residents (9.2 per 100,000) and the level of employment in the knowledge economy (17.8%, 23rd out of 39 LEP areas).

### Opportunities

- Forecast growth in digital and creative industries.
- Further development of supply chains in key sectors, such as advanced engineering and an opportunity to exploit smart specialisation potential in transport technologies.
- Forecast increase in global trade over the next ten and twenty years coupled with continued growth in passenger and freight at East Midlands Airport.
- New markets as developing economies move from producers to producers/consumers.
- Increasing demand for low carbon goods and services and a number of local firms actively involved in development low carbon including retrofit, low carbon vehicles and energy technologies.
- Increased use of ICT connections and new and emerging ICT technologies to improve and expand product/service ranges and client reach for local businesses.
- Evidence of some growth in business sectors, and a number of niche sectors including advanced manufacturing and health and bioscience.
- Growth in leisure and tourism markets.

### Threats

- Low cost economies moving in to higher value added production.
- Continued slow growth in the national and international economies, particularly the Eurozone.
- Increased competition in leisure and conference market.
- Investment in key enabling technologies and pace of innovation by companies in advanced economies such as Germany and the USA.
- Limited access to finance for small businesses.
- Job losses in public sector.
### Place and Environment

#### Strengths
- A diverse area, including two major cities, smaller centres serving rural hinterlands and a strong rural economy.
- Home to some world renowned visitor destinations and tourism assets (e.g. the Peak District, Sherwood Forest, Robin Hood) and world class environmental assets and natural beauty.
- Many people visit the D2N2 area because of its natural beauty and many businesses within and around the National Park derive direct and indirect economic benefits from their unique location and relationship with its landscapes.
- Situated at the heart of the UK’s road and rail infrastructure with excellent connections to major cities (e.g. London).
- Two major Superfast Broadband programmes supported by BDUK.

#### Weaknesses
- A lack of intermodal travel, awareness of sustainable travel solutions or embracing of the smart city agenda in relation to effective transport management.
- Strategic road infrastructure under pressure.
- Significant transport and infrastructure constraints linked to the delivery of major economic development schemes.
- A number of rural challenges: difficulties faced by the area’s agricultural sector, the need to protect and retain local facilities, and the loss of some important large employers.
- The inhibitive costs of undertaking green and blue infrastructure and the extent to which costs can be included in the price of goods and services.
- Uncertainty over the commercial and business benefits of some resource efficiency measures and a lack of awareness and understanding of costs, benefits and payback time of resource efficiency amongst the business base.
- Lack of certainty with regard to regulation and support mechanisms to encourage the up-take of renewable energy.

#### Opportunities
- Building upon current tourism and conference offer and forecast for the leisure economy.
- Major investment sites to meet diverse demand from new and existing companies.
- Economic potential of East Midlands Airport and High Speed 2.
- The development and investment plans of the universities.
- Improving digital connectivity.
- Linking with other LEP areas on key issues including the visitor economy, transport infrastructure and smart specialisation (advanced engineering and transport technologies for instance).
- Building on natural resources to secure opportunities for economic growth from the green economy.
- Overcrowding and costs of London.

#### Threats
- Capacity of transport network to accommodate future growth without affecting trade and commuting flows, air quality and safety.
- Intense competition from other areas to capture new development and inward investment.
- Population growth and trends, in particular an ageing population, will place additional demands on the supply of housing within the D2N2 area.
- Some vulnerability to localised flooding threatening the resilience of businesses, deliverability of some key sites and attractiveness of the city environment.
- Delivery of growth aspirations has the potential to impact on environmental conditions, through increased manufacturing activities, increased energy demands and increased commuter flows into major cities and on arterial routes.
- Costs of maintaining the natural environment and heritage assets, including the built environment.
- Economic gains relative to level of investment reducing private sector’s willingness to invest in resource efficiency measures.
Economic Growth Ambition

In headline terms, the D2N2 economy needs:

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

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

Where will the growth come from?

The additional jobs are likely to be created in a number of ways, including through start ups, spins outs, the expansion of indigenous firms, exporting and inward investment/foreign direct investment. There are a number of external influences which could impact upon these targets including the performance of the national economy, future national FDI (currently equivalent to circa 100,000 jobs per annum nationally) and Government policy and funding.

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

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

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

What this means for the D2N2 Growth Plan?

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

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

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

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

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

• Changing technologies, such as new materials and digital devices which are allowing regions to capitalise on high level technical expertise and enterprise to develop new areas of competitive advantage, not based on low costs. These trends are relevant to the advanced manufacturing and engineering businesses and digital industries. This reflects national policy from key organisations such as the Technology Strategy Board and the priorities in the Government’s Industrial Strategy.
• Growing global markets, with the increasing purchasing power of the developing economies opening up new markets in areas such as digital applications and healthcare, and a recovering Eurozone revitalising long established export and supply chain markets. This reflects national and international research on global markets and economic growth.
• Sustainable environment, with a greater recognition of the value of the environment and the need to respond positively to the challenge of climate change, leading to new commercial opportunities for a much more diverse range of businesses, including small, locally based companies. D2N2 has a strong
base of low carbon businesses as well a research expertise on which to build. This area strongly reflects EU and national policy on addressing the carbon challenge.

- **Graduate talent**, using the potential of D2N2’s large pool of young graduates and post graduates to support growth in established businesses in sectors such as creative industries and demand from fast growing SMEs for higher level skills, supported by intern and placement programmes, reflecting in part the Witty Review of the contributions of universities to economic development.

- **Location**, taking advantage of D2N2’s location at the heart of the UK, the strategic motorway network, strong rail connections and international connectivity through East Midlands Airport, and the ability to accommodate significant and varied investment in locations. D2N2 is an attractive location for Foreign Direct Investment (providing regular opportunities) and domestic investment in both manufacturing and service activities, including logistics.

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

**Barriers to Growth and Market Failures**

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

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

The barriers to growth and market failures include:

- The uncertainty of outcomes, time and developments costs of **undertaking innovation and commercialisation**, a key strand in improving productivity, and already recognised as a significant market failure in current EU Programmes.

- **Lack of information and knowledge** of University and other innovation and technical expertise to support product development and process improvements for many SMEs, particularly small manufacturing companies.

- Limited resources and expertise available to SMEs to **develop growth and business improvement plans**, another key strand in improving productivity, and exacerbated by the recession and low levels of economic growth of recent years.

- The uncertainty and perceived risk in **exporting**, particularly with regard to new markets, a key strand in maintaining manufacturing competitiveness and employment, and recognised by the work of UKTI.

- **Infrastructure costs and uncertainty over commercial returns** in terms of unlocking sites and providing premises such as grow on space and incubation facilities. Many bottlenecks are too costly to be undertaken by the private sector and too small to become a strategic transport priority.

- Market failure with regard to **sustainable development objectives**, with a number of outputs and outcomes regarded as social goods, rather than commercial activities which the private sector could undertake, and other key objectives requiring Government support (which changes over time and is dependent on policy initiatives).

- **Company reluctance to undertake and/or support training**, including apprenticeships, often fearing that better trained personnel will leave, and evidenced regularly in company skills surveys.

- **Lack of information and knowledge** of the training available locally and regionally.

- **Skills shortages**, particularly for technical skills, with many employers reluctant to invest as successful trainees are likely to leave and many positions need experienced personnel.

- **Young people**, where poor IAG leads to poor choices by the young person, reducing job opportunities, exacerbated by changes to the careers advisory system; youth unemployment in D2N2 is high.

There are a number of other barriers to economic growth, some of which relate to transport and the high costs of housing. These are the focus of the proposed interventions set out in the Implementation Plan that accompanies our Strategic Economic Plan.
3. The D2N2 Growth Vision

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

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

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

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

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

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

The primary target of the D2N2 Strategic Economic Plan is to support the creation of an additional 55,000 private sector employee jobs in D2N2 by 2023.

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

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

The Strategic Economic Plan will not be effective unless it is translated into action to support jobs and growth. D2N2 is a partnership, not an agency. Therefore the resources to deliver the majority of actions in support of our vision rest with partners within the LEP, Government and other organisations that affect business growth. In providing credible and compelling economic leadership, D2N2 will catalyse the resource of partners behind actions for growth and continue to demonstrate to Government and others the business case for investing for growth in D2N2. D2N2 will use the resources within its
control effectively to leverage investment and activity to support jobs and growth. The plan sets out how D2N2 LEP will inspire growth, our framework for long-term action and our short-term priorities. D2N2 will publish and regularly refresh a rolling 3-year Operational Plan that details the full range of activities, accountabilities and resources that it will pursue.

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

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

**D2N2 Priorities**

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

**Inspiring Local Priorities**

The D2N2 Strategic Economic Plan sets the framework for local growth strategies and plans in the D2N2 area. These local plans and the activity they set out support our vision to make D2N2 a more prosperous, better connected and increasingly resilient and competitive economy.

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

**Delivering In Urban and Rural Areas**

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

**Working with Other LEPs**

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

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

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

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

D2N2 has also identified eight priority sectors. These are the industrial sectors in which the D2N2 area is already strong or has the capacity to grow. They are:
• Transport Equipment Manufacturing;
• Life Sciences;
• Food and Drink Manufacturing;
• Construction;
• Visitor Economy;
• Transport and Logistics;
• Creative Industries; and
• Low Carbon Goods and Services.

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

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

D2N2 ESIF Core Delivery Principles
D2N2 ESIF Programme Board have agreed a set of Core Delivery Principles that define how it considers a good ESIF project should operate. They crystallise the preferred approach articulated in the D2N2 ESIF Strategy. D2N2 will consider how applications’ meet the Core Delivery Principles in formulating its commentary and advice on their local strategic fit.

1. **Impact and Scale**: D2N2 wishes to make fewer, larger ESIF awards of transformational impact and scale with the benefits of ESIF funding being available to individuals and business across the D2N2 area. We would wish applicants to demonstrate knowledge of the location and scale of their target beneficiary group or sector and how they will deliver high quality support to the greatest number of beneficiaries. Projects should ideally demonstrate positive economic benefits in both urban and rural areas. To achieve comprehensive impact applicants should demonstrate a clear rationale for their approach and potentially combine or align complementary delivery activities or collaborate with others to do so.

2. **Delivery Readiness**: We would expect applicants to clearly demonstrate the availability of match funding, where required, and their capacity to rapidly and effectively deliver the projects and programmes in their bid.

3. **Added Value**: Funded activity must not duplicate existing activity but demonstrate clear added economic and social value beyond what would normally be delivered. Good projects should demonstrate their strategic and operational fit with existing or planned delivery in the local area and extend the benefits of best practice provision.

4. **Local Value**: Applicants must be able to demonstrate how they will maximise the value of ESIF funding for the local economy. They must demonstrate knowledge of local needs and the marketplace that they wish to operate in, particularly demonstrating their capacity for local delivery, utilising local skills and intelligence and maximising the added value to the local economy.

5. **Quality, Performance and Efficiency**: D2N2 is committed to ensuring all ESIF funding provides an opportunity to enhance the quality of activities provided to individuals and businesses and will operate effective and robust performance management. We would expect applicants to demonstrate efficient operations with funding for delivery maximised and funding spent on administration or managing sub-contracting minimised.

6. **Strategic Partnerships and Co-ordination of Market Engagement**: Where applicants receive ESIF funding to engage with businesses and employers, to ensure that business engagement and marketing is undertaken in an efficient and effective manner, we would expect the funded delivery body to act as part of the ‘virtual team’ for the D2N2 Growth Hub.

7. **Flexibility and Responsiveness**: Applicants must be able to demonstrate how they will operate effectively and respond to changing and emerging needs to deliver the D2N2 economic strategy.
4 Investment Priorities

Approach to the use of EU Funds in D2N2
This section sets out D2N2’s propositions under each of the eligible Priority Axes identified in the ERDF and ESF Operational Programmes agreed between the European Commission and the UK Government. The propositions demonstrate how the overall programme’s vision and objectives will be achieved through a diverse programme of activities to support sustainable and inclusive economic growth in line with the D2N2 Strategic Economic Plan (2013-2023).

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

Allocations by Priority Axis and Investment Priority
D2N2 LEP considered a number of factors in advising the Managing Authorities on its preferred allocation of ERDF and ESF resources, including:

a. LEP Board priorities for the use of EU Investment Funds;
b. Fit with the Strategic Economic Plan objectives;
c. Findings from the D2N2 EU consultation processes;
d. The approach adopted to the opt-in process and financial instruments (which would affect the funding available for activity under certain themes, in particular Theme 3 SME Competitiveness);
e. The development of a Greater Nottingham focused ‘Sustainable Urban Development Strategy’ for an integrated place-based approach to the deployment of up to 10% of the notional allocation of ERDF funding; and
f. Other considerations, such as the availability of match funding and pipeline of potential projects.

For planning purposes the Committee has agreed that the notional allocation of €244m ERDF and ESF funding will be split approximately equally between ERDF and ESF funding. We wish to maintain the maximum possible flexibility in relation to these allocations, and propose to review the appropriate balance between ERDF and ESF on an annual basis.

D2N2 LEP Committee has agreed a balanced approach to the distribution of funds, with indicative allocations of funding to each of the eligible priority axes. The recommended approach involves using the ERDF funds in a way which promotes SME and knowledge driven economic growth, whilst also addressing infrastructure, ICT or low carbon growth needs. The use of ESF involves an emphasis on supporting the skills required for a higher value economy. ESF will also address disadvantage in the labour market and the D2N2 ESIF Committee advises that 20% of funds will be used on active social inclusion related activities.

Although the D2N2 ESIF Committee has indicatively allocated funding to specific priority axes, there are close alignments between the activities that will be supported within each axis and particularly between ERDF and ESF investment. We wish to retain the flexibility to use ESF to support investment in skills alongside the ERDF support provided to businesses through ERDF priority axes 1 – 4.

However, the Managing Authorities final allocation of funding to Priority Axes in LEP areas has been undertaken on an approximately pro-rata division of the England allocations and spend profiles in the final Operational Programmes. For several Priority Axes, this D2N2 allocation does not reflect the advice of the Committee on local strategic needs and priorities. The D2N2 preferred allocation and the national OP allocation are both presented in this Strategy.

The D2N2 ESIF Committee will continue to review and monitor local strategic priorities and the delivery of the programme and advise the Managing Authorities and the European Commission to secure a more locally appropriate allocation by Priority Axis, alongside further discussions about devolution of responsibility for ESIF decision-making to local areas.
The D2N2 Strategic Economic Plan places a significant emphasis on supporting the area’s SME base and the creation of higher value jobs in the private sector. Consequently, an enhanced allocation of ERDF funds under ERDF Priority Axis 3 both fits with the Strategic Economic Plan objectives and also provides the greatest flexibility by ensuring that any funding of ‘national’ business support products and use of financial instruments do not negatively impact on the availability of funding for other SME competitiveness activities. Innovation is also one of the Growth Plan’s four key themes, and 21% of ERDF funds are allocated to this theme.

In terms of the ESF funding, the focus of D2N2’s Strategic Economic Plan is on delivering higher value jobs in the private sector. The ESF funding must also be used to fund activities under four investment themes, two of which are under ESF Priority Axis 1. Consequently, the ESF programme is focused on promoting employment (ESF Priority Axis 1) and investment in education, skills and training (ESF Priority Axis 2). Recognising that the Growth Plan is also clear that the benefits of growth should be shared by all, as well as supporting people to achieve their potential, the D2N2 ESIF Committee would wish to allocate 20% of ESF funds to the active social inclusion Investment Priority (ESF Investment Priority 1.4).

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

Although the EU funding has been allocated to specific Priority Axes, there are close alignments between the activities that will be supported within each objective and particularly between ERDF and ESF investment. ESF investment in skills (at all levels) and employability will complement the ERDF support provided to businesses through ERDF Priority Axes 1–4, and there are strong synergies between the two ESF priority axes.
In addition, D2N2 has been allocated €6,898,081 of EAFRD, in addition to the ERDF and ESF allocations. The EAFRD funding can be used to fund four types of activities:

a. Building knowledge and skills in rural areas;

b. Funding new, and developing non-agricultural, micro, small and medium sized rural business;

c. Funding small scale renewable and broadband investments in rural areas; and

d. Supporting tourism activities in rural areas

These align closely with the activities we are proposing to fund through ERDF and ESF.

