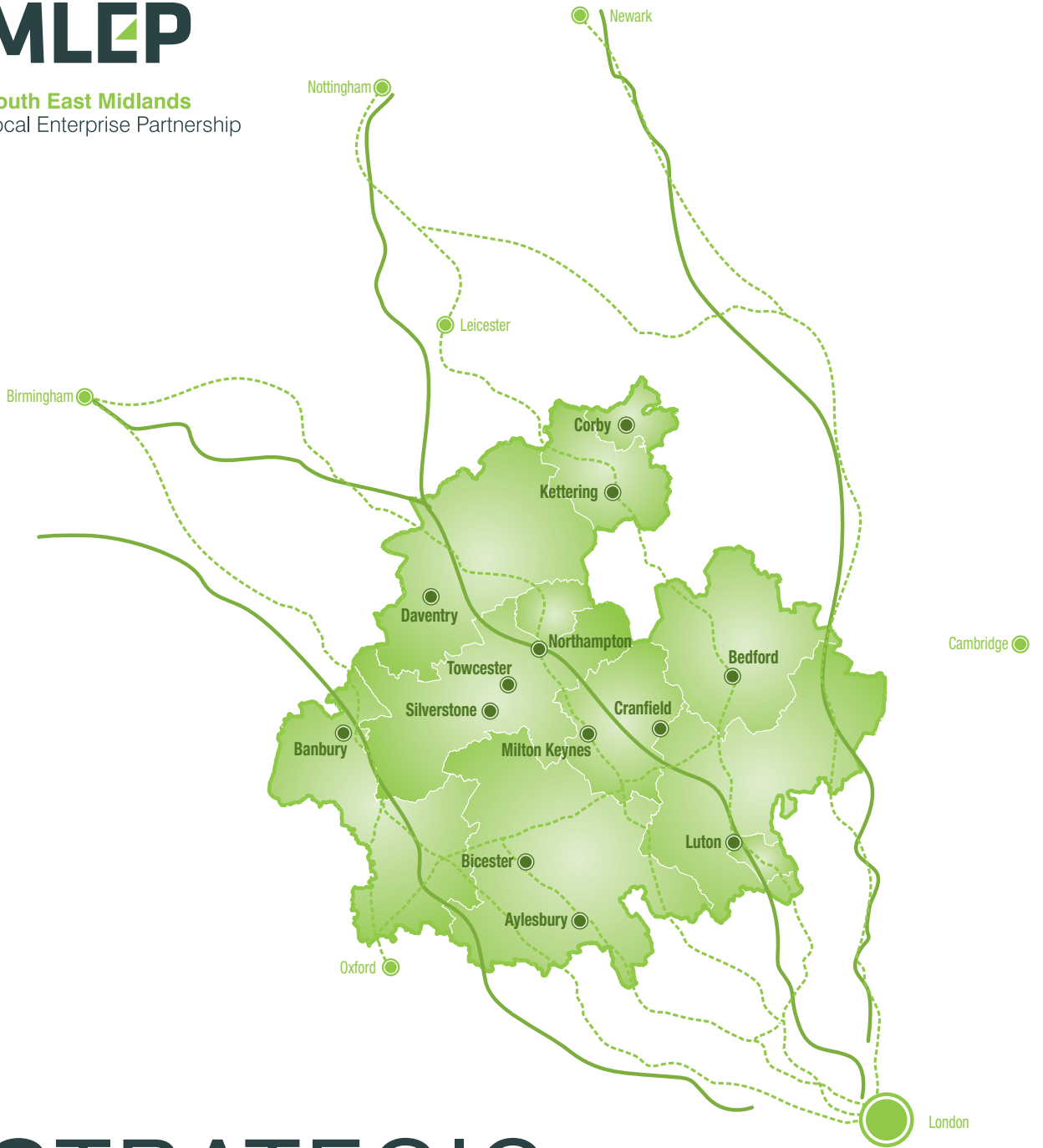


SEMLEP

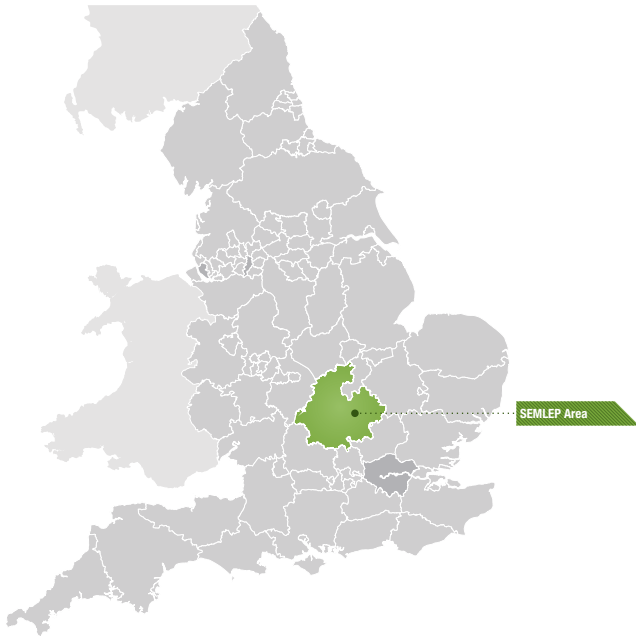
South East Midlands
Local Enterprise Partnership



