

**01 July 2014****Agenda Item: 6****REPORT OF GROUP MANAGER, CORPORATE STRATEGY****SECTOR WORKING – OUTLINING OUR APPROACH****Purpose of the Report**

1. To consider and agree the Council's approach to priority sectors across Nottinghamshire.

**Information and Advice**

2. In December 2013, Policy Committee approved the County Council's Economic Development Strategy. The Strategy proposed that the County Council would develop sector plans to underpin investment priorities in the following sectors: low carbon, advanced manufacturing and food and drink. These sectors had been identified as they are priorities for the D2N2 Local Enterprise Partnership (LEP) but with particular relevance to Nottinghamshire in terms of having above average productivity, coverage across the County and the potential for significant growth.
3. Economic Development Committee considered and approved a low carbon action plan for Nottinghamshire in November 2013. The economic development service continues to work on actions contained in this plan, in conjunction with the D2N2 LEP.
4. The D2N2 LEP has prioritised eight sectors as areas of 'economic focus', these are:
  - transport equipment and advanced manufacturing;
  - medicine / bioscience;
  - food and drink manufacturing;
  - construction;
  - visitor economy;
  - low carbon goods and services;
  - transport and logistics; and
  - creative industries.
5. D2N2 has positioned these sectors as the current and future 'high value' sectors based on research undertaken by Nottingham Trent University, recognised strengths in the local economy in terms of Original Equipment Manufacturers (OEMs) and their supply chains, strengths in local universities and further education colleges and growth potential as identified by the UK Government.

6. Further analysis of each of the sectors that has been drawn up by the D2N2 LEP is attached to this report as Appendix A.

### **D2N2 approach**

7. The D2N2 LEP has established sector working groups for each of the sectors as outlined at point 4 above. The County Council contributes to all of these sector groups with the exception of medicine / bioscience, which has a particular focus on the universities, hospitals and BioCity in Nottingham. The sector working groups have been tasked with developing sector skills plans for each of the sectors. These will drive future investment in skills and employment through European Social Funds that will be allocated to the LEP imminently.
8. The sector working groups also focus on broader sector development including issues such as supply chain and market development, innovation and research, export markets and access to finance.

### **The County Council's approach**

9. Priority sectors are currently embedded across the work of the economic development service. For example, companies in priority sectors will be given preference through:
  - a. The Nottinghamshire Economic Development Capital Fund
  - b. Start-up activities delivered by Nottinghamshire Business Venture
  - c. The apprenticeship programme delivered on our behalf by Nottinghamshire Futures, with a focus on small and medium sized businesses

This approach will be extended to include our key account relationships with businesses, our priorities for the innovation centre network and our work with developers on bringing sites to market through the Nottinghamshire Business Investment Zone project.

10. To avoid duplication and confusion with D2N2 LEP, we propose to work closely with the LEP's sector working groups on investment priorities and interventions funded through the Local Growth Deal and European funding programmes to secure the best deal for Nottinghamshire companies, rather than developing discrete sector plans for Nottinghamshire.
11. D2N2 LEP does not recognise two sectors which are of particular economic significance to Nottinghamshire and for these we propose that the County Council should develop stand-alone plans. The two sectors are health and social care. It is considered that these sectors offer important volume opportunities for employment and progression.
12. 'Skills For Care', the Sector Skills Council for care estimated that in 2012 there were 1.63 million jobs in adult social care across England. Since 2009, the workforce has continued to shift away from local authority services (-15%) and towards independent employers (+15%) and the personalisation of adult social care is apparent with a large increase in the number of jobs related to direct payment recipients since 2009 (+50%). The growth in the number of adult social care jobs is roughly following that projected by

the 'maximising choice' scenario. Under this scenario, the number of adult social care jobs is projected to grow to around 2.6 million by 2025.

