Metro —— Dynamics

The Economic Case for the Derby-Nottingham Metro

Contents

Chapter	Page
1. Foreword	4
2. Executive Summary	6
3. The Derby-Nottingham metro	12
4. The economic case for working as a metro	16
5. Business and education providers' views on the metro	26
6. How the area is operating currently	28
7. The growth ambition	34
8. Priorities for metro collaboration	38
9. Governance and delivery	50
10. Funding the metro	54
11. An industrial strategy deal	57
12. Recommendations	60
13. Conclusion	62
14. Appendix	64

1 Foreword

When Derby and Nottingham City Councils asked Metro Dynamics to explore the economic case for the area functioning as a metro economy, I jumped at the opportunity.

I grew up in Beeston, which as part of Broxtowe District Council, lies on the route between Nottingham and Derby. As a teenager in the late 1970s, I was a passionate Nottingham Forest fan. The rivalry between Derby and Forest was as real then as it is now. But both sets of fans are also only too aware that the two clubs experienced their greatest success under the same manager, Brian Clough, whose name has been given to the A52 that runs between the two cities.

The more you look at Derby and Nottingham, the more apparent their underlying economic interdependence becomes, but it has often been obscured by competing identities. An old friend of mine summed this up very well when he said to me as we walked away from a Forest game, "everyone in Nottingham hates Derby, mind you, half my mates work there!".

Even as someone who knows the area well, I was surprised by the extent to which the two cities are connected economically. 40,000 people commute regularly between the two cities and over 400,000 people commute to work within the wider metro area. Three quarters of the people who live in the area, also work in the area.

Moreover, far from being in economic competition, the two cities complement one another. Derby specialises in advanced manufacturing and engineering, whereas Nottingham's economy is much more about professional services, biotech, data and digital and creative sectors.

But whilst the area already has many of the characteristics of an urban metro, it doesn't operate like one, and it loses out as a result. Its collective voice is not as loud as it should be. For that reason, it gets less public spending and transport infrastructure investment per capita than other similar areas. Despite relatively buoyant economies, and similar levels of GVA for the two cities, there are significant levels of inequality, particularly in the north of Nottingham and south of Derby. For poor communities in these areas, the economic opportunities in advanced manufacturing and the digital economy feel as remote as if they were in another country.

The metro area is also part of a wider East Midlands region which has not so far benefited from any new devolution arrangements. Whereas the West Midlands Combined Authority can provide coherent and co-ordinated economic leadership for their area, there is no equivalent across the East of the Midlands Engine.

Our report makes a strong case for more collaboration to drive inclusive growth. Whilst the two cities will be critical to this, many future economic opportunities lie in the broader metro area and the intersections between the places and sectors that this represents. The metro area, based on Eurostat and ONS data, consists of the urban districts immediately adjacent to the two cities as well as those between them, adding up to a metro population of 1.4m. It is the fifth largest in the UK.

The biggest growth opportunities that we identify are located between Derby and Nottingham, the most significant of which is HS2 at Toton. The potential here is enormous, it could be an innovation campus that links Derby's advanced manufacturing and engineering strengths with Nottingham's burgeoning digital sector, building on the Midlands Engine Innovation accelerator plans. It could also provide much needed housing and be the catalyst for enabling the former Stanton Ironworks site to be developed to its full potential.

But this opportunity will not make itself. Britain has plenty of Parkway stations which failed to act as catalysts for economic renewal. Making the most of this will require determined action, leadership and collaboration between Councils, businesses and genuine public participation. This can't be about one place trying to dominate another, nor about the public sector trying to brow beat Universities, Colleges and businesses.

If all of the key organisations, City and County councils, Districts, LEPs, businesses, education institutions and local communities can work together in a real spirit of collaboration then there is a big economic prize to be grasped. We were commissioned to highlight the scale of the economic opportunity - £11bn more in GVA by 2030 and a more inclusive local economy. Now it's up to local political, business and civic leaders to decide how they want to respond this.

Ben Lucas
Managing Director, Metro Dynamics

2 Executive Summary

Derby and Nottingham are cities with different but long histories. They were both at the forefront of the original industrial revolution and share the potential to be at the heart of the new one. Their unique assets were fundamental in driving their economies in the past, whereas their combined agglomeration opportunity is the key to their economic future.

Pivotal to unlocking this opportunity is developing an industrial strategy for the metro area that can use the catalyst of the HS2 station at Toton to drive a new wave of economic innovation, generate more quality jobs, and build much needed housing. This will require an industrial deal for the Derby-Nottingham metro on HS2 development, investment, innovation and housing.

Metro Dynamics were commissioned by Derby and Nottingham City Councils to prepare an independent report on the potential growth opportunities that could be developed if the Derby-Nottingham area were to function, in economic terms, as a metro. In developing this report, we have reviewed a range of economic data, looked at how the area currently functions, assessed the emerging agglomeration opportunities, and spoken to key figures in the local economy.

Our conclusion from this review is that the area already has some of the characteristics of a metro area, but if it started to act as one, it could accelerate these economic benefits and drive inclusive growth more effectively across the whole area.

An economic pen portrait

The metro area is a powerful economy. Both cities coped better with 1980s de-industrialisation than other industrial cities. Consequently, their economies are stronger and have grown more than many other industrial cities in the UK. The area has some of the finest and most internationally recognised businesses, universities and colleges in the UK.

- Gross Value Added (GVA) per capita is third highest of all core city regions, similar to Greater Manchester[1].
- Over 600,000 jobs[2], with a combined GVA of £30bn[3].
- Derby is home to world class advanced manufacturing, which accounts for 30% of its GVA, making it the strongest manufacturing city in the UK[4].
- Nottingham has regional city strengths in finance, business services and public administration, as well as growing specialisms in biotech, data processing, digital and creative sectors.
- Three major universities -University of Derby, Nottingham Trent University and University of Nottingham.
- Location and/or home for major businesses such as Rolls-Royce, Boots, Bombardier, Experian, Toyota, Capital One and Paul Smith.

1 ONS Regional Accounts, per capita estimate 2015
2 Business Register and Employment Survey (BRES) 2015
3 ONS Regional Accounts 2015
4 ONS Regional Accounts 2015

The metro geography

The RSA City Growth Commission[5] identified Derby and Nottingham as one of the 15 large urban areas in the UK that could benefit from operating formally as metro economic areas. The basis for this designation was the use of Office for National Statistics (ONS) built up areas data. We have combined this methodology with Eurostat urban area data. This aligns economic evidence, built up areas and Strategic Housing Market areas. The resulting metro area:

- Covers the local authority areas of Amber Valley, Ashfield, Broxtowe, Derby, Erewash, Gedling, Nottingham, Rushcliffe, South Derbyshire.
- Has a population of 1.4m[6].
- Is among the top 5 largest metro areas outside London, and in top 50 metro areas in Europe[7].

A metro in all but name

The Derby-Nottingham area already has many of the characteristics of a metro area[8]:

- 40,000 people commute daily between the two cities, and 426,000 metro residents commute daily[9].
- The metro area covers 87% of commuters into Derby and Nottingham[10].
- 40% of the metro population live in the two cities[11], yet 55% of jobs[12] and 70% of job adverts are in the cities of Derby or Nottingham.
- 82% of metro residents work in the metro, whilst 83% of metro workers live in the area, this is a level of self-containment greater than that of the Metro Mayoral areas of the West of England and Cambridgeshire and Peterborough[13].
- Derby and Nottingham are the only two adjacent cities in Britain that have almost identical levels of GVA per capita[14].
- The two cities are closer than the Olympic Stadium and Wembley in London[15].

5 www.thersa.org/discover/publications-and-articles/reports/unleashing-metro-growth-final-recommendations 2014

6 ONS population estimates 2016

7 Eurostat database urban audit 2014; We have combined the urban areas of Nottingham and Derby and combined them with other urban areas to get this figure.

8 All commuting figures are from Census 2011

9 Both are figures from Census 2011. The first figure counts commuters between both 'Metro cities', that is Derby Metro City (Derby, Amber Valley, Erewash and South Derbyshire) and Nottingham Metro City (Nottingham, Ashfield, Broxtowe, Gedling and Rushcliffe)

10 Census 2011 11 ONS population estimates 2016

12 BRES 2015

13 http://sheffieldcityregiondevolution.org.uk/wp-content/uploads/2016/07/1741120-20SCR20-20CA20Expansion20-20Final20report20-202820June20-20Incl20Exec20Sum.pdf

14 The only other two proximate UK cities with similar levels of GVA per head are Birmingham (£22,307) and Coventry (£22,164). This is from ONS Regional Accounts 2015.

15 Using the centres between the two cities and walking distance from Google, and that of the Olympic Stadium and Wembley

The case for operating as a metro

In an economic and public policy context in which scale matters to achieving agglomeration benefits and sub-regional clout, there is a powerful case for the area to operate more formally as a metro partnership. As Britain prepares for Brexit, it will be critically important for local authorities to work closely with business to respond to any immediate economic shocks, as well as to seize new trading opportunities that may emerge. The report notes that the two city councils have decided to get on with collaboration and have published a metro strategy, which they are now enacting. This joint working - which covers areas such as leisure services, back office, and procurement - is an early indication both of intent and potential.

This report identifies a number of benefits for more formal metro economic arrangements. The most compelling include:

- Overcoming the challenges of relatively underbounded cities to establish a model of voluntary collaboration that builds on the bicentric and complementary relationships between the two cities and the local authority areas around and between them.
- Giving the metro a more powerful voice, so that it can respond strongly to the challenges and opportunities of the post-Brexit economy and engage effectively both with the Midlands Engine and UK government.
- Enabling a more strategic approach to generating inclusive growth, through combined approaches to education and skills improvement.
- Ensuring that the area will be able to reap the full economic, connectivity and inclusive growth benefits of Hs2 at Toton.
- Building on the fact that the metro's major growth opportunities lie in economic and location intersections across the area, for example, between digital and manufacturing sectors, and between Nottingham, Broxtowe, Erewash and Derby over exploiting the full potential of HS2 at Toton.

Growth ambition

The objective for greater economic collaboration is to grow and spread prosperity and opportunity across the metro area. Internationally, the Derby-Nottingham metro should be competing and collaborating with other successful urban metro areas. In the report, we look at the example of Nuremburg-Furth in Bavaria.

Globally, cities are driving growth and outperforming their national economies. But despite its strengths, the Derby-Nottingham economy lags behind the national GVA rate. Our report proposes a target of closing this gap by 2030. This would add an additional £11bn to the economy, which is 20% of the target that the Midlands Engine has set for itself over the same time period, even though the Derby-Nottingham population only makes up 15% of the Midlands population[16].

16 ONS population estimates (2016)

Priorities for metro collaboration

The way in which the Derby-Nottingham metro will meet its growth ambition is through accelerating agglomeration benefits that can drive better productivity and create the right environment for business innovation. Providing effective support to local businesses, combined with imaginative public sector working, could create a very strong testbed for innovation as well as driving more inclusive growth. The report identifies five priority areas on which metro collaboration should focus:

1 Inclusive growth

The report sets out a range of proposed actions including: better aligning skills demand and provision with local skill needs; a combined approach to better business engagement with schools; a combined approach to educational and skills improvement; a Low Pay Commission, and an inclusive growth investment framework and metrics.

2 Infrastructure

We highlight how HS2 at Toton represents a significant opportunity for radical improvements in connectivity, particularly by catalysing frequent and fast connectivity between the two cities through Toton. There will need to be substantial infrastructure investment to ensure that Toton fulfils and surpasses to its potential, including through unlocking housing development.

3 Business and Innovation

The metro is already home to established and successful businesses but it needs to do better at identifying supply chain cluster growth opportunities. In addition, there is potential to grow the metro's reputation as a centre for innovation, with the existing innovation parks and the proposed innovation campus at HS2 in Toton.

4 Place and promotion

In the post-Brexit world, Derby-Nottingham will need to market itself as an attractive location for investment and migration. The report suggests that joint working on the tourism and marketing activity of Derby and Nottingham should be an early priority, alongside a city centre masterplan, and collaborative event bidding.

5 Public Service Reform

The two city councils have begun to work to scope the public service reform potential of deeper collaboration. We outline the potential to extend this to a range of other citizen services. There are obviously opportunities to promote collaboration of wider wellbeing and care services and the report also points to the efficiency and wider economic benefits that might flow from collaboration on procurement, planning and back-office services.

A new local industrial strategy deal - governance and delivery

There is an opportunity for Derby-Nottingham metro to establish a new model for metro governance and delivery, which would be appropriate for a local industrial strategy deal. This would need to be robust and clear, and reflect the principles on which metro economic arrangements would be based. The metro area exists within two county areas, Derbyshire and Nottinghamshire, along with seven district councils, the D2N2 LEP and an array of major businesses, universities and colleges. Therefore, the core principles for any new arrangements should be partnership and collaboration.

This will require different ways of working. The metro will not be a panacea for growth in every instance, and businesses, councils, universities and colleges will need to continue to work at local, Midlands Engine and national level where appropriate. To be successful as a metro, the partners will have to develop behaviours and principles that embed collaboration. This cannot appear to be about any one place or organisation dominating the area. What is required is a genuine commitment to partnership, in which it is clear that metro working will drive benefits for every area and group, and where the basis for this is established from the outset.

A set of arrangements designed to co-ordinate and drive inclusive growth across the metro area and to strike a deal with government on funding, investment and new powers should be based on partnership between the public sector and business. The great 19th Century Cities, such as Derby and Nottingham, grew as municipal corporations, by bringing together councils and business people to provide their economic leadership. Derby-Nottingham metro could establish a modern corporation model, incorporating a version of the ‘modern aldermen’ proposed in the government’s industrial strategy Green Paper.

A Metro Growth Board could be established that draws its membership from the existing Metro Strategic Advisory Group, which is made up of a mixture of council, business and education leaders. It would be responsible for local industrial strategy and could have oversight and governance responsibilities over several delivery vehicles.

These delivery vehicles could include:

- Growth Company - Supporting jobs, growth, productivity, business support and place marketing.
- HS2 Development Corporation - Delivering the HS2 economic growth and infrastructure plan at Toton - would require statutory Development Corporation powers.
- Housing Company - Delivering housing on public land sites, packaging sites to attract private sector investment.
- Municipal Corporation - Owning and operating shared services and systems, both back and front office.
- Derby and Nottingham Transport Board - Co-ordinating transport plans and developing investment proposals for better connectivity across the metro.
- Inclusive Growth Board - Bringing together Opportunity area work in Derby with improvement work in Nottingham to co-ordinate activity at all-ages, including school improvement, skills co-ordination and investment proposals.

Funding the metro

As the report highlights, the Derby-Nottingham area has been considerably underfunded both in general public spending and in infrastructure investment.

A key element of ensuring that any new arrangements could deliver on their potential and achieve the inclusive growth ambition will be the funding and investment that the metro is able to win and attract. In addition to exploring options for business rate pooling, that will depend on government policy on fiscal devolution, the other funding components could include:

- Infrastructure Investment - A Tax Increment Financing (TIF) equivalent to fund investment in transport connectivity linking the two cities to, and through, HS2 at Toton.
- Housing investment - Both through current and future Housing Investment Fund (HIF) bids, other forms of local housing deals and greater flexibility on Housing Revenue Account (HRA) levels.
- European Structural and Investment Funds (ESIF) allocation via UK Prosperity Fund - The metro should receive its share of the ESIF funding currently allocated to the area - £160m[17]- so that it can plan to invest this to support inclusive growth.
- Land value capture - The metro should explore the financial options associated with land value capture, as this will be an important revenue and finance opportunity due to the direct and indirect impact of HS2 on land values.

17 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/307492/bis-14-772-uk-allocations-eu-structural-funds-2014-2020-letter.pdf - Although the metro’s allocation may change compared to the wider D2N2 LEP area, the metro is already among the ‘More developed’ UK areas, and so it is unlikely that its per capita funding of €120 per person would change significantly. https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/307562/bis-14-773-eu-structural-funds-uk-allocations-2014-to-2020-equality-impact.pdf

3 The Derby-Nottingham Metro

The Derby-Nottingham metro is a £30bn GVA economy, and home to 1.4m people and 600,000 jobs. The metro is amongst the top 5 largest metro areas in England (outside London), placing it in the top 50 metro areas in Europe for population. This gives it size and scale on a world stage.

At the heart of the metro area are the two cities of Derby and Nottingham, only 15-miles apart. The two cities are economically distinct and this drives the economic specialism of the local authority areas that surround them.

Derby is a world leader in manufacturing and engineering; Nottingham in bioscience and business services. These strengths have made the area an attractive location for a number of productive multi-national companies, including: Rolls-Royce, Boots, Experian, Bombardier, Toyota and Capital One.