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

EAFRD funding will be focussed on two key areas – developing new and supporting existing non-agricultural businesses (Article 19, aligning with ERDF Priority Axes 1 and 3 and ESF Priority Axis); and ensuring that the roll-out of broadband covers all our rural areas through provision of innovative, community-based solutions in those parts of D2N2 not covered by the BDUK programme (Article 20, aligning with ERDF Priority Axis 2).
Priority Axis 1: Strengthening Research, Technological Development and Innovation

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

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

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

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

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

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

Smart Specialisation and Industrial Strategy
This Priority Axis will help contribute to key aspects of the Government’s Industrial Strategy notably the themes of support for sectors and the emerging and ‘eight great’ technologies. Of the 11 sectors mentioned in the Government’s Strategy, four are of particular relevance to D2N2. These include life science, aerospace, automotive and construction. For instance the Strategy for UK Life Science talks about building a life sciences eco system. This fits very well with our Innovation Priorities 1a and 1b, which will support innovation space and commercialisation activity (see later). We have a strong and diverse incubation offer as well as some nationally important assets/clusters including Bio City Nottingham and Rolls Royce Global Technology Cluster and a network of innovation centres. This provides us with a strong basis for further collaboration. Bio City Nottingham for example provides an international hub for entrepreneurial activity in the life sciences complementing the national aspiration to make the UK a global hub for life sciences.

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2 D2N2 is also supporting the Industry Strategy themes of skills and access to finance under ESF Priority Axes and 2 and ERDF Priority Axis 3.
In a similar vein supply chain competitiveness is a key UK theme for the UK Aerospace sector (see “Lifting Off: Implementing the Strategic Vision for UK Aerospace”). With over 700 companies in the supply chain Derby is at the heart of one of the largest clusters of aerospace companies in Europe. We are working with senior figures from Rolls-Royce and Toyota using RGF and other funding to help make the nation’s aerospace supply chain more competitive globally creating or supporting some 5,000 jobs over four years.

For each of D2N2’s priority sectors, we will publish an industry-led actions plan, setting out the support the sector needs to grow. Business networks are already active in the area including specialist sector based innovation collaborations in medicine and bioscience transport equipment and food and drink and will help inform these plans.

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

Our priorities for strengthening research, technological development, and innovation align with the framework for Smart Specialisation (the RIS3 agenda). Our strategy for innovation follows ‘the Four Cs of Smart Specialisation’:

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

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

**Addressing market failures and challenges**

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

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

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

**Objectives**

The headline aim of this Thematic Objective is to:

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

Specific objectives are:

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

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

**Eligible Activities by Investment Priority**

**INVESTMENT PRIORITY 1A:**
*Enhancing research and innovation (R&I) infrastructure and capacities to develop R&I excellence, and promoting centres of competence, in particular those of European interest*

- Specialist infrastructure/facilities/centres linked to smart specialisation including enhancements to science parks and to improve access to these facilities through digital and physical links;
- Investment in the development and upgrading of innovation space, with capability to serve as a platform or host for innovation and innovative relationships;
- Improved incubation space to enable research and development and innovation;
- Shared use research laboratories and facilities, particularly targeted at the Eight Great technologies as set out in “Smart Specialisation in England”;
- Development of enterprise, innovation and technology hubs and centres of excellence, in line with the approach set out in “Smart Specialisation in England”;
- Development and upgrading of appropriate test facilities and deployment infrastructure.
INVESTMENT PRIORITY 1B: *Promoting business investment in R&I*; developing links and synergies between enterprises, research and development centres and the Higher Education sector, in particular promoting investment in product and service development, technology transfer, social innovation, eco-innovation, public service applications, demand stimulation, networking, clusters and open innovation through smart specialisation; and supporting technological and applied research, pilot lines, early product validation actions, advance manufacturing capabilities and first production, in particular in key enabling technologies and diffusion of general purpose technologies.

- Support for smart specialisation collaborative and contract research and development including initiatives stimulating and facilitating productive innovation partnerships;
- Support for the commercialisation of new products and business processes and initiatives, particularly targeted to aid innovation in the Eight Great technologies as set out in “Smart Specialisation in England”;
- Collaborative and contract research and development programmes;
- Applied research programmes, particularly targeted at sectors and technologies set out in smart specialisation in England;
- Innovation vouchers for small and medium sized enterprises;
- Innovation support programmes for product design and development and systems integration;
- Initiatives simulating the demand for new or improved services, processes and products including business-led and public procurement programmes;
- Schemes providing practical, financial and material support for the innovation process within businesses;
- Schemes stimulating and enabling graduate start-up and spin out from universities, colleges and research institutions;
- Technology support programmes and demonstrator projects and programmes for current and future technologies;
- Knowledge transfer programmes, particularly linked to priority growth sectors and the technologies set out in Smart Specialisation in England;
- Support to engage more businesses in knowledge transfer and innovation, develop links to wider Higher Education institutions and research institutions and demonstrate the benefits of working with knowledge base partners;
- Support for innovation ecosystems including business-led networks and open innovation ecosystems that reduce the complexity of interaction within and between organisations;
- Activities promoting a smart specialisation approach and initiatives that develop the supportive environment for innovation in SMEs including the promotion of networks and industry groups in key sectors;
- Grants, loans and equity stakes to support businesses to develop prototypes and prove concepts to assist tech start-ups with early stage development work and the exploitation of intellectual property;
- Grants, loans and equity stakes to promote the use of social innovation to bring new products and processes to the market.

**Target beneficiaries**
The principal target beneficiaries for this Thematic Objective are:

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

**Finance**
Activities will be supported up to a maximum 50% intervention rate with match funding sources to include: Research Councils, HEFCE and universities; Academic Heath Science Networks; Technology Strategy Board\(^5\); Private Sector; Local authorities.

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

\(^5\) Subject to funding being secured through the TSB’s competitive processes
Output Targets

PA1: Strengthening Research, Technological Development and Innovation – Output Targets

<table>
<thead>
<tr>
<th>Ref</th>
<th>Indicator</th>
<th>LEP Preferred Target</th>
<th>National OP Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>C1</td>
<td>Number of enterprises receiving support.</td>
<td>1108</td>
<td>685</td>
</tr>
<tr>
<td>C26</td>
<td>Number of businesses cooperating with research entities.</td>
<td>185</td>
<td>370</td>
</tr>
<tr>
<td>C8</td>
<td>Employment increase in supported enterprises</td>
<td>397</td>
<td>54</td>
</tr>
<tr>
<td>C28</td>
<td>Number of enterprises supported to introduce new-to-the-market products.</td>
<td>31</td>
<td>54</td>
</tr>
<tr>
<td>C29</td>
<td>Number of enterprises supported to introduce new-to-the-firm products.</td>
<td>62</td>
<td>109</td>
</tr>
<tr>
<td>C2</td>
<td>Productive investment: Number of enterprises receiving grants</td>
<td>None set</td>
<td>480</td>
</tr>
<tr>
<td>C3</td>
<td>Productive investment: Number of enterprises receiving financial support other than grants</td>
<td>None set</td>
<td>12</td>
</tr>
<tr>
<td>C4</td>
<td>Productive investment: Number of enterprises receiving non-financial support</td>
<td>None set</td>
<td>167</td>
</tr>
<tr>
<td>C5</td>
<td>Productive investment: Number of new enterprises supported Final</td>
<td>None set</td>
<td>58</td>
</tr>
<tr>
<td>C6</td>
<td>Productive investment: Private investment matching public support to enterprises (grants)</td>
<td>None set</td>
<td>580,423</td>
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<tr>
<td>C7</td>
<td>Productive investment: Private investment matching public support to enterprises (non-grants)</td>
<td>None set</td>
<td>8,119,822</td>
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<tr>
<td>C25</td>
<td>Research, Innovation: Number of researchers working in improved research infrastructure facilities</td>
<td>None set</td>
<td>22</td>
</tr>
<tr>
<td>P1</td>
<td>Number of researchers working in improved research or innovation facilities</td>
<td>None set</td>
<td>44</td>
</tr>
<tr>
<td>P2</td>
<td>Public or commercial buildings built or renovated</td>
<td>None set</td>
<td>1,415</td>
</tr>
</tbody>
</table>

We have aggregated the outputs here from across all our ERDF operations. However, we recognise that the HMG targets are IP specific and it will be against that IP split that performance will be monitored by the Managing Authority.

Performance Framework Targets

<table>
<thead>
<tr>
<th>Indicator or key implementation step</th>
<th>Measurement unit, where appropriate</th>
<th>Milestone (2018)</th>
<th>Final target (2023)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Productive investment: Number of enterprises receiving support</td>
<td>Enterprises</td>
<td>#N/A</td>
<td>685</td>
</tr>
<tr>
<td>Expenditure</td>
<td>Euros</td>
<td>11,959,086</td>
<td>46,824,630</td>
</tr>
<tr>
<td>Number of enterprises receiving support that has been achieved by partially or fully completed operations Final</td>
<td>Number</td>
<td>171</td>
<td>#N/A</td>
</tr>
</tbody>
</table>
Priority Axis 2: Enhancing access to, and use and quality of, Information and Communication Technologies

Rationale
The D2N2 Strategic Economic Plan identifies that Technology is increasingly linked to economic competitiveness, and high levels of IT skills amongst the labour force and access to high speed broadband connections are playing an increasingly important role in the success of local economies. Digital connectivity is a vital utility for business and is fundamental to achieving economic growth. There are particular emerging opportunities from developments in technology and global demand, particularly linked to advanced manufacturing, Life Sciences and digital content.

Companies are using broadband to improve productivity through remote monitoring, logistics management and on line procurement and for providing services such as media content, on-line shopping and electronic banking. Research by the Federation of Small Business highlights that six in ten businesses in rural areas suffer with the slow speed of their broadband. European research suggests that for every 10% increase in broadband penetration, the economy grows by between 1% and 1.5%, while research by LSE concludes that half of Europe’s productivity gains in recent years can be attributed to IT investments.

Access to and effective use of high quality digital connectivity, including broadband, can stimulate company growth, market development, knowledge flows, new businesses and improved productivity as well as access to the labour market for specific excluded groups, such as carers and some disabled people. Broadband provides access to new technologies, allows companies to explore new business opportunities, access customers and obtain information about market prices.

Enhancing access to, and use and quality, of ICT covers not just broadband but the take up of a range of other technologies, including the use of big data and open data initiatives. Connectivity within the D2N2 area is better in urban areas, although speed has been insufficient in certain areas and in rural areas, the lack of high speed broadband has presented digital exclusion issues.

Improving digital connectivity is crucial to the future economic success of the D2N2 area and the area has two major Next Generation Access (NGA) Broadband programmes supported by BDUK (Broadband Delivery UK). The Better Broadband for Nottinghamshire (BBfN) Programme aims to achieve the best long term broadband coverage for Nottinghamshire. Nottinghamshire County Council, Government, ERDF and the district and borough councils have all contributed towards the infrastructure costs associated with delivering next generation broadband access. In Derbyshire a similar programme, Digital Derbyshire, aims to deliver superfast broadband (up to 30mbs) to 90% of premises and a minimum speed of 2mbs to the remaining 10% hard to reach areas.

Infrastructure alone will not deliver sustainable economic growth but businesses taking advantage of enhanced digital connectivity can support growth and productivity. Information asymmetry, where the benefits of adopting a specific technology/ICT are not yet fully understood by businesses, will constrain both demand for the service and levels of take up/investment. This market failure largely arises from users not being able to identify the return on their investment, with no experience of the service. There are additional issues linked to businesses not necessarily having the knowledge and the skills to maximise the benefits of the upgraded service when using it for the first time. This is acknowledged as a widespread issue in the e-skills Technology Insight report: ‘There is strong evidence that many firms, individuals and parts of the UK will continue to face difficulties exploiting ICT. Managers and leaders in every sector need to have the ability to fully exploit the strategic potential of technology and all individuals need the IT skills for full participation in employment and society’.

Better Broadband for Nottinghamshire and Digital Derbyshire have included elements of stimulating demand from businesses for digital connectivity and supporting them to take advantage of it. This call provides an opportunity to provide for enhanced support to SMEs and social enterprises to increase their use of broadband and other emerging technologies to broaden their product/service offer

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

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

If, during the programme, it becomes apparent that superfast or ultrafast broadband connectivity is required to enable SMEs to develop and grow, and the market or existing initiatives involving public funding are unable to deliver the necessary infrastructure, the partners in D2N2 will want to keep open the option of providing support for the required infrastructure investment using ERDF.

**Objectives**
The objectives of intervention under PA2 are to:

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

**Eligible Activities by Investment Priority**

*The focus of the D2N2 ESIF Strategy will be on activity under Investment Priority 2b, but if, during the programme, it becomes apparent that infrastructure investment is required and can be effectively supported by ERDF, then it will wish to retain the option to pursue activity under Investment Priority 2a.*

**Investment Priority 2a: Extending broadband deployment and the roll-out of high-speed networks and supporting the adoption of emerging technologies and networks for the digital economy**

- Providing financial support for projects to extend availability of superfast broadband networks;
- Providing financial support for projects to provide availability of ultrafast broadband networks.

**Investment Priority 2b: Developing ICT products and services, e-commerce, and enhancing demand for ICT**

- Support for SMEs to update or introduce new ICT business models which will drive business performance;
- Provision of coaching, advice, consultancy, mentoring and support for SMEs to access new markets through improved ICT connections;
- Provision of coaching, advice, consultancy, mentoring and support for SMEs to develop ICT skills strategies;
- Provision of coaching, advice, consultancy, mentoring and support for SMEs to implement productivity improvements from use of ICT;
- Demand-side voucher schemes;
- Demonstration and pilot projects, showcasing how SMEs can stimulate innovation through smart use of ICT;
- Support for diffusion of results from demonstration and pilot projects;
- Support for the integration of small and medium sized enterprises in digital supply chains through the smart use of ICT.

Activities will target SMEs, including Social Enterprises.

**Target beneficiaries**

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

**Finance**
It is anticipated that ERDF funds will be offered to a maximum of 50% of total project costs with match funding to be provided by a range of sources.

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

#### – Finance

<table>
<thead>
<tr>
<th></th>
<th>LEP Preferred Allocation</th>
<th>National OP Allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>ERDF</td>
<td>€12,533,415</td>
<td>€15,810,800.00</td>
</tr>
<tr>
<td>Public</td>
<td>€3,494,894.57</td>
<td>€4,408,780.77</td>
</tr>
<tr>
<td>Private</td>
<td>€9,038,520.43</td>
<td>€11,402,019.23</td>
</tr>
<tr>
<td>Total</td>
<td>€25,066,830</td>
<td>€31,621,600</td>
</tr>
</tbody>
</table>

#### Output Targets

**PA2: Enhancing access to, and use and quality of, Information and Communication Technologies – Output Targets**

<table>
<thead>
<tr>
<th>Ref</th>
<th>Indicator</th>
<th>LEP Preferred Target</th>
<th>National OP Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>C1</td>
<td>Number of enterprises receiving support.</td>
<td>1372</td>
<td>873</td>
</tr>
<tr>
<td>C5</td>
<td>Number of new enterprises supported.</td>
<td>274</td>
<td>236</td>
</tr>
<tr>
<td>C29</td>
<td>Number of enterprises supported to introduce new to the firm products</td>
<td>110</td>
<td>16</td>
</tr>
<tr>
<td>P4</td>
<td>Additional businesses taking up broadband with speeds of at least 30mbps</td>
<td>686</td>
<td>377</td>
</tr>
<tr>
<td>P3</td>
<td>Additional businesses with broadband access of at least 30mbps</td>
<td>None set</td>
<td>7852</td>
</tr>
</tbody>
</table>

We have aggregated the outputs here from across all our ERDF operations. However, we recognise that the HMG targets are IP specific and it will be against that IP split that performance will be monitored by the Managing Authority.

#### Performance Framework Targets

<table>
<thead>
<tr>
<th>Indicator or key implementation step</th>
<th>Measurement unit, where appropriate</th>
<th>Milestone (2018)</th>
<th>Final target (2023)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenditure</td>
<td>Euros</td>
<td>8,207,524</td>
<td>32,135,756</td>
</tr>
<tr>
<td>Additional businesses with broadband access of at least 30mbps</td>
<td>Enterprises</td>
<td>2,005</td>
<td>7,852</td>
</tr>
</tbody>
</table>
Priority Axis 3: Enhancing the Competitiveness of Small and Medium Enterprises

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

D2N2 Businesses by Size-band 2011

<table>
<thead>
<tr>
<th>Business size</th>
<th>No.</th>
<th>% of businesses</th>
<th>% of employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro (1-9 employees)</td>
<td>52,430</td>
<td>87%</td>
<td>20%</td>
</tr>
<tr>
<td>Small (10-49 employees)</td>
<td>6,225</td>
<td>10%</td>
<td>26%</td>
</tr>
<tr>
<td>Medium (50-249 employees)</td>
<td>1,080</td>
<td>2%</td>
<td>25%</td>
</tr>
<tr>
<td>Large (250+ employees)</td>
<td>260</td>
<td>0.4%</td>
<td>29%</td>
</tr>
</tbody>
</table>

Source: UK Business: Size, Activity, Location

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

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

The D2N2 Growth Hub
The D2N2 Business Growth Hub draws business support activity together by providing a telephone helpline; on line service (www.d2n2growthhub.co.uk) with a range of professional business advisers available to provide a bespoke diagnostic and growth package for businesses. Its aim is to simplify the business support offer of many local and national partners to provide a better offer to businesses. In providing co-ordination to market engagement and tackling information asymmetry, the D2N2 Growth Hub plays a key role in increasing the effectiveness of ERDF funded activities to promote SME competitiveness. Local partners in D2N2 would expect ERDF applicants to demonstrate how their proposal will effectively engage with the D2N2 Growth Hub.