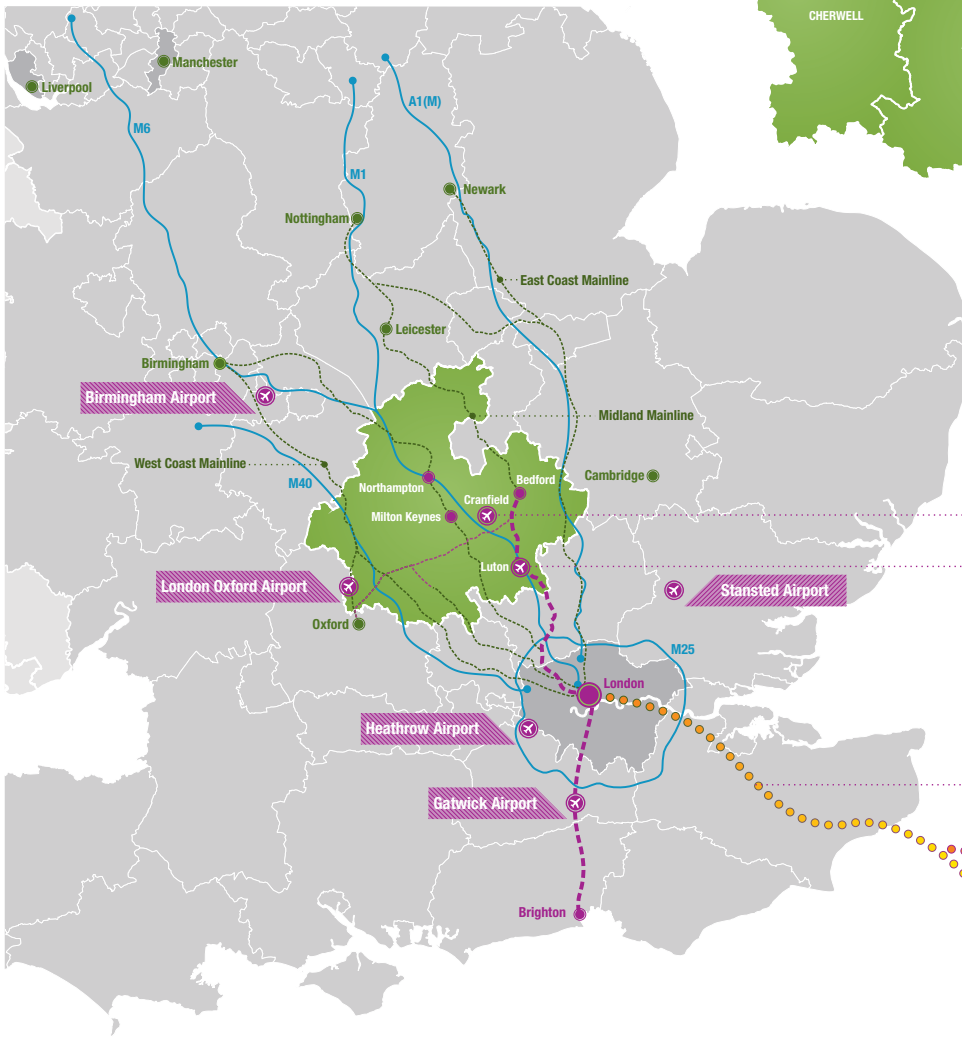
STRATEGIC ECONOMIC PLAN

EVIDENCE BASE

NATIONAL



INTERNATIONAL



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BUSINESS PRODUCTIVITY

1.1

1.1 BUSINESS PRODUCTIVITY

Objective 1: Stimulating enterprise and enhancing the competitiveness of SMEs.

Key Issue

Whilst number of businesses continues to grow year on year and business survival rate remains higher than national average, we are still not doing enough to support new business start-ups or to increase the rate of female self-employment, which still remains well below male self-employment rate.

Business Size

There are 74,465 VAT and PAYE registered businesses in the South East Midlands (SEM) area the majority of which are small (96.6%) employing fewer than 50 people (Source: ONS Business Activity, Size and Location, 2012). The number of businesses increased by 2.5% from 2011 to 2012, which was slightly lower than nationally by 2.6%. However there were variations in business growth rate across the South East Midlands area. Milton Keynes saw the greatest percentage increase in number of businesses by 4.0% whereas Aylesbury Vale saw the lowest percentage increase by 0.8%. In 2012, the majority of employees in SEM area worked in micro businesses employing fewer than 10 people (83.6%). This was higher than England (83.1%).

Table 1: % businesses by size in 2012¹

	Small	Medium	Large
Aylesbury Vale	97.8	2.0	0.2
Bedford	96.4	3.1	0.5
Central Bedfordshire	97.6	2.1	0.3
Cherwell	97.0	2.7	0.3
Corby	93.7	5.7	0.5
Daventry	97.6	1.9	0.5
Kettering	96.8	2.8	0.4
Luton	94.9	4.2	1.0
Milton Keynes	95.4	3.9	0.6
Northampton	95.1	4.2	0.7
South Northamptonshire	98.3	1.5	0.2
South East Midlands	96.6	3.0	0.5

(Source: ONS Business Activity, Size and Location, 2012)

The biggest number of businesses are in Professional, Scientific and Technical (11,375), Construction (8,625), Retail (6,875) and Information and Communication (5,700) sectors.

Business survival rate

The area has above average enterprise survival rates across all years compared to England and is the highest-ranking LEP for enterprises that survived at least one year².

Table 2: Business survival rate, 2007-2011

Area	Year 1	Year 2	Year 3	Year 4	Year 5
SEMLEP	97.0%	83.7%	65.3%	54.2%	46.9%
England	95.4%	81.3%	62.9%	51.9%	44.4%

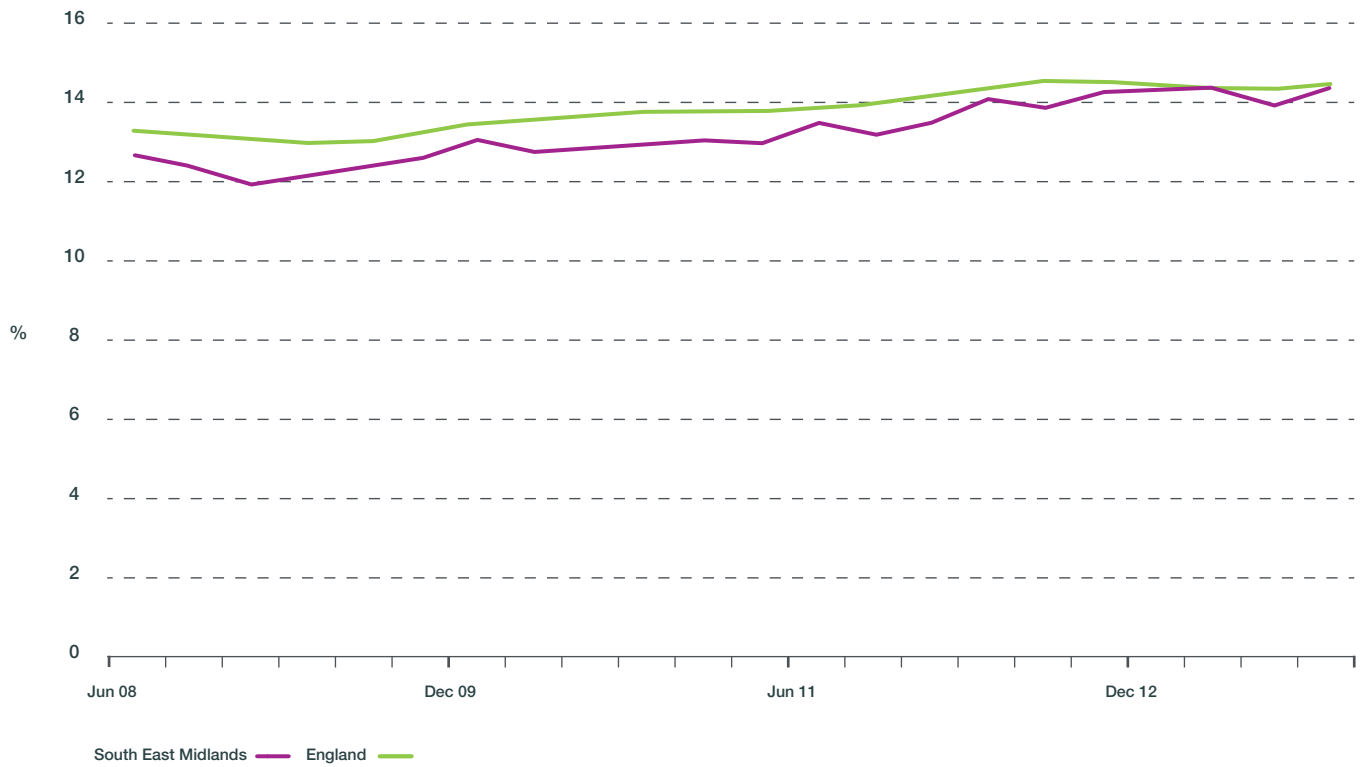
(Source: ONS Business Activity, Size and Location, 2012)

Self-employment rate

The rate of self-employment increased by 13.6% between June 2008 and June 2013 across the South East Midlands area. There are 121,600 people self-employed in the South East Midlands accounting for 14.0% of the population aged 16 years and over in June 2013. This compares to the national average rate of self-employment of 14.4% and is slightly above South East Midlands.