2hrs

Within 2 hours of 90% of England's population

Less than an hour from London by 2032

Two cities closer together than the Olympic Stadium and Wembley (15 miles)

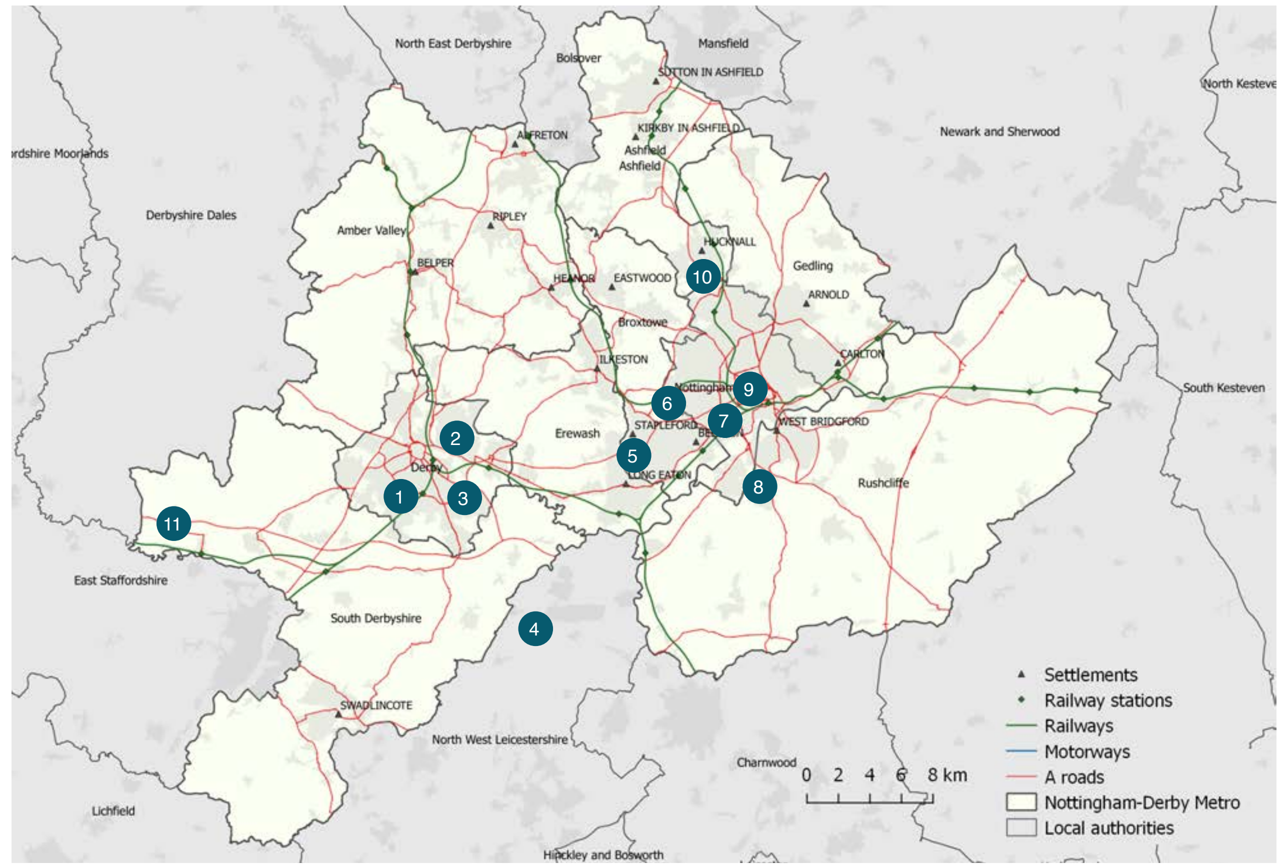
Operating at scale

Metros, as defined by Bruce Katz and others, are the larger constellations of cities and towns that constitute a functional economy within built up areas. The RSA City Growth Commission (2014)[18] identified the Derby-Nottingham Metro as one of the UK's 15 areas best placed to drive economic growth through joined-up decision making. The Commission used Office for National Statistics (ONS) built up areas to show that 1 million people live in the urban areas of the two cities.

We have combined this methodology with Eurostat urban area data. Eurostat uses economic and demographic statistics to identify the appropriate geography for urban areas, and is widely used to compare European cities. Combining these methodologies provides a geography best placed to maximise the economic benefits of operating at scale, aligning with economic evidence, built-up areas and Strategic Housing Market Areas.

This provides a geography for the Derby-Nottingham metro of: Derby, Nottingham, Amber Valley, Ashfield, Broxtowe, Erewash, Gedling, Rushcliffe and South Derbyshire.

Figure 1 - A map of the metro with key employers' locations.



1, 2, 10. Rolls-Royce
3. Bombardier
4. East Midlands Airport
5. HS2
6. Experian
7. Boots
8. Vision Express
9. Capital One
11. JCB

18 RSA City Growth Commission Final Report 2014

Operating at this scale provides opportunity. Economic evidence cites the capability of agglomeration to drive economic growth in places. It is this logic that has driven the global increase in metro level governance, from India to Germany. Linking places helps drive productivity through widening labour markets and employment opportunities, improving skills provision, creating relationships between drivers of innovation and expanding markets for products. It can also provide the scale necessary to attract additional investment.

Derby and Nottingham are well placed to benefit from this opportunity, as the cities are underbounded. Nearly 50% of the cities' residents do not live within the two cities' local authority boundaries according to ONS built up areas[19] - making collaboration between the cities and their neighbouring authorities vital. This is even more pertinent given the high levels of commuting flows into the cities - as demonstrated in Section 4.

The complementary strengths of the two cities also provide opportunities. The two cities' different strengths mean that little is gained from competition between them, whilst collaboration is advantageous for skills and workforce. The diverse industrial strengths provide an opportunity to foster innovation through collaboration between sectors (as outlined in the industrial strategy Green Paper).

Business does not recognise local authority boundaries. For instance, Rolls-Royce already employ around 1,000 people in Hucknall and Annesley alongside its main base in Derby[20], whilst both shopping centres are owned by INTU and there are numerous other links between the two cities which can be enhanced through the networks created by agglomeration.

Why now?

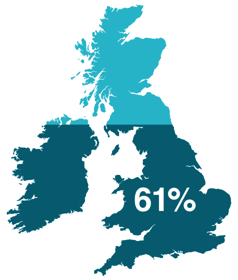
HS2 offers a unique opportunity to capitalise on the potential economic benefits of the two cities working together. Toton will be only 52-minutes from London and is almost equidistant between the two cities. This offers a growth opportunity, but one that can only be built upon through wider metro area collaboration. A combination of political will and economic imperative could maximise the mutual benefits of agglomeration between the two cities.

The government's industrial policy is also well placed to harness the opportunities. Derby and Nottingham's diverse but complementary economies offer cross-sector collaboration potential to drive innovation and national productivity gains. No other area of the UK has such untapped potential for this kind of collaboration between innovative industries and major multinational companies.

As Britain prepares for Brexit, it will be critical that local authorities work closely with business to prepare for any potential economic shocks, as well as seizing new trading opportunities that might emerge. Collaborating at metro level will help make the most of the area's export strengths, building on burgeoning relationships with China and India. Moreover, to build a metro that can respond to the economic opportunities of the future will require mobilising resources and investment at scale to support innovation in automation, AI, cyber security and food and energy self sufficiency.

19 Census 2011 ONS built up area data
20 http://www.nottinghampost.com/news/business/tens-millions-invested-nottinghamshire-rolls-147162

Cities account for 80% of global growth[21]



61% of the UK's growth is driven by its city regions[22]

The two cities provide 55% of jobs and 75% of inter-council commuting[23], but 40% of population

70% of job adverts are within the cities

As self-contained as D2N2 (despite a smaller size) and significantly more self-contained than Derbyshire (79%) and Nottinghamshire (81%)[24]

21 RSA City Growth Commission Final Report 2014
22 RSA City Growth Commission Final Report 2014
23 Census 2011
24 Census 2011

4 The economic case for working as a metro

A uniquely bicentric economy

No other two cities are so close together, yet have such different economic specialism. Over 30.0% of Derby's GVA is generated by manufacturing, compared to only 7.7% of Nottingham's and the UK average of 9.7%[25]. This is despite their proximity, and is over 50% more accentuated than any other proximate UK cities[26].

The cities have similar productivity within their local authority areas; this is unusual compared to other UK cities and is particularly notable given the lack of similarity between the two economies. Nottingham has a GVA per head of £27,645, compared to Derby's GVA per head of £27,259[27].

> **The cities make up 53% of the area's GVA[28], despite being only 45% of its population.**

> **GVA per capita is 3rd highest of all core city regions and similar to Greater Manchester and Leeds City Region[29].**

> **The two cities have higher GVA per head than Liverpool, Cardiff, Birmingham, Leicester, Newcastle, and are similar to Leeds.**

25 ONS regional accounts 2015

26 We have compared the ONS sub regional GVA figures for the local authority areas of: Bath and Bristol; Newcastle and Sunderland; Birmingham, Wolverhampton and Coventry; Cardiff and Newport; Bradford and Leeds; Portsmouth and Southampton.

27 ONS regional accounts 2015 per head data

28 ONS regional accounts 2015

29 ONS regional accounts 2015

Derby

Derby was a home of the industrial revolution. The presence of strong and established companies in advanced engineering saw the city weather de-industrialisation, experiencing rapid GVA growth over the last 15-years. This has accelerated recently with the city's GVA per head growing by 9.5%[30] over the last five years, the second highest of local authorities in the metro. Derby is the strongest city in the UK for manufacturing by a significant margin, as well as the most productive council area in the country with a specialism (30% of GVA+) in manufacturing[31].

Derby's manufacturing strength drives similar advantages in its neighbouring local authorities. South Derbyshire, Amber Valley and Erewash derive at least 20% of their GVA from manufacturing, which is over double the national average[32]. These local authorities' recent strong GVA per capita growth has mirrored the strong recent growth in Derby - unsurprisingly given their similar manufacturing strength.

- Rolls-Royce (12,000 employees in Derby, 1,000 in Nottinghamshire)[33]
- Bombardier (1,600 employees)[34]
- Toyota (3,000 employees)[35]
- Over 12,000 employed in the manufacture of other transport equipment[36]
- Nearly 5,000 employed in architectural and engineering activities[37]

Nottingham

Nottingham's economic composition is more typical of a large UK city. It coped relatively well with de-industrialisation, with a successful pivot to financial and business services in the 1980s. It is the regional hub for government departments such as the Inland Revenue, resulting in a specialism in public administration (28.6%, compared to an England average of 17.8%[38]). Nottingham has a knowledge-driven economy, with high productivity associated with headquarters of major companies and a strength in IT. The city has burgeoning biotech and data processing businesses, driven by major businesses such as Boots, Experian and Capital One.

As with Derby, Nottingham's sectoral strengths shape the economy of the areas around it. The closer these areas are to Derby, the more manufacturing orientated their economies are. Broxtowe and Ashfield have significantly above average GVA generated by manufacturing, whilst Rushcliffe and Gedling - to the south and east of Nottingham - are more orientated towards science and business services. These authorities' productivity gains are closely tied to Nottingham's. The wider Nottingham area has seen slow recent growth compared to Derby, as Nottingham's GVA per capita fell by 1.1% between 2010 and 2015 .

- 7,650 people employed by Boots[39]
- Over 3,000 people employed in data processing - 9x the UK average[40]
- Nearly 1,000 employed by Capital One[41]
- 1,125 by Games Workshop[42]
- Global headquarters of Experian[43]
- 1,134 employed by Paul Smith[44]
- By 2021, up to 2,600 people employed by the Inland Revenue[45]
- Over 10,000 people employed in higher education - Over 3x the UK average[46]

30 ONS regional accounts 2010 - 2015

31, 32 ONS regional accounts 2015

33 http://careers.rolls-royce.co.uk/united-kingdom/engineering-and-manufacturing/our-locations/derby#/; http://www.nottinghampost.com/news/business/tens-millions-invested-nottinghamshire-rolls-147162

34 Planes Trains and Automobiles Part 2, Derby City Council, March 2017

35 FAME database by Bureau van Dijk 2015 (FAME)

36 BRES 2015 - SIC30

37 BRES 2015 - SIC71

38, 39 ONS regional accounts 2015

40 http://www.nottinghampost.com/news/business/nottinghamshires-top-200-companies-revealed-162688

41 BRES 2015; employees in SIC 63110- Data processing, hosting and related activities

42, 43, 44 FAME 2016

45 https://www.civilserviceworld.com/articles/news/hmrc-announces-major-office-closure-programme-%E2%80%93-full-regional-breakdown-and-reaction

46 BRES 2015

GVA breakdown by industry (2015)

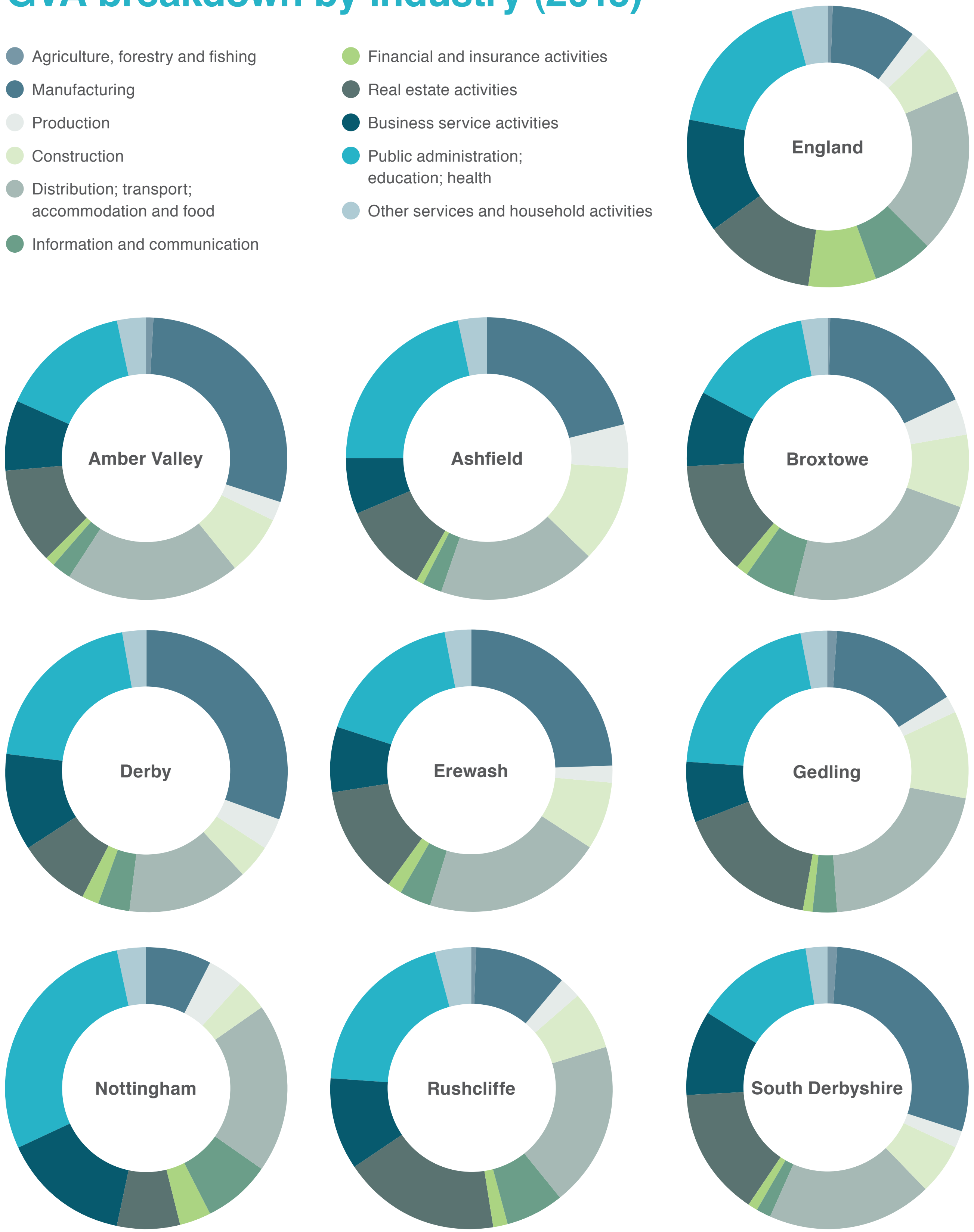


Figure 2 - GVA breakdown by industry (2015) for each metro local authority

Source: ONS Regional Accounts 2015

Linked by its people

Commuting patterns highlight the extent to which the metro already functions as one economy. The top nine areas for commuting to and from councils are the nine metro local authorities. A total of 82% of metro residents work in the metro, whilst 83% of metro workers live in the metro[47]. This figure of 82% is well above the ONS minimum of 75% (the threshold for being seen as a functional economic market area in terms of self-containment[48]), making the area more self-contained than Cambridgeshire and Peterborough and the West of England MCAs, and similar to Greater Manchester. The figure of 82% compares to a self-containment of 71% in Derby and Derbyshire and 80% in Nottingham and Nottinghamshire.[49]

40,000 daily commuters
between the two metro cities[50]

The metro area covers 87%
of commuters into Derby and Nottingham[50]