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

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

**Market Opportunity**

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

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

**Financial Instruments**

D2N2 is working collaboratively with other Local Enterprise Partnerships (LEPs) in the East and South-East Midlands, as well as stakeholders such as the British Business Bank and DCLG, to develop a new fund-of-funds in the region. This recognises that access to finance remains a constraint to business formation, development and growth. The LEPs have already invested in research and analysis of market failure for SME finance in the region. However, the Block 1 ex-ante assessment indicated that further work was necessary to pinpoint the areas in which investment in Financial Instruments (FIs) was justified.

Blue Sky Corporate Finance has recently been commissioned to support the LEPs with this work, which is being funded by the British Business Bank through a £100k contribution from the former RDA legacy funds. SME surveys provide useful data but given that just 25% of SMEs seek finance at any single point in time, it can be difficult to identify a sample that have had recent enough experience upon which to base any objective conclusions. Among those that do seek finance, they may be hampered by a lack of experience and the financial competence necessary to reassure funders. The objectivity of responses may also be affected by the outturn of any search for finance – those SMEs that were declined, may naturally become disaffected by the process, which in turn may indeed influence when and whether they re-enter the finance market in the future.

Therefore, the LEPs have undertaken a limited qualitative survey of business intermediaries that have both live contacts in regional SME markets and an oversight of prevailing business conditions and this survey will help to test and confirm the conclusions of the earlier research and analysis and the Block 1 ex-ante assessment. In turn, this will support the construction of a sound Investment Strategy. The approach of using such a survey in other regions has made a strong positive impact and is highly cost effective, as it has brought evidence to the table rather than just assertions from stakeholders.

The survey and earlier research and analysis will support an analysis of the options for implementation, range of products to be supported, including the type of investment intervention (debt, equity, mezzanine and / or loan guarantees), the case for and against sectorally focussed funds, optimum fund sizes, any geographical (LEP) focus and the evidence supporting the likely outcomes of these options. Outcomes will be considered in terms of both economic deliverables and likely financial returns. The various option approaches will also be tested with the European Investment Fund (EIF) informally and in real terms before an optimum approach, including possible operating models and structures, is recommended. The recommendation will also seek to deal with LEP specific priorities and how these are best served by the proposed model and structure, the scope for local partnership leadership to be involved in the development, management and monitoring of the performance of the proposed structure, and how LEP targets will be set, measured and monitored.

The report itself will lead on to the development of an Investment Strategy which will not only match the Block 1 ex-ante assessment proposals against LEP investment priorities but also define a workable business plan (with assumptions), which can deliver the different needs identified by the LEPs and other stakeholders, such as the British Business Bank and DCLG. The Investment Strategy will be subject to consultation with these stakeholders before being submitted to the EIF as part of the Block 2 ex-ante assessment.
In parallel with the Block 2 ex-ante assessment that will be carried out by the EIF, a detailed business plan and financial model will, then, be developed which satisfies LEP investment priorities and the objectives of the other stakeholders, as well as making a substantial impact on growing SMEs in the East and South-East Midlands. The plan and model will also take into account the implications of compliance with State Aid, COCOF, the FCA and other regulations and regulatory bodies.

An agreed detailed business plan and financial model is due to be delivered by Blue Sky Corporate Finance by 31 January 2016, in order to enable any fund procurement process to commence by 31 March 2015.

Objectives
The objectives of this thematic objective are to:

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

Eligible Activities by Investment Priority

Investment Priority 3A:
Promoting entrepreneurship, in particular by facilitating the economic exploitation of new ideas and fostering the creation of new firms, including through business incubators.

- Targeted engagement, outreach and mentoring to strengthen entrepreneurial and enterprise culture;
- Provision of advice and support for entrepreneurship and self-employment in particular amongst under-represented groups by developing entrepreneurial skills and attitudes with a focus on increasing the number of business start-ups;
- Provision of advice and support for new business start-ups to survive and grow;
- Support to address market failures in the provision of start-up finance, e.g. seed finance, start-up loans;
- Outreach, coaching, mentoring, networking and consultancy support to promote business start-up, survival and growth;
- Grants to support productive investment;
- Provision of non-grant finance to support start-ups or entrepreneurs where there is a clearly evidenced market failure, for example:
  - Early stage growth, Equity, quasi-Equity, Loan or Mezzanine funds;
  - Microloan funds delivered by Community Development Finance Institutions; and
  - Proof of Concept funds.
- Provision of land and premises for employment sites including incubator space, managed workspace, or grow-on space.

Operations will support individuals with ambitions to start up a business, and SMEs in the early stage of operation. These include social enterprises and those wishing to set up social enterprises.

Investment Priority 3C:
Supporting the creation and the extension of advanced capacities for products, services and development

Provision of advice to develop new business models or higher quality products, processes or services;

- Advice and support for businesses to implement productivity improvements including through the provision of resource efficiency advice;
- Advice to improve business processes and workforce development;
- Advice and support for supply chain interventions to strengthen and grow the domestic supplier base;
- Attracting new foreign direct investment into England through, for example, promotion of business collaborations (SME to Prime/Original Equipment Manufacturers, SME to SME), supply chain
initiatives, sectoral and research and innovation propositions linked to smart specialisation and “soft landings”; (The terminology is widely used in FDI contexts. “Soft landings” are outlined here - http://www.know-hub.eu/knowledge-base/videos/soft-landing-scheme.html)

- Ensuring SMEs have access to sufficient levels of finance to implement their growth plans, including appropriate capital investment for premises and equipment to help build capacity;
- Provision of advice, consultancy support, mentoring, peer to peer support, and support for collaborative projects;
- Grant finance for business to invest for product, process and service improvements;
- Provision of non-grant finance where there is a clearly evidenced market failure, for example: co-investment funds, e.g. for angel investment, venture capital or debt finance;
- Early stage growth, Equity, quasi-Equity, Loan, guarantees or Mezzanine funds, seed capital;
- Guarantee funds or interest rate subsidies;
- Microloan funds delivered by Community Development Finance Institutions;
- Proof of concept funds.

- Provision of independent access to finance advice;
- Provision of land and premises for employment sites, including incubation space, managed workspace, or grow-on space.
- Activities will target domestic and foreign-owned Small and Medium Sized Enterprises, including social enterprises.

**Investment Priority 3D:**

*Supporting the capacity of small and medium sized enterprises to grow in regional, national and international markets and to engage in innovation processes*

Provision of efficient local referral routes to ensure that SMEs are able to identify and access the most appropriate and tailored support for their specific growth needs;
- Support SMEs to develop focused growth strategies and update or introduce new business models which will drive business performance;
- Attracting new business investments to England, including through, for example, cluster and sector initiatives, collaborations with trade associations and inward missions;
- Advice and support for SMEs to enter, establish and expand in new domestic and international markets;
- Advice and support for businesses to become investment ready;
- Provision of advice, consultancy, mentoring and peer-to-peer support to indigenous businesses and inward investors (SMEs from outside the EU who will move to England);
- Leadership and management coaching where connected to the development and implementation of a business growth plan;
- Support events, trade fairs and missions to enable SMEs to enter, establish and expand in new domestic and international markets;
- Targeted grant schemes to support productive investment;
- Provision of advice and consultancy on access to finance.

**Target beneficiaries**

The main target beneficiaries for support under this theme across are as follows:
- Owner-managers of SMEs.
- Managers of Social Enterprises.
- Entrepreneurs.

**Finance**

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

<table>
<thead>
<tr>
<th>PA 3 Enhancing the Competitiveness of Small and Medium Enterprises – Finance</th>
</tr>
</thead>
<tbody>
<tr>
<td>LEP Preferred Allocation</td>
</tr>
<tr>
<td>ERDF</td>
</tr>
</tbody>
</table>
Output Targets

PA3 Enhancing the Competitiveness of Small and Medium Enterprises – Output Targets

<table>
<thead>
<tr>
<th>Ref</th>
<th>Indicator</th>
</tr>
</thead>
<tbody>
<tr>
<td>C1</td>
<td>Number of enterprises receiving support.</td>
</tr>
<tr>
<td>C5</td>
<td>Number of new enterprises supported.</td>
</tr>
<tr>
<td>C8</td>
<td>Employment increase in supported enterprises.</td>
</tr>
<tr>
<td>P13</td>
<td>IDB</td>
</tr>
<tr>
<td>C28</td>
<td>Number of enterprises supported to introduce new-to-the-market products.</td>
</tr>
<tr>
<td>C29</td>
<td>Number of enterprises supported to introduce new-to-the-firm products.</td>
</tr>
<tr>
<td>C3</td>
<td>Productive investment: Number of enterprises receiving financial support other than grants</td>
</tr>
<tr>
<td>C4</td>
<td>Productive investment: Number of enterprises receiving non-financial support</td>
</tr>
<tr>
<td>C6</td>
<td>Productive investment: Private investment matching public support to enterprises (grants)</td>
</tr>
<tr>
<td>C7</td>
<td>Productive investment: Private investment matching public support to enterprises (non-grants)</td>
</tr>
<tr>
<td>P2</td>
<td>Public or commercial buildings built or renovated</td>
</tr>
<tr>
<td>P11</td>
<td>Number of potential entrepreneurs assisted to be enterprise ready</td>
</tr>
</tbody>
</table>

We have aggregated the outputs here from across all our ERDF operations. However, we recognise that the HMG targets are IP specific and it will be against that IP split that performance will be monitored by the Managing Authority.

Performance Framework Targets

<table>
<thead>
<tr>
<th>Indicator or key implementation step</th>
<th>Measurement unit, where appropriate</th>
<th>Milestone (2018)</th>
<th>Final target (2023)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Productive investment: Number of enterprises receiving support</td>
<td>Enterprises</td>
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<td>2,890</td>
</tr>
<tr>
<td>Expenditure</td>
<td>Euros</td>
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<td>90,698,918</td>
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<tr>
<td>Number of enterprises receiving support that has been achieved by partially or fully completed operations Final</td>
<td>Number</td>
<td>749</td>
<td>#N/A</td>
</tr>
</tbody>
</table>
Priority Axis 4: Supporting the Shift towards a Low Carbon Economy in All Sectors

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

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

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

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

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

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

Key sectors and opportunities include:

- **Power Generation** Traditionally fuelled by the coalfields of Derbyshire and Nottinghamshire, where power stations continue to contribute a significant amount of the UK’s generating capacity. Major gas fired power station development nearby in Burton-on-Trent’s is likely to provide opportunities for D2N2 businesses. The renewables sector is less significant in the D2N2 area due to natural assets. Wind power is limited but there is more hydropower. The Energy Technology Research Institute at the University of Nottingham is a key research centre for research into biomass and solar technologies.

- **Low Carbon Buildings Construction** is a major activity, and identified growth sector, within the D2N2 economy and there are a number of companies involved in the sustainable construction sector. There is a Sustainable Technologies Group at the University of Nottingham focused on research into sustainable building design, photovoltaics, solar thermal systems, earth construction and biomass.

- **Carbon Capture and Storage** The carbon capture and storage sector is an emerging sub-sector within D2N2 and has potential with a number of key research assets including the British Geological...
Survey, a European centre of excellence into carbon dioxide storage, and the University of Nottingham Centre for Innovation in Carbon Capture Storage and the Energy Technologies Research Institute.

- **Low Carbon Vehicles and Fuels:** This includes all sectors associated with alternative vehicles (e.g. hybrid and electrical vehicles), fuel cells and other alternative fuel technologies. The share of the market for these types of vehicles is still small but growing. Research is also undertaken by the Advanced Materials Research Group and the Hydrogen Storage Group at the University of Nottingham.

- **Environmental Services:** Includes activities related to air pollution, environmental consultancy, environmental monitoring, noise and vibration control, contaminated land, waste management, water and waste water, carbon finance and recycling and recovery. The area’s universities (Derby, Nottingham and Nottingham Trent) all have research interests in these areas.

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

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

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

**Objectives**
The headline objective of this Priority Axis is to:

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

Specific objectives underpinning this include:

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

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

**Eligible activities by Investment Priority**

**Investment Priority 4A: Promoting the production and distribution of energy derived from renewable sources**

- Measures to support increased production of renewable fuels and energy, in particular wind energy, solar and biomass;
- Support to build capability and capacity for supply chains in renewable energy;
- Demonstration and deployment of renewable energy technologies;
- Measures to support the wider deployment of renewable heat, including micro-generation, geothermal, renewable heat networks or district heating, ground source and air source heat pumps,
and biomass systems with associated heat off-take and heat distribution networks along with recycling processing reprocessing and remanufacturing facilities; and
- Anaerobic digestion plants and other biomass or landfill gas schemes.

**Investment Priority 4b: Promoting energy efficiency and renewable energy use in enterprises**
- Enhanced advice, support, information and action to promote innovation in businesses and how they operate, in order to deliver best practice in energy management. This will include innovation in energy efficiency and energy cost reduction to improve businesses’ competitiveness and resilience;
- Support to businesses to undertake ‘green’ diagnostics or audits of energy efficiency and potential for renewable generation and energy use, which will be followed by provision of energy efficiency information and guidance, tailored energy action plans and of support to implement them;
- Investing in energy efficiency measures, processes and renewable generation capacity to improve a business’ or building’s environmental performance or its resilience to the impacts of climate change;
- Investing in measures to stimulate cost-effective deep renovations of buildings, including staged deep renovations;
- Supporting an increase in energy efficiency in enterprises including an emphasis on “whole place” especially through improving industrial processes, designing out waste, recovery of “waste” heat energy and CHP;
- Supporting increased SME access to national and local government procured contracts for energy efficient goods and services;
- Developing low carbon innovation in relation to energy efficiency within enterprises, including through technologies and engagement practices;
- Building retrofit and energy efficiency measures, especially whole building solutions to exemplify, and support the commercialisation of, next phase

**Investment Priority 4c: Supporting energy efficiency, smart energy management and renewable energy use in public infrastructure, including in public buildings, and in the housing sector**
- Provision of advice and support to increase the use and take up of low carbon technologies, energy efficiency measures, renewable energy technologies and smart energy systems in housing stock and public buildings;
- Supporting low carbon innovation in relation to the integrated ‘whole place’ energy management approach including energy waste and re-use;
- Investing in building retrofit, energy efficiency measures, renewable and smart energy systems deployment, especially whole building or place solutions exemplifying next phase technologies which are near to market;
- Investing in domestic energy efficiency, renewable energy and smart construction techniques;
- Investment in the development and wider use of Energy Performance Contracting in the public buildings and housing sectors.

**Investment Priority 4e: Promoting low-carbon strategies for all types of territories, in particular for urban areas, including the promotion of sustainable multimodal urban mobility and mitigation-relevant adaptation measures**
- investments in local/regional smart grid demonstration projects, including validation and solving system integration issues;
- sustainable energy action plans for urban areas, including public lighting systems, smart metering and distribution through smart grids;
- Investments in combined heat and power from renewable sources;
- Investments to encourage the adoption of renewable technologies.

A strategic approach is particularly important in the area of low carbon transport, whether for sustainable urban mobility, or improving links between urban and rural areas, or connecting dispersed rural communities. Eligible actions include:
- investments in actions aimed at improving the capacity at local level to develop and implement integrated and sustainable transport strategies and plans (including for example actions related to modelling data collection, integrated transport management, operations and services, public consultation etc) to reduce transport related air pollution, in particular retrofit or replacement
programmes for bus fleets, incentive schemes for cleaner transport, improved public transport infrastructure and alternative forms of transport;

- investments in actions aimed at introducing innovative environmentally-friendly and low-carbon technologies (for example, alternative fuel stations or charging points);
- investments in actions aimed at developing innovative and multi-modal transport services (for example, intelligent transport systems for travel information and planning, traffic and demand management, smart ticketing, multimodal integrated datasets or cooperative systems);
- innovative transport pricing and user charging systems;
- cycle paths, walkways and waterways only where part of an integrated approach to GHG reductions.