¹ The figures from the UK Business Activity, Size and Location showing business size by number of employees are rounded up or down to the nearest 5.
² LEP Network (2012) Creating Successful Local Economies: A review of LEP Area Economies in 2012

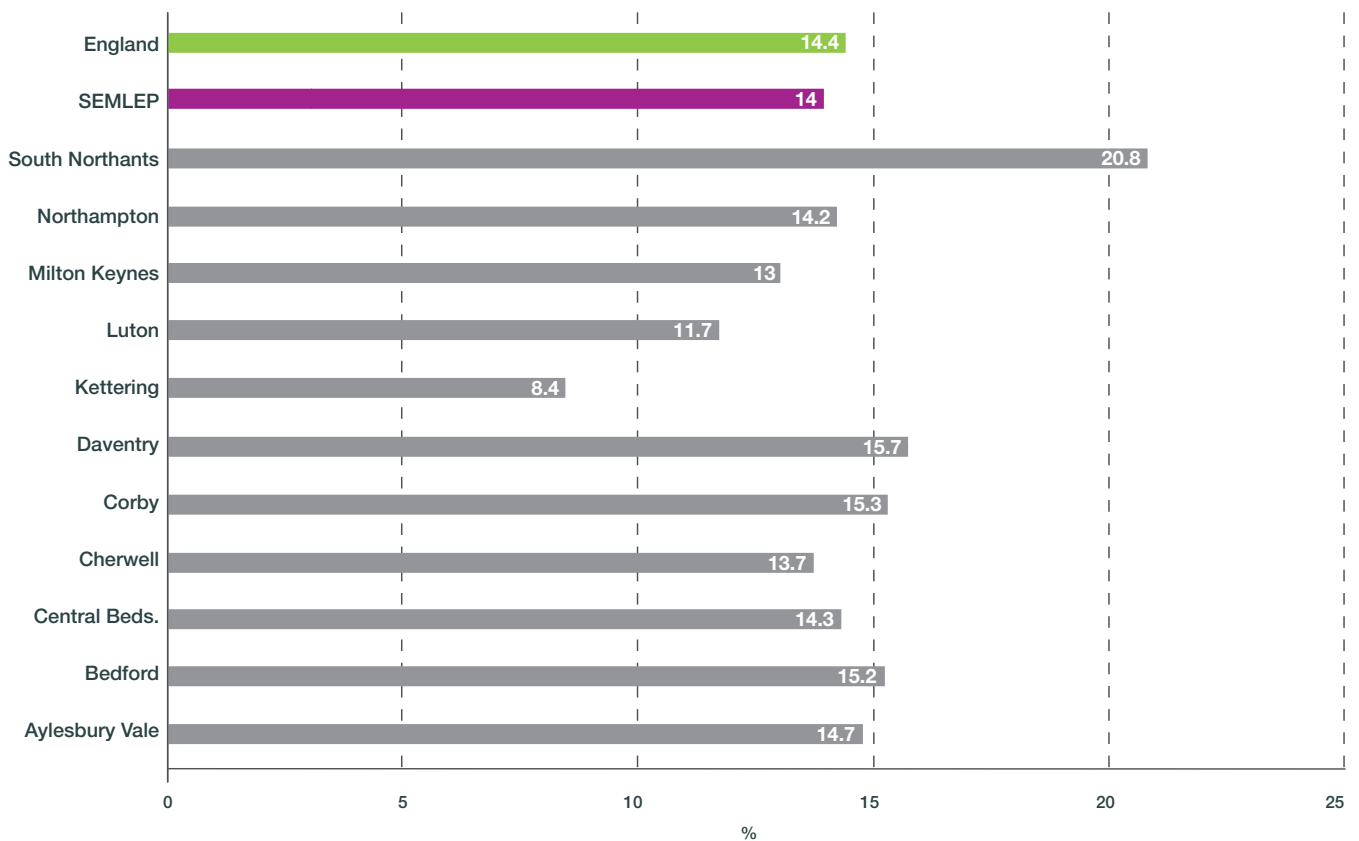
Chart 1: Percentage of people who are self-employed (16+), June 2008-June 2013



Source: Office for National Statistics, Annual Population Survey, June 2013

There is however significant variance in the level of entrepreneurialism within the LEP area – ranging from 20.8% in South Northamptonshire to 8.4% in Kettering.

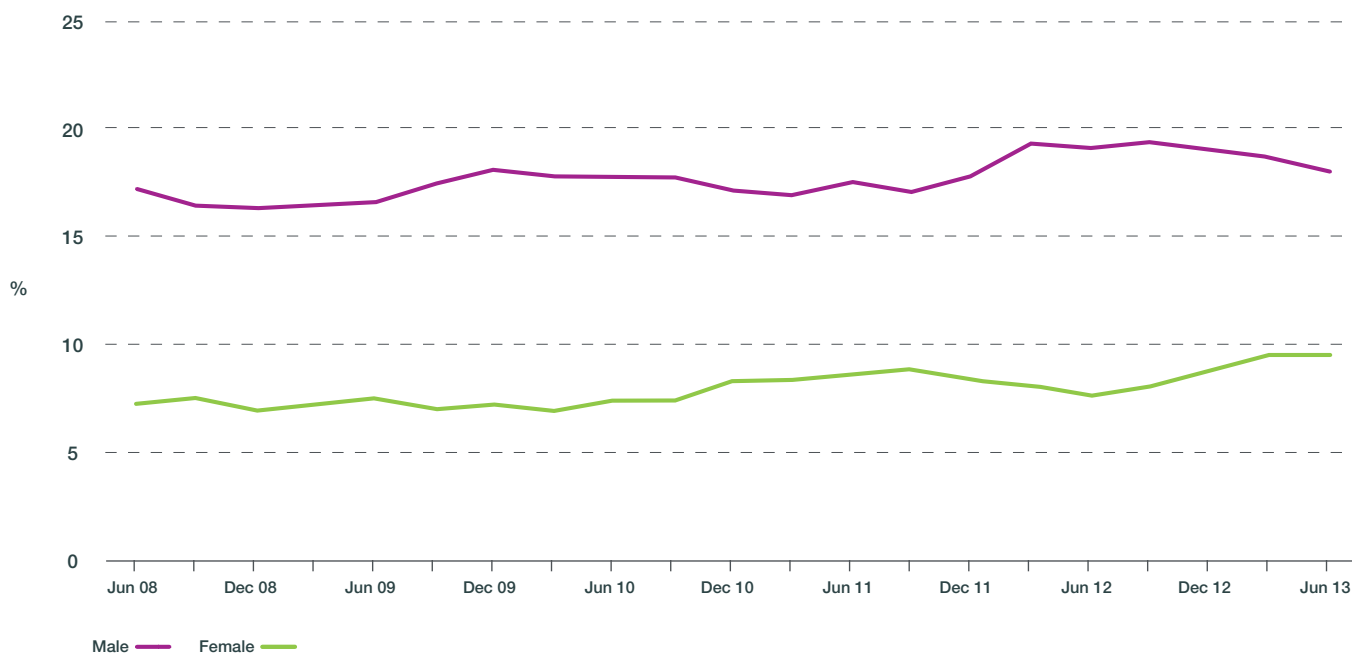
Chart 2: Percentage of people who are self-employed (16+), June 2013



Source: Office for National Statistics, Annual Population Survey, June 2013

In June 2013, there were 83,600 males (16+) in employment who were self-employed (18.0%) compared to 37,900 females (9.5%). The percentage of females in employment who are self-employed remains well below the percentage of males in employment who are self-employed despite having increased at a faster rate since June 2008 by 9,500 or 33.5% compared to 6.4% or 5,000 males during the same period.