13. 'Skills For Health', the Sector Skills Council for health undertook a market assessment in 2011 and estimated that there are 2 million workers distributed across the UK. Between 1999 and 2008, employment in the sector grew by 26%. Given a combination of rising birth rates, an ageing population and the obesity crisis, the healthcare workforce is under increasing pressure. In Nottinghamshire, almost 30% of full time workers are 50 years of age and older, these factors mean that there are significant opportunities for employment within the healthcare sector.
14. For the health sector, it is proposed that a sector action plan is researched and completed through a joint approach with the Nottinghamshire Skills and Employment Board. The County Council will be a key contributor to this given its role in terms of public health and recognising the future demands for a skilled workforce in this sector. The work is being supported by the Nottinghamshire Healthcare NHS Trust.
15. A plan for the social care sector should have a broader focus than skills, particularly given the Council's role as a statutory service provider and commissioner of care. It is therefore proposed that a sector development plan should be drawn up by the Council (led by the economic development service), incorporating a skills element but also looking at issues such as market development, start-up business support, innovation, commissioning and mutualisation.

### **Reason for Recommendation**

16. Sectors are important drivers of economic growth and this has been recognised by the Government and D2N2 LEP. D2N2 LEP has established sector working arrangements and will be investing significant funds in priority sectors. It is important that the County Council secures the best deal for Nottinghamshire through these arrangements and future investments. D2N2 LEP does not recognise health and social care as priority growth sectors, and therefore we propose that these should be addressed differently.

### **Statutory and Policy Implications**

17. This report has been compiled after consideration of implications in respect of finance, equal opportunities, human resources, crime and disorder, human rights, the safeguarding of children, sustainability and the environment and those using the service and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

### **Financial Implications**

18. None

### **RECOMMENDATION/S**

19. That the Economic Development Committee:

- a. notes this report and agrees the Council's approach to working with sectors in collaboration with D2N2 LEP and the Nottinghamshire Skills and Employment Board;
- b. approves that the County Council produce a separate sector development plan for social care given the Council's broad role and statutory responsibilities.

**Report of the Group Manager, Corporate Strategy, Celia Morris**

**For any enquiries about this report please contact Fiona Anderson (0115) 977 2688**

**Constitutional Comments (SLB 12/06/2014)**

Economic Development Committee is the appropriate body to consider the content of this report.

**Financial Comments (SEM 12/06/14)**

There are no specific financial implications arising directly from this report.

**Background Papers and Published Documents**

'Low Carbon and Environmental Technologies Action Plan' EDC November 2013

'Nottinghamshire County Council's Economic Development Strategy' Policy Committee December 2013

**Electoral Division(s) and Member(s) Affected - all**

## **Appendix A – D2N2 priority sector analysis**

### **Strength in Depth – Sectoral Opportunities in D2N2**

Whilst D2N2 is a diverse economy with specific sector strengths across the geography, we have identified eight priority sectors in which D2N2 is already strong or has the capacity to grow. We will prioritise activity that supports these sectors but we will remain agile to support growing businesses in other sectors, including the wider advanced manufacturing sector. We will respond to emerging growth opportunities across the economy, recognising that much of the employment growth in the D2N2 economy over the next ten years will occur outside these sectors, particularly in private service sectors and newly emerging sectors.

#### **TRANSPORT EQUIPMENT MANUFACTURING**

The D2N2 area is synonymous with the transport equipment manufacturing sector, given the presence of a number of large and globally significant employers such as Toyota, Rolls Royce and Bombardier and their significant local supply chains, including companies in the Ashfield Mansfield and High Peak areas. The current strength is built on many years of innovation and manufacturing expertise, dating back to the establishment of Raleigh Bicycle Company in Nottingham in 1890. The sector is concentrated in Derby and South Derbyshire, with links along the A50 to Staffordshire. The sector covers the production of aerospace, automotive and rail transport vehicles and is 40% more productive in D2N2 than elsewhere in the UK.