**Investment priority 4f: Promoting research and innovation in, and adoption of, low-carbon technologies**

- R&D, innovation and supply chain work for low carbon technologies and materials, including, wave and wind energy, smart grids, distributed generation, solar and photovoltaics, heat networks, heat pumps and low carbon heat for energy intensive industries;
- Research underpinning carbon capture and storage, taking account of the restrictions laid down in Article 3.3.b of the ERDF Regulation;114
- Technology centres of excellence and test facilities, including relevant Catapult centres;
- Renewable technologies in the UK renewable energy roadmap;
- Research, development, demonstration and adoption of technologies and systems that support low-energy transport and accelerate the establishment of new technologies such as low emissions vehicles (electric, hybrid and hydrogen);
- Knowledge transfer with Higher Education/Further Education institutions and Businesses;
- Supporting low carbon tech start-ups and greater commercialisation of low carbon products and processes;
- Developing financing methods that encourage the adoption of proven low carbon technologies and generate long-term financial savings;
- Demonstration and deployment of decentralised renewable energy technologies;
- Research, development and innovation and supply chain development for low carbon and resource efficient technologies and materials (including small scale pilot programmes that test the market with new low carbon solutions and the use of secondary materials).

**Target beneficiaries**
The main targets for this priority are as follows:

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

**Finance**
Activities will be supported up to a maximum 50% intervention rate. A wide range of match funding sources are in place including:

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

<table>
<thead>
<tr>
<th>PA4: Supporting the Shift towards a Low Carbon Economy in All Sectors – Finance</th>
<th>LEP Preferred Allocation</th>
<th>National OP Allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>ERDF</td>
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<td>€29,011,892.00</td>
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<tr>
<td>Public</td>
<td>€9,594,958.85</td>
<td>€11,105,030.43</td>
</tr>
<tr>
<td>Private</td>
<td>€15,471,871.15</td>
<td>€17,906,861.57</td>
</tr>
<tr>
<td>Total</td>
<td>€50,133,660</td>
<td>€58,023,784</td>
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Output Targets

Priority Axis 4: Supporting the Shift towards a Low Carbon Economy in All Sectors—Output Targets

<table>
<thead>
<tr>
<th>Ref</th>
<th>Indicator</th>
<th>LEP Preferred Target</th>
<th>National OP Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>C1</td>
<td>Number of enterprises receiving support.</td>
<td>2027</td>
<td>1184</td>
</tr>
<tr>
<td>C5</td>
<td>Number of new enterprises supported.</td>
<td>105</td>
<td>20</td>
</tr>
<tr>
<td>C26</td>
<td>Number of businesses cooperating with research institutions.</td>
<td>36</td>
<td>6</td>
</tr>
<tr>
<td>C29</td>
<td>Number of enterprises supported to introduce new-to-the-firm products.</td>
<td>39</td>
<td>10</td>
</tr>
<tr>
<td>C34</td>
<td>GHG reduction: Estimated annual decrease of GHG Final</td>
<td>15,573</td>
<td>14954</td>
</tr>
<tr>
<td>C30</td>
<td>Renewables: Additional capacity of renewable energy production Final</td>
<td>None set</td>
<td>5 mw</td>
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<tr>
<td>C31</td>
<td>Energy efficiency: Number of households with improved energy consumption classification</td>
<td>None set</td>
<td>211</td>
</tr>
<tr>
<td>C32</td>
<td>Energy efficiency: Decrease of annual primary energy consumption of public buildings (KWpa)</td>
<td>None set</td>
<td>203,221</td>
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We have aggregated the outputs here from across all our ERDF operations. However, we recognise that the HMG targets are IP specific and it will be against that IP split that performance will be monitored by the Managing Authority.

Performance Framework Targets

<table>
<thead>
<tr>
<th>Indicator or key implementation step</th>
<th>Measurement unit, where appropriate</th>
<th>Milestone (2018)</th>
<th>Final target (2023)</th>
</tr>
</thead>
<tbody>
<tr>
<td>GHG reduction: Estimated annual decrease of GHG</td>
<td>Tonnes of CO2eq</td>
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<td>14,217</td>
</tr>
<tr>
<td>Expenditure</td>
<td>Euros</td>
<td>14,847,321</td>
<td>58,133,231</td>
</tr>
<tr>
<td>Number of enterprises receiving support that has been achieved by partially or fully completed operations Final</td>
<td>Number</td>
<td>153</td>
<td>#N/A</td>
</tr>
</tbody>
</table>
Priority Axis 5: Promoting Climate Change Adaptation, Risk Prevention and Management

Rationale

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

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

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

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

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

Addressing market failures and challenges

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

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

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

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

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

The ERDF Operational Programme specifies that investment under this Priority Axis is targeted into areas of where exposure to flood risk, the impacts of climate change and related constraints on economic growth are most significant. Within D2N2 the priority area is the Lower Derwent (Derby).

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

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

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

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

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

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

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

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

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

**Objectives**

The objective of this priority axis is to:
Invest in flood management measures that allow D2N2 to continue to deliver its economic development aspirations.

Eligible activities by Investment Priority

Investment Priority 5b: promoting investment to address specific risks, ensuring disaster resilience and developing disaster management systems;

The types of actions can be broken down into 2 headings relevant for D2N2, Fluvial Risk Management and Surface Water Run-off and Drainage Systems. The Operational Programme indicates that in many contexts it will require a combination of measures to address an interaction of sources of risk to deliver the specific objective.

Fluvial risk management
- onsite or upstream attenuation and slowing the flow measures;
- diversion channels;
- raising strengthening and/or extending river walls and frontages;
- fixed and temporary barriers and gates;
- stepped back embankments;
- resilience measures for business infrastructure, including for example wet or dry flood-proofing;
- river restoration and improved conveyance measures.

Surface water run-off and drainage systems
- integration, including retrofitting, of surface water and run off management measures into urban and commercial redevelopments;
- innovative measures in contexts where flood risk and land management relies on pumping and inter-relates with drainage.

Across all both types of activity, there may be actions to promote knowledge transfer and exchange of information relating to adaptations to climate change, risk management and resilience.

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

Finance
These funds will be awarded up to a maximum intervention rate of 50% (although in some cases it may be much lower) with match funding sources anticipated to include public sector only (reflecting the difficulties in securing Partnership Funding from private sector sources for economic development activities in areas where the commercial property market is weak).

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

<table>
<thead>
<tr>
<th>Priority Axis 5: Promoting Climate Change Adaptation, Risk Prevention and Management – Finance</th>
<th>LEP Preferred Allocation</th>
<th>National OP Allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>ERDF</td>
<td>€6,266,707</td>
<td>€6,341,275.00</td>
</tr>
<tr>
<td>Public</td>
<td>€6,266,707</td>
<td>€6,341,275.00</td>
</tr>
<tr>
<td>Total</td>
<td>€12,533,414</td>
<td>€12,682,550</td>
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</tbody>
</table>
Output Targets

PA5: Promoting Climate Change Adaptation, Risk Prevention and Management– Output Targets

<table>
<thead>
<tr>
<th>Ref</th>
<th>Indicator</th>
<th>LEP Preferred Target</th>
<th>National OP Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>P6</td>
<td>Businesses and properties with reduced flood risk</td>
<td>2000</td>
<td>2617</td>
</tr>
<tr>
<td>C23</td>
<td>Nature and biodiversity: Surface area of habitats supported to attain a better conservation status</td>
<td>None set</td>
<td>2ha</td>
</tr>
</tbody>
</table>

We have aggregated the outputs here from across all our ERDF operations. However, we recognise that the HMG targets are IP specific and it will be against that IP split that performance will be monitored by the Managing Authority.

Performance Framework Targets

<table>
<thead>
<tr>
<th>Indicator or key implementation step</th>
<th>Measurement unit, where appropriate</th>
<th>Milestone (2018)</th>
<th>Final target (2023)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenditure</td>
<td>Euros</td>
<td>3,239,144</td>
<td>12,682,550</td>
</tr>
<tr>
<td>Percentage of schemes in place</td>
<td>Percentage</td>
<td>24</td>
<td>#N/A</td>
</tr>
<tr>
<td>Businesses and properties with reduced flood risk</td>
<td>Number</td>
<td>#N/A</td>
<td>2,617</td>
</tr>
</tbody>
</table>
Priority Axis 6: Protecting the Environment and Promoting Resource Efficiency

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

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

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

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

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

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

Objectives
The objectives of Priority Axis 6 are therefore to:

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

Eligible Activities by Investment Priority
Investment Priority 6d- Protecting and restoring biodiversity and soil and promoting ecosystem services, including through Natura 2000, and green infrastructure
• Investment in green and blue infrastructure such as green corridors in urban areas and waterways;
• Sustainable drainage to improve water quality and in some cases local air quality.

Investment Priority 6f - Promoting innovative technologies to improve environmental protection and resource efficiency in the waste sector, water sector and with regard to soil, or to reduce air pollution
• Provision of support and advice for businesses in the adoption of innovative technologies and processes for the management and reuse of energy, materials, water and waste (including recycling and recovery);
• Provision of support for the piloting and demonstration of innovative technologies to promote resource efficiency in order to encourage their greater take-up.

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

Finance
ERDF will support up to a maximum of 50% of project costs with the balance to be supported by match funding.

<table>
<thead>
<tr>
<th>PA6: Protecting the Environment and Promoting Resource Efficiency – Finance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>LEP Preferred Allocation</strong></td>
</tr>
<tr>
<td>ERDF</td>
</tr>
<tr>
<td>Public</td>
</tr>
<tr>
<td>Private</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>

Output Targets

**PA6: Protecting the Environment and Promoting Resource Efficiency: Output Targets**

<table>
<thead>
<tr>
<th>Ref</th>
<th>Indicator</th>
<th><strong>LEP Preferred Target</strong></th>
<th><strong>National OP Target</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>C1</td>
<td>Number of enterprises receiving support.</td>
<td>324</td>
<td>156</td>
</tr>
<tr>
<td>C5</td>
<td>Number of new enterprises supported</td>
<td>65</td>
<td>31</td>
</tr>
<tr>
<td>C23</td>
<td>Habitats with better conservation status (hectares)</td>
<td>144</td>
<td>148</td>
</tr>
<tr>
<td>C29</td>
<td>Number of enterprises supported to introduce new-to-the-firm products.</td>
<td>26</td>
<td>25</td>
</tr>
<tr>
<td>C22</td>
<td>Land rehabilitation: Total surface area of rehabilitated land (hectares)</td>
<td>None set</td>
<td>2</td>
</tr>
</tbody>
</table>

We have aggregated the outputs here from across all our ERDF operations. However, we recognise that the HMG targets are IP specific and it will be against that IP split that performance will be monitored by the Managing Authority.

Performance Framework Targets

<table>
<thead>
<tr>
<th>Indicator or key implementation step</th>
<th>Measurement unit, where appropriate</th>
<th><strong>Milestone (2018)</strong></th>
<th><strong>Final target (2023)</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Nature and biodiversity: Surface area of habitats supported to attain a better conservation status</td>
<td>Hectares</td>
<td>#N/A</td>
<td>143</td>
</tr>
<tr>
<td>Expenditure</td>
<td>Euros</td>
<td>2,764,986</td>
<td>10,826,030</td>
</tr>
<tr>
<td>Surface area of habitats supported in order to attain a better conservation status that has been achieved by partially or fully completed operations</td>
<td>Hectare</td>
<td>18</td>
<td>#N/A</td>
</tr>
</tbody>
</table>
The European Social Fund: Promoting Employment, Skills and Social Inclusion

Skills for business and employment are seen by D2N2 LEP as one of its areas of focus. This is reflected in the coverage and ambition of our Skills for Growth Strategy and Action Plan (published October 2013). Its six key priorities focus on skills for employment and business growth – finding the right people with the right skills is a critical ingredient for business and economic growth, and fundamental to getting more people into work and making progress within work. The D2N2 ESIF Strategy therefore brings together the rationale for investing in employment, skills and social inclusion through ESF (European Social Fund) Priority Axes 1 and 2, with a focus on progression towards, into and within the labour market.

Rationale: Employment and Skills for Growth

Employment and skills are a cornerstone of D2N2's Strategic Economic Plan and we are committed to increasing the number of jobs within the economy and ensuring that our businesses can access the skilled workers they need, both now and in the future. The ESIF strategy will enable us to support interventions to increase employment and skills at all levels and across the D2N2 area, recognising the need both for higher level skills but also for entry-level and employability skills to ensure people are able to access employment opportunities and progress within the labour market. The strategy will also help those furthest from the labour market move closer to employment.

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

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

<table>
<thead>
<tr>
<th>D2N2 Skills for Growth Priorities</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Develop sector growth agreements to ensure clear ownership and responsibilities for investment, ICT, labour market intelligence and impact measures</td>
</tr>
<tr>
<td>2. Improve business leadership, management skills and training to increase productivity and performance</td>
</tr>
<tr>
<td>3. Promote/d develop apprenticeships and traineeships to achieve higher level skills and improve social mobility</td>
</tr>
<tr>
<td>4. Foster enterprise and the characteristics of entrepreneurial behaviour, career adaptability and resilience</td>
</tr>
<tr>
<td>5. Raise the visibility of and access to career insights and specialist careers support for young people and adults to raise aspirations, participation, retention and achievement in learning and work</td>
</tr>
<tr>
<td>6. Promote graduate recruitment and facilitate graduate retention in the region</td>
</tr>
</tbody>
</table>

Sector Growth Agreements: evidence from the OECD demonstrates that economies that have a good match between the skills that people have to offer and those in demand by employers are more productive. Putting employers at the heart of the skills system will ensure that provision responds directly to employer needs, and ensure residents are equipped with the skills they need to take advantage of the economic opportunities being created in D2N2. Our development of Sector Growth Agreements reflects this important priority. It will be taken forward in full cognisance of the Government’s Employer Ownership Pilot programme, in order to avoid duplication and ensure the focus is on filling gaps and tackling issues in our priority sectors.
**Business skills to increase productivity and performance:** skills at all levels are valued by employers, many of which (such as team working and communication) are not well reflected by qualifications. Higher level skills in areas such as business management, leadership, communication and marketing skills are vital to improving business competitiveness. However, SMEs and microbusinesses are less likely to invest in training than larger companies, and additional support is required to ensure that training needs within SMEs are identified and met. The D2N2 partners are clear that ESF needs to be used to support the development of higher level skills where there is a clear market failure; where limited uptake is constraining economic growth; and where there is a clear link to our overall strategic objectives.

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

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

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

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

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

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

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

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

**Tackling Poverty**

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

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

**Working with Troubled Families**

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

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

**Overcoming Barriers to Employment**

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

These and other groups need intensive support to prepare them for work, help them to find it then to retain it. The group of people who must overcome barriers to gain and keep employment is diverse with a range of
characteristics. They include young people with no qualifications or experience, lone parents with childcare responsibilities, people with mental health problems who may not be able to work full time, ex-offenders and substance misusers who may have a poor work history, homeless people with no permanent base and older people who face discrimination. In each case there is a specific issue or combination of personal circumstances, sometimes exacerbated by prejudice that requires a personalised response.

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

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

Simplification of the benefits system to provide individuals and families with a single payment (the Universal Credit) marks a significant shift in the UK benefits package. The introduction of a cap on payments is also designed to encourage work by ensuring that work pays. Many benefit claimants will need help in understanding the implications of the changes, the opportunities open to them and the steps they need to take in order to make the most of them. Those who aspire to achieve economic independence through paid work deserve every possible assistance. It needs to be efficient and co-ordinated but sufficiently flexible to overcome the barriers that are specific to each individual case.
ESF Priority Axis 1: Inclusive Labour Markets

The Priority Axis joins up the employment and social inclusion activities previously planned to be undertaken under Thematic Objectives 8 and 9. This priority axis aims to increase participation in the labour market and thereby improve social inclusion and mobility. It programmes activities over 5 Investment Priorities, 4 of which we intend to pursue within D2N2.

We will complement national policies and local provision so that more unemployed or inactive people enter jobs, and more inactive people engage in job seeking. In particular it will provide additional support to people who are at a disadvantage in the labour market and who need to improve their skills.

Using our strategic brand EMPLOY Local our aim is to join up provision and services by providing a gateway from Social Inclusion programmes and a pathway once in employment to lifelong learning and workforce development programmes through our strategic brand SKILLS Local. We will look to deliver solutions that respond to local employer and sector skills needs to support unemployed individuals to enhance their skills in order to become successful in the labour market.