426,000 daily commuters
within the metro[50]

55% of commuters
go to Nottingham and Derby[50]

Nottingham, at 43%,
is significantly less contained than Derby (62%)[50]

47 Census 2011
48 https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/articles/traveltoworkareaanalysisingreatbritain/2016
49 Census 2011
50 All sources for commuting infographics from Census 2011

Origins of metro workers

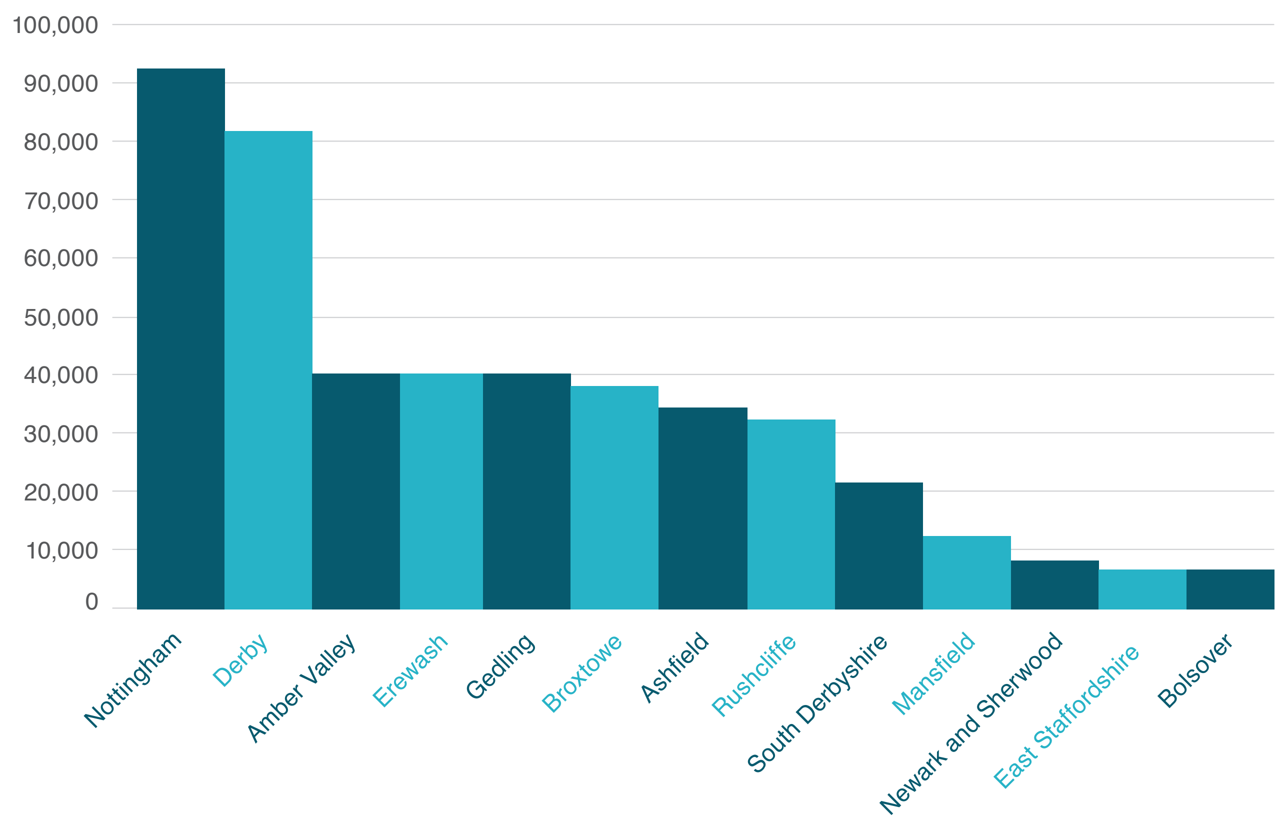


Figure 3 - A graph showing the daily origins of metro workers.
Source: 2011 Census

Interdependence is mirrored in migration figures. Every year, 32,000 people migrate from one local authority in the metro to another[51]. This accounts for 41% of migration to metro authorities. Testament to the importance of these cities to the wider economy, 72% of these 32,000 people are going into or out of either Nottingham or Derby. The cities also act as beacons to young people from outside the area through their universities, a trend which is enhanced by older migrants being more likely to move outside the cities.

51 Census 2011

Wealth concentrated in the hinterlands

Despite the relatively high GVA of the cities, they suffer from high levels of deprivation- meaning their growth fails to benefit many residents. This is particularly the case in Nottingham. Many of its wealthiest earners live outside the city, such as in Gedling, Rushcliffe and Broxtowe. In Gedling and Rushcliffe, 40.7% and 46.4% of residents, respectively have NVQ4+ qualifications[52], compared to 29.6% in Nottingham (and 33.3% in Derby)[53]. The local authorities surrounding the cities are also more likely to be home to managers, directors and professionals[54]. This is reflected in lower property prices in the cities[55].

This trend results in low residential wages in the cities. Derby (highest) and Nottingham (5th) have relatively high median workplace wages[56], yet low residential wages[57]. All other local authorities in the metro (except Ashfield) have higher residential than workplace wages.

Nottingham has the lowest median residential wage in the metro (£23,346), despite relatively high productivity. Meanwhile, Rushcliffe has a median residential wage of £35,119[57]

52 Annual Population Survey (APS) 2016
53 APS 2016
54 APS 2016
55 Land Registry 2016
56 ASHE 2016
57 ASHE 2016

Population clusters

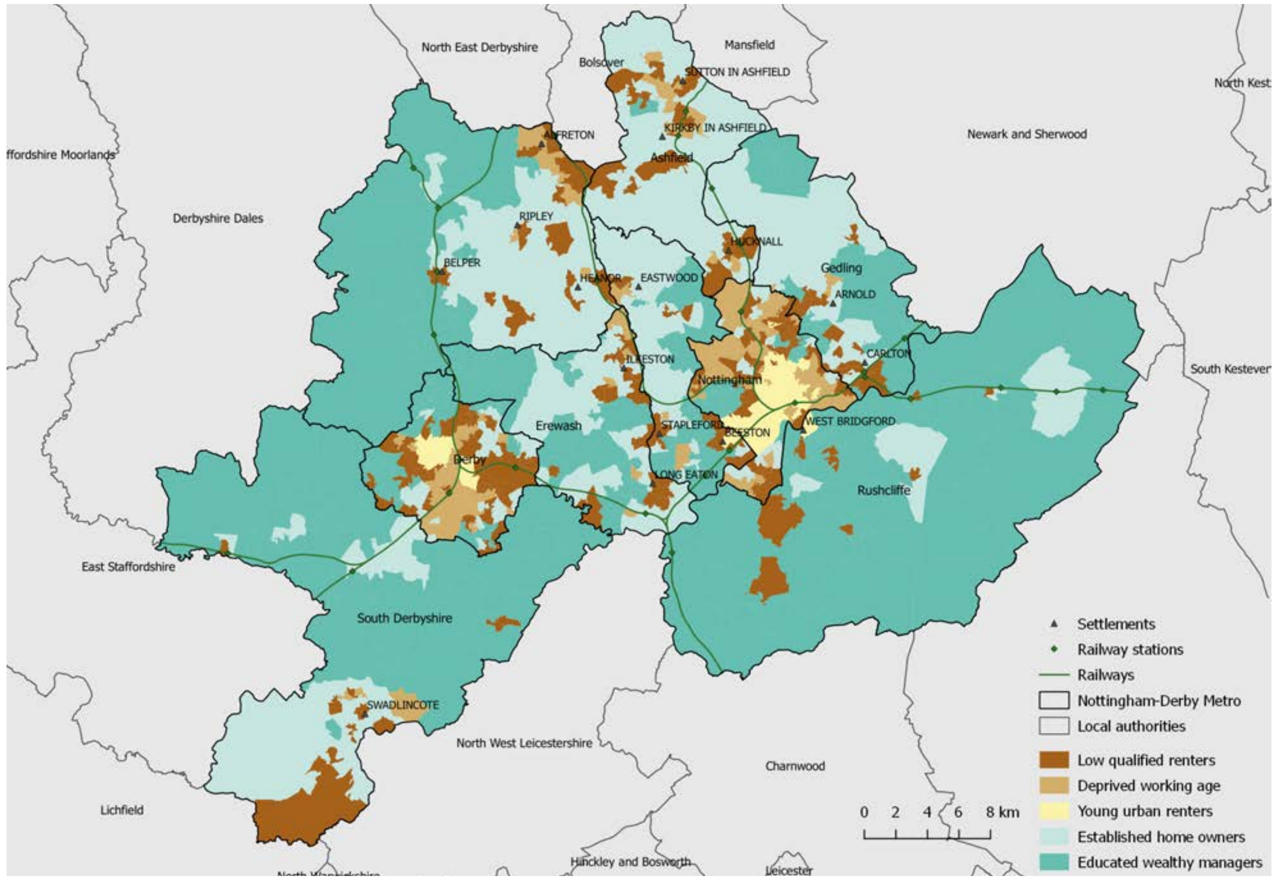


Figure 4 - Cluster map of the Metro

Source: Metro Dynamics methodology analysing 2011 Census data.

The cluster analysis above further highlights this trend. Rushcliffe, the majority of south Derbyshire and clusters of Amber Valley and Gedling have high numbers of 'educated wealthy managers' (dark green) - people who own homes, have managerial jobs and are university educated. On the other hand, the northern area of the metro is more likely to be home to established home owners (light green) - with low levels of qualifications but low levels of deprivation.

Meanwhile, working age residents in poverty (light brown) and young urban residents (yellow) congregate in the cities. The cities' pull of young people through their universities sees the latter group cluster within them - residents likely to be university educated, renting and young. This makes both cities (particularly Nottingham) significantly younger than the UK average[58].

58 ONS Annual Population Estimates 2016

With the need for a focus on inclusive growth in the cities

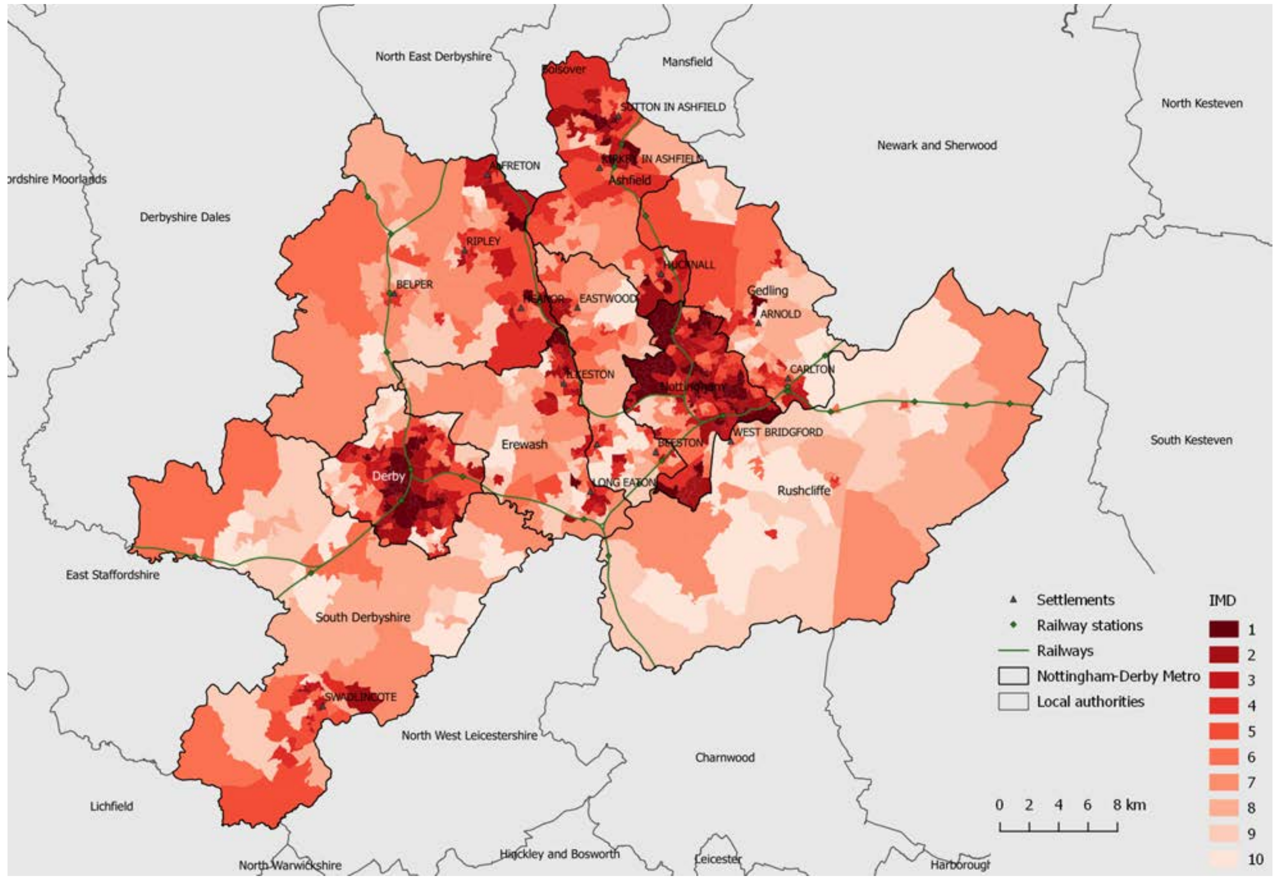


Figure 5 - Map of Metro LSOAs by Indice of Multiple Deprivation

Source: Indices of Multiple Deprivation (2016)

Wages

This commuting, educational and wage disparity within the metro makes inclusive growth a priority, particularly for the cities. No unitary authority or county council with a GVA per head below £30,000 has as wide a negative disparity between its residential wage and GVA per head as Nottingham[59]. Simply put, growth is failing to benefit enough of Nottingham and Derby's residents. This is demonstrated in both wages and economic inactivity rates.

35% of Nottingham's and 28% of Derby's residents' jobs are paid below the Living Wage, with a particular problem existing for part-time workers.[60]

33.9% of Nottingham's working age residents are economically inactive - above the England average. This is followed by Ashfield and Derby, which have inactivity rates of 23.8% and 23.4%. Metro inactivity is 22.4%.[61]

Nottingham has 7.9% unemployment, compared to a national average of 4.9% and metro unemployment of 4.1%.[62]

7.35% of Nottingham's residents receive ESA, alongside 7% of Derby's and 7.67% of Ashfield's.[63]

59 This is a comparison with any unitary or county local authority in the UK, based on their GVA (ONS Subregional Accounts, 2015) and their residential wage (ASHE 2016)

60 https://www.thersa.org/action-and-research/rsa-projects/public-services-and-communities-folder/inclusive-growth-commission/map; Living Wage by place 2014

61 Economic inactivity rates can be distorted by high levels of students - which is likely in Nottingham. Nevertheless, Nottingham's economic inactivity is still likely to be too high.

62 APS 2016

63 Using ESA raw numbers from DWP (ages 18-59); proportions calculated using ONS Population estimates 2016

% of pupils at the end of KS4 with 5A*-Cs (including English and maths)

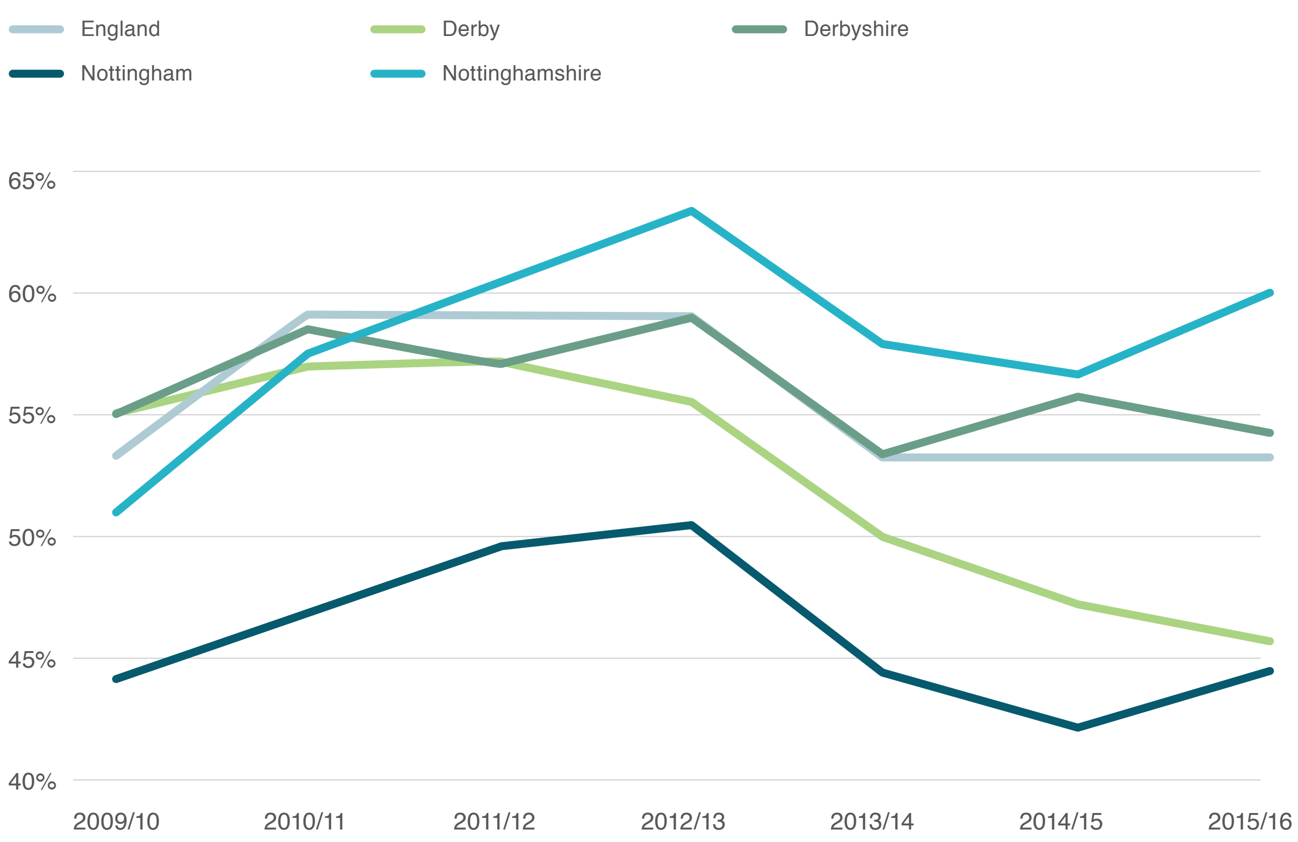


Figure 6 - Graph of KS4 attainment
Source: Revised GCSE and equivalent results in England: 2015 to 2016; Department for Education; 14th July 2017

Education

An associated problem for both cities is education. Poor education hinders residents from accessing the labour market and is a drain on productivity. Both cities have an above average proportion of their residents without qualifications - Nottingham and Derby with 13.4% and 9.3% of working age (16-64) residents with no qualifications, respectively[64].
This compares to a UK average of 5.2%.