The importance of the sector is recognised in the UK Industrial Strategy and, despite increasing global competition, it is likely to remain an important driver of the D2N2 economy. The sector is complemented by strengths in the area's research base, particularly at the School of Mechanical Materials at the University of Nottingham. Although not part of the manufacturing sector, there are important linkages to transport innovation and information technologies in which our Universities play a leading role.

**Employment 2012:** 20,200

#### **MEDICINE / BIOSCIENCE**

Another of the Industrial Strategy's priority sectors, demand in the medicine and bioscience sector is being driven by new and developing technologies, growing global wealth and an ageing and better informed population. The sector is particularly important in Nottingham where it is a key driver of innovation. D2N2 is home to over 200 medical technology firms.

D2N2 has experienced significant employment growth over recent years particularly in the manufacture of basic pharmaceutical products and medical and dental instruments. This growth builds on historical strengths in the sector, including the presence of a significant pharmaceutical sector, the HQ of Alliance Boots (one of D2N2's most significant employers with c.11,000 staff<sup>1</sup>) and the presence of BioCity and MediCity in Nottingham. It is a nationally significant sector and provides an opportunity for niche producers and university spin-outs. The manufacture of medical and wearable devices, whilst a relatively small sub-sector, is a particularly high value sub-sector of manufacturing with a high level of R&D activity.

**Employment 2012:** 4,200

#### **FOOD AND DRINK MANUFACTURING**

Nearly 17,000 people are employed in food and drink manufacturing, with particular concentrations in the Peak District, Newark & Sherwood, Bassetlaw and Amber Valley, and especially in rural areas because of links to D2N2's important agricultural base, with the agri-food sector continuing to grow during the recession. D2N2 is home to many blue chip food manufacturers, including Thorntons, Warburtons, Nestle, Greencore, British Sugar and Pork Farms, in addition to a vibrant SME base across the urban and rural landscape.

The area benefits from good connectivity to the rest of the UK enabling the rapid distribution of food and drink products and close access to markets. The sector is also relatively productive in the D2N2 economy with output per full-time employee estimated to be 5.5% higher than the sector in the UK overall. It is a source of secure employment in roles ranging from high

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<sup>1</sup> Please note, employment at Alliance Boots does not fall within our definition of the medicine and bioscience sector (which is focused on research and manufacturing) and is classified as 'Dispensing chemist in specialist stores' in the Standard Industrial Classification codes

tech, professional and managerial occupations, including food scientists, engineers etc, to lower skilled roles appealing to a broad section of the workforce. Dedicated training is provided for the sector by organisations including New College Nottingham, University of Derby in Buxton and School of Artisan Food.

**Employment 2012:** 17,000

## **CONSTRUCTION**

The construction sector employs over 40,000 people in D2N2, a very significant number but substantially lower than was the case before the onset of the recession in 2008/9. As elsewhere, the sector's future growth prospects in D2N2 are intrinsically linked to the performance of the local and national economies; however, the construction sector can play an important role in generating additional economic activity, with every £1 invested in house-building generating nearly £3, through wages and profits, spending with suppliers and spending in the wider economy. An important issue for the construction sector in D2N2 is to ensure that businesses are able to access both public sector and private procurement opportunities, and are able to find the training they need to upskill their workforce.

D2N2 has a number of large employers including Morgan Sindall and Bowmer and Kirkland, and the construction sector locally is relatively productive with output per worker estimated to be 9% higher than in the UK overall and accounting for 8.7% of GVA in the D2N2 area. It is also an important provider of skilled jobs and training / apprenticeship opportunities for young people together with 'up-skilling' of the supply chain in collaboration with larger businesses. There are also emerging specialisms in low carbon construction, retrofit and renewable technologies..