Main activities include:
- additional and innovative approaches to pre-employment training;
- additional support for long-term unemployed people, including those who have left the Work Programme, and including new approaches to work experience and training;
- improving the employability and transferable skills of unemployed, inactive and disadvantaged people;
- training workless people and those facing redundancy, to upgrade their skills or learn new skills (including basic skills and English for speakers of other languages);
- responding flexibly to employer demand in local labour markets where specific needs are identified;
- as part of wider support, using self-employment as a route out of workless-ness;
- to encourage the unemployed to start and grow businesses (including social enterprises).

Investment Priority 1.1: Access to Employment for Job-Seekers and Inactive People

Access to employment for job seekers and inactive people, including the long term unemployed and people far from the labour market, also through local employment initiatives and support for labour mobility.

1.1.1 To improve the employability of long-term unemployed people, so that they can compete effectively in the labour market.
1.1.2 To provide individuals from groups which face particular labour market disadvantage with additional support so that they can compete effectively in the labour market.
1.1.3 To encourage inactive people to participate in the labour market and to improve their employability.
1.1.4 To address the basic skills needs of unemployed and inactive people so that they can compete effectively in the labour market.
1.1.5 To provide support for women at a disadvantage in the labour market, and particularly those who are currently inactive, to contribute to our efforts to reduce the gender employment gap.

We will support the development of graduate internships and placements with local employers.

The priority sectors that will deliver growth to the area are knowledge intensive and it is vital that technical and higher level skills are nurtured and developed. We will facilitate this through SKILLS Local and EMPLOY Local which will create opportunities to increase graduation retention and employment opportunities for graduates to access graduate level jobs across the D2N2 area.

Investment Priority 1.2: Sustainable Integration of Young People

Sustainable integration into the labour market of young people (ESF), in particular those not in employment, education or training, including young people at risk of social exclusion and young people from marginalised communities, including through the implementation of the Youth Guarantee.
1.2.1 To support the rise in the participation age by providing additional traineeship and apprenticeship opportunities.

1.2.2 To engage marginalised 15-18 year olds and support them to re-engage with education or training.

1.2.3 To address the basic skills needs of young NEETS so that they can compete effectively in the labour market.

1.2.4 To provide additional work experience and pre-employment training opportunities to unemployed 18-24 year olds.

1.2.5 To support young lone parents to overcome the barriers they face in participating in the labour market (including childcare).

We will use our employer-led focus to promote career insights by encouraging more employers and employees to connect with schools, young people, parents and existing employees to promote local career pathways and job opportunities.

We will do this by embedding career insights into all of our funding programmes to improve the alignment between the supply of skills in D2N2 and employer demand, as well as supporting the development of a more highly skilled and qualified workforce across the area.

We will work with partners to support programmes that develop more start-up activity and that focus on generating ideas and promoting enterprising thinking across the workforce and within all education and training programmes.

We will do this through the Growth Hub, which exists to provide business with the information and knowledge needed to start up, scale up and grow their business. We will launch and embed a local Employability Framework to embed entrepreneurial behaviour in all our young people.

**Target beneficiaries**

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

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

**Investment Priority 1.3: Youth Employment Initiative**

Sustainable integration into the labour market of young people (YEI), in particular those not in employment, education or training, including young people at risk of social exclusion and young people from marginalised communities, including through the implementation of the Youth Guarantee;

1.3.1 To support the rise in the participation age by providing additional traineeship and apprenticeship opportunities in YEI areas.

1.3.2 To engage marginalised 15-18 year olds in YEI areas and support them to re-engage with education or training.

1.3.3 To address the basic skills needs of young NEETS in YEI areas so that they can compete effectively in the labour market.

1.3.4 To provide additional work experience and pre-employment training opportunities to unemployed 18-24 and 25-29 year olds in YEI.

1.3.5 To support young lone parents in YEI areas to overcome the barriers they face in participating in the labour market (including childcare).
In February 2013, the European Council offered an additional 3bn euros to reinforce resources to tackle youth unemployment in areas of the European Union with the highest rates of youth unemployment. In April 2014 the UK government circulated information to LEPs indicating that 5 areas would benefit from 90% of Youth Employment Initiative (YEI) funds due to the severity of youth unemployment with a further 4 areas where youth unemployment is also high, including the City of Nottingham, receiving a share of the remaining 10%. Nottingham is the only area within D2N2 to be eligible for YEI funding and its allocation is 4.8m euros. Whilst YEI is targeted on addressing the concentration of youth unemployment in the City of Nottingham, the design of the programme will have input of partners alongside a comprehensive LEP wide programme to promote Youth Employment.

Finance
Activities will be supported up to a maximum 50% intervention rate with match funding sources to include the DWP and Skills Funding Agency opt-ins.

| IPs 1.1, 1.2 and 1.3 (Formerly TO8: Promoting Employment and Supporting Labour Mobility) – Finance |
|--------------------------------------------------|--------------------------------------------------|
| LEP Preferred Allocation | National OP Allocation |
| ESF | €46,282,376.40 | €46,191,356.00 |
| Public | €38,863,909.37 | €38,787,478.36 |
| Private | €7,418,467.03 | €7,403,877.64 |
| Total | €92,564,752.80 | €92,382,712.00 |

Output Targets

| IPs 1.1, 1.2 and 1.3 (Formerly TO8: Promoting Employment and Supporting Labour Mobility – Targets |
|--------------------------------------------------|--------------------------------------------------|
| 1.1 (BII) | 1.2 (BIII) | 1.3 YEI (BIII) | TOTAL OP Target | LEP Preferred Target |
| O1 Total number of participants | 29,520 (11,370) | 44,380 | 37871 |
| - Male Total number of participants | 16,180 | 6,230 | 22,410 | 20759 |
| - Female Total number of participants | 13,340 | 5,140 | 18,480 | 17112 |
| O2 Participants (below 25 years of age) who are unemployed or inactive | - | 11,370 | 11,370 | 10745 |
| CO01 Unemployed, including Long Term Unemployed | 20,660 | 7,960 | 28,620 | 26684 |
| CO03 Inactive | 7,380 | 2,850 | 10,230 | 9468 |
| O4 Participants over 50 years of age | 6,470 | - | 6,470 | 5776 |
| O5 Participants from ethnic minorities | 2,890 | 990 | 460 | 3548 |
| CO16 Participants with disabilities | 8,940 | 1,190 | 10,130 | 9119 |
| O6 Participants without basic skills | 5,200 | 2,000 | 7,200 | 6189 |
| CO14 Participants who live in a single adult household with dependent children | 3,380 | 450 | 3,830 | 3353 |

YEI 08 Participants (below 25 years of age) who are unemployed or inactive | 2620 | 2,620 |
| - Male Participants (below 25 years of age) who are unemployed or inactive | 1390 | 1,390 |
| - Female Participants (below 25 years of age) who are unemployed or inactive | 1230 | 1,230 |

YEI 03 Participants (aged 25-29) who are unemployed or inactive | 870 | 870 |
| - Male Participants (aged 25-29) who are unemployed or inactive | 460 | 460 |
| - Female Participants (aged 25-29) who are unemployed or inactive | 410 | 410 |

YEI 09 Unemployed, including Long Term Unemployed | 2620 | 2,620 |

YEI 10 Long Term Unemployed participants | 870 | 870 |

YEI 11 Inactive | 870 | 870 |

YEI 12 Participants with disabilities | 350 | 350 |

YEI 13 Participants who live in a single adult household with dependent children | 130 | 130 |
**Investment Priority 1.4: Active Inclusion**

Active inclusion, including with a view to promoting equal opportunities and active participation, and improving employability.

Main activities include:
- Basic skills and ESOL training, including additional support with basic skills in preparation for apprenticeships;
- support for those who need pre-traineeship and pre Work Programme assistance, to prepare them for the next step;
- support complementing other skills provision, such as crosscutting and 21st century skills, including team working, effective communication, problem solving, critical thinking and self-direction;
- money management support and advice and financial literacy programmes in order to address deep seated debt issues which make moving from benefit into work more challenging;
- digital and internet literacy courses to aid job searching, access to benefits and progress in work;
- volunteering and training opportunities (as a pathway back to work) for marginalised individuals / groups / communities to help them access jobs in low carbon sectors or land drainage flood risk management or work that supports property level protection against flooding;
- local ‘Community Grant’ type activity to support small scale voluntary sector activity which can be crucial to reaching out to these groups;
- first contact engagement activities (for example, arranging events in places that people feel comfortable to visit);
- local networks and groups to support people to get a job or access learning (for example, Jobs Club or Learning Champion type activity) to provide people with a safe environment and peer support.

1.4.1 To support people with multiple and complex barriers to participation to address these underlying issues and to move closer to or into the labour market.

1.4.2 To support prisoners in custody and on release, and those without work who are serving sentences in the community, to improve their employability.

1.4.3 To engage marginalised individuals and support them to re-engage with education, training, or in employment.

D2N2’s approach to Investment Priority 1.4 ‘Active Inclusion’, in particular how activity will be commissioned through the Big Lottery Fund Opt In, has been informed by the D2N2 Social Inclusion Framework of October 2014. The Social Inclusion Framework aims to deliver integrated and innovative solutions which tackle the root causes of social exclusion, address barriers to work, provide pathways to employment, and allow all adults to play an active role in the labour market, lifting people out of poverty wherever they live; including overcoming persistent pockets of poverty and supporting active inclusion through the use of local initiatives.

The framework identifies that activities should focus on those furthest from the labour market, including those facing deep exclusion and / or multiple barriers. Work or other economic activity will be the direction of travel for all. The framework or activity should focus on five priority thematic groups:
- Older long term unemployed people who are now experiencing additional barriers to work;
- Younger people including ‘hidden NEETs,’ with an emphasis on helping young people navigate current, complex provision;
- Women ‘returners’ embracing a range of women facing different aspects of social exclusion;
- People with multiple and complex needs and;
- The financially excluded, both in and out of work.

Similarly, a number of commissioning principles are recommended to shape approaches to implementation. The full Social Inclusion Framework can be downloaded from the D2N2 web-site www.d2n2lep.org/esif.

**Target Beneficiaries**

The priority groups for support under this thematic objective include:
- People living in the D2N2 area who experience poverty and / or social exclusion due to:
  - Physical disabilities
- Learning difficulties
- Mental health problems
- Alcohol and substance misuse
- Other forms of ill-health
- History of offending behaviour
- Multiple or complex needs

- People living in the D2N2 area who face barriers to employment, including the following:
  - Low levels of literacy, numeracy and IT skills
  - Low educational attainment and qualifications
  - Lack of employment experience and/or poor work history
  - Caring responsibilities
  - Lack of stable housing
  - Limited access to transport
  - Digital exclusion
  - Multiple barriers – for instance two or more of the above

- People living in troubled families
- Care leavers
- Young people who are not in Education, Employment or Training

Finance
Projects will be supported up to a 50% intervention rate. Match funding will be available through an ‘opt-in’ Programme.

| ESF IP 1.4 – Active Inclusion. (Formerly TO9: Promoting Social Inclusion and Combating Poverty – Finance) |
|---------------------------------------------------------------|-------------------------------------------------|---------------------------------|
| LEP Preferred Allocation | National OP Allocation |
| ESF | €23,141,188.20 | €24,045,047.00 |
| Public | €20,926,720.42 | €21,744,085.56 |
| Private | €2,214,467.77 | €2,300,961.43 |
| Total | €46,282,376.40 | €48,090,094.00 |

Output Targets

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<th>LEP Preferred Target</th>
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Performance Framework Targets for ESF Priority Axis 1

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<th>Measurement unit</th>
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<th>Milestone men for 2018</th>
<th>Milestone women for 2018</th>
<th>Final men target (2023)</th>
<th>Final women target (2023)</th>
<th>Final target (2023)</th>
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<td>Participants</td>
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<td>1,640</td>
<td>3,490</td>
<td>14,400,000</td>
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ESF Priority Axis 2: Skills for Growth

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

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

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

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

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

Main activities to support lower, intermediate and technical skills include:

- support for improving the skills levels and employability, of people with low or no qualifications, particularly young people NEET;
- support for disadvantaged groups who have no or low qualifications, to improve their skills and employability;
- training for people facing in work poverty, to help them progress and increase their pay/working hours or obtain better quality higher paid jobs;
- skills support for those made redundant or unemployed;
- expanding and enhancing traineeships.
- expanding and enhancing apprenticeships;
- support for intermediate and technical skills for local industries and sectors, especially in STEM, new and emerging technologies, such as those which support a low carbon and climate resilient economy, and in support of other thematic objectives;
- promoting and developing better links between business and educators;
- improving or increasing provision of adult careers advice, complementing the NCS and adding value but not substituting its services;
- activities to inspire and encourage lifelong learning and the consequent benefits of learning.

Main activities to support higher level skills include:

- expanding and enhancing apprenticeships;
- activities to help start and grow a business and support for local SMEs' skills needs (especially management and leadership) particularly in new and growth sectors and to encourage diversification in rural and coastal areas;
activities to increase the STEM skills base of individuals most in need;
- promoting links between employers and educators to expand and enhance;
- skills provision, to improve information, advice and guidance and to encourage entrepreneurship.

**Investment Priority 2.1: Enhancing Equal Access to Lifelong Learning**

Enhancing equal access to lifelong learning for all age groups in formal, non-formal and informal settings, upgrading the knowledge, skills and competences of the workforce, and promoting flexible learning pathways including through career guidance and validation of acquired competences

Active inclusion, including with a view to promoting equal opportunities and active participation, and improving employability.

2.1.1 To address the basic skills needs of employed people, particularly in SMEs and Micro businesses.
2.1.2 To increase the skills levels of employed people from the existing level to the next level up, to encourage progression in employment.
2.1.3 To increase the number of people with technical and job specific skills, particularly at level 3 and above and into higher and advanced level apprenticeships, to support business growth.
2.1.4 To increase the skills levels of employed women to encourage progression in employment help address the gender employment and wage gap.

Where appropriate, training may complement activities delivered within the thematic objectives relating to innovation, low carbon, climate change, ICT and SME competitiveness, especially where improving intermediate, technical and advanced skills can contribute to these thematic objectives.

We will deliver an Apprenticeship Growth Plan that will raise aspiration, reduce skills mismatch and address skills gaps.

We will work with employers and young people to stimulate interest in high quality Apprenticeship and Traineeship pathways as well as working to make it easier for large, small and medium sized enterprises to recruit individuals and stimulate demand. We will do this through the £6 million EMPLOY Local fund that will incentivise employers to create Apprenticeships and Higher Apprenticeships.

We will work with our Universities, colleges and FE providers to develop apprenticeship route-ways to include Higher Apprenticeships and Degree Apprenticeships based on employer needs and growth sectors.

**Investment Priority 2.2: Improving the Labour Market Relevance of Education and Training Systems**

Improving the labour market relevance of education and training systems, facilitating the transition from education to work, and strengthening vocational education and training systems and their quality, including through mechanisms for skills anticipation, adaptation of curricula and the establishment and development of work based learning systems, including dual learning systems and apprenticeship schemes.

2.2.1 - To promote improvements in the labour market relevance of skills provision through active engagement with relevant institutions and employers, particularly SMEs and Micro businesses.

Activities to be supported within this investment priority include:

- support for collaborative projects, placements, internships or other activities with SMEs that enable students and graduates to gain industry relevant experience and skills;
- building capacity in SMEs to provide project/placement/internship opportunities and enhance the contribution of advanced skills to SME growth, including programmes to specifically engage the most disadvantaged groups or those who face particular local disadvantages in utilising advanced skills;
- brokering opportunities to encourage and increase work experience, work placements, traineeships, apprenticeships, and graduate placements particularly through wider employer engagement and involving supply chains;
- promoting apprenticeships (especially at advanced levels in manufacturing and other priority sectors) by developing a supportive environment for employer engagement;
• developing better links with business to equip students with the skills to start and grow a business to meet local business needs.

The D2N2 Growth Hub will provide a single point of access for employers to engage with business services and find out about funding opportunities.

We will help business improve their offer by providing access through SKILLS Local to help business leaders better understand the needs of their workforce, the positive impact skills training can have on business growth and where to access the right support.

Target beneficiaries
This priority axis will support the following target groups:
• Marginalised individuals and groups;
• People considering entrepreneurship and social enterprise;
• SMEs with a need to engage more effectively in the skills agenda;
• Graduates and post-grads;
• Employees, including those who are underemployed, in jobs without training and needing to improve their skills levels, as well as those at risk of redundancy and needing to re-train.