> Nottingham has the 6th highest proportion of working age residents with no qualifications of any city in the country (13.4%).[65]

Both Nottingham and Derby have poorer education results than the national average - below 45% of students left KS4 with five A*-Cs (including English and Maths) in 2015/16[66]. This falls below the averages for Derbyshire and Nottinghamshire, which are both above the England average. Nottingham's system has consistently underperformed national trends over the last 5 years, whilst Derby's results have seen a significant decline since 2011/12.

64 APS 2016
65 Revised GCSE and equivalent results in England: 2015 to 2016; Department for Education; 14th July 2017
66 APS 2016

5 Business and education providers' views on the metro

During the writing of this report, we have held confidential one-to-one discussions with a wide range of business, council, education and university leaders from across the Derby-Nottingham Metro. This was a key part of the evidence base, to be used alongside the data analysis. In this section of the report, we summarise the findings arising from this senior stakeholder research. A full list of interviewees is included in the appendix.

Top-level objectives of a metro strategy:

- **The key economic growth opportunities for the area are outside the two cities, particularly HS2:** Making HS2 work is an important part of driving productivity further in the metro area. Meanwhile the two cities are under bounded - their housing and employment need can only be supplied by working with neighbours in partnership. This makes operating at a metro level an economic priority.
- **To drive agglomeration benefits between the cities:** It was agreed that the area has huge capacity for economic improvement through collaboration and agglomeration. A successful metro strategy should focus on facilitating these links, with transport improvements central to this.
- **To end damaging competition between partners:** All stakeholders - particularly those involved in place marketing - highlighted that old rivalries between the cities has constrained the ability of the place to maximise its capacity to create agglomeration benefits and secure investment. This applies as much to securing private sector as public-sector investment.
- **To capitalise on the investment benefits of operating at scale:** To be successful, the metro needs to be pitched at a sufficient scale to be on the first rung for investments and investors who are accustomed to the city region size of Chinese cities.
- **To provide an effective voice in the Midlands Engine:** It was agreed that the Midlands Engine has cut through with investors at MIPIM, as well as with central government. The Metro should be providing a strong, co-ordinated voice in the East Midlands, that can be heard within the Midlands Engine and within government.

Maximising the impact of the metro:

- **The need to develop new forms of collaborative behaviour:** There are concerns from some of the districts that the metro would provide an opportunity for domination by big cities. To mitigate this, there will need to be evidence of inclusive decision making and benefits which accrue across the metro area.
- **A clear and important role for business:** The absence of a shared governance structure has lead the relationship between local councils and businesses to seem transactional in the past, rather than a genuine partnership. This means that business leaders should be engaged appropriately during meetings, with a real commitment by council leaders and officers to attend these meetings. This should be reinforced with business leadership being at the heart of the metro, providing real power in decision making.
- **A close relationship with Nottinghamshire and Derbyshire County Councils:** The metro can only be successful if it works closely with the county councils that cover half of its population and its districts. All of the metro's organisations should remain open for district and county council partnership and - where desired - shared ownership, in recognition of the benefits of co-operation.
- **A metro where its benefits stretch beyond its boundaries:** Important economic opportunities, such as East Midlands Airport and supply chain links with the West Midlands, are beyond the metro's boundaries. Metro success is dependent on working closely with Nottinghamshire, Derbyshire Leicestershire, Sheffield, Lincolnshire and others, not at the expense of them. The metro should therefore demonstrate how the wealth and investment generated will stretch beyond the area.
- **An assessment of the relationship between the metro and the Local Enterprise Partnership (LEP):** Some areas of focus for the metro, such as business support, are functions currently provided by the LEP. The bodies need to be clear about how they would work together for the joint benefit of the area and ensure there is not overlap.

Areas of opportunity and important focus:

- **Education is a crucial issue for the metro:** The education system in both Derby and Nottingham is widely regarded as poor and this is backed up by the data. Business people stressed the importance of education in improving productivity, with businesses frequently training school leavers with limited numerical and literacy skills. The Chamber of Commerce reported that skills and education have been the number one barrier to business growth over the last ten years.
- **The importance of place:** Businesses stressed that they were far more concerned about skills supply and a sense of momentum around a place, rather than enterprise zones or business rates. This makes place-marketing and supporting the metro's skills and infrastructure needs vital.
- **The key to making the metro feel real is supporting fast rail infrastructure:** Connectivity between Derby and Nottingham is weak compared to other major cities, constraining the ability of the area to act as one connected whole.
- **The disappointment of the Midlands Mainline:** The cancellation of the Midlands Mainline electrification is a real source of dissatisfaction in the area, and a potential area of co-ordinated campaigning by a metro authority, alongside partners.

Key requirements of the metro strategy:

- It is important it is not just a talking shop.
- It should have a target all parties can unite around as the 'size of the prize'.
- Needs a clear rationale and justification.
- Must be ambitious - more so than the existing metro strategy.
- Must have business involvement in decision making and shaping the metro action.
- Must have council commitment to co-operate as partners in the wider economic interest of the area, not in that of one institution or authority.

6 How the area is operating currently

A history of competition

Economic evidence and stakeholder conversations emphasise that operating at a metro level offers an economic opportunity precisely because the advantages of city collaboration are so untapped. A significant cause of this is historic political institutions. Despite being only 15-miles apart[67], local government configuration has created more links between each county and city than the two cities. Until 1997, both cities were districts in their respective counties. Though both cities are now unitaries, they are still members of county-wide marketing organisations, county-wide Police and Crime Commissioners, etc.

This county-based political orientation has built upon and reinforced a competitive divide between the two cities. Both cities have a strong local identity tied to the counties that bear their name, whilst neither city has been big enough to dominate the other. This is embodied by the rivalry between their football and cricket clubs. This rivalry can arguably be seen where both cities working against each other in bids for investment, marketing and local government.

The North Midlands Devolution Deal would have been the first elected political institution between the two cities. The absence of the metropolitan county structures which predominate in most of the UK's other large urban areas has resulted in the absence of any shared organisation across the metro. Tyneside, Manchester and Liverpool, for example, all have organisations that emerged from old transport authorities. The legacy of this is that the area has failed to effectively link the economic strengths of the two cities, and as a consequence has suffered from inadequate levels of public sector capital investment.

67 Distance between both city centres, using Google data

Nottingham Forest and Derby County football clubs, divided by rivalry, united by Brian Clough

A legacy of underfunding

This absence of regional and sub-regional organisations has contributed to the metro's underfunding compared to similar areas. This, combined with an economy which coped reasonably well with deindustrialisation compared to the great northern cities, has created a perception - and reality - of the area being overlooked by government.

Although Derby-Nottingham has similar GVA per head to Leeds and Manchester city regions[68], it receives lower government spending per person. The metro area is estimated to receive £9,962 per person in spending, compared to its tax contribution of £8,384 per person[69]. If the area received the same level of government spending per head as Greater Manchester, per person spend would rise by £800, generating an additional £1.1bn for the metro[70].

There is also a disparity in transport funding. An analysis of government spending estimates that the East Midlands will receive £221 per person in transport spending from 2016/17 onwards, the third lowest for any region[71]. The North is set to receive £427 per person[72]. This is a continuation of historic underfunding - between 2004/5 and 2015/16 regional spending per head increased at a lower rate than any other English region (less than 1% per annum). All other regions saw transport spending increase by at least 1.5%, whilst the UK average was 2.8%[73]. This regional underfunding has been corroborated by a recent report by East Midlands Councils on projected public investment by region[74].

The East Midlands receives (of all regions)[75]:

2nd lowest spending on transport as a % of GVA

3rd lowest spending per head as a % of tax revenue

Lowest spending per 1m vehicle miles on roads

2nd lowest spending per head on roads

3rd lowest spending per head on railways

68 ONS Subregional GVA - comparing West Yorkshire CA and Greater Manchester MCA geographies with the Metro

69 Metro Dynamics analysis of the New Economy Nespresso tool

70 Metro Dynamics analysis of the New Economy Nespresso tool

71 https://www.ippr.org/news-and-media/press-releases/new-transport-figures-reveal-london-gets-1-500-per-head-more-than-the-north-but-north-west-powerhouse-catching-up

72 https://www.ippr.org/news-and-media/press-releases/new-transport-figures-reveal-london-gets-1-500-per-head-more-than-the-north-but-north-west-powerhouse-catching-up

73 https://www.london.gov.uk/sites/default/files/transportexpenditure_final_cin54.pdf

74 http://www.emcouncils.gov.uk/write/Levels_of_Public_Investment_in_East_Midlands.pdf

75 Source for all stats in the infographics at: https://www.london.gov.uk/sites/default/files/transportexpenditure_final_cin54.pdf

The new metro strategy

The area risks falling further behind in spending if it fails to speak to government with one cohesive voice. England's six Mayoral Combined Authorities are ahead of the metro, receiving a combined total of £161.5m per annum[76] in additional investment funding. This already looks likely to increase, with the government exploring further devolution of funding and powers to some metro regions. In short, the Derby-Nottingham Metro can no longer afford not to work as one economic area.

To achieve this, councils need to end damaging competition and recognise their mutual interests. Nottingham is unlikely to negotiate another City Deal which doesn't involve any local authority neighbours, and Derby cannot afford to fail to secure a City Deal again[77]. All partners need to acknowledge - and have the mechanisms that ensure - that economic growth and collaboration across the metro will benefit each local authority area individually too.

Derby and Nottingham City Councils have already begun ambitious work to build the basis for metro level collaboration. This began with the 'Derby and Nottingham Metropolitan Strategy 2030', published in April 2017[78]. The Metro Strategy laid out the ambition for the two cities to speak with one voice, recognising that working closely together would allow the councils to collectively punch above their weight with the public and private sector in the UK and internationally.

The Metro Strategy identified five strands of work and ambitions: enterprise, skills, connectivity, place and public services. An action plan has been developed to identify the short and medium-term actions required to meet these ambitions and the three objectives that have been identified under each ambition. These include quick wins that can be secured to deliver immediate service improvements for residents, and medium-term actions that can build on these quick wins to deliver deeper and more ambitious collaboration in the long term.

The metro strategy has already been successful in delivering service improvements to improve the lives of the residents of the two cities. For example, the two councils have already taken steps to integrate their leisure and cultural offer for residents and visitors. This will allow those who work in one city and live in the other to access leisure facilities in both. Behind the scenes collaboration on transport, place marketing and fostering innovation has also been developing, which will help deliver more investment, productivity and a better run transport system to the metro.

Work is already going on between the two councils to deepen and broaden this strategy, to make the two cities better places to live, work and play. This should deliver savings and service improvements for residents in the context of the ongoing and future squeeze on local government finances. This existing and developing shared commitment of the cities to work together more closely gives them credibility in implementing the recommendations of this report. The two cities will continue to work more closely in the future, providing the base for the area to capitalise on the economic opportunities of the metro working as one.

76 https://www.nao.org.uk/wp-content/uploads/2016/04/English-devolution-deals.pdf

77 Derby was one of only English two key cities (the other being Bournemouth) that didn't receive a City Deal during the last government.

78 Derby Nottingham Metro Strategy; April 2017

The Opportunity: Nuremberg-Furth

The Nuremberg-Furth area is identified by Eurostat as a relatively similar area to Derby-Nottingham. It has a similar economic makeup[79], with a strong advanced manufacturing economy driven by a big local multinational (Siemens), an urban area of a similar size (1.7m people)[80] and an economy driven by two cities in close proximity. Nuremberg and Furth are only 8km apart. However, Nuremberg-Furth is significantly more economically successful than Derby-Nottingham. The area's GDP per head (2014) is 17% higher than the German average[81].

Governance

Geographically, like Derby-Nottingham, Nuremberg-Furth is the second largest metro area in its wider region. Pertinently, the Midlands Engine identified Bavaria as a comparator region to the Midlands. Just as Nuremberg-Furth is the second largest metro area in Bavaria after Munich, so Derby-Nottingham is the second biggest metro area in the Midlands after the West Midlands. Nuremberg is closely linked to Munich through a high-speed rail connection, just as Toton will soon provide a rapid link to Birmingham (and London).

State governance has helped support Nuremberg-Furth's economic development, providing support for transport connectivity and aligned economic development. Under the state's governance, the metro is united as Middle Franconia, one of seven decentralised administrative structures (Regierungsbezirke) of the Bavarian government. These are intermediary administrations between the Bavarian government ministries in Munich and the local authorities, coordinating the work of various ministries and monitoring and supervising the multitude of local authorities within the respective regions.

With agglomeration benefits driven by transport connectivity

A key driver of Nuremberg-Furth's productivity is the benefits provided by agglomeration. The metro region's high population density and strong transport connections have seen it designated an agglomeration region[82]. Nuremberg's agglomeration as the region's business and transport hub promotes links between business, science and culture across the area. This has been supported by the Bavarian State.

A key factor in this is connectivity. Unlike Derby-Nottingham, the cities are closely linked by advanced transport infrastructure. A conventional train line, joined-up road network and metro system unite the populations of Nuremberg-Furth together and with the wider region. Like Nottingham, Nuremberg also has its own tram system. The wider metropolitan area (circa 3.5m people) is the second largest integrated public transport system in Germany, with an integrated fare system, daily commuter traffic and accessibility of local transport.

And a holistic approach to supporting innovation in sectoral strengths

Improved transport infrastructure has been complemented by state and metro-level attempts to drive productivity through R&D. Bavaria has undergone a 'high tech office' since 2000[83], supporting sustainable investments and innovation. As part of this, a €1.4bn High Tech Initiative (1999-2006) built universities and research institutes across the state. In 2015 the state established a strategy for digitisation.

At a Metro level, the regional development strategy emphasises science based activities located in Nuremberg or other major centres with universities. This, coupled with specific Medtech initiatives such as Medical Valley - a national cluster for medical technology - has been done through the logic that economic growth in sectors of strength will drive benefits for the wider metro economy.

A holistic approach coupled with an integrated transport system which has allowed for reciprocal movements of people[84] has delivered significant levels of economic growth. The continued expansion and unification of the public transport network across the area has contributed to making all of the region accessible by public transport. This has driven behavioural pattern changes, with the metro region increasingly becoming a functional economic area, delivering the productivity benefits associated with agglomeration[85].

79 Eurostat database urban audit 2004

80 Eurostat database urban audit 2014; We have combined the urban areas of Nottingham and Derby and combined them with the Eurostat classified urban area of Nuremberg-Furth.

81 Eurostat database urban audit 2014; We have combined the urban areas of Nottingham and Derby and combined them with the Eurostat classified urban area of Nuremberg-Furth.