**Employment 2012:** 40,000

## **VISITOR ECONOMY**

The visitor economy sector covers those activities which are directly associated with tourism, including hotels and restaurants, museums and cultural attractions, as well as activities relating to sports and the wider cultural sector which attract and service domestic and international visitors for business and leisure. The D2N2 economy has some key assets notably the Peak District and Sherwood Forest, two of the UK's major attractions, as well as a variety of stately homes, historical buildings including the Derwent Valley Mills Unesco World Heritage Site, cultural attractions and sporting venues including Derby's Multi Use Sports Arena and Nottingham's Trent Bridge.

Employment in the sector has fluctuated considerably over the past four years but is currently over 65,000 in the D2N2 area, and there is the potential to increase employment by exploiting new opportunities and markets, such as the growth of cycling as a leisure pursuit, the crescent restoration in Buxton, one of England's leading spa towns and the development of assets such as Sherwood Forest, Cresswell Crags, Newark's National Civil War Centre and Nottingham Castle Project. There are a number of visitor economy opportunities we wish to pursue, including the business tourism market, festivals and events, tactical marketing, branding and gateways and hubs, and we will produce a Growth Plan for the visitor economy early in 2014.

**Employment 2012:** 65,300

## **THE LOW CARBON ECONOMY**

With ambitious and legally binding targets set in relation to carbon reduction to 2050. D2N2 plans to use our competitive advantage to build on expertise in the low carbon transport technologies and dual fuels sector, including Toyota and Rolls Royce, and data from DECC suggests employment in the low carbon economy here is amongst the highest of all LEP areas. The D2N2 area importantly also has significant research expertise in this area. D2N2 is also a significant contributor to power generation in the UK, with the potential to exploit the move to more renewable sources of energy.

The significance of climate change and the low carbon economy is also likely to present commercial opportunities for the entire D2N2 business base either through the development and provision of low carbon goods and services, including low carbon housing and retrofit or through savings in areas such as energy or waste reduction, providing a market for local low carbon economy businesses.

**Employment 2011/12:** 28,700

## **TRANSPORT AND LOGISTICS**

The transport and logistics sector covers activities such as land transport, air and water transport, warehousing and courier services and is a significant employer in D2N2 with over 28,000 employees. The sector makes a significant contribution to the success of many other sectors, providing the means through which supplies are obtained and goods are transported to markets locally, nationally and internationally, and is also closely associated with the transport equipment manufacturing sector.

Located at the heart of the UK, D2N2 benefits from a number of major road and rail links (for both passengers and freight). Key assets which benefit the D2N2 economy (although located outside the D2N2 area) include East Midlands Airport and the proposed strategic rail freight hub to the north of the airport, and the HS2 line will run through D2N2 with a proposed station at Toton. Within the D2N2 area, major employers include East Midlands Trains (based in Derby), and new employers, such as Kuehne & Nagel Drinkflow Logistics, are being attracted to the area.

**Employment 2011/12:** 28,600

## **CREATIVE INDUSTRIES**

The creative industries sector accounts for around 5% of economic output nationally, and a similar share of employment. The sector is an important international strength for the UK, and a growing source of export earnings. In D2N2, the sector has over 26,000 employees with the two cities accounting for around 40% of this total. It is likely that this figure understates the true employment level as the large number of sole traders and micro businesses in the sector may not be captured by official datasets.

Creative industries is a wide-ranging sector, taking in video, film and photography, music, publishing, radio and TV, computer games, social media and the software that supports these industries and the telecommunications sector. The sector has been growing rapidly at the national level and makes an important contribution to the success of other sectors, supplying services such as digital technologies and software to sectors including the automotive, bio-science, construction sector and the visitor economy, and encouraging innovation and design quality.

Particular employment specialisms in D2N2 lie in computer and software (especially in computer gaming and medical technology applications). There are opportunities for growth across the cities and counties, with Nottingham's Creative Quarter and Cromford Mills (within the Derwent Valley Mills World Heritage Site) just two such examples along with the key role of enhanced digital connectivity.

**Employment 2011/12:** 26,500