Finance
Match funds are anticipated to come from the Skills Funding Agency opt-in, and other public sector sources including the Universities for higher level skills

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<th>ESF PA2: Skills for Growth (Formerly TO10: Investing in Education, Skills and Lifelong Learning) – Finance</th>
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Output Targets

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Performance Framework Targets for ESF Priority Axis 2

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<td>17,760</td>
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EAFRD – Supporting the Rural Economy

D2N2 includes a significant rural population in addition to the main towns and two cities, and the rural economy plays an important role in the health of the area’s overall economy, with over one-third of D2N2’s total employment in predominantly rural local authority areas.

D2N2 has been allocated €6,898,081 of EAFRD, in addition to the ERDF and ESF allocations. The EAFRD funding can be used to fund four types of activities:

a. Building knowledge and skills in rural areas;

b. Funding new, and developing non-agricultural, micro, small and medium sized rural business;

c. Funding small scale renewable and broadband investments in rural areas; and

d. Supporting tourism activities in rural areas

These align closely with the activities we are proposing to fund through ERDF and ESF.

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

D2N2 will work closely with DEFRA to ensure alignment between this activity and the development of the new LEADER programme in order to maximise synergies.

EAFRD funding will be focussed on two key areas – developing new and supporting existing non-agricultural businesses, particularly in our key sectors, (Article 19, aligning with ERDF Priority Axes 1 and 3 and ESF Priority Axis); and ensuring that the roll-out of broadband covers all our rural areas through provision of innovative, community-based solutions in those parts of D2N2 not covered by the BDUK programme (Article 20, aligning with ERDF Priority Axis 2).
5 Integration of the Cross Cutting Themes and Social Innovation

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

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

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

Furthermore, through Social Innovation (see below) and the bespoke D2N2 Community Programme (see Chapter 8), pioneering and local initiatives that address sustainable development will be supported. At the project level, support to applicants in addressing sustainable development will be provided through local guidance and assistance. Project development, selection and appraisal criteria will include sustainable development considerations and targets and project sponsors will be expected to monitor and manage performance accordingly. Evaluation of the programme will take account of performance on sustainable development and demonstrate the impact the programme has had on each of the cross-cutting themes.

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

Commitment to Promoting Equality and Combating Discrimination
The socio-demographic composition of the D2N2 area is quite rich, and varies considerably across the area. It includes both very established and recently-arrived ethnic minority communities. The area has a long history of immigration from countries such as Pakistan, India and Jamaica with more recent sources of migrants, notably from Poland, adding a new vibrancy. There are many former mining communities as well as quite diverse rural communities. The area also has pockets of communities and individuals suffering from urban deprivation and hidden poverty, for example in some of the more prosperous rural areas. As noted in the analysis of the economic context in chapter 2, some groups (including those with protected characteristics) face particular challenges in the labour market and are currently less likely to be in employment. As noted in the section on ESF Investment Priority 1.4, some of our residents face multiple disadvantages and have complex support needs. Our approach to supporting them will involve the development of tailored, holistic support. Looking at the changing demography of the area:
- The 2011 census shows that Nottingham has become more ethnically diverse. 65% of the population are White British with increases in most other ethnic groups. Nottingham has the highest proportion of people of mixed or multiple ethnic group outside London. 12.7% of
Nottingham’s population moved to the UK in the last 10 years compared to 7.0% nationally with many overseas students and immigration from the expanded EU.

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

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

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

Our objectives on this topic are to:

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

At the strategic level we will achieve the above by embedding them into priority objectives, particularly those relating to SMEs, employment, social inclusion and education, skills and lifelong learning. Building on the success of LEADER and URBAN approaches within the D2N2 area, we will use active inclusion, Community Led e approaches and Social Innovation to pioneer new and localised approaches and ensure our local governance arrangements are suitably representative. At the operational project level, all projects will be required to show attention to tackling equality and anti-discriminatory issues and we will assist project sponsors to do so at the project development stage. This will be considered at appraisal and monitored throughout the life of each project. Evaluation of the programme will take account of performance on equality and demonstrate the impact the programme has had on each of the cross-cutting themes.
D2N2 LEP has strong links with the VCS sector and recognises the particular expertise held by this sector in promoting equality and combating discrimination. Drawing on the broad range of civil society partners that contributed to the consultation and strategy development process, we are able to draw on a reference group of people and organisations who can sustain our commitment to equalities and combating discrimination. Our lead Board member for the Voluntary and Community Sector has led on the development of a Social Inclusion Framework for D2N2 which underpins our approach to active inclusion (ESF Investment Priority 1.4).

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

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

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

The D2N2 2014-2020 European Structural and Investment Strategy will invest over €500m (including EAFRD funds and associated private sector match-funding), targeted at increasing employment and economic growth. While the public sector will make an important contribution, it is envisaged that private sector match will make a major contribution to ERDF investment, particularly with regard to innovation and SME growth.

### D2N2 Preferred Investment by Priority Axis

<table>
<thead>
<tr>
<th>Axis</th>
<th>Indicative Allocation</th>
<th>UK Public (1)</th>
<th>Private</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>% ERDF / ESF</td>
<td>Total (£)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 – Innovation</td>
<td>21%</td>
<td>€26,320,171</td>
<td>€14,734,258.41</td>
<td>€11,585,912.59</td>
</tr>
<tr>
<td>2 – ICT</td>
<td>10%</td>
<td>€12,533,415</td>
<td>€3,494,894.57</td>
<td>€9,038,520.43</td>
</tr>
<tr>
<td>3 - SME Competitiveness</td>
<td>39%</td>
<td>€48,880,318</td>
<td>€16,739,834.93</td>
<td>€32,140,483.07</td>
</tr>
<tr>
<td>4 - Low Carbon</td>
<td>20%</td>
<td>€25,066,830</td>
<td>€9,594,958.85</td>
<td>€15,471,871.15</td>
</tr>
<tr>
<td>Axes 1-4</td>
<td>90%</td>
<td>€112,800,734</td>
<td>€44,637,043.56</td>
<td>€68,163,690.44</td>
</tr>
<tr>
<td>5 - Climate Change</td>
<td>5%</td>
<td>€6,266,707</td>
<td>€3,555,151.09</td>
<td>€2,711,555.91</td>
</tr>
<tr>
<td>6 - Protecting the Environment/Resource Efficiency</td>
<td>5%</td>
<td>€6,266,707</td>
<td>€3,555,151.09</td>
<td>€2,711,555.91</td>
</tr>
<tr>
<td>Axes 5-6</td>
<td>10%</td>
<td>€12,533,414</td>
<td>€8,301,875.51</td>
<td>€4,191,238.12</td>
</tr>
<tr>
<td>Total ERDF</td>
<td>100%</td>
<td>€125,334,148</td>
<td>€54,503,547.12</td>
<td>€70,830,600.90</td>
</tr>
<tr>
<td>1 - Inclusive Labour Markets</td>
<td>58.5%</td>
<td>€69,423,565</td>
<td>€59,790,629.80</td>
<td>€9,632,934.80</td>
</tr>
<tr>
<td>2 - Skills for Growth</td>
<td>41.5%</td>
<td>€49,249,195</td>
<td>€34,521,565.20</td>
<td>€14,727,630.20</td>
</tr>
<tr>
<td>Total ESF</td>
<td>100%</td>
<td>€118,672,759</td>
<td>€94,938,207.71</td>
<td>€23,734,551.93</td>
</tr>
<tr>
<td>Total EAFRD – Rural Economy</td>
<td>100%</td>
<td>€6,898,081</td>
<td>€5,518,464.80</td>
<td>€1,379,616.20</td>
</tr>
<tr>
<td>TOTAL ESIF</td>
<td></td>
<td>€250,904,988.64</td>
<td>€154,026,177.82</td>
<td>€96,878,810.82</td>
</tr>
</tbody>
</table>

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

### National OP Allocation by Priority Axis

<table>
<thead>
<tr>
<th>Axis</th>
<th>Indicative Allocation</th>
<th>UK Public (1)</th>
<th>Private</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>% ERDF / ESF</td>
<td>Total (£)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 – Innovation</td>
<td>18.7%</td>
<td>€23,383,097.00</td>
<td>€13,090,059.09</td>
<td>€10,293,037.91</td>
</tr>
<tr>
<td>2 – ICT</td>
<td>12.6%</td>
<td>€15,810,800.00</td>
<td>€4,408,780.77</td>
<td>€11,402,080.77</td>
</tr>
<tr>
<td>3 - SME Competitiveness</td>
<td>35.6%</td>
<td>€44,664,062.00</td>
<td>€15,295,911.64</td>
<td>€29,368,150.36</td>
</tr>
<tr>
<td>4 - Low Carbon</td>
<td>23.1%</td>
<td>€29,011,892.00</td>
<td>€11,105,030.43</td>
<td>€17,906,861.57</td>
</tr>
<tr>
<td>Axes 1-4</td>
<td>90.1%</td>
<td>€112,869,851.00</td>
<td>€44,664,394.25</td>
<td>€68,205,456.75</td>
</tr>
<tr>
<td>5 - Climate Change</td>
<td>5.1%</td>
<td>€6,341,275.00</td>
<td>€6,341,275.00</td>
<td>€0.00</td>
</tr>
<tr>
<td>6 - Protecting the Environment/Resource Efficiency</td>
<td>4.9%</td>
<td>€6,123,022.00</td>
<td>€3,473,637.48</td>
<td>€2,649,384.52</td>
</tr>
<tr>
<td>Axes 5-6</td>
<td>9.9%</td>
<td>€12,464,297</td>
<td>€8,256,093.83</td>
<td>€4,168,125.04</td>
</tr>
<tr>
<td>Total ERDF</td>
<td>100%</td>
<td>€125,334,148</td>
<td>€54,503,547.12</td>
<td>€70,830,600.90</td>
</tr>
<tr>
<td>1 - Inclusive Labour Markets</td>
<td>59.2%</td>
<td>€70,236,403</td>
<td>€60,490,628.01</td>
<td>€9,745,722.99</td>
</tr>
<tr>
<td>2 - Skills for Growth</td>
<td>40.8%</td>
<td>€48,436,356</td>
<td>€33,951,799.78</td>
<td>€14,484,556.22</td>
</tr>
<tr>
<td>Total ESF</td>
<td>100%</td>
<td>€118,672,759</td>
<td>€94,442,482.00</td>
<td>€24,230,277.00</td>
</tr>
<tr>
<td>Total EAFRD – Rural Economy</td>
<td>100%</td>
<td>€6,898,081</td>
<td>€5,518,464.80</td>
<td>€1,379,616.20</td>
</tr>
<tr>
<td>TOTAL ESIF</td>
<td></td>
<td>€250,904,988.64</td>
<td>€154,026,177.82</td>
<td>€96,878,810.82</td>
</tr>
</tbody>
</table>

74
University and FE contributions treated as public sector. Totals may not sum due to rounding.

D2N2 LEP is in discussions with adjacent LEPs with regard to co-ordinating investment where appropriate. This includes potentially supporting East Midlands-wide activities, such as the possible collaborative Financial Instrument to improve SME access to finance (see below), and alignment of complimentary calls together with on-going liaison with Sheffield City Region about delivery in the ‘overlap’ districts (see chapter 8, Governance and Delivery Arrangements).

### The annual profile of expenditure

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

### Annual Profile of ERDF, ESF and EAFRD Expenditure %

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>ERDF</td>
<td>0%</td>
<td>0%</td>
<td>18%</td>
<td>24%</td>
<td>24%</td>
<td>18%</td>
<td>13%</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>ESF</td>
<td>0%</td>
<td>0%</td>
<td>19%</td>
<td>23%</td>
<td>23%</td>
<td>19%</td>
<td>13%</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>Total ERDF / ESF</td>
<td>0%</td>
<td>0%</td>
<td>19%</td>
<td>23%</td>
<td>23%</td>
<td>19%</td>
<td>13%</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>EAFRD</td>
<td>0%</td>
<td>0%</td>
<td>26%</td>
<td>26%</td>
<td>21%</td>
<td>17%</td>
<td>10%</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>

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

D2N2 will work with the Managing Authorities and Opt-In-Organisation to put in place robust monitoring arrangements to ensure that projects and programmes are delivered in a timely manner.

### The forecast sources and scale of match funding

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

<table>
<thead>
<tr>
<th>Theme</th>
<th>Type</th>
<th>Amount €m</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 – Innovation</td>
<td>Public</td>
<td>28%</td>
<td>Universities, Technology Strategy Board, BIS, Local Authorities</td>
</tr>
<tr>
<td></td>
<td>Private</td>
<td>22%</td>
<td>SMEs</td>
</tr>
<tr>
<td>2 – ICT</td>
<td>Public</td>
<td>14%</td>
<td>Local Authorities, BIS</td>
</tr>
<tr>
<td></td>
<td>Private</td>
<td>36%</td>
<td>SMEs</td>
</tr>
<tr>
<td>3 - SME Competitiveness</td>
<td>Public</td>
<td>17%</td>
<td>BIS, MAS/Accelerator/UKTI, Local Authorities, Universities</td>
</tr>
<tr>
<td></td>
<td>Private</td>
<td>33%</td>
<td>SMEs</td>
</tr>
<tr>
<td>4 - Low Carbon</td>
<td>Public</td>
<td>19%</td>
<td>BIS, MAS/Accelerator, Local Authorities, Universities</td>
</tr>
<tr>
<td></td>
<td>Private</td>
<td>31%</td>
<td>SMEs</td>
</tr>
<tr>
<td>5- Climate Change</td>
<td>Public</td>
<td>50%</td>
<td>Local Authorities</td>
</tr>
<tr>
<td>6 - Protecting the Environment/Resource Efficiency</td>
<td>Public</td>
<td>28%</td>
<td>Local Authorities</td>
</tr>
<tr>
<td></td>
<td>Private</td>
<td>22%</td>
<td>SMEs</td>
</tr>
<tr>
<td>1. Inclusive Labour Markets</td>
<td>Public</td>
<td>43%</td>
<td>SFA, DWP, BIG Lottery, Local Authorities</td>
</tr>
<tr>
<td></td>
<td>Private</td>
<td>7%</td>
<td>SMEs</td>
</tr>
<tr>
<td>2. Skills For Growth</td>
<td>Public</td>
<td>35%</td>
<td>SFA, Universities, Local Authorities</td>
</tr>
<tr>
<td></td>
<td>Private</td>
<td>25%</td>
<td>SMEs</td>
</tr>
</tbody>
</table>
7. **Targets**

**Introduction**

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

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

**Outputs**

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

### ERDF Outputs

<table>
<thead>
<tr>
<th>LEP Preferred Target</th>
<th>National OP Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>C1 Number of enterprises receiving support</td>
<td>8740</td>
</tr>
<tr>
<td>C2 Productive investment: Number of enterprises receiving grants</td>
<td>None set</td>
</tr>
<tr>
<td>C22 Land rehabilitation: Total surface area of rehabilitated land (hares)</td>
<td>None set</td>
</tr>
<tr>
<td>C23 Habitats with a better conservation status (ha)</td>
<td>144</td>
</tr>
<tr>
<td>C25 Research, Innovation: Number of researchers working in improved research infrastructure facilities</td>
<td>None set</td>
</tr>
<tr>
<td>C26 Number of enterprises cooperating with research entities.</td>
<td>221</td>
</tr>
<tr>
<td>C28 Number of enterprises supported to introduce new-to-the-market products.</td>
<td>182</td>
</tr>
<tr>
<td>C29 Number of enterprises supported to introduce new-to-the-firm products.</td>
<td>539</td>
</tr>
<tr>
<td>C3 Productive investment: Number of enterprises receiving financial support other than grants</td>
<td>None set</td>
</tr>
<tr>
<td>C30 Renewables: Additional capacity of renewable energy production Final (MW)</td>
<td>None set</td>
</tr>
<tr>
<td>C31 Energy efficiency: Number of households with improved energy consumption classification</td>
<td>None set</td>
</tr>
<tr>
<td>C32 Energy efficiency: Decrease of annual primary energy consumption of public buildings (KWha)</td>
<td>None set</td>
</tr>
<tr>
<td>C34 GHG reduction: Estimated annual decrease of GHG Final</td>
<td>15,573</td>
</tr>
<tr>
<td>C4 Productive investment: Number of enterprises receiving non-financial support</td>
<td>None set</td>
</tr>
<tr>
<td>C5 Number of new enterprises supported.</td>
<td>1631</td>
</tr>
<tr>
<td>C6 Productive investment: Private investment matching public support to enterprises (grants)</td>
<td>None set</td>
</tr>
<tr>
<td>C7 Productive investment: Private investment matching public support to enterprises (non-grants)</td>
<td>None set</td>
</tr>
<tr>
<td>C8 Employment increase in supported enterprises.</td>
<td>1545</td>
</tr>
<tr>
<td>P1 Number of researchers working in improved research or innovation facilities</td>
<td>None set</td>
</tr>
<tr>
<td>P11 Number of potential entrepreneurs assisted to be enterprise ready</td>
<td>None set</td>
</tr>
<tr>
<td>P13 IDB</td>
<td>1009</td>
</tr>
<tr>
<td>P2 Public or commercial buildings built or renovated</td>
<td>1999</td>
</tr>
<tr>
<td>P3 Additional businesses with broadband access of at least 30mbps*</td>
<td>None set</td>
</tr>
<tr>
<td>P4 Additional Businesses taking up broadband with speeds of at least 30mbps</td>
<td>686</td>
</tr>
<tr>
<td>P6 Businesses and properties with reduced flood risk</td>
<td>2000</td>
</tr>
</tbody>
</table>