82 http://ftp.zew.de/pub/zew-docs/gutachten/ECR2015-NIW_wiiw_ZEW-RCAstudy.pdf- Please note, this is the wider metro region, which includes the Nuremberg-Furth Metro Area

83 http://ftp.zew.de/pub/zew-docs/gutachten/ECR2015-NIW_wiiw_ZEW-RCAstudy.pdf, p.g. 80

84 OECD Rural Policy Reviews Rural-Urban Partnerships, OECD, p.g. 220

85 OECD Rural Policy Reviews Rural-Urban Partnerships, OECD, p.g. 221

Nottingham Tram

7 The growth ambition

An area with strong growth potential

The metro has already experienced a steady recovery from the financial crisis. Its GVA per head growth over the last five years has been in line with national trends, driven by the rapid productivity growth of Derby and its neighbours. However, the metro's GVA per head (£21,613 in 2015) still hasn't recovered to its pre-crash high of £21,713 (2005)[86].

There are opportunities to close the gap on England's productivity and grow above current trend. HS2, the Midlands Engine, the government's industrial strategy (and the close fit of the metro's economy with this) and ongoing transformational projects in the region all offer opportunities. Maximising their potential depends on the extent to which the area capitalises on them - and is supported in doing so by the government. This will help drive economic growth in the Metro, its surrounding areas and the Midlands as a whole.

The growth target[87]

We believe that the GVA per head gap on England could be closed by 2030 through a combination of fully utilising the catalytic benefits of HS2 at Toton and developing an industrial strategy for the Metro. This would require significant government support to drive increased growth from agglomeration, alongside the success of the Midlands Engine. The Metro would need to work closely with government to maximise the benefits of the transformational projects in the area.

Productivity would grow at slightly below the Midlands Engine target[88] (which is 5.46% growth), delivering 20% of the Midland Engine's projected GVA growth, despite being only 15% of the population[89].

- 5.2% nominal GVA growth
- GVA grows from £29.8bn in 2015 (2015 prices) to £63.7bn in 2030 (2030 prices).
- GVA per head grows from £21,616 (2015 prices) to £42,175 (in 2030 prices).

86 ONS Regional Accounts 2015

87 All projections used in this report are in the year that the projection is for. This means the Metro can be held to account against them. However it also means that the figures include inflation, which iswe have estimated to average around 2% to 2020.

88 https://www.midlandsengine.org/wp-content/uploads/Midlands-Engine-Vision-for-Growth.pdf

89 These are approximations based on the Metro's current proportion of Midlands Engine GVA from ONS Regional Accounts 2015 and the Midlands' population from ONS population estimates

Nominal GVA projections (£m)

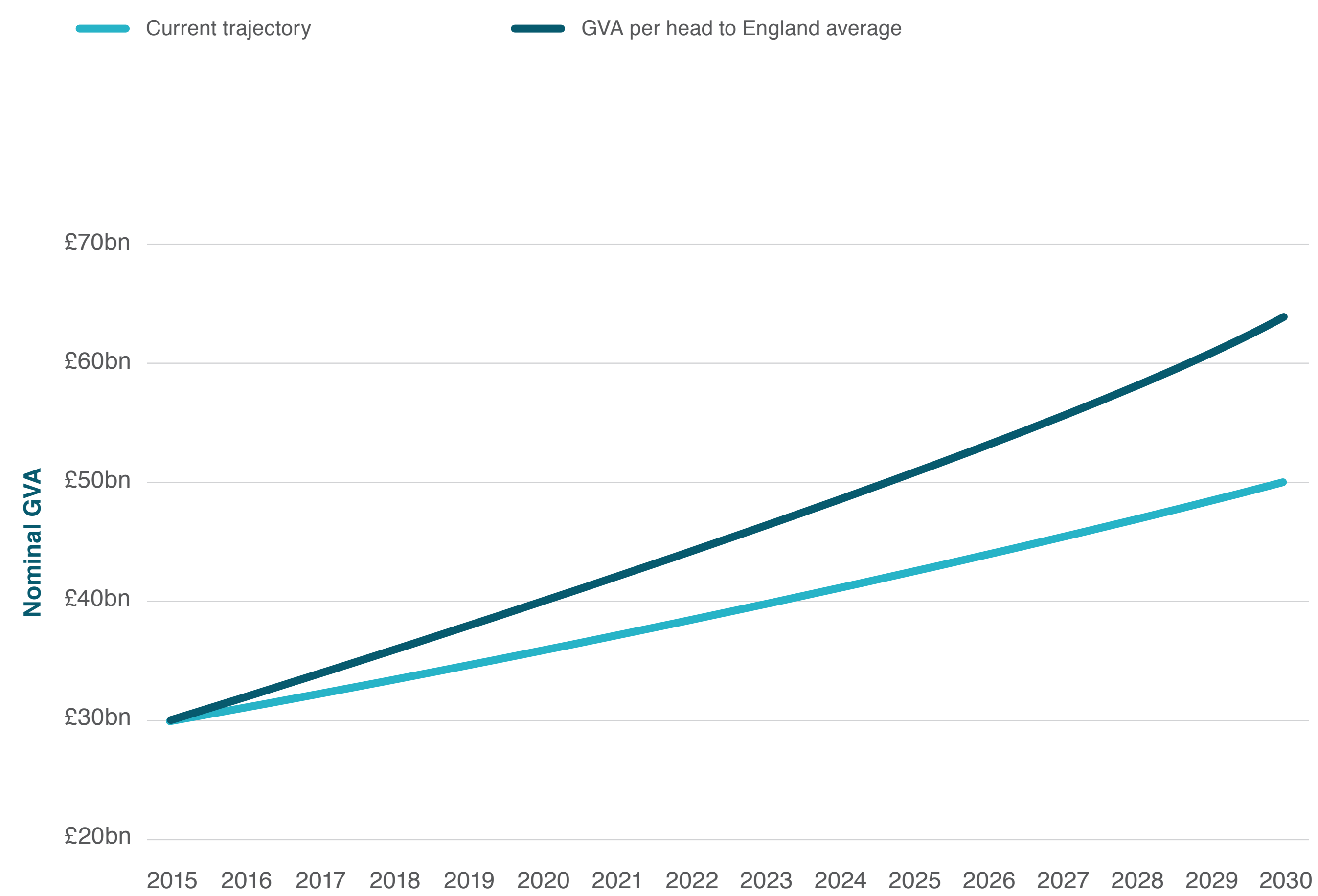


Figure 7 - Metro GVA growth target

Source: Metro Dynamics estimates. Please note: this growth includes inflation.

The need for strong local industrial governance

Maximising economic growth, capitalising on developing links between the two councils and overcoming historic divisions requires a new governance model rooted in the industrial strategy. This should be tailored to the economic geography and political context of the area.

Existing combined authorities have largely been rooted in the logic of one city being the focal point of its wider economic geography. Liverpool, Manchester, Sheffield, Newcastle, Birmingham, Leeds, Cambridge and Bristol are the primary economic drivers of their combined authority areas, whilst Tees Valley is based on historic geographies. No combined authority has successfully cut across county boundaries.

However, the economic opportunity of the metro is exciting precisely because of its bicentricity. This should be reflected in its governance, creating the shared organisations that bring economic cohesion to the area. It also needs to be underpinned by a genuine public-private sector governance structure which gives real power to business, universities and skills providers in decision-making.

Derby and Nottingham worked with their businesses through growth and renaissance boards to emerge successfully from the recession. The area currently engages businesses at a metro level through its Strategic Advisory Group. Now, the area should capitalise on the challenges and opportunities afforded by the national context through embedding business in decision-making.

Five key areas aligned with the industrial strategy

We suggest five areas of focus for closer working in order to drive economic growth in the metro. These are strongly aligned with those of the national industrial strategy, to create a local industrial strategy. They are also in broad alignment with the earlier metro strategy developed by the two Councils.

To be successful, work within these themes needs to be joined up, both between public and private sector organisations and between the areas of focus. The areas of focus, as shown in the diagram on the opposite page, are outlined in more detail in Section 8.

The Metro themes

Figure 8 - The Metro themes

8 Priorities for metro collaboration

Inclusive growth

A key component of success for the metro will be that local interventions lead to growth benefiting all metro residents. This is not easy. Despite the area's relatively good economic performance, there is a very serious underlying inclusive growth problem: too many people are not benefiting from growth. No one intervention alone will change this, as it will require a package of interventions focused around 'people', as discussed in this section, as well as infrastructure, business growth and public service reform interventions as set out in the other sections.

A strategic approach to inclusive growth

We recommend that a strategic joined up approach now be taken to inclusive growth, with a focus on raising skills and employment levels across the metro. The workforce is not homogeneous and we know that various cohorts will have different needs and experience distinct challenges. For example, younger people tend to be in precarious forms of employment and older people are more likely to experience longer periods of unemployment.

We suggest that national partners be engaged to create a broad all ages approach, which can then be targeted at the various points in the life cycle where a young person or adult can be at risk of disengagement. With this in mind, we recommend, at a minimum, engagement with Jobcentre Plus (JCP) and the Education and Skills Funding Agency (ESFA), and potentially Public Health England (PHE) and Housing Providers, alongside employers, as part of a new Inclusive Growth Board. This would provide a mechanism to identify where issues are by cohort and create a joined-up offer to pilot and trial new initiatives around inclusive growth.

Given the existing foundations, we suggest that the first focus of the Board should be co-ordinating the Careers Education, Information, Advice, and Guidance (CEIAG) and employer engagement in schools. Given the barriers to work that exist across the life cycle, and the importance of establishing a life-long approach to learning, provision should be upscaled and expanded across the metro to ensure that every resident is supported to succeed. It should have a single front door approach for employers wishing to contribute and schools wishing to access resources. This will require a central function and brokerage service to effectively link businesses with schools and support their relationship.

Early encounters with enterprise are important for a young person's development and success. In our consultations, we have heard examples of good practice across the metro to introduce young people to the world of work. The work of the Derby Renaissance Board and Nottingham Futures were mentioned positively; employers such as JCB were praised for their entry into education; and New College Nottingham is taking an employer-led approach to curriculum planning.

Alongside this must sit a high quality Labour Market Information (LMI) function. When used effectively LMI is an important resource for young people and educators to ensure that they are fully informed about the future career paths which are available in the metro. It provides the evidence base to better align local skills supply and demand. Using a robust evidence based approach, the Board should seek the ability to define and commission education outcomes that they would like to see from providers using ESFA budgets.

A transformational project: The Nottingham Skills Hub

The Nottingham Skills Hub is an exemplar project in looking to foster inclusive growth in the metro. Led by New College in Nottingham, the £60m project will create a state of the art educational facility at Canal Street Nottingham, driving the revitalisation of the local area. Part of the curriculum will be business-orientated and led, tailored to matching courses with local business skills needs, prioritising sectors that are likely to undergo future growth.

This should help ensure that students have the skills to access the well paid and productive jobs of the local economy's future.

Working with colleges at a metro level could deliver a wider range of job opportunities by aligning skills provision to the wider metro economy's need. This could see colleges rooted in the specialism of their local place and business base (I.e. Nottingham and digital/creative industries) and attracting students from across the metro to acquire these skills.

The educational challenge - a focus on STEM

We have not undertaken a review of education in the metro, however it is clear from the outcomes data and the consultation feedback that despite the excellent (and high profile) employers in the area, the metro underperforms in education outcomes. Achievement of five GCSEs A*-C including English and Maths is significantly below the national average in both Derby and Nottingham[90], and will require a range of interventions from primary onwards to change this. We would suggest that this be a priority focus, with the metro setting strong targets around increasing attainment and social mobility in conjunction with Department for Education. This is a broad area and the metro could focus on raising Science, Technology, Engineering and Maths (STEM) attainment and local take up of STEM related apprenticeships, fitting well with local job opportunities and national priorities.

The strong engineering and manufacturing sector presents excellent job opportunities for young people, however the consultations highlighted that there is a lack of skills, often from the local population. It was suggested to us in the consultations that interventions need to start before young people make their GCSE choices, as working in various engineering and scientific backgrounds requires certain choices at GCSE level, particularly around science. A lack of awareness of these requirements from when young people start secondary school can impact their job opportunities later.

Metro work should complement the October 2016 announcement when Derby became one of the government's Opportunity areas. This is a welcome start, but with £72m set to be shared between ten areas, it will only be a small part of the action required to turn around the poor education outcomes seen in the metro. By way of comparison, at its height, the London Challenge cost around £40 million per year. Department for Education have announced other initiatives, and we would recommend that the metro take a co-ordinated approach to increasing the quality of STEM teaching and education outcomes through applications to the Teaching and Leadership Innovation Fund, creating an Institute of Technology, and Level 3 Maths Support Programme, amongst others.

We have not spoken to schools as part of this work, but often schools in underperforming areas struggle to recruit and retain high quality teachers in subjects such as maths. The increased number of Teach First recruits into Derby schools is a good start, but we believe the metro provides a scale to develop peer-to-peer networks of support between all metro schools to pool access to high quality resource and for sharing good practice and collective problem solving. Furthermore, the metro should look at the potential for specialist support in certain areas to drive up success rates. This could be supplemented with packages of intensive, joined-up support for the weakest schools, and investment in school leadership through the provision of tailored development programmes for schools and leaders under a leadership strategy.

90 Revised GCSE and equivalent results in England: 2015 to 2016; Department for Education; 14th July 2017

Bold investigation into in work poverty - a Low Pay Commission

Whilst much of the focus is on getting people into work, in-work poverty is an increasing issue in the UK. The number of people earning less than the Living Wage has risen in recent years. Sectors such as hospitality, retail and residential care have particularly high incidence of low-paid work. Whilst there will always be low-paid jobs, it is important that the metro has a comprehensive understanding of the issue and policy interventions which could raise living standards and productivity. We recommend that the metro establish a Low Pay Commission focused on the following areas:

- Progression - what are the reasons people are in low paid employment, what skills training and career ladders are there?
- Business models - is low pay leading to low productivity? What can be done to incentive employers to adopt new technologies and innovation.
- Brexit - what will the potential implications of less low-skilled immigration be on the region's low paid sectors?
- Job security - low pay is only one element of employment, and the whole work environment should be considered, including prevalence of zero hours contracts and job quality.

Using an inclusive growth investment framework and metrics

The metro should prioritise, at scale, a commitment to driving local inclusive growth through procurement. This is an area where Nottingham has already seen success by using procurement procedures to support city-based contractors. Collaboration on this at a metro level would drive the growth of local contractors, keeping more money within the metro economy and supporting local businesses. Doing this at scale would also provide a means to work with contractors to pay the Living Wage.

We would suggest that for Inclusive Growth to be at the heart of the metro, tools are used to help steer decision-making and to measure progress. Joseph Rountree Foundation (JRF), supported by Metro Dynamics, have been developing an Inclusive Growth Decision Making framework which is designed specifically for use by the public sector. Its aim is to establish a simple toolkit to determine whether and how an investment or intervention supports Inclusive Growth It is designed to challenge current ways of thinking but also to complement them.

Alongside this, JRF and also the Inclusive Growth Commission (IGC), have developed metrics which complement the traditional GVA measurements to measure Inclusive Growth. We would recommend that the metro monitor and report against this regularly, and use these metrics to adjust focus and delivery depending on progress. The IGC's 'Quality GVA' measure is perhaps the simplest to use as a high-level indicator.

Business and innovation

The key to the area's future economic success will be in developing and growing new innovative businesses, particularly those in sectors such as digital, biotech and advanced manufacturing. There is an opportunity to link the Metro's companies and industries in digital, biotech and advanced manufacturing. Numerous metro and industry-specific reports stress that innovation in these industries will be delivered through sharing disciplines[91] and the metro scale draws in a variety of sectors and higher education institutions (HEIs). Doing so requires innovation-focussed built assets, university linkages, business support and supply chain work.

A transformational project: The Defence and National Rehabilitation Centre

The relocation of the Defence and National Rehabilitation Centre at Stanford Hall in Rushcliffe Borough Council is a major opportunity for the area. It will be at the cutting edge of clinical rehabilitation; a national centre for training and education, research and development, undertaking leading work with both the military and civilian patients. The metro already has recognized Med-tech strengths through the Centre for Healthcare Technologies, which rapidly deploys curiosity driven science through to clinical application, as well as university research, the Queen's Medical Centre, and the planned Medipark. We recommend that the metro work closely with the facility and County Council and other partners as it develops to maximise its benefits.

Targeted Business Support

The business support landscape can be difficult to navigate, and the arrival of growth hubs was welcomed to coordinate and deliver locally the various programmes and products. There are already national, local and LEP level programmes which focus on business support in the metro. These are often broad programmes that do not target particular local growth sectors or companies. The consultations were positive about the local and LEP level provision as well as the networking and events led by the Chamber of Commerce, but consultees identified various areas where more could be done as a metro to supplement, not replace, existing programmes.

The major businesses in the metro often look globally for their supply chains, but more could be done to identify local clusters. There are complementary industries across local authorities in the metro, but there is not enough work done to link them together. This is a problem at a local authority as well as a metro level. One business owner described undertaking a Europe-wide search for a materials provider, only to discover the best company was 400 metres away.

A metro business support offer should be developed which maps and develops supply chains to actively identify growth opportunities and the barriers to entry. Premises, equipment, Research and Development (R&D), skills and access to finance can all be barriers, and the metro should identify support packages to assist businesses with the potential to succeed and scale-up. This will require a place-based solution which incorporates HEIs, businesses, the public sector, investors and further education.