Chart 3: Percentage of males and females in employment who are self-employed, June 2008-June 2013



Source: Office for National Statistic, Annual Population Survey, June 2013

When considering the reasons for the significant gap between male and female self-employment rate, women still face a number of barriers to becoming self-employed and setting up a business. This includes the cost of child care, lack of female role models and access to finance.

When examining business ownership by gender, the most comprehensive data on business ownership by gender is available at a national level. In 2012, only 19% of small and medium sized businesses were led by women whereas 49% were entirely led by men in England. (Source: Department for Business Innovation and Skills, Small Business Survey 2012).

A report by RBS Group entitled, 'Women in Business: A Different Perspective' revealed that women were more likely to start their business with lower levels of both human and financial capital which relates to their experiences of employment and serial entrepreneurship.

Whilst women tend to outperform men in regards to educational attainment they remain underrepresented in senior management roles. It also showed that there were differences between male and female views of business ownership with women more likely to use self-employment and business ownership as a means for balancing child care and generating income at key stages in their lives.

Based on analysis of available data, women led businesses are much less likely to use external finances and borrow less than men led businesses. The report concludes that based on the evidence more women led businesses tend to be home based, part-time and operate within less knowledge intensive sectors that do not require a high level of borrowing. (Source: RBS Group, Women in Business: A Different Perspective, 2012)

According to the Women's Business Council, only 29% of women led SMEs think they have the skills to set up a business compared to male led SMEs (45%). The report also highlights that women are less likely than men to access finance to support the start up of their business and the lack of female role models. (Source: Women's Business Council, Maximising women's contribution to future economic growth, 2013).

Business start-up rate

In 2012, there were 7,890 business births in South East Midlands, an increase of 7.2% from the previous year. This is higher than England (3.2%). This equates to 57.6 business start-ups per 10,000 residents over the age of 16 in South East Midlands. This is higher than the England rate (56.4). (ONS Business Demography, 2012).

Disparity in start-up rates by registrations per 10,000 inhabitants varies across the South East Midlands area- 40.1 in Corby, 51.1 in Kettering compared to 68.9 in Milton Keynes.

Key Issue

According to SEMLEP Business Survey 2013, whilst the majority of businesses have seen their performance improve or remain stable over the past 12 months and are optimistic about future growth, many still face a number of barriers to growth including access to finance, leadership and management skills, skills shortages and job specific skills and lack of knowledge of where to access business support and the kinds of support and funding available.

Past performance and future growth

According to the Business Survey, majority of businesses experienced improved or stable business performance over the past 12 months and businesses are optimistic for the year ahead. 39% of businesses said their business performance had improved over the past 12 months and 41% said it remained stable, with 20% stating that business performance deteriorated. In terms of future expectations about business performance, 55% of businesses expect business performance to improve and just 7% expect it to deteriorate.

In terms of a national comparison, the Department for Business Innovation and Skills (BIS) English business survey asks for changes in performance quarter on quarter. In March 2013, the proportion of businesses in England reporting output being higher in Quarter 4 2012 than the previous quarter was 40%, 33% said it was the same and 24% said it was lower.

Other national surveys also show at best modest improvements in past business performance. For example, The British Chamber of Commerce Quarterly Economic Survey (April 2013) of over 7500 businesses reported modest improvements for both manufacturing and services. While the CBI Quarterly Industrial Trends Survey (May 2013) reported manufacturing output as flat and its Service Sector Survey (November 2012) reported flat or declining performance, but its Financial Services Survey (April 2013) reported growth.

In terms of a national comparison, the Department for Business Innovation and Skills (BIS) English business survey asks for expectations for the next business quarter. Most businesses (38%) expect output to be the same in Quarter 1 2013 as in Quarter 4 2012, while an estimated 32% of businesses expect output to be higher, and 26% expect output to fall.

Other national surveys also tend to highlight that businesses are optimistic about the future. The CBI Quarterly Industrial Trends Survey (May 2013), Financial Services Survey (April 2013) and Service Sector Survey (November 2012) all reported an optimistic picture amongst businesses. The Grant Thornton UK Business Confidence Monitor (BCM) also reports an improved outlook - The BCM Confidence Index in Q2 2013 stands at +16.7, up from +12.8 in Q1 2013.

Constraints on business growth

The general economic climate, access to finance and attracting or retaining customers are the most common constraints on business growth. 31% of businesses cited the general economic climate as the main constraint on growth followed by access to finance (11%), attracting or retaining customers (10%) and premises or locations (8%).

In terms of a national comparison, the Federation of Small Businesses Survey (February 2012) identifies similar constraints with 66% of small businesses citing the general economic climate as a constraint, but with all the other constraints identified also.

Access to finance

There are a number of documented structural market failures affecting the supply of finance to SMEs, which leads to a lower supply of finance than is optimal for businesses with growth potential. For example, the inability to access finance has been identified as one of the key barriers to growth and development; for example, most recently the BIS SME Business Barometer (2012) notes that 60 per cent of businesses seeking finance had some problems in obtaining finance, whilst obtaining finance was identified as a key obstacle to success by 10% of businesses surveyed.

A recent survey of local businesses found that almost half of the businesses seeking finance had not secured the finance sought (in most cases less than £50,000). Such barriers were considered to act as a significant barrier to growth for over a quarter of businesses surveyed, in particular for micro businesses.

Recent market analysis research conducted for the five East Midlands Local Enterprise Partnerships (LEPs) by Mazars to identify the rationale/demand for a pan-LEP financial instrument. This included surveying 500 businesses (100 from each LEP).

A summary of the emerging findings of the demand analysis is summarised below:

- Access to finance is one of a range of barriers to growth identified by SMEs in the East Midlands. Others include the wider economy, skills shortages and public sector regulation.
- 20% had sought finance in the past 5 years. Similar figure to national proportion. This equates to 38,000 firms.
- Of these, 46% had not secured any of the funding sought – an estimated 17,000 firms.
- Funding largely sought from banks, followed by public sector sources.
- 75% of funding sought for £100,000 or less. Demand is at the smaller end of investments, potentially more than 10,000 at <£50k.
- 27% of firms regard access to finance as a barrier to growth – an estimated 52,000 firms.
- Broadly similar proportions regard it as a barrier to growth between the LEP areas and sizes of firm.
- The principal barriers to investment include wider demand in the economy, the banks (tightened) lending conditions and expertise/ knowledge to apply for funding;
- 19% of firms say they have one or more current stalled project or unmet business need – an estimated 37,000 firms.
- 60% of firms have not sought finance for their stalled project.

Business support

Lower business rates is the most cited area of support to assist business growth according to our Business Survey. Reducing the cost of business in the form of lower business rates was cited most commonly by businesses to assist business growth (cited by 20% of businesses). This is followed by better communication with businesses (12%), more business support/advice (9%) and regenerating the area/more investment in the area (9%). In addition, 29% of businesses said they did not know or that there was no support that could be provided by local public agencies to help their business grow.

In terms of a national comparison, the Federation of Small Businesses Survey (February 2012) identified that 29% of small businesses would like to see improved business support services from their Council.

According to the Business Survey, 86% of businesses have accessed some advice or support in the last 12 months. The most common sources of advice are accountants (used by 65% of businesses), banks (61%), other business owners (60%) and family and friends (56%).