### ESF Outputs

<table>
<thead>
<tr>
<th>LEP Preferred Target</th>
<th>National OP Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>O1 Total number of participants</td>
<td>76213</td>
</tr>
<tr>
<td>- Total number of male participants</td>
<td>39890</td>
</tr>
<tr>
<td>- Total number of female participants</td>
<td>36323</td>
</tr>
<tr>
<td>O2 Participants (below 25 years of age) who are unemployed or inactive</td>
<td>10745</td>
</tr>
<tr>
<td>CO01 Unemployed, including Long Term Unemployed</td>
<td>31312</td>
</tr>
<tr>
<td>CO03 Inactive</td>
<td>12810</td>
</tr>
<tr>
<td>O4</td>
<td>Participants over 50 years of age</td>
</tr>
<tr>
<td>O5</td>
<td>Participants from ethnic minorities</td>
</tr>
<tr>
<td>CO16</td>
<td>Participants with disabilities</td>
</tr>
<tr>
<td>O6</td>
<td>Participants without basic skills</td>
</tr>
<tr>
<td>CO14</td>
<td>Participants who live in a single adult household with dependent children</td>
</tr>
<tr>
<td>CO23</td>
<td>Number of supported SMEs</td>
</tr>
</tbody>
</table>

### YEI Outputs

<table>
<thead>
<tr>
<th>YEI</th>
<th>Indicator or key implementation step</th>
<th>LEP Preferred Target</th>
<th>National OP Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>YEI 08</td>
<td>Participants (below 25 years of age) who are unemployed or inactive</td>
<td>2620</td>
<td>2,620</td>
</tr>
<tr>
<td></td>
<td>Male - Participants (below 25 years of age) who are unemployed or inactive</td>
<td>1390</td>
<td>1,390</td>
</tr>
<tr>
<td></td>
<td>Female - Participants (below 25 years of age) who are unemployed or inactive</td>
<td>1230</td>
<td>1,230</td>
</tr>
<tr>
<td>YEI 03</td>
<td>Participants (aged 25-29) who are unemployed or inactive</td>
<td>870</td>
<td>870</td>
</tr>
<tr>
<td></td>
<td>Male - Participants (aged 25-29) who are unemployed or inactive</td>
<td>460</td>
<td>460</td>
</tr>
<tr>
<td></td>
<td>Female - Participants (aged 25-29) who are unemployed or inactive</td>
<td>410</td>
<td>410</td>
</tr>
<tr>
<td>YEI 09</td>
<td>Unemployed, including Long Term Unemployed</td>
<td>2620</td>
<td>2,620</td>
</tr>
<tr>
<td>YEI 10</td>
<td>Long Term Unemployed participants</td>
<td>870</td>
<td>870</td>
</tr>
<tr>
<td>YEI 11</td>
<td>Inactive</td>
<td>870</td>
<td>870</td>
</tr>
<tr>
<td>O5</td>
<td>Participants from ethnic minorities</td>
<td>460</td>
<td>460</td>
</tr>
<tr>
<td>YEI 12</td>
<td>Participants with disabilities</td>
<td>350</td>
<td>350</td>
</tr>
<tr>
<td>YEI 13</td>
<td>Participants who live in a single adult household with dependent children</td>
<td>130</td>
<td>130</td>
</tr>
</tbody>
</table>

### Performance Framework

The ERDF and ESF Managing Authorities will hold back 6% of the LEP’s notional allocation of ESIF funds pending the achievement of the 2018 milestones in the D2N2 Performance Framework detailed below.

<table>
<thead>
<tr>
<th>Priority Axis</th>
<th>Indicator or key implementation step</th>
<th>Measurement unit, where appropriate</th>
<th>Milestone (2018)</th>
<th>Final target (2023)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Productive investment: Number of enterprises receiving support</td>
<td>Enterprises</td>
<td>#N/A</td>
<td>685</td>
</tr>
<tr>
<td></td>
<td>Expenditure</td>
<td>Euros</td>
<td>11,959,086</td>
<td>46,824,630</td>
</tr>
<tr>
<td></td>
<td>Number of enterprises receiving support that has been achieved by partially or fully completed operations Final</td>
<td>Number</td>
<td>171</td>
<td>#N/A</td>
</tr>
<tr>
<td>2</td>
<td>Expenditure</td>
<td>Euros</td>
<td>8,207,524</td>
<td>32,135,756</td>
</tr>
<tr>
<td></td>
<td>Additional businesses with broadband access of at least 30mbps</td>
<td>Enterprises</td>
<td>2,005</td>
<td>7,852</td>
</tr>
<tr>
<td>3</td>
<td>Productive investment: Number of enterprises receiving support</td>
<td>Enterprises</td>
<td>#N/A</td>
<td>2,890</td>
</tr>
<tr>
<td></td>
<td>Expenditure</td>
<td>Euros</td>
<td>23,164,650</td>
<td>90,698,918</td>
</tr>
<tr>
<td></td>
<td>Number of enterprises receiving support that has been achieved by partially or fully completed operations Final</td>
<td>Number</td>
<td>749</td>
<td>#N/A</td>
</tr>
<tr>
<td>4</td>
<td>GHG reduction: Estimated annual decrease of GHG</td>
<td>Tonnes of CO2eq</td>
<td>#N/A</td>
<td>14,217</td>
</tr>
<tr>
<td></td>
<td>Expenditure</td>
<td>Euros</td>
<td>14,847,321</td>
<td>58,133,231</td>
</tr>
<tr>
<td></td>
<td>Number of enterprises receiving support that has been achieved by partially or fully completed operations Final</td>
<td>Number</td>
<td>153</td>
<td>#N/A</td>
</tr>
<tr>
<td>5</td>
<td>Expenditure</td>
<td>Euros</td>
<td>3,239,144</td>
<td>12,682,550</td>
</tr>
<tr>
<td></td>
<td>Percentage of schemes in place</td>
<td>Percentage</td>
<td>24</td>
<td>#N/A</td>
</tr>
<tr>
<td></td>
<td>Businesses and properties with reduced flood risk</td>
<td>Number</td>
<td>#N/A</td>
<td>2,617</td>
</tr>
<tr>
<td>6</td>
<td>Nature and biodiversity: Surface area of habitats supported to attain a better conservation status</td>
<td>Hectares</td>
<td>#N/A</td>
<td>143</td>
</tr>
<tr>
<td></td>
<td>Expenditure</td>
<td>Euros</td>
<td>2,764,986</td>
<td>10,826,030</td>
</tr>
<tr>
<td></td>
<td>Surface area of habitats supported in order to attain a better conservation status that has been achieved by partially or fully completed operations</td>
<td>hectare</td>
<td>18</td>
<td>#N/A</td>
</tr>
<tr>
<td>PA ID</td>
<td>Fund</td>
<td>Key implementation step or indicator</td>
<td>Measurement unit</td>
<td>Milestone total for 2018</td>
</tr>
<tr>
<td>-------</td>
<td>------</td>
<td>-------------------------------------</td>
<td>------------------</td>
<td>--------------------------</td>
</tr>
<tr>
<td>ESF 1</td>
<td>O1</td>
<td>ESF Amount of spend</td>
<td>Euros</td>
<td>24,538,651</td>
</tr>
<tr>
<td>ESF 2</td>
<td>O1</td>
<td>ESF Participants</td>
<td>Number</td>
<td>9,723</td>
</tr>
<tr>
<td>YEI</td>
<td></td>
<td>YEI Amount of spend</td>
<td>Euros</td>
<td>14,400,000</td>
</tr>
<tr>
<td>YEI</td>
<td>O1</td>
<td>YEI Participants</td>
<td>Number</td>
<td>3,490</td>
</tr>
<tr>
<td>ESF 2</td>
<td>O1</td>
<td>ESF Amount of spend</td>
<td>Euros</td>
<td>18,163,634</td>
</tr>
<tr>
<td>ESF 2</td>
<td>O1</td>
<td>ESF Participants</td>
<td>Number</td>
<td>8,817</td>
</tr>
</tbody>
</table>
8. Governance of the D2N2 ESIF Programme

Local partners, convened by the D2N2 Local Enterprise Partnership, are best placed to understand the needs and opportunities of the local economy, to develop strategies and to identify interventions that deliver jobs and growth in the D2N2 area.

**D2N2 ESIF Governance Structure**

In its ESIF Governance structure, D2N2 will promote well-informed decision making, effective delivery, a clear separation of responsibilities to prevent conflict of interests, fair and equal access and engage a wide range of local partner inputs to ensure compliance with the European Code of Conduct on Partnerships.

The D2N2 ESIF Committee will maintain a lean governance structure and draw directly on the support of a range of partners, within an ‘ESIF advisory network’ to ensure that its operation is effective and well informed.

The diagram below shows our governance structure:

![Governance Structure Diagram]

**Partnership working: governance and roles of ESI Funds Growth Programme Board, its national and local sub-committees, Managing Authorities and local partners**

A national ESI Funds Programme Monitoring Committee (PMC) has been established in England. It is the PMC for the Operational Programmes for the ERDF and the ESF in England and is known as the ESI Funds Growth Programme Board (GPB).

The EAFRD PMC will be the PMC for EAFRD funds within the European Growth Programme.

The GPB is chaired by a representative of the Managing Authorities, who also provide the Secretariat. The membership of the GPB is drawn from representatives of a wide range of partners across the public, private, business, social, voluntary and environmental sectors.

The GPB is supported by a number of sub-committees advising it on relevant policy and operational matters. These sub-committees, which will provide supporting advice in specific policy areas such as innovation, skills and aspects of implementation, will bring in leading experts from their fields and provide an important resource for the GPB and ESI Funds Growth Programme.

All sub-committees will report to the GPB, to ensure transparency of proceedings. The GPB will not delegate decisions to these national sub-committees though their advice will be important in informing the GPB’s perspective, advice and decisions.
The Managing Authorities will work in partnership with economic, environmental, equality, social and civil society partners at national, regional and local levels throughout the programme cycle, consisting of preparation, implementation, monitoring and evaluation.

The D2N2 ESIF Committee

At the local level, ESI Funds sub-committees have been set up in each Local Enterprise Partnership area. These local sub-committees in each Local Enterprise Partnership area will operate as sub-committees of the GPB, to whom they will report. Local promotion of ESI Funds projects and their impact will be a priority, as will local leadership of this amongst partners. This will complement the functions of the Managing Authority but not substitute for them.

Each Local ESI Funds sub-committee is therefore chaired by a local partner who, along with other members drawn from business, public, environmental, voluntary and civil society sectors, are advocates for the opportunities and impact of the ESI Funds. Membership of these sub-committees is inclusive and in line with EU regulations and the wide scope of ESI Funds priorities. The Managing Authority is the Deputy Chair of the local ESI Funds sub-committee, except in London.

The role and purpose of these Local ESI Funds sub-committees is clearly defined in Terms of Reference published on GOV.UK. They are not responsible for any tasks set out in EU regulations for which Managing Authorities are responsible in relation to management of the ESI Funds.

The local sub-committees:

- Provide advice to the Managing Authorities on local development needs and opportunities to inform Operational Programmes and ESI Funds Strategies;
- Work with sectors and organisations they represent so that they engage with and understand the opportunities provided by the ESI Funds to support Operational Programme objectives and local economic growth;
- Promote active participation amongst local economic, environmental and social partners to help bring forward activities which meets local needs in line with the Operational Programmes and local ESI Funds strategies and Implementation plans;
- Provide practical advice and information to the Managing Authorities to assist in the preparation of local plans that contribute towards Operational Programme priorities and targets. Similarly, provide local intelligence to the Managing Authorities in the development of project calls decided by the Managing Authorities that reflect Operational Programme and local development needs as well as match funding opportunities;
- Provide advice on local economic growth conditions and opportunities within the context of Operational Programmes and the local ESI Funds Strategy to aid the managing authority’s assessment at outline and full application stage;
- Contribute advice, local knowledge and understanding to the Managing Authority to aid good delivery against spend, milestones, cross-cutting themes, outputs and results set out in the Operational Programme and local ESI Funds strategies.

In this way partners at local level will play the important role foreseen in the Common Provisions Regulation and the main principles and good practices set out in the European Code of Conduct on Partnership. Managing Authorities will ensure that partner roles and responsibilities are clearly set out at all levels and that conflicts of interest are avoided.

Where specific Managing Authority functions are designated to an Intermediate Body, that body will seek advice from the relevant LEP area ESI Funds sub-committee in the same way as the Managing Authority would. The LEP area ESI Funds sub-committee will therefore provide advice to the Intermediate Body and/or the Managing Authorities as appropriate and as set out in the written agreement with the Intermediate Body.

**The Managing Authorities for ESI Funds (the UK Government)**

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6 The Terms of Reference for the Growth Programme Board can be found on the following web page: [https://www.gov.uk/government/groups/growth-programme-board](https://www.gov.uk/government/groups/growth-programme-board)
The Managing Authorities

a. will not fund any activity from the LEP’s ESIF allocation unless the D2N2 ESIF Committee has provided advice that is has a sufficiently high level of local strategic fit, based on a robust, fair and transparent process

b. Provide in a timely manner such assessment and monitoring information to the D2N2 ESIF Committee to effectively support their advisory functions.

c. Provide the D2N2 ESIF Committee with an annual schedule of opportunities to advise on the opening of calls and a time-scale for sharing information arising, especially to inform the ESIF Committee’s strategic review of applications received

The D2N2 Local Enterprise Partnership Board
The D2N2 LEP Board will:

a. Convene partners to form a LEP area partnership (the D2N2 ESIF Programme Board) to advise on the delivery of the programme,

b. Contribute to development of a pipeline of projects of impact and scale

c. Monitor and periodically review the operation of the governance structure for the delivery of the D2N2 EU SIF Strategy and work with the Managing Authority and other partners to make any necessary amendments, including establishing such sub-committees, working groups or task and finish groups as appropriate to enable governance and delivery to be strengthened.

The D2N2 ESIF Strategic Review Group
The D2N2 ESIF Committee will convene a ‘Strategic Review Group’ to co-ordinate the review of applications and provide well founded advice to the ESIF Committee in line with this national guidance.

The group will reflect the range of interests represented by the ESIF Sub Committee. Group members will sign appropriate conflict of interest declarations.

The group will operate an approach to reviewing local strategic fit that is concise and proportionate to the task in hand, consistent and criteria-based approach. In doing so, the Strategic Review Group will consider:

- the fit with the market demand and eligible activities from the ESIF strategy as articulated in each call document
- performance against the ‘Core Delivery Principles’ within the local / bid context
- alignment with the SEP and other relevant strategies within the LEP’s governance framework

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

Economic Prosperity Committees (‘Joint’ Committees) have been established by local authorities in Derby and Derbyshire (‘D2’) and Nottingham and Nottinghamshire (‘N2’) to promote coherent and integrated perspectives on economic development, transport and other policy issues across local government in their respective areas. They form a key part of the overall D2N2 governance structure. Governance arrangements continue to evolve and strengthen. Combined governance structures and will support local partners to take on further responsibilities through the agreement of ‘Devolution Deals’.

The D2N2 ESIF Committee will wish to draw on the advice of various groups including those detailed above within an ESIF Advisory Network. At the invitation of the Committee, groups within the network can:

- provide strategic advice on the development of tender and call specifications, procurement approaches, good practice, learning, capacity, sources of match, routes to market and other issues relevant to their area of focus.
- Support the development of a pipeline of compliant programmes and projects of the appropriate strategic fit and alignment with the Core Delivery Principles including ‘impact and scale’, and local value
• identify and performance with ESIF delivery partners, including ‘opt in’ providers, and advise the D2N2 ESIF Committee appropriately to ensure that investments deliver the maximum economic benefits for the area.