Increasing Innovation

The Nottingham and Derby Enterprise Zone (including a number of sites such as Infinity Park and the Boots Enterprise Zone), and other assets such as University of Nottingham Science Innovation Park (UNIP), provide a strong offer to inward investors and around innovation. However, we believe that more could be done to promote these assets jointly to create an innovation corridor across the metro. This would include the proposed innovation campus at HS2 in Toton. This campus, located between the two cities, is an opportunity to link the innovative industries of each city with the opportunity afforded by connectivity to London and the West Midlands. Linking these assets gives the metro a world class offer to promote.

We understand from our work with the Midlands Engine that they are looking to develop an innovation programme linked to the Midlands Engine Science and Innovation Audit (SIA). There are some big opportunities here for the metro as the emerging proposals for innovation accelerators (building on the energy research accelerator model) could bring together the area's strength in digital and advanced manufacturing with its university research.

However, for this to happen the Metro needs a coherent set of messages about its innovation assets and potential. We recommend that the metro undertake something similar to the West Midlands Combined Authority's SIA, which identifies both existing strengths but also creates the vision and acts as a call to arms to stakeholders within the metro to break down barriers and establish a joined-up innovation corridor.

The potential for a Free Trade Zone

The impact of Brexit is uncertain. We have seen growth forecasts revised downwards and various troubling signs from businesses caused by the uncertainty of post-Brexit trading terms and conditions. The Midlands Engine, along with others such as Centre for Policy Studies, have started to consider the potential that a Free Trade Zone (FTZ) could bring. This is new territory for the UK and until we know what parameters which Brexit will deliver around the Customs Union and EU Single Market it is difficult to develop this. However, in the United States over 250 FTZs employ 420,000 people, and primarily support manufacturers to develop goods with reduced tariffs[92]. Given the predominance of the production industry and the importance of trade through East Midlands Airport, the metro could be the right place to design and pilot a FTZ which supports local needs. We would recommend that the metro undertake a study to establish the merits of an FTZ, and identify paths to delivery.

91 Planes Trains and Automobiles Part 2, Derby City Council, March 2017
92 Comparative Review of Select Free Trade Zones around the World, KPMG, 2009

Infrastructure

Transport connectivity

A critical component of driving economic growth through agglomeration is transport infrastructure and connectivity. Currently, the Metro's transport connectivity is heavily dependent on the A52 as the primary highway and link road. This can lead to significant congestion at peak times. These road links are supplemented by an effective and wide reaching bus service. There is a 24-hour service between Nottingham and Derby, strong connections between each city and outlying metro towns, and fast and frequent connections to the Airport from both cities.

Business leaders emphasised in consultations that the metro will not be a reality without improved connectivity between the two cities. The tram system in Nottingham is an asset. However, there is no single multimodal transport system which incorporates light rail that connects the two cities and encourages citizens to make economic links across the area. Nuremberg-Furth shows what can be done when highspeed rail is combined with a joined up local transport network.

A lack of a metro or tram solution is in part driven by the segmented nature of the metro, with localised transport planning and delivery, and a range of private sector operators and national agencies. Operating at a metro level should provide a facility to work with partners such as Network Rail and Highways England, securing their investment into a wider metro transport vision and strategy.

Peak hour rail commuting[93]:

- Derby-Nottingham (15 miles). Service every 15 mins, takes 25 minutes. (National Rail)
- Bradford-Leeds (10 miles). Service every 10 mins, takes 20 minutes. (2 National Rail stations)
- Bristol-Bath (13 miles). Service every 15 mins, takes 15 minutes. (National Rail)
- Cardiff-Newport (11 miles). Service every 8 mins, takes 15 minutes. (national rail; proposed metro)
- Birmingham - Coventry (19 miles). Service every 8 mins, takes 20/25 minutes. (national rail)
- Newcastle - Sunderland (14 miles). Service every 10 mins, takes 30 mins. (metro)

93 All journey times accessed from www.thetrainline.com; 11/09/2017; Journeys at 5pm

We recommend that metro local authorities and public-sector partners develop a transport vision with shared priorities to build the case for investment. This should look at a 2050 horizon and consider all forms of transport, with a focus on maximising agglomeration (faster connectivity and increased frequency of services), inclusive growth (low cost and targeted provision by cohort) and health (increasing sustainable travel options and improving air quality).

The long-term horizon also allows for the metro to incorporate bold ideas. These should build on the assets in the area - Rolls-Royce, the airport, and HS2 for example - and set out a technology-driven priority for the metro which could be shared with government and private sector for investment. This could be a new high-speed connectivity solution between the metro and the airport, a metro-wide tram system, or the first fully autonomous bus region. We would recommend that a metro group explore some of the possibilities here.

Transformational Project: HS2 - the catalyst for change

This is an opportunity for the metro to conceive long-term transformation projects around connectivity, housing and enterprise, and to work together to deliver accelerated growth.

HS2 at Toton represents a big opportunity for improvements in connectivity and to stimulate growth both around Toton and in the wider metro. This is right at the heart of the rationale for the metro, as only through collaboration and new structures (such as a new Development Corporation) will the full transformational benefit of HS2 be realised.

This will require frequent and fast connectivity between the two cities through Toton. There will need to be substantial infrastructure investment to ensure that Toton lives up to its potential rather than becoming a Parkway. This in turn will unlock the housing potential that can help the area meet much of its future homes need. The whole development is expected to generate 74,000 jobs, providing a huge boost to the metro's economy.

The HS2 Growth Strategy is already looking at an infrastructure solution such as light rail or an extension of the tramway. The metro should ensure this solution maximises the potential for links between the two cities as well as Toton. It should also look to develop bold ideas such as a wider metro-level transport system, tied together by smart ticketing and an integrated system such as the metro's equivalent of a tube map.

Housing & Planning

Across the UK, places are struggling to build enough houses and generate the supply and demand for employment land. Work we have recently undertaken with Midlands Engine and the Homes and Communities Agency (HCA) suggests that the Midlands Engine will need to build around 600,000 homes in the next 15-years, equating to delivering something the size of Nottingham every three years. Meanwhile, the metro area needs to build over 43,000 dwellings over the next 10 years[94].

This is a big challenge, but also an opportunity for the metro to drive forward growth through housing. Many of the local authorities have similar barriers to housing and commercial development, such as having brownfield sites which need work, council skill gaps and lacking the scale to attract major investors. Other metro sites, such as Stanton Ironworks, are of a scale so as to be of strategic importance beyond their own local authority boundaries. This provides an opportunity for joint working. Metro level may also be the appropriate scale to engage central government on the rationalisation of public sector land.

The metro contains two housing market areas and within these each district council retains planning powers. This is not an issue per se, but it would benefit from a collective vision, plan for success, and investment team to underpin local planning and decision making. This could identify opportunities which are too big or risky for one council to take on, but could be delivered at metro level.

This has the potential to be a sensitive area for various districts, but there are three areas where we recommend you start collaboration. These are all local solutions which are based around the specific needs of the metro, as opposed to replicating national policy and delivery. In addition to these is the opportunity outlined above at Toton, which will clearly form a major part of closer joint working, but perhaps as part of the discreet Development Corporation.

A transformational project: East Midlands Airport

The East Midlands Airport (EMA) is a metro asset. As it grows we recommend that the metro work strategically with the airport to maximise the local benefits for employment, trade, business and the visitor economy as it implements its 2040 vision. Its growth is linked to the metro - nearly 6,000 metro residents[97] (nearly 70% of commuters from outside North West Leicestershire) commute to the airport every day.

We recommend an Airport Growth Strategy be jointly developed with the airport to cover the following areas.

- Employment & Skills - to ensure that metro residents (especially at lower skill levels) are ready and supported to apply for jobs at the airport.
- Connectivity - to develop light or heavy rail connections that reach into population centres, and to improve highways UK freight links to links ports, EMA and distribution centres.
- New Routes - to stimulate demand for flights to European cities and hubs that were lost in the recession, making the EMA a regional, UK and European gateway.

Create a local strategic partnership framework

There are certain freedoms and flexibilities which would benefit the metro and complement local planning authorities. We suggest a new partnership framework be formed between the metro and the HCA based on local collaboration and co-commissioning to achieve national housing targets. This would have the ability to act outside of the national policy parameters, with powers of Compulsory Purchase Orders (CPO), and a new function, which was described to us in the consultations with council officers, to pilot Compulsory Selling Orders. The partnership could look to manage funding and identify opportunities for bidding and funding at scale, such as via the Housing Infrastructure Fund, or maximise borrowing against Housing Revenue Account.

Maximise the city centres through a two city centre masterplan

We heard from various consultees that the city centres are underutilised, and the analysis of home / workplace wages shows that wealthier residents tend to commute in to the cities to work, but live in the hinterlands. Whilst we have not undertaken an assessment of the property markets, we heard in our consultations that both cities have turned away inward investment enquiries due to lack of Grade A office space. Accompanying this is the potential to attract and retain more of the talent which comes to the metro for university. Our analysis identified strong pockets of young urban renters in both city centres. The number of young people leaving the metro from age 25 suggests this could grow further. The metro could decide to prioritise and plan urban living solutions which create attractive housing options in the urban centres. Crucially these must be affordable to young buyers who currently struggle to enter the housing market.

Becoming the UK centre for future homes

The UK has ambitious housing targets and we need to be building at a rate which was last achieved in the post-war period. There are a variety of reasons why this is not happening, including our methods of house building, lack of attractive land for developers, and the absence of local authority led building programmes. One part of the answer could be through modular housing, which can be both cheaper and accelerate completions. We suggest that the metro explore the opportunities to lead the UK in advanced manufacturing in modular builds, building on the recent investments such as Legal & General Modular Homes near Leeds.

This should be considered within the wider SMART city agenda, through predicting and designing solutions to future challenges, such as addressing housing shortages and targeting liveability for various cohorts, for instance by reducing social isolation and using technology to support an ageing population. There should be an ongoing drive for innovation, where new technologies are deployed to reduce costs and improve quality. The metro would both become a factory and technology hub for off-site builds in the UK, but also to create new housing developments within the metro which are entirely modular build.

A challenge for cities is the way we generate energy, which is unsustainable for citizens and the environment. Nottingham City Council analysis shows that 12.6% of its residents live in fuel poverty, with energy costs expected to continue to rise in coming years[95]. Focus on creating the right homes for the future could set a specific ambition to create more energy efficient homes, which both require less energy to run and could ultimately generate their own energy and feed back into the National Grid. Nottingham has a strong track record in this area with the most solar rooftops per household in the UK, a district heating network used to heat residential homes, reducing home energy costs and carbon emissions, as well as a pilot of nine ultra-low carbon homes that require little-to-no heating[96].

94 Application of proposed formula for assessing housing need, with contextual data, 14th September 2017
95 Nottingham's Smart City Strategy, Nottingham City Council, 2017
96 Ibid
97 Census 2011

Place and promotion

The Derby-Nottingham metro already has a high quality of life, good quality green space (including Sherwood Forest), a broad range of cultural and sporting opportunities, and is in close proximity to the Peak District. However, the area could do more to support, develop and promote its place strengths. In the post-Brexit world, Derby-Nottingham will need to market itself as an attractive location for investment and migration, and create a recognisable sense of place for residents, visitors, learners and business.

Aligning the marketing and tourism activity of Derby and Nottingham

In some cases, undertaking promotion as individual places will be appropriate; however, we have identified several areas where we believe working together as a metro will have a bigger impact. We recommend that the metro looks to collaborate in these areas, taking a place - based and consistent approach to place and promotion in these areas.

1. Foreign Direct Investment (FDI) - at an international level the metro area will have a far bigger impact by pooling the assets of the whole metro.
2. The visitor economy - creating a destination offer which incorporates the strengths of the metro and also looks outwards to the Peak District to create short stay itineraries based around nature, history, sport and literature.
3. Conference bidding - the breadth of academic strengths, enterprise and the sporting venues create an offer for the international business conference circuit. Working together on metro bids combines the business tourism expertise contained in the two organisations and enables the metro to attract shared conferences and events.

Developing a bold metro event and conference facilities

Securing and delivering a major international event can have significant economic and social benefits, including generating a legacy for residents, long term trade, growth and investment. Nottingham City Council is currently bidding to be European Capital of Culture in 2023. Given the current process is in train, it may not be appropriate to widen this to metro level; as a minimum the metro should consider fringe events and a metro wide legacy which is inclusive for the area's young people.

We recommend that the metro consider creating a metro collaboration to bid for a major international event. This could be a major sporting event like the World Athletics Championships or something advantageous to the metro's priorities, such as the World Routes event, or it could focus on exploiting the region's strengths through a bespoke event, in the style of Liverpool's International Festival of Business or the Manchester International Festival. What is most important is that it provides common focus and collaborative working, setting the scale of ambition for delivery on an international stage.

Alongside this, the metro should consider the merits of new conference facilities. The proposed East Midlands Convention Centre will fill a market gap for international scale and quality conference facilities on the UK's eastern side. This would be an important asset for the metro as part of a fresh approach to internationalisation.

Public Service Reform

The metro has a complex and multi-tiered system of local government. Its boundaries are not coterminous with either county, whilst - as described in section 6 - the area has little history of operating at a metro level. With the metro covering two unitary councils, seven district councils and part of two county council areas, along with different borders for blue light services, there can't - and there shouldn't be - a one size-fits-all approach to public service reform in the area.

Instead, reform and collaboration need to operate at various levels and across different service areas. This is in recognition that some of the metro's councils will have similar opportunities for reform (i.e. between two unitary authorities) and that local politics and boundaries help shape the potential for collaboration. A nuanced approach towards public service reform is essential, one which recognises that flexible approaches will be necessary. Where the opportunity exists, this should extend to blue light services, and central government departments. It may include service integration, pooled budgets, alignment, and shared outcomes - each should be assessed for viability and benefits.

Improving collaboration in the two cities

The two city councils are starting to deliver savings and service improvements through working together. As described in Part 6, the metro strategy has already identified several short-term opportunities for the two councils, laying the ground for deeper collaboration. This is currently being developed by the two councils and may stretch beyond the examples identified below, which were identified by the council officers in the collaborations. We recommend that any work be inclusive of districts and counties, whilst being aware that the two cities' unitary status may lead to some opportunities being best explored between Derby and Nottingham. Work is focused on:

1. Achieving the level of collaboration that would deliver real savings for both city councils will require a wider cultural and systems change that goes beyond work on specific issues. Areas of focus include Revenues and Benefits, Oracle (which provides a platform for both councils), Insurance, Legal Services, internal audit and procurement at scale.
2. Sharing the systems that underlie council operations should be complemented by collaborating where there are already opportunities. This will require vision and a genuine commitment by both councils to working as equal partners. Any initial suggestions are preliminary, but could include: energy, community protection, commercial waste collection, property management, IT and environmental protection/trading standards. These could help deliver short and medium term budgetary savings.

In the long term, a more ambitious approach could involve moving towards a joint contractual delivery model. Some core services could be delivered by a publicly owned body from which both councils contract their services. Doing so could maintain public value, deliver benefits from operating and contracting at scale and encourage the two councils to operate across a wider economic area. This could be managed as a Modern Municipal Corporation controlled by both councils, as outlined in the following section.

Potential areas of collaboration between the local authorities of the metro

We understand that officers are working to identify where shared services could be appropriate. We think this is a positive first step, however we would also recommend that local authorities use this as an opportunity to look at the whole system and approach to service provision. Politics and the different functions of district and unitary authorities may mean that it makes sense for the most wide-reaching public service reform to be done between the two cities. Nevertheless, there are considerable advantages of scale and scope for both the cities and districts to collaborate in certain areas for mutual benefit.

- Leisure is a good example of the cities working together, but where there is further opportunity. Firstly, collaborating with districts to offer leisure services across the metro for their residents. It could also consider new arms length deliver models such as a leisure trust, and could also look at how parks and open spaces are managed.
- Senior council officers highlighted various areas where they lack skills, and are competing in a small labour pool with fellow local authorities for the same skill-set and job role. They highlighted the potential to share officers within certain services - for example property management.
- As service budgets have been cut, provision has tended to focus on the acute end of care and support, with hospitals and other acute services under increasing pressure. We would recommend that the metro adopt a prevention and early intervention based approach to service provision. A first step is to identify all areas of spend in the metro and identify where are the biggest areas of reactive spend. This can help identify where early intervention will have biggest returns to the public purse (and where the savings / spend occurs). Ultimately this makes the case for pooled budgets to invest where best returns are made, and can form the basis of a new collaboration with government to develop invest to save models.

Using data to drive better outcomes

Better sharing of data between public services could help deliver better outcomes, particularly by taking action at an early stage when the data suggests individuals or families are at risk. An integrated digital platform could use real time data to improve decision making. More broadly, an approach to share data in the style of Chicago or other leading cities could enable the business and university base to identify innovative solutions to public challenges. We recommend that the metro look at this as it identifies ways to better coordinate and share services and information.