There is also a reasonable use of support and advice provided through Governmental and professional organisations. For example, 36% of businesses accessed support through a Central Government department or Government body such as HMRC, Job Centre Plus, UK Trade and Investment, Technology Strategy Board. 31% accessed support through a trade association, 22% used the Business Link Website, 13% received support through the National Apprenticeship Service, 9% through their Chamber of commerce and 8% through their local Council.

What does this mean for the South East Midlands economy?

It is clear that despite business numbers continuing to grow and business performance and optimism about future growth remains strong, we need to do more to supporting existing businesses to access the right support and support more women into self-employment in order to narrow the gap between male and female rates by addressing barriers they face setting up a business.

One example of the type of intervention we will fund to support businesses via the Regional Growth Fund is the Velocity Growth Hub programme which aims to promote local and national support packages with emphasis on sound business planning and training in guiding entrepreneur's in methods to grow their businesses and increase overall productivity. Innovation will be increased through closer engagement of local business with higher education.

Key Issue

Whilst population has continued to grow and is projected to grow at a faster rate than nationally, we are not creating enough jobs to support continued growth in our population and in particular sectors that will require more jobs to support a growing population as numbers have fallen over the past year.

Population Growth

Population grew by 18.6% between 1990-2010 whilst number of jobs created fell by 5,700 between 2011 and 2012. It has been estimated that the population of the South East Midlands will increase by 13.0% between 2011 and 2021 (Source: Office for National Statistics, Interim 2011-based Subnational Population Projections). This means that SEM is forecasted to grow at a faster rate than nationally (England-8.6%).

Jobs Growth

The South East Midlands (SEM) economy has delivered employment at a faster rate than the wider national economy over the last decade³, with over 56,400 jobs created since 2000. However latest data shows there was a reverse of this trend between 2011 and 2012. In 2012 the overall number of jobs in South East Midlands was 764,000. This represents a fall of 5,700 jobs or percentage decrease of 0.7% from the previous year when it stood at 769,700 in 2011. However England witnessed an increase of 0.7% during the same

period. The top 3 sectors that saw the biggest growth in number of jobs were Professional, scientific and technical (4,500), Transport and storage (4,250) and Manufacturing (including Food and Drink) (1,100) and the top 3 sectors which saw the biggest fall in number of jobs were Business administration and support services (6,700), Arts, entertainment, recreation and other services (2,300) and Education (1,600). (Source: ONS Business Register Employment Survey 2012).

Table 3: Number of jobs, 2011 and 2012

Industry Sector	Number of jobs 2011	% of all jobs 2011	Number of jobs 2012	% of all jobs	% change
Agriculture, forestry & fishing	800	0.1	500	0.1	-37.5
Mining, quarrying & utilities	5,800	0.8	6,100	0.8	5.2
Manufacturing	76,800	10.0	77,900	10.2	1.4
Construction	31,450	4.1	32,100	4.2	2.1
Motor trades	20,700	2.7	20,600	2.7	-0.5
Wholesale	48,000	6.2	46,700	6.1	-2.7
Retail	75,000	9.7	74,000	9.7	-1.3
Transport & storage (inc postal)	47,350	6.2	51,600	6.8	9.0
Accommodation & food services	42,000	5.4	40,900	5.4	-2.6
Information & communication	26,450	3.4	25,800	3.4	-2.5
Financial & insurance	21,500	2.8	22,000	2.9	2.3
Property	11,000	1.4	9,600	1.3	-12.7
Professional, scientific & technical	54,100	7.0	58,600	7.7	8.3
Business administration & support services	78,500	10.2	71,800	9.4	-8.5
Public administration & defence	36,700	4.8	36,000	4.7	-1.9
Education	71,300	9.3	69,700	9.1	-2.2
Health	84,200	10.9	84,300	11.0	0.1
Arts, entertainment, recreation & other services	38,100	4.9	35,800	4.7	-6.0
Total	769,700	100.0	764,000	100.0	-0.7

Source: Business Register Employment Survey 2012
Please note all figures are rounded to the nearest 100.

³ Office for National Statistics Annual Business Inquiry (2000-2008) and Business Register Employment Survey (2009-2012). Figures are rounded to the nearest 100.

Social Enterprises

There are approximately 68,000 social enterprises in the UK contributing at least £24bn to the economy (1.5% of GDP) and employ 800,000 people. As highlighted below, social enterprises deliver significant social and economic impact in communities⁴: For example:

- 39% of all social enterprises work in the 20% of most deprived communities in the UK compared to 13% of standard businesses;
- Social enterprises are run by a diverse range of people - 86% of social enterprise leadership teams have at least one female director, 27% of leadership teams have directors from Black and Minority Ethnic communities and 7% have directors under the age of 24; and
- 82% of social enterprises reinvest profits back into the communities where they are earned to further their social or environmental goals.

Based on a pro rata share of UK estimates there is likely to be in the order of 2,000 businesses that view themselves as social enterprises within the South East Midlands area⁵ and using the average turnover figure extrapolated from the above (circa £387k) this could indicate a potential GVA contribution of circa £774million⁶. South East Midlands has numerous assets, including the University of Northampton, to support the continued growth of its social enterprise sector.

Key Issue

Whilst an overwhelming majority of businesses reported an improved/stable performance over the past 12 months, this is not reflected in Gross Value Added (GVA), a common measure of productivity as the South East Midlands GVA per head was below many other LEPs despite being above average across other indicators of economic performance.

Productivity

GVA (total, per head and employee)

Total GVA for the South East Midlands (SEM) in 2011 was £38.6 billion⁷. GVA per head was £20,100 which is lower than neighbouring LEPs like Oxfordshire at £21,900 per head and Thames Valley Bucks at £22,100 per head and also ranked below these LEP neighbours in terms of economic output per head⁸.

When considering GVA per employee this is estimated to be at £37,700 which places South East Midlands 8th out of all 39 Local Enterprise Partnership areas.

Despite a slight improvement in growth in GVA per head of 3.9% (2009-11), South East Midlands GVA growth per head is below the average for England and lower than many of the other LEPs. There are also significant differences in GVA performance across South East Midlands. For example, Central Bedfordshire's GVA per head is 29% below the national average⁹.

Business Turnover

In 2013, the total turnover for South East Midlands businesses was £137,608,724,000. This represents a 12.1% increase from the previous year. (Source: Inter Departmental Business Register (IDBR) 2013). This compares to a percentage increase of 19.6% for England from 2012 to 2013. The sectors which saw the largest turnover in 2013 were Wholesale and retail; repair of motor vehicles, Finance and Insurance, Production and Manufacturing. Finance and Insurance saw an increase of 23.7% from 2012 to 2013. Construction saw the biggest percentage decrease in turnover during this period by 4.7%.

4 Social Enterprise Coalition (2011), Fight back Britain A report on the State of Social Enterprise Survey

5 Social Enterprise – What's it worth? A Paper Produced For SEMLEP by Inspire2Enterprise (2013)

6 LEP Network (2012) Creating Successful Local Economies: A review of LEP Area Economies in 2012

7 Office for National Statistics, GVA NUTS Level 3, 2011

8 LEP Network Report 2012

9 Central Bedfordshire Council Local Economic Assessment 2013

Table 4: Turnover change 2012-2013

Industry Sector	2012 Turnover £000s	2013 Turnover £000s	%
Agriculture, forestry & fishing	770,469	857,149	11.3
Production	19,174,065	21,152,217	10.3
Mining, quarrying & utilities	463,894	549,629	18.5
Manufacturing	18,710,171	20,602,588	10.1
Construction	6,472,535	6,168,415	-4.7
Wholesale and retail; repair of motor vehicles	39,865,221	44,488,145	11.6
Motor trades	15,281,675	16,784,485	9.8
Wholesale	17,233,501	20,499,943	19.0
Retail	7,350,045	7,203,717	-2.0
Transport & Storage (inc. postal)	10,636,418	12,640,041	18.8
Accommodation & food services	4,557,739	4,766,410	4.6
Information & communication	2,718,902	3,221,638	18.5
Finance & insurance	19,237,283	23,794,524	23.7
Property	1,159,023	1,220,048	5.3
Professional, scientific & technical	4,483,623	5,151,480	14.9
Business administration & support services	5,623,767	5,781,067	2.8
Public administration & defence	107,393	316,033	194.3 ¹⁰
Education	2,386,193	2,486,254	4.2
Health	3,116,125	3,151,956	1.1
Arts, entertainment, recreation & other services	2,494,475	2,413,347	-3.3
Total	122,803,231	137,608,724	12.1

Source: Inter Departmental Business Register, 2013

Visitor Economy

The Visitor Economy in England is worth £97 billion and it is England's third largest employer supporting 2.2 million jobs (Source: Visit England 2013). Domestic and inbound visitors spend was over £84bn in England in 2012, a 10% increase on 2011 (Source: Visitor Economy Growth: The Emerging Role of Local Enterprise Partnerships (LEPs) 2013). South East Midlands is home to some major and well known visitor attractions including Woburn Safari Park, Blenheim Palace, Bletchley Park, Wrest Park and Silverstone.

The visitor economy in South East Midlands supported around 59,400 jobs in 2012 accounting for about 8% of total jobs. (Source: Business Register Employment Survey 2012). Between 2010 and 2012, there were on average just under 2.5 million domestic trips taken each year to the South East Midlands. This equated to 5.8 million nights per year and the annual value of these trips was £312 million. (Source: Great Britain Tourism Survey 2010-2012, Visit England).

The attractive surroundings of the South East Midlands was one of the top five aspects rated by businesses surveyed on behalf of SEMLEP about what is good about doing business in the area. Visit England recognises the important role that Local Enterprise Partnerships play to maximise the impact of the visitor economy on economic growth. It identifies examples of how LEPs can ensure their projects for growth impact upon the full potential the visitor economy has to offer. This includes for example using LEPs inward investment strategies to target the business tourism offer and particular sectors to encourage future growth. (Source: Visitor Economy Growth: The Emerging Role of Local Enterprise Partnerships (LEPs), Visit England, 2013).

Key Sectors

South East Midlands (SEM) is already well represented by numerous global businesses with proven expertise and many within the key sectors identified within the BIS 2012 national review of industrial strategy.

¹⁰ The sector is not profit making and is VAT exempt so it is not possible to draw comparisons. Please note there has been a change in income tax regulation has forced several hundred parish councils to register town clerks etc on employers' tax schemes. This has increased the overall number of employees in the sector with the consequence that the turnover, calculated on a 'per head' basis, has increased.

The area has a particularly strong foundation in Advanced Manufacturing, High Performance Technology (HTP), precision engineering, value added Food and Drink, life sciences (including pharmaceutical and Healthcare products) and creative industries, with examples of key businesses including Nissan Technical, Lockheed Martin, Jungheinrick, Selex Galileo, Kraft, Unilever, St Andrews, AstraZeneca, Movianto, Jordans/Ryvita, Carlsberg and Cinram.

As a key component of the UK's 'motorsport valley', SEM is home to approximately 1,500 high performance technology companies¹¹, generating an annual local turnover of £2bn and employing between 15,000 and 21,000 people¹² This includes internationally renowned brands, such as Cosworth, who are based on the Northampton Waterside Enterprise Zone.

A review carried out by TBR consultancy to examine the South East Midlands economy identified nine sectors as key to supporting sustainable economic growth. The research involved a high level review of the SEM economy and its composition by broad sector, which resulted in 19 sectors being identified. From this, nine sectors were identified based on being primarily private sector, having a significant share of firms, employment and output and a higher than average location quotient. It showed that for most, their overall contribution to GVA and GVA per employee was much higher than SEM average.

The nine sectors identified were Automotive Trade, Business and other services, Construction, Engineering, Food and Drink Manufacturing, Information and Communication, Recreation, Tourism and Hospitality and Transport and Logistics.

It also highlighted that overall most sectors except Administrative and Support Service Activities and Financial and Insurance Activities saw overall growth in the number of firms between 2002 and 2012 which is a positive sign that the SEM economy is fairly resilient to economic shocks. Furthermore the strength of these 9 sectors was that majority are employed in higher level occupations, qualified to degree level or above and had a higher than SEM average for proportion of firms that operate elsewhere nationally and internationally.

Based on data analysis of the nine sectors, the review proposed the following four sectors as candidates for investment: Engineering, Information and Communication, Logistics and Transport and Food and Drink Manufacturing. However the review acknowledged that this provides only a partial view and that other qualitative factors such as contact with senior executives, the specific nature of the businesses locally and export performance.

Nevertheless it is important to highlight the particular strengths of the nine sectors and to take into consideration other data including an earlier review of the sectors carried out by SEMLEP before drawing conclusions.

Key characteristics about each of the nine sectors are described in summary below.

1. Automotive Trade

- Higher proportion of larger firms.
- Highly skilled workforce with higher than average proportion of professional, technical and skilled trade occupations and with NQF Level 4 or above and lower than average low skilled/unskilled workforce.
- Foreign firm ownership higher than South East Midlands average at 5.8%. As measured by LQ South East Midlands has the highest concentration of employment in this sector than all other LEPs (1.50).

2. Business and other services

- Account for 11% of all South East Midlands firms and 9% of all employment.
- Predominantly large independently owned firms than foreign owned.
- Highly productive workforce as measured by GVA per employee at £52.94k.
- Higher than average proportion of employment in Business and Other Services is accounted for in new firms.
- Higher than average proportion of employees qualified to degree level and above and in managerial roles.

3. Construction

- Accounts for 9% of all businesses in South East Midlands and 4% of employment.
- Most firms are very small in size and these account for a higher than average proportion of employment in the Construction sector.
- Highly qualified and skilled workforce with higher than average proportions employed in managerial, professional or technical roles and qualified to NQF Level 4 or above.

11 Northamptonshire Enterprise Partnership (2011) Northamptonshire High Performance Technologies Brochure

12 Roger Tym & Partners (2011) High Performance Engineering in Northamptonshire: Report for Northamptonshire Enterprise Partnership

4. Engineering

- A higher than average proportions of firms are parts of ownership structures (12%) that are based elsewhere nationally, Europe and internationally. Proportion of GVA generated by those with ownership structures based in Europe or North America is above average.
- Highly productive sector with GVA per employee at £67.72k in 2012 and overall contribute 7% of the GVA.
- Higher proportional of large firms compared to nationally.
- Significantly higher than average proportion of employees in technician roles and higher than average proportion in skilled trade roles.

5. Food and Drink Manufacturing

- Small business base, highly productive with higher than South East Midlands average GVA per employee, significant percentage are foreign owned (16.1%), higher than average proportion employed in elementary occupations.
- A significantly higher than average proportion is generated by firms which are parts of ownership structures based in Central America. The proportions of GVA generated by firms which are parts of ownership structures based in Europe or North America are also above average.
- Compared with England, the Food & Drink Manufacturing sector in the South East Midlands area has a lower than average proportion of new firms, and a higher than average proportion of firms established 20 or more years ago.
- A lower than average proportion of employment is based in new firms, while a higher than average proportion is based in firms established 20 or more years ago.
- Compared with England, a higher than average proportion of employees in the Food & Drink Manufacturing sector in the South East Midlands area is qualified to A-level or above.

6. Information and Communication

- Predominantly large firms with higher than average foreign ownership (2.3%), highly qualified (NQF5), predominantly large firms employing 255 to 499 employees and higher than average proportion employed in professional roles.
- The Information & Communication sector is significant, accounting for 4% of all firms in the South East Midlands area in 2012, and 3% of employment.

- The Information & Communication sector generates a significant proportion (5% in 2012) of the South East Midlands area's GVA.
- GVA per employee was £77.78k in 2012, compared with the South East Midlands average of £37.70k, highest out of the 9 key sectors this review examined.
- Higher than average proportions are based in firms which are parts of ownership structures based elsewhere in the UK, or in North America. A slightly higher than average proportion of employment is based in firms which are parts of ownership structures based in Europe.
- Large firms account for a higher than average proportion of employment in the Information & Communication sector in the South East Midlands area.

7. Recreation

- Lower than South East Midlands average for GVA per employee at £18k.
- Strong growth in business numbers between 2002 and 2012 but largely due to business births-may suggest high business churn.
- Overall GVA contribution accounted for 1%.
- Higher than average proportion of firms independently owned or part of ownership structures based elsewhere in UK.
- Higher than national average proportion of employees in managerial and professional roles but lower than average in technical roles and higher than average in unskilled roles.

8. Tourism and Hospitality

- Tourism & Hospitality is a significant sector, accounting for 6% of all firms in the South East Midlands area in 2012, and 6% of employment.
- The sector witnessed a greater increase in firm numbers than South East Midlands as a whole (20% vs 9%) and employment rising by 6% (compared with a fall of 8% across South East Midlands as a whole).
- The South East Midlands area had the 8th highest compound annual growth rate in terms of firm numbers in the Tourism & Hospitality sector, and the 9th highest compound annual growth rate in terms of employment in the sector, of all LEP areas.
- Despite this GVA per employee is relatively low compared to South East Midlands average.

9. Transport and Logistics

- Transport & Logistics is a significant employer in the South East Midlands area, accounting for 2% of all firms but 4% of employment.
- The Transport & Logistics sector generates a significant proportion (5% in 2012) of the South East Midlands area's GVA.
- Productivity in the sector is above the South East Midlands average, with GVA per employee at £50.07k in 2012, compared with £37.70k.
- Compared with England, large firms account for a higher than average proportion of employment in the South East Midlands area.
- Compared with England, the Transport & Logistics sector in the South East Midlands area has a higher than average proportion of new firms.
- New firms account for a lower than average proportion of employment.
- Compared with England, the Transport & Logistics sector in the South East Midlands area has a slightly higher than average proportion of employees in managerial and professional but at the same time it also has a higher than average proportion of employees in unskilled roles.

An earlier review of sectors undertaken by SEMLEP in June 2013 considered evidence drawn from a variety of sources including the Milton Keynes and South Midlands (MKSM) Growth Area Evidence Base report and the MKSM Economic Development Implementation Plan as well as the South East Midlands proposition document and the recent views of partners on their identified local key sectors and Foreign Direct Investment (FDI) priorities. The review concluded that to achieve what it termed 'growth plus' of the local economy and employment base, the South East Midlands should focus on population independent sectors, and exploit those where the area already had proven expertise.

The key sectors considered to offer the best prospects for above baseline growth as well as stimulating additional FDI are:

- Advanced Manufacturing (inc. automotive & aerospace): 27% of employment within the identified key SEM businesses for FDI.
- Value added food & drink products: 11.8 % of employment within the identified key SEM businesses for FDI.
- Design (inc. product, building & software): Around 1,200 employed within the identified key SEM businesses for FDI. Significant potential for growth/innovation (e.g. by small and agile architectural, media and product design practices).
- Financial and Business Services: Around 10,000 employed or 11.95% within the identified key SEM businesses for FDI. By SIC code analysis the Finance, Banking insurance sector represents 16.2% of total SEM employment, so considerable strength even when retail activities are excluded.
- Pharmaceutical & Healthcare products: 5,000 employed or 6.5% employed within the identified key SEM businesses for FDI.

Table 5 below profiles a number the South East Midlands' key local population growth independent sectors and those sectors with proven expertise, identifying their key strengths, opportunities and major challenges and evident weaknesses that could pose a threat to future growth. These are identified as key sectors in SEMLEP's European Structural Investment Fund Strategy which has a number of programmes that we propose to use ESF/ERDF to deliver accelerated economic growth.

Table 5: SWOT Analysis of South East Midlands Growth Sectors

Sector	Overview	Key assets	Strengths & Opportunities	Headline challenges
Advanced Manufacturing/ Engineering Technology (including automotive, environmental and low carbon technology, high performance engineering, motorsport and aerospace, etc.)	<p>Taking Advanced Technology and Precision Engineering as an example, in 2007 there were 25,000 employees in the sector accounting for 3.3% of all jobs in 1,530 businesses across the sub-region.</p> <p>Three locations dominate employment in the sector: Luton (24%), Milton Keynes (15%) and Daventry (12%)¹³.</p>	<p>BAE Systems Advanced Technology Centre</p> <p>Nissan Technical Centre</p> <p>Silverstone</p> <p>Cosworth</p> <p>General Motors</p> <p>Millbrook Proving Ground</p>	<p>High profile technical and academic support, in particular Cranfield University with business-oriented programmes and partners, such as Jaguar, Lotus, Boeing and Nissan.</p> <p>Cosworth: F1 engine suppliers and Mahle Powertain located in Northampton.</p> <p>Strong brand values, international reputation and environmental technologies</p> <p>The opportunities for re-growth of high value manufacturing has potential e.g. additive manufacturing will also enable SMEs to locally create high value components.</p>	<p>Sharp fall in employment in some sub-sectors (e.g. precision engineering)</p> <p>Ageing workforce, lack of appropriate skills and undersupply of qualified workforce with low mobility (e.g. skilled engineers).</p> <p>Further skills issues relate to low carbon agenda.</p>
Financial and Business services	The sector accounted for employment of 50,700 in 2011 (6.6% of total employment).	<p>Barclaycard</p> <p>Santander</p> <p>Nationwide</p> <p>IPSL</p> <p>Lloyds TSB</p> <p>Capita Children's Service</p>	Growing business base and management development specialisms at Cranfield, Northampton and Open Universities. Opportunities include business relocations and a growing shared services industry	<p>Potential skills shortages restricting growth potential.</p> <p>Strong international competition and poor generic skills among new entrants</p>
Logistics	Employed under 85,000 people in 2011 – 11% of total South East Midlands employment (compared to 6% of English employment). In 2011 it remains a significant sector for employment (LQ of 1.4).	<p>Tesco regional distribution sector</p> <p>London Luton airport (freight capacity)</p> <p>Daventry Rail Freight Terminal</p>	<p>Supported by the Cranfield Centre for Logistics & Supply Chain Management, 'Skills for Logistics' Foundation Degree at Milton Keynes, Chartered Institute of Logistics and Transport at Corby, Northampton University and Northampton College.</p>	<p>Few KTPs and poor perceptions of the industry.</p> <p>Increased congestion and new logistics hubs in other parts of the UK</p>
Creative industries, culture and leisure (including design)	<p>The creative industries are well-represented in the South East Midlands area (5,000 businesses, 28,000 employees' £1.1bn turnover). Software, advertising and design were particularly strong. Despite concentration of creative businesses is in Milton Keynes, the industry is dispersed with 44% based in rural or semi-rural areas¹⁴.</p>	<p>Elsevier Science</p> <p>TUI Travel</p> <p>Avon Cosmetics</p> <p>Cinram</p> <p>UK Centre for Carnival Arts</p>	<p>Strong base of small creative firms with a supportive infrastructure</p> <p>Growing population with increased disposable income and a demand for leisure opportunities.</p> <p>The demographic changes, particularly due to aging, means that leisure activities, healthcare and bespoke housing will all be required in significantly growing quantities. The employment and economic potential of this must not be overlooked.</p>	<p>Difficulties in accessing business finance</p> <p>Competition from other areas.</p>