**Relationship with the Managing Authorities**

The Growth Delivery Team will appraise programmes and funding submissions at outline and detailed stages for technical compliance. The D2N2 ESIF Committee, having due regard to the work of the D2N2 Strategic Review Group, will advise on local strategic fit.

The Managing Authority will issue all ITTs and contracts for the LEP but will not make any funding awards from D2N2 EU SIF allocation to any programme or project that the D2N2 ESIF Committee has not advised to be of sufficiently high local strategic fit.

Under the ‘procurement’ opt-ins offered by the Skills Funding Agency, Department for Work and Pensions and Big Lottery Fund, the Opt-In Organisations, certain functions will be delegated from the Managing Authorities to the Opt-In-Organisations. Opt-In Organisations will not make any funding awards from D2N2 EU SIF allocation to any programme or project that the D2N2 ESIF Committee has not advised to be of sufficiently high local strategic fit.

In line with the Governments’ devolution agenda, D2N2 LEP considers that local places can make better decisions about local needs, priorities and investments than national government departments or their agencies. Moreover, local partners have the capability to effectively undertake strategic appraisal and decision making around EU funded projects, based on agreed local ESIF plans.

To safe-guard the strategic role of local partners in ESIF decision-making, D2N2 considers that Government should invite LEP areas to identify Intermediate Bodies. Formalising an Intermediate Body role to support LEPs can be achieved without additional risk to CLG.

Delivery and implementation arrangements will evolve over time in response to evolving market conditions, performance monitoring, capacity and evolution in governance and organisational structures.

**Capacity and Technical Assistance**

The D2N2 Local Enterprise Partnership will seek to convene partners within a D2N2 Technical Assistance network co-ordinate the effective promotion of a pipeline of projects of appropriate scale, impact and local strategic fit.

**Sustainable Urban Development Strategy for Nottingham**

Under the Sustainable Urban Development Strategy, decision-making over the 10% of D2N2 allocation of ERDF Funds will be undertaken by Nottingham City Council, as the designated Intermediate Body for the Sustainable Urban Development Strategy.

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

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

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

a. access routes and information for potential applicants and beneficiaries of funded services is straight forward – adopting a no ‘wrong door’ approach;

b. overlap areas are neither advantaged nor disadvantaged by overlap status.

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

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

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

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

Routes to Market
The two LEPs will endeavour to align initiatives in the overlap areas at all stages of service design, procurement, delivery and review of the service provision, to promote simplified ‘routes to market’.

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

Community Development Proposals

Some parts of the D2N2 area face particular very local economic challenges. For example, some of the rural areas face the challenge of balancing economic growth and sustaining vibrant local communities with preserving a very high quality local environment, which is an important economic asset. Other areas have the legacy of the decline of the mining industry to deal with, with a need for specific, localised actions to tackle e.g. high rates of limiting long-term illness and high levels of worklessness.

Whilst the majority of ESIF funding will be used to support projects of impact and scale with benefits across D2N2, a community programme can add value to ‘mainstream’ delivery by promoting differentiated locally distinctive and innovative activity in communities across the diverse D2N2 area. During Operational Programme negotiations, it became apparent that the ‘CLLD’ approach that the European Commission would permit in England would be restrictive, complex and only be available to a selection of communities within the D2N2 area.

Therefore, having consulted extensively with local partners including representatives of the voluntary and community sector, D2N2 ESIF Committee proposes to operate a bespoke community programme drawing funding from a number of priority axes across the ESIF Programme. The ESIF Committee will ask the D2N2 LEP to convene relevant local partners and liaise with the Managing Authorities to inform the design of a bespoke D2N2 community programme that meets the Core Delivery Principles of D2N2 and:

- Adds value to current ‘mainstream’ ESIF-funded and non-ESIF funded provision.
- Responds to local needs across D2N2 within an overall programme that provides a reasonable degree of geographic equity;
- Can be viably delivered, by attracting match funding, delivering outputs, being compliant with relevant ESIF funding regulations and requirements and operate within an effective performance management framework.
- Can be easily accessed by communities and will attract applications, including the provision of additional support through a project intermediary or utilising ESIF Technical Assistance.
- Maximises the level of funding being available to provide services to beneficiaries - promoting effective and efficient collaboration and avoiding duplication.
- Promotes social value and social innovation, within an approach that delivers our ESIF Strategy, ESIF Core Delivery principles and excellence in equalities and environmental sustainability.
Annex A: Responses to the Consultation Document

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

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

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

- BAC-IN
- Bassetlaw District Council
- Bolsover District Council
- Central College Nottingham
- Chesterfield Borough Council
- CPT East Midlands
- Crystal Clear
- De Montfort University
- Defra Network
- Derby City Council
- Derby City Council (Adult Learning)
- Derby City Council Social Inclusion Toolkit
- Derby Museums
- Derbyshire and Nottinghamshire Chamber of Commerce
- Derbyshire County Council
- Derbyshire County Council (LD Employment Adult Care)
- Derbyshire Dales Council and Peak District Joint Response (High Peak Borough Council, Peak District National Park authority, Business Peak District, peak District Partnership, Peak District Local Nature Partnership)
- Derbyshire Economic Partnership
- Derbyshire and Nottinghamshire NFU
- Derbyshire Rural and Farming Network
- Enable UK
- Environment Agency
- Erewash CVS
- Experience Nottinghamshire
- Ingeus
- Intraining
- Lowland Derbyshire and Nottinghamshire Local Nature Partnership
- Mansfield Community and Voluntary Service
- Mansfield District Council
- Marketing Derby Ltd.
- Midlands TUC
- National Housing Federation
- NBV
- NHS East Midlands
- Nigel Booth
- National Housing Federation
- North East Derbyshire District Council
- Nottingham Arimathea Trust
- Nottingham City Council
- Nottingham ESB
- Nottingham Trent University
- Nottinghamshire County Council
- Now Un Ltd.
- NSDC
- Prince’s Trust
- Peak Farming Network
- Peak LAG
- RIBA
- RTSE
- Rural Action Derbyshire
- Rural Community Action Nottinghamshire
- Rushcliffe Borough Council
- Sherwood Forest Trust
- Straplan Ltd.
- UKMESS Ltd.
- Vernon Community College
- Visit Peak District
- VW Skills
- Young Enterprise
Respondents to the Local Implementation Plan Consultation Document included

- MB Marshall
- Derwent Living
- Chesterfield Community Care Farm
- Lindhurst Engineering
- AAA ltd
- High Growth Coaching Ltd
- DBC Training
- Chesterfield BC
- Food & Drink Forum
- Excalibur UK
- NBV Enterprise Solutions
- Marketing Derby, DEP & Invest in Nottingham
- Bolsover DC
- Destination Chesterfield
- N2 ESB
- MH Innovation
- Nottinghamshire Training Network
- Business in the Community
- Employer First
- Derby City Council
- Central College
- University if Nottingham
- Chesterfield College
- Ingeus Uk
- NSDC
- Mansfield District Council
- Futures
- Derbyshire Dales DC
- Vision West Notts College
- University of Derby
- Business Peak District
- Nottingham City Council
- Derbyshire Economic Partnership (officers)
- North Notts College
- Nottingham Trent University
- University of Nottingham
- Medilink East Midlands
- Derbyshire County Council
- Gedling Borough Council
- Transport Equipment Manufacturing
- East Midlands Chamber
- Nottinghamshire County Council
- Derby College
- National Forest Company
Annex B Programme Alignment

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

EU Policy Alignment

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

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

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

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

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

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

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

7The Strategy is “Europe 2020”.
The ESI Growth Programme’s top priorities\(^8\) will be innovation and research and development, SME support, low carbon, skills, employment and social inclusion. *It is worth noting our Strategic Actions dovetail these areas well and we recognise the need to make a meaningful contribution to the National Growth Programme.* The table below summarises other key EU programmes we may wish to draw upon.

<table>
<thead>
<tr>
<th>ESIF and other European Fund Synergies</th>
<th>Support for European Structural and Investment Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Funding Programme</strong></td>
<td><strong>Summary</strong></td>
</tr>
<tr>
<td><strong>Horizon 2020</strong></td>
<td>A flagship Europe 2020 initiative aimed at securing Europe’s global competitiveness, Horizon 2020 will run from 2014 to 2020 with an €80bn budget. The programme will support and accelerate research and innovation as part of the drive to create new jobs and growth in Europe. The programme includes:</td>
</tr>
<tr>
<td></td>
<td>• Strengthening top-level research in science to improve the EU’s global standing in the field. This will involve a dedicated budget of €24.6bn and a 77% increase in funding for the European Research Council.</td>
</tr>
<tr>
<td></td>
<td>• Improving industrial leadership in innovation through investment in key technologies, greater access to capital and support for SMEs. This activity will have a budget of €17.9bn.</td>
</tr>
<tr>
<td></td>
<td>• Providing €31.7bn to help address major concerns including: climate change; sustainable transport and mobility; making renewable energy more affordable; ensuring food safety and security; and coping with the challenge of an ageing population.</td>
</tr>
<tr>
<td></td>
<td>Programme for the Competitiveness of Enterprises and SMEs</td>
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<tr>
<td></td>
<td>COSME is a new funding programme for the 2014-2020 programming period. It has a planned budget of €2.3bn and will aim to:</td>
</tr>
<tr>
<td></td>
<td>• Facilitate access to finance for SMEs;</td>
</tr>
<tr>
<td></td>
<td>• Create an environment favourable to business creation and growth;</td>
</tr>
<tr>
<td></td>
<td>• Encourage an entrepreneurial culture in Europe;</td>
</tr>
<tr>
<td></td>
<td>• Increase the sustainable competitiveness of EU companies;</td>
</tr>
<tr>
<td></td>
<td>• Help small businesses operate outside their home countries and improving their access to markets.</td>
</tr>
</tbody>
</table>

\(^8\) In England the ERDF, ESF and part of the EAFRD will be brought together into a single ‘EU Structural Investment (ESI) Funds Growth Programme’ at the national level.
Programme for Social Change and Innovation

This EU Programme will have a budget of €815m for the 2014-20 period and will support Member States’ efforts in the design and implementation of employment and social reforms at European, national, regional and local levels by means of policy coordination, the identification, analysis and sharing of best practices. Together with the European Social Fund, the Fund for the European Aid for the Most Deprived and the European Globalisation Adjustment Fund, EaSI forms the fourth pillar of the EU Initiative for Employment and Social Inclusion 2014-2020.

- The programme aims to provide assistance to Member States who are undergoing employment and labour market reforms. This strongly links to projects under Thematic Objective 8, which promote employment and support labour mobility throughout the EU.
- The programme will also aid reforms across the EU that promote social inclusion and combat poverty, as with projects that support Thematic Objective 9.

European Territorial Cooperation Programmes

Cohesion policy encourages regions and cities from different Member States to work together and learn from each other through joint programmes, projects and networks. The ETCP covers:

- Cross-border co-operation programmes along internal EU borders;
- Transnational co-operation programmes covering larger areas of co-operation such as the Baltic Sea, Alpine and Mediterranean regions;
- Providing a framework for exchanging experience between regional and local bodies across all Member States.

- The ETCP aims to make all policy and delivery across the EU more effective through enhancing institutional capacity and an efficient public administration, which is the main goal of Thematic Objective 11.

Contribution to National Policy Objectives

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

<table>
<thead>
<tr>
<th>National Policy and ESIF Synergies</th>
<th>Funding Programme</th>
<th>Summary</th>
<th>Support for European Structural and Investment Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plan for Growth</td>
<td>There are four key ambitions of the 2011 Plan for Growth, these are:</td>
<td>- To create the most competitive tax system in the G20; - To make the UK one of the best places in Europe to start, finance and grow a business; - To encourage investment and exports as a route to a more balanced economy; - To create a more educated and flexible workforce.</td>
<td>- The Plan for Growth identifies SMEs as a key driver in the long-term growth of the UK economy. Its resultant pledge to help start, finance and grow businesses as well as encourage firms to export will work in partnership with Thematic Objective 3 of improving SME competitiveness. - In order to do this, the Plan acknowledges the importance of improving the flexibility of the UK’s workforce through investing in education, skills and lifelong learning, which will support projects undertaken under Thematic Objective 10.</td>
</tr>
<tr>
<td>The Government’s Export Challenge</td>
<td>It aims to double UK exports by 2020 and create 100,000 new exporters.</td>
<td></td>
<td>- Thematic Objective 3 includes activities to promote export development.</td>
</tr>
<tr>
<td>Innovation and Research Strategy for Growth</td>
<td>The strategy seeks to ensure that government policies stimulate, rather than hinder, UK innovation through:</td>
<td>- Greater use of public procurement.</td>
<td>- The strategy outlines how innovation and research can drive long-term sustainable growth in the UK economy. This is a principle component of Thematic Objective 1 and will strongly support projects operating under that thematic objective.</td>
</tr>
<tr>
<td>Category</td>
<td>Description</td>
<td></td>
<td></td>
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| **Bigger, Better Business** | The report by the Department for Business, Innovation and Skills highlights that business growth is its main priority, in particular improving small business performance and growth. It aims to withdraw barriers to enterprise, including:  
- Increasing access to public data or to knowledge created as a result of publicly funded research; and  
- Accepting all the recommendations in the review of intellectual property by Professor Ian Hargreaves.  
- Creating connections between experienced business people will strongly support projects under **Thematic Objective 3**, as will increasing the number of self-employed people.  
- Helping the unemployed to become self-employed will: promote employment and social inclusion, support labour mobility and combat poverty, strongly aligning with projects working toward **Thematic Objective 8** and **Thematic Objective 9**. |
| **Local Growth: Realising Every Place’s Potential** | This strategy document highlights that to set the conditions for private sector growth, the Government must:  
- Create macroeconomic stability;  
- Help markets work more effectively;  
- Ensure that it is efficient and focused on its own activities;  
- Ensure that everyone in the UK has access to opportunities.  
- Local Growth highlights the need to invest in infrastructure projects to drive growth in every geographic area in the UK. This covers broadband projects (supporting **Thematic Objective 2**) and investment in transport (supporting **Thematic Objective 7**). |
| **The Information Economy Strategy** | Aims to help 1.6 million small and medium sized businesses grow their online presence and allow them to exploit new technologies. This industry-led initiative will target SMEs that either are not online, or want to improve their current online facilities so they can do things like process electronic payments, sell goods overseas or develop cloud computing.  
- Includes a £1 million fund to kick start development of an innovative solution to a global problem of our time.  
- Complementing the investment of Broadband Delivery UK and the aspirations of the information economy strategy, D2N2’s ESIF strategy highlights where we exploit Growth through the Information Economy in **Thematic Objective 2**. This will help us unlock growth in rural areas and better exploit broadband technologies and the ICT potential of our priority sectors.  
- The main focus of these skills strategies and reforms supports work undertaken as part of **Thematic Objective 10** – investing in education, skills and lifelong learning. |
| **Skills for Sustainable Growth and National Skills Strategy** | This document highlights that the UK’s working age population is less skilled – and subsequently at least 15% less productive – than France, Germany and the US. In particular, there is a significant gap in intermediate technical skills in the UK. Skills for Sustainable Growth sets out how the UK can ensure there is the suitable supply of labour as technological change accelerates, using a skills programme based on fairness, responsibility and freedom.  
- The Richard Review of Apprenticeships  
- The Review outlines a ten-point plan to produce an apprenticeship system which meets the needs, and maximises the potential opportunities of the UK economy, its learners and its approach to government and regulation.  
- Investing in Britain’s Future  
- Outlines how the Government pledged £100bn (2010-2020) for investment in infrastructure, will transform the way public projects are financed and has pledged to stabilise macroeconomic policy to encourage private investors.  
- The infrastructure projects the Government are investing in between 2010-2020 largely cover the roll-out of broadband (supporting **Thematic Objective 2**) & investment in transport (supporting **Thematic Objective 7**). |
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<th>Social Justice: Transforming Lives’</th>
<th>• Aspires to improve social mobility and reduce child poverty.</th>
<th>• <strong>Thematic Objective 9</strong> has measures to engage excluded individuals and families facing multiple disadvantage and equip them with tools they require to work towards positive economic outcomes.</th>
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<td>Habitat and Landscape protection</td>
<td>e.g. Natural Environment White Paper, Biodiversity 2020: A strategy for England’s wildlife and ecosystem services, the European Landscape Convention, the EU Water Framework Directive and the 2005 Thematic Strategy on Air Pollution.</td>
<td>• Sustainable development is a <strong>cross cutting</strong> theme and a key component of our continued economic competitiveness and social well-being.</td>
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