Derby Arena

9 Governance and delivery

There is an opportunity for Derby-Nottingham metro to establish a new model for metro governance and delivery, which would be appropriate for a local industrial strategy deal. This would need to be robust and clear, and reflect the principles on which metro economic arrangements would be based. The metro exists within two county areas, Derbyshire and Nottinghamshire, along with seven district councils, the D2N2 LEP and an array of major businesses, universities and colleges. Therefore, the core principles for any new arrangements should be partnership and collaboration.

This will require different ways of working. The metro will not be a panacea for growth in every instance, as businesses, councils, universities and colleges will need to continue to work at County, Midlands Engine and national level. To be successful as a metro, the partners will have to develop behaviours and principles that embed collaboration. This cannot appear to be about any one place or organisation dominating the area. What is required is a genuine commitment to partnership, in which it is clear that metro working will drive benefits for every area and group, and that the basis for this is clear from the outset.

A set of arrangements designed to co-ordinate and drive inclusive growth across the metro area and to strike a deal with government on funding, investment and new powers should be based on partnership between the public sector and business. The great 19th Century Cities, such as Derby and Nottingham, grew as municipal corporations, by bringing together councils and business people to provide their economic leadership. Derby-Nottingham metro could establish a modern corporation model, incorporating a version of the ‘modern aldermen’ proposed in the government’s industrial strategy Green Paper.

Metro Growth Board

The importance and strength of the Metro’s multinational companies and universities to the economic success of the area makes their involvement in a local industrial strategy critical alongside the area’s strong political leadership. Making businesses feel like they are involved in decision-making at the appropriate level rather than following councils is vital. The forum for this should be a Metro Growth Board.

This Board should be a governance and delivery vehicle. It should be responsible for governing, developing, building on and implementing the Metro Strategy. It would arise from the steps the metro already has taken to involve businesses through the Strategic Advisory Group. This would involve:

- Advising Derby and Nottingham City Councils and other council members on their strategies and policies relating to economic growth.
- Over-seeing joint delivery vehicles responsible for delivering the strategy (whether those vehicles are responsible for economic growth or public service delivery).
- Submitting proposals to government and other funding bodies for joint investment proposals under the Metro Strategy.
- Overseeing the expenditure of funding received from government and reporting to government on progress against outcomes related to this funding.

Representation on the Board should be composed of representatives of the constituent local authorities, universities, further education institutions, businesses and the voluntary sector. A starting point for this would be the membership of the current Metro Strategic Advisory Group. The Board would appoint a Chair and a Modern Alderman, preferably a business leader of independent local standing.

Delivery vehicles and advisory bodies

This Metro Growth Board would be supported by a number of delivery vehicles, focussed on driving economic growth and alignment at a metro level. The precise governance of these vehicles would need to be discussed, though we envisage that the bodies that receive significant levels of funding and powers from an industrial strategy deal would benefit most from private sector leadership. On the other hand, the Growth Board would be best placed to deliver strategic advice to council-led organisations such as a Municipal Corporation.

The bodies that we propose to underlie the Growth Board are related to our five themes of Infrastructure, Business and Innovation, Inclusive Growth, Public Service Reform and Place. We suggest they are divided into delivery vehicles and commissioning and advisory bodies. Delivery vehicles would be established companies that fall under current councils’ remits and/or benefit from direct powers/ funding in this proposal, whilst commissioning and advisory bodies will look to co-ordinate and advise areas that have been identified as needing work.

Delivery vehicles

Growth Company

There are a wealth of different agencies and companies operating in business support and place marketing across the metro, many of which have broader geographical reaches. Integrating these agencies and ensuring their operation across one economic geography in a Growth Company would deliver savings and service improvements. The savings made could be used to develop other required services identified in this report, such as on supply chains. This could be established locally, though would benefit from Central government support.

HS2 Development Corporation

HS2 offers an economic opportunity for the area and the incentive for partners to act at a metro level. Decisions made on housing supply and employment space provision will have more impact on the metro than any other economic geography. A Development Corporation would support these priorities for Toton, ensuring the site is planned appropriately, is able to attract investment and provides appropriate infrastructure. This would require a government statute and initial capitalisation, however the benefits should significantly exceed costs.

Municipal Corporation

Austerity has had a real impact on local government funding, with significant real-terms reductions in local authorities' income. A Municipal Corporation, owning and operating the councils' shared front and back office services, could deliver real savings for both organisations. Its scale would help reduce existing costs and deliver improvements. This would require strong local commitment and political leadership.

Housing Company

Both councils own land within their areas and have companies that construct social housing. Nottingham also part-owns a developer of private sector accommodation. Combining services could form a business case for a housing company, that leads the development of council land and, where relevant, seeks private sector investment. This would benefit from the support of central government departments in their asset release programmes.

A Leisure Trust

Leisure has been identified as a key early opportunity for public sector collaboration. Here, there are significant benefits of scale for all metro councils in pooling their leisure assets collectively into a Leisure Trust. This has the potential to streamline their operation and provide benefits for residents who want to access facilities in numerous local authority areas. This model could (and probably should) be applied to similar opportunities when they arrive. This would be delivered solely by metro local authorities.

Commissioning and Advisory bodies

A Transport Board

Transport is an important issue in driving economic growth in the metro. Delivering the transport solutions the area needs requires attracting external investment and supporting this effectively, alongside aligned transport strategies. A transport board could co-ordinate plans and implementation on local transport issues and develop these investment proposals. This can be created and initially driven by the metro, but would require committed government intervention to realise its potential.

An Inclusive Growth Board

Not all residents in the metro currently benefit from economic growth, with pockets of real deprivation in the cities, despite their high workplace wages and GVA. An inclusive growth partnership between the councils and like-minded businesses and organisations such as universities could hold the metro to account on inclusive growth and advise on growth plans. This should have a specific focus on employment support, skills and education, with powers to drive improvements on a metro level, co-ordinating plans and implementation on local education and skills issues and developing investment proposals. Ultimately it could look to set the education outcomes for the metro and to commission provision. A board would be driven by the metro, but require engagement by the local public sector and DfE, ESFA, JCP and others.

A SMART Commission

The way that places work is changing and will continue to change - and the metro needs to keep pace with this. A SMART Commission that covers the urban area would support the development of both cities' Smart City plans. It could engage business and universities in delivering projects in support of ambitions and co-ordinate a wider metro SMART element in transport work, for example. This would be driven by the metro locally, with co-ordinated bids to Innovate UK.

Overseen by a Local Public Accounts Committee

Those Combined Authorities that have received devolved powers and funding have public accountability through an elected Mayor, as well as through the leaders of constituent councils holding portfolio positions. For an industrial strategy deal, there could be an opportunity to develop a different accountability model. This could be led by a Local Public Accounts Committee.

This Committee would be led by local MPs, with attendance by local members of the public. It would oversee the spending and decision-making processes of the Metro Growth Board, providing:

- A level of public accountability and financial scrutiny that would provide the metro's leadership with credibility.
- Continuity for central government: the MPs that influence the creation and divesting of powers to the metro would be able to scrutinise how it uses these powers and spends this money.
- A solid base of MP support for the metro.
- Reassurance to government that devolved finance would be properly scrutinised and accounted for, potentially laying the groundwork for further devolved powers.

10 Funding the metro

The proposed metro's unique system of public-private governance and the scrutiny provided by a Local Public Accounts Committee should provide the basis for its effective operation. It would be supported by the strong base of two increasingly collaborative city councils, as well as other metro local authorities. However, in order for the body to be successful it will need the security provided by guaranteed funding. This will require a roadmap to success, including multi-year finance settlements; greater borrowing flexibilities; and the ability to retain the proceeds of growth.

Creating a single pot

Infrastructure funding

As has been stressed throughout this report, the metro would benefit significantly from increased infrastructure spending. The East Midlands as a whole has been - and continues to be - underfunded in terms of infrastructure, with a reliance on bus services for reliable connections between Derby and Nottingham demonstrative of this. No other proximate cities in the UK are so weakly connected. To realise the benefits described, the metro therefore needs serious infrastructure investment. Only through significant transport funding can the dual aims of maximising HS2 and harnessing the benefits of links between industries be achieved.

Economic Development

The metro should also look to secure its proportional share of the future 'UK Shared Prosperity Fund'. In its 2017 manifesto, the Conservative Party committed to the creation of this fund, replacing the ESIF structural funds that areas currently receive from the European Union. D2N2 LEP will receive €244m from ESIF between 2014 and 2020[98]. Apportioned on a per capita basis, this is around €160m to the metro area (€26m a year in 2013 prices).

Housing

The government's recent housing need consultation identified that the metro area needs to build over 43,000 dwellings over the next 10 years[99]. Nearly 50% of this target is in the cities. However the metro's total need and any additional need above that identified by the government can only be delivered through collaboration. The alignment of the metro's geography with that of each city's Strategic Housing Market Areas provides a real opportunity to drive housing delivery at this spatial level, particularly as underbounding means many housing opportunities are located between the two cities.

98 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/307492/bis-14-772-uk-allocations-eu-structural-funds-2014-2020-letter.pdf- Although the metro's allocation may change compared to the wider D2N2 LEP area, the metro is already among the 'More developed' UK areas, and so it is unlikely that it's per capita funding of €120 per person would change significantly. https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/307562/bis-14-773-eu-structural-funds-uk-allocations-2014-to-2020-equality-impact.pdf

99 Application of proposed formula for assessing housing need, with contextual data, 14th September 2017

Toton's strong infrastructure links and connectivity to London offers strong growth potential

Stanton Ironworks is a major site which can deliver 2,000 homes and a new business park, transforming Ilkeston and supporting metro growth

The recent Cambridgeshire and Peterborough Devolution Deal recognised that devolution deals could effectively drive housing delivery. The Combined Authority area acquired control over a £100m housing and infrastructure fund, as well as an additional £70m over five years for Cambridge City to meet housing needs[100].

In the metro, local authority housing officers are already collaborating at a D2N2 LEP level on accelerating housing provision. A number of sites have been identified that will be essential to supporting growth, particularly in response to the expected demand of HS2. These sites could deliver 15-20,000 new homes. This delivery could be increased further with additional central government support along the lines of the Cambridgeshire and Peterborough deal.

Local land value capture

Business rates

Figure 9 - Business rates income by local authority

- Derby, £88m
- Erewash, £26m
- Nottingham, £130m
- Broxtowe, £24m
- Amber Valley, £33m
- South Derbyshire, £23m
- Rushcliffe, £28m
- Gedling, £22m
- Ashfield, £34m

Source: Metro Dynamics analysis of each local authorities' 2015/16 Final Statement of Accounts, and Derby's 2015/16 Draft Statement of Accounts.

100 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/600239/Cambridgeshire_and_Peterborough_Devolution_Deal.pdf

There are a range of ways of thinking about financing and funding, and one of those could be business rates. Business rates align business growth with local revenue and are therefore a useful tool in financially benefiting from growth. A form of business rates pooling could incentivise metro local authorities to support metro-level economic decisions. The metro currently collects around £400m of business rates every year[101].

There are different opportunities for business rates pooling that could be explored. However, these options are framed by the uncertainty of the government's currently stalled plans to deliver full business rates devolution to places by 2020, as well as the uncertainty created by the current system of appeals. The two options outlined below should not be pursued until, and unless, the government clarifies the future of business rates.

1. **A Tax Increment Financing (TIF) deal on Toton:** A TIF deal on Toton, potentially linked to the Development Corporation or funding for connecting infrastructure could ensure that partners are aligned and a reliable form of infrastructure funding existed linked to Toton's expansion. This would require a deal from central government.
2. **The devolution of business rates growth to the metro level:** This could maximise the extent to which the metro was financially incentivised to operate as one functional economic area. Maintaining a baseline for local authorities would ensure no one local authority directly lost income. This would require real government certainty on the long term future of rates devolution.

Infrastructure-specific funding mechanisms

HS2 should have a positive impact on house prices and employment land prices in the area, generating significant local value. Meanwhile a metro line in between Nottingham and Derby, linked to HS2, could have a wider spatial impact on potential house building and the value of employment land in that area. Numerous academic studies have linked infrastructure construction to an increase in land values. There are several mechanisms available to the local public sector to capture value generated by infrastructure, repaying its upfront cost. This could form part of a funding package agreed with government.

- **An area-wide Business Rates Levy:** Currently LEP areas have the power to place a 2% levy on rateable value to fund infrastructure, with consent from private sector board members. The metro could seek the devolution of this power as part of a package to contribute local funding to a Derby-Nottingham metro system. It could provide up to £16m per annum[102]. A levy on rateable values has already been used to part-fund Crossrail and the extension of the Northern Line to Battersea.
- **An area-wide Community Infrastructure Levy (CIL):** Local authorities that benefit from a prospective infrastructure scheme could agree on an area-wide CIL to help fund it. This could involve a graded system in which those areas that benefit most have the highest CIL rates, as with Crossrail.
- **Value Capture through metro vehicles:** Establishing an HS2 Development Corporation and a Housing Delivery Company would give the metro two powerful vehicles for land value capture from infrastructure investment. Their tactical use in line with infrastructure proposals could contribute to funding infrastructure as these bodies would directly benefit from the growth in land value of properties along the line. This would require a long-term approach to investment and the success of funding for a metro line.

101 Information from the graph on page 55
102 Based on a 2% Levy on a total realistic rateable value of around £800m.

11 An industrial strategy deal

Devolution context

An overarching recommendation for the Metro is to continue to explore the idea of an industrial strategy Deal with government. Government is expected to shortly publish the Industrial Strategy White Paper, and there is an opportunity for the Metro to forge a new path which builds on the concept of City Deals and some of the principles underpinning devolution deals. This is a new model and the Metro could bring together its stakeholders to determine what should comprise the ask and offer, working with Government as the paper is published to maximise the opportunities it outlines for the Metro.

The importance of a local industrial strategy Deal to the metro and government is based on the logic that productivity and economic growth can be maximised when operating at the appropriate city region level. Devolving power to a local level means decisions being taken at a local economic area level, so that polices are designed for the particular circumstances of that place. There is now a strong, and widely accepted, narrative about cities as the engines of economic growth. This was the logic behind the Mayoral Combined Authorities in the English devolution deals.

City deals

The first step on the path to locally driven economic growth was City Deals, announced in 2011. All Core City local authorities except Nottingham collaborated with their neighbours when forming a City Deal. Based on the logic that local authorities are well placed to steer their local economies, city deals relate to specific programmes and expected outcomes. They do not transfer general powers over policy areas to local authorities. These deals were designed to: empower cities to boost local economic growth; work with a wider metro area; be predicated on local places setting out their own priorities; be city led; and, be accompanied by robust accountability and decision-making structures.

Nottingham finalised its City Deal in 2012[103]. It had 3 objectives: fostering enterprise; supporting a high-quality workforce and developing a 21st-century infrastructure. The deal outlined the significant growth potential of the City's Creative Quarter, with the aim to drive a 4% GVA uplift and create 7,000 new jobs in Nottingham's three emerging sectors. Strategic oversight of the Nottingham Growth Plan and development of economic strategy was provided by the Nottingham Economic Growth Board - comprised of public and private sector individuals. This firmly established the importance of private sector involvement to driving Nottingham's economic growth.

103 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/406318/Nottingham-City-Deal-final.pdf

The opportunity of non-English deals

Devolution policy in England is based on a flexible and bottom-up approach to deal-making with individual places, enabling city regions to bid for greater powers from Whitehall departments. The Productivity Plan emphasised city growth through strong governance, transport devolution, skills and innovation as drivers of productivity. To date, deals in England have focussed on the creation of Mayoral Combined Authorities.

The Scottish City Deals

The government has continued to make deals with cities in Scotland and Wales at the same time as Mayoral Combined Authorities have emerged as the focus in England. Scottish cities have agreed various city deals and commitment and this was reaffirmed in the March 2016 Budget. In August 2014, the Scottish and UK governments committed over £1 billion over 20 years to the Glasgow and Clyde Valley City Deal[104]. This was the first deal of its kind in Scotland and was an agreement between the UK government, the Scottish government and the eight local authorities across Glasgow and Clyde Valley.

> In March 2016, the Inverness and Highland City Deal was finalised [105].

> In December 2016, a City Deal was finalised with Aberdeen and Aberdeenshire [106].

> In July 2017, a City Deal was announced with Edinburgh and the south east of Scotland, with a Scottish and UK government commitment of £600m [107].

As City Deals, they have focussed on funding, rather than significant governance changes and power redistribution, joining up investment with local partner institutions such as universities. Nevertheless, they indicate the commitment of the UK government to driving economic growth locally. All City Deals have focussed on driving city region growth at a metro, not single local authority level.