Source: ICF GHK Analysis for SEMLEP European Structural and Investment Fund Strategy, 2013

13 ONS ABI & SQW cited in SEMLEP Outline Business Case (2012)

14 SEMLEP Proposition and Outline Business Case (2012). Annex A-E

It is clear from the table above that the area has attracted a number of international companies with expertise across a range of sectors including many within BIS Industrial Strategy 2012 and some of whom are leading the way in terms of innovation of new products and markets.

Analysis of national share of employment (Location Quotients) by Standard Industrial Categories highlights that the sectors with an LQ of 1.0 and above are Transport and Storage, Manufacturing, Wholesale and retail trade, Other service activities, Professional, scientific and technical activities, Administrative and support services and Arts, entertainment and recreation. This broadly reflects some of the key sectors highlighted earlier that have been identified as key growth sectors for the South East Midlands economy. In fact some sectors have seen their share of national employment increase. This includes Transportation and storage, Manufacturing and Professional, scientific and technical. Location quotients are used to analyse the share of employment in a sector within South East Midlands, compared to the share of employment throughout England, and indicate how important a sector is to local employment.

Table 6: Location Quotients, 2012

SIC 2007 Industry	2011	2012
A : Agriculture, forestry and fishing	0.14	0.14
B : Mining and quarrying	0.00	0.00
C : Manufacturing	1.15	1.20
D : Electricity, gas, steam and air conditioning supply	0.75	0.75
E : Water supply; sewerage, waste management and remediation activities	0.83	0.83
F : Construction	0.91	0.95
G : Wholesale and retail trade; repair of motor vehicles and motorcycles	1.15	1.15
H : Transportation and storage	1.35	1.48
I : Accommodation and food service activities	0.79	0.79
J : Information and communication	0.81	0.83
K : Financial and insurance activities	0.70	0.74
L : Real estate activities	0.88	0.81
M : Professional, scientific and technical activities	0.93	1.00
N : Administrative and support service activities	1.23	1.11
O : Public administration and defence; compulsory social security	0.96	0.98
P : Education	0.98	0.95
Q : Human health and social work activities	0.85	0.85
R : Arts, entertainment and recreation	1.04	1.00
S : Other service activities	1.14	1.15

Source: ONS Business Register and Employment Survey 2012

Across South East Midlands there are specific business clusters and key sectors that are particularly important for each local economy. As part of the earlier review of growth plus sectors, interviews with each South East Midlands local authority in 2013 highlighted the following sectors/clusters as key to their own economy:

Table 7: List of sectors/clusters and key sectors for each local authority within South East Midlands

Local Authority	Sectors / Clusters from Econ Dev Strategies	Identified Key sectors
Aylesbury Vale	Food ICT High performance engineering Telehealth	Food and Drink ICT Advanced Engineering/Motorsport Visitor economy
Bedford Borough	Advanced manufacturing & engineering Food production & research Life sciences, biotechnology, health Low carbon	Advanced Manufacturing and Engineering Food Production and Research Life sciences, Biotechnology, Health Low Carbon Finance and Business Services (inc. ICT) Creative (inc. Film, Digital, Media, Design)
Central Bedfordshire	Food and Drink and Hospitality	Pharma/Healthcare Advanced Engineering/Aerospace/ Automotive Logistics
Cherwell	Low carbon, green technologies Bio-medical Nanotechnology Materials engineering Motor-sport Other high- technology	Advanced and automotive manufacturing Other manufacturing including: Food processing Logistics Publishing Retail Biotech
Corby	Low carbon/ clean technology	Distribution and logistics Food and drink manufacturing Motorsport and precision engineering Print and packaging Pharmaceuticals Office, retail and service sector
Daventry	Retail	Green technology Automotive Logistics
Kettering	Retail Construction Wholesale & Transport Real estate, Renting & producer services Manufacturing	Printing Logistics
Luton	Airport related Engineering (inc automotive) Aerospace ICT Creative Arts & Media Retail Construction Green technology Medical/Health/ Sport related	Aerospace and Airport Engineering ICT and Electronics Creative industries
Milton Keynes		Technology Logistics Advanced manufacturing Financial & Business
Northampton Borough	Consultancy Recycling High value engineering Construction Health/ healthcare Food & Drink Overseas industry looking for a UK base	High Performance Technology/Motorsport Financial and business services
South Northampton-shire	High performance technologies & motorsport Rural economy Tourism	High Performance engineering

What does this mean for the South East Midlands economy?

It is clear from the review by TBR of the 9 sectors that those four sectors identified as key for our investments to accelerate local economic growth all share certain characteristics: their higher than South East Midlands GVA average per worker, highly skilled and educated workforce and with exception of Logistics higher than average proportion of firms with ownership structures based elsewhere nationally and internationally. All 4 sectors have seen growth in number of firms between 2002-2012. They represent strong sectors with solid foundations in South East Midlands economy with many firms established over 20 years or more who have attracted and demand a highly skilled workforce in professional, technical and skilled trades but at the same time some sectors also have higher than average proportion of employees in unskilled/low skilled roles. Given the significance of foreign firm ownership for these sectors being higher than the average for the whole of South East Midlands there are obvious risks if such companies productivity levels fall that leads to potential job losses or site closures. This could result in reduction in jobs or number of firms in those sectors. At the same time, there are a number of other sectors identified at a local authority level as key that impact on businesses within these 4 key sectors in terms of supply chain, support services, retail and construction.

Objective 2: Strengthening and exploiting our innovation and knowledge assets.

Key Issue

We have a number of leading universities in research and development and strong links with businesses around innovation however we are not doing enough to maximize these assets to support more businesses to innovate and launch new products as measured by low level of South East Midlands share of high technology firms, patents registered and business survey results which shows only about 1 in 10 businesses have links with universities/colleges and one third have introduced or intend to introduce a new product, service or process. In addition it also showed that larger businesses are more likely to have links with colleges/universities or innovate.

At the same time a review of South East Midlands' innovation assets highlighted that whilst we have an impressive portfolio of innovation centres and other facilities across the area, some of these are located in more generic office space or as part of an industrial park and maybe missing out on opportunities or the necessary support and access to specialist advice.

Our innovation, research and development assets

The South East Midlands is home to a critical mass of Higher Education Institutions (HEI) and