104 https://www.gov.uk/government/publications/city-deal-glasgow-and-clyde-valley
105 https://www.gov.uk/government/publications/inverness-and-highland-city-region-deal
106 https://www.gov.uk/government/publications/city-deal-aberdeen-city-region
107 https://www.gov.uk/government/publications/city-deal-heads-of-terms-for-edinburgh-and-south-east-scotland

Welsh City Deals

A similar process has been ongoing in Wales. Most recently, in March 2017 the Swansea Bay City Deal (4 councils) was signed off. This was worth nearly £300m from the Welsh and UK governments[108]. As in Scotland, the deal was specifically tailored to the needs of each local economy, rather than the devolution of major powers. It focussed on the area's status as 'the internet coast', with 11 different projects aimed at supporting next generation industries. There are also talks going on over a deal in North Wales (a Growth Deal is being considered by the UK government) and a potential 'North Wales Metro' in the country's north east.

However, the most interesting deal in the context of Nottingham and Derby is the Cardiff Capital Region City Deal. This deal was explicitly focussed on the productivity benefits to be secured from transport improvements, with £734m ringfenced for the South Wales Metro[109]. The deal also provided local authorities with more fiscal tools to financially benefit from growth. These included: the possible retention of business rates income above an agreed growth baseline; an infrastructure supplement on business rates; and, a new non-statutory Regional Transport Authority to co-ordinate transport planning and investment.

> Covers two cities - Newport and Cardiff and 10 local authorities.

> 1.5m residents.

> The deal saw the creation of a £1.22bn investment fund over a 20-year period, with the Welsh government contributing £500m, local authorities £120m, the ERDF £100m and the UK government £500m (providing gateway reviews are met) [110].

The Cardiff Capital Region City Deal and the upcoming deals with both areas of North Wales indicate the attraction to government in doing deals with areas that will benefit significantly from transport improvements. A clear commitment and demonstration of the benefits of these, coupled with operation at a metro level and a firm rooting in national context, offer a real opportunity for the Derby-Nottingham Metro.

108 http://www.swanseabaycityregion.com/en/cd.htm
109 http://www.walesonline.co.uk/business/business-news/12bn-city-deal-team-cardiff-13306128
110 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/508268/Cardiff_Capital_Region_City_Deal.pdf

12 Recommendations

This report is the result of significant consultation and research. We have assessed the potential for the metro, looking both at its own performance and the wider national policy arena. There is clearly a lot of potential for closer collaboration and for the metro to lead the way nationally with an industrial strategy deal. Below are our primary recommendations for how the Metro could be developed to achieve its economic potential.

1. Create a strong inclusive growth and productivity narrative for the metro, which develops the case for devolved investment and powers with government, and also draws in support from stakeholders within the metro area. This should have a clear roadmap to delivery, including short, medium and long-term priorities for growth.
2. Collectively agree a set of principles for what collaborative working would look like and how to make the metro a reality, with Year One priorities for the constituent members. The first priority would be to develop an industrial strategy deal with government on funding, investment and new powers, which should be based on partnership between the public sector and business.
3. Establish a new model for metro governance and delivery, which would be appropriate for a local industrial strategy deal. This should include a new Growth Board and delivery mechanisms.
4. Prioritise delivery of Toton development and the surrounding infrastructure which will make HS2 a success for the metro area. Maximising the benefits of HS2 at a metro scale through connectivity, housing and business will be a central driver of growth.
5. Identify the opportunities and challenges that Brexit may bring, and create the conditions for the metro to be a pilot area for new forms of international trade and production with government, for example a free trade zone based around manufacturing and production.
6. Create a long-term strategic approach to infrastructure planning, including: a 2050 transport vision with shared priorities and investment case, with radical technology driven solutions to increase connectivity; an Airport Growth Strategy; a local strategic partnership framework; a two city-centre masterplan; and becoming the UK's centre of excellence for future Housing.
7. Establish a strategic approach to inclusive growth, bringing in national agencies such as ESFA and JCP to work on local priorities. This should include a solid evidence base and inclusive growth investment framework. A first step will be a metro wide programme of Careers Education, Information, Advice and Guidance (CEIAG), co-ordinated employer engagement with schools, and a low pay commission.
8. Focus on metro specific enterprise support to complement existing provision. This should cover a targeted supply chain and scale up programme, a metro wide Science and Innovation Audit, and a leading Medtech cluster based around the Defence National Rehabilitation Centre's (DNRC)s world leading expertise in rehabilitation.
9. Continue the work by the two city councils to identify opportunities for shared services, but broaden this to cover the metro area and innovation in delivery models, alongside data sharing. Agree a prevention and early intervention approach to service provision across all local public services, including health and social care.
10. Create a globally significant metro presence by aligning the work of Marketing Derby and Marketing Nottingham in specific areas to attract FDI, market the visitor economy, and to bid for international conferences, with an intention to build enhanced facilities and attract a world class event.

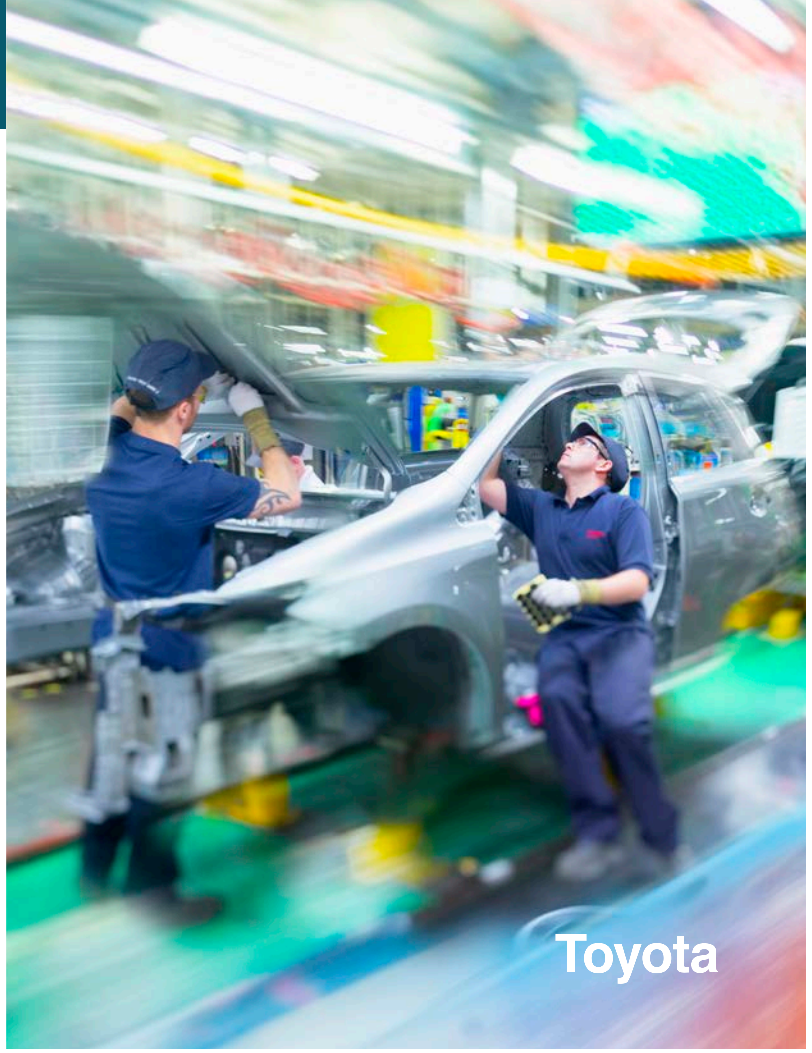
13 Conclusion

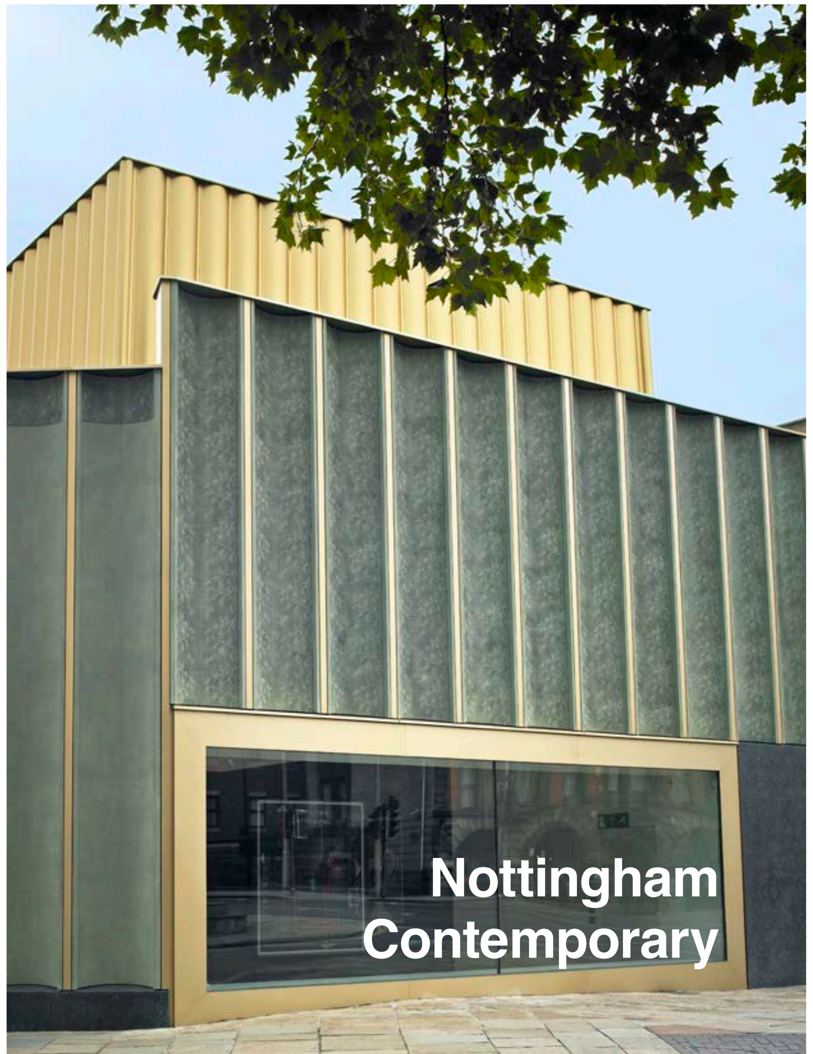
This report is our independent analysis of the potential of the Metro. Our conclusion from this review is that the area already has some of the characteristics of a metro area, but if it started to act as one, then it could really accelerate these economic benefits and be able to more effectively drive inclusive growth across the whole area.

We have identified five policy areas where the Metro should focus. Within this are a number of opportunities - HS2 in particular can have a transformational effect for the area. No one council can act alone to deliver this. We identified a suggested governance and delivery structure, one which reflects the functions and opportunities highlighted, as opposed to lifting an existing model.

This presents exciting prospects, and potentially a real first mover advantage for the Metro as the industrial strategy White Paper is published. But it will not happen without the active involvement of the constituent parts, and wider stakeholders. In particular, we have highlighted an area which could cover nine local authorities. This is far wider than the existing collaboration between the two cities. All must be invited to be part of this as equal partners, with clear operating principles from the outset to agree ways of working.

The next few months will be critical for the two cities to work both locally and nationally to agree how best to progress. This could be a challenging but achievable timeframe, and as our analysis shows, it could unlock significant rewards for the Metro.





14 Appendix

References

The Centre for Urban and Regional Development Studies Report

The most prominent report which looked at a similar economic geography to the metro level was 'City Regions and Polycentricity: the East Midlands Urban Network'. This was a study commissioned by the East Midlands Development Agency and conducted by the Centre for Urban and Regional Development Studies (CURDS) in December 2005. Although not focussed on Derby-Nottingham, this report looked at the economic linkages between city regions in the East Midlands and the extent to which this has created a polycentric region.

The CURDS Report's conclusion on the distinctiveness between Derby and Nottingham's economies is corroborated by our work. We highlight that this difference means the two cities may not compete for company relocations and internal investment. A conclusion of the CURDS report is that the East Midlands does not constitute a polycentric economic area. A key reason for this in the CURDS report -because it is not strongly integrated internally- is supported in this report.

Sources

A wide range of sources have been used to build up the economic evidence base of this report. These have been footnotes throughout. Where the same figure or fact has been used twice, the first time it has appeared has been footnoted. All sources we have used use the most recent dates, except where otherwise specified in the footnote. Sources were accessed in July 2017.

A quick overview of the sources we have used are as follows:

- Annual Survey of Hours and Earnings (ASHE)
- Annual Population Survey (APS)
- Bank of England deflators
- Business Register and Employment Survey (BRES)
- Census 2011
- DWP benefits information
- Eurostat database urban audit
- FAME database by Bureau van Dijk
- Land Registry house price data
- New Economy Nespresso Tool
- ONS built up areas data
- ONS points of interest data
- ONS population estimates and equations
- ONS regional accounts

Consultees

We are grateful for the support and feedback of all the consultees listed in the below table; all either participated in a one to one consultation, or as part of the Strategic Advisory Group in October 2017. The project team from both councils has been invaluable to our work. In addition to this group and the consultees listed below, we are also grateful for the time and support of employees of both city councils for the support they have offered this report. This includes the senior leadership teams of both councils, as well as specialist officers in the fields of skills, transport, housing and planning and business support.

Organisation	Name	Position
Alliance Boots	Mark Chivers	Director of Estates
Broxtowe District Council	Ruth Hyde	Chief Executive
CT Skills	Alex Ford	Chief Executive
D2N2 LEP	David Ralph	Chief Executive
D2N2 LEP	Peter Richardson	Chair
Derby City Council	David Gartside	Service Director, Partnerships, Planning and Transport
Derby City Council	Greg Jennings	Acting Director of Regeneration, Property and Housing
Derby City Council	Paul Robinson	Chief Executive
Derby City Council	Ranjit Banwait	Leader of The Council
Derby City Council	Verna Bayliss	Strategic Partnership Manager
Derby City Council	Christine Durrant	Strategic Director, Communities and Place
Derby College	Mandy Stravino	Chief Executive
Derby/Nottingham City Councils	Dave Tantum	Derby/Nottingham Metro
East Midlands Airport	Andy Cliffe	Managing Director
East Midlands Chamber of Commerce	Scott Knowles	Chief Executive
EoN	Jeremy Bungey	Director of B2M Strategic Solutions
EoN	Natalie Robinson	Strategic Account Manager
Erewash District Council	Ian Sankey	Deputy Chief Executive
Geldards LLP/Derby-Nottingham Strategic Advisory Group	David Williams	Chair/ Chair
Intu Plc	Janine Bone	Regional Centre Director
Marketing Derby; Smith of Derby Ltd	Bob Betts	Chair; Chief Executive
Marketing Nottingham And Nottinghamshire	Brendan Moffatt	Chief Executive
New College Nottingham	John Van De Laarschott	Chief Executive
Nottingham Business School, Nottingham Trent University	Will Rossiter	Associate Professor of Regional Policy and Development
Nottingham City Council	Chris Henning	Director for Economic Development
Nottingham City Council	Geoff Walker	Director of Strategic Finance
Nottingham City Council	Ian Curryer	Chief Executive
Nottingham City Council	James Schrodel	Policy Officer
Nottingham City Council	Jon Collins	Leader of The Council
Nottingham City Council	Peter Davies-Bright	Economic Policy and Strategy Manager
Nottingham Trent University	Michael Carr	Pro Vice-Chancellor, Employer and Economic Engagement
Pennine Healthcare	Liz Fothergill	Chair
Rolls-Royce	Paul Harris	Director of Economic Engagement
Trent Barton	Jeff Counsell	Chief Executive
University of Derby	Kathryn Mitchell	Vice-Chancellor
University of Nottingham	Liz Lesquereux	Head of Business and Local Partnerships
University of Nottingham	Steve Upcraft	Lead in SME Engagement

Acronyms

Acronym	Meaning
AI	Artificial Intelligence
BEIS	Department for Business, Energy and Industrial Strategy
CIL	Community Infrastructure Levy
D2N2 LEP	Derby, Derbyshire, Nottingham and Nottinghamshire Local Enterprise Partnership
DfE	Department for Education
DNRC	Defence National Rehabilitation Centre
EMA	East Midlands Airport
ERDF	European Regional Development Fund
ESA	Employment and Support Allowance
ESFA	Education and Skills Funding Agency
ESIF	European Structural and Investment Funds
FDI	Foreign Direct Investment
FTZ	Free Trade Zone
GDP	Gross Domestic Product
GVA	Gross Value Added
HCA	Homes and Communities Agency
HEI	Higher Education Institution
HIF	Housing Investment Fund
HRA	Housing Revenue Account
HS2	High Speed Two
JCP	Job Centre Plus
KS4	Key Stage 4
LEP	Local Enterprise Partnership
LMI	Labour Market Information
MCA	Mayoral Combined Authories
Medtech	Medical Technology
MPs	Member of Parliament
NVQ4+	National Vocational Qualification 4+
ONS	Office for National Statistics
R&D	Research and Development
RSA	Royal Society of the Arts
SIA	Science and Innovation Audit
SME	Small and Medium Enterprise
TIF	Tax Increment Financing

Metro —— Dynamics

3 Waterhouse Square
138 Holborn
London
EC1N 2SW

0203 868 3085

Elliot House
151 Deansgate
Manchester
M3 3WD

0161 393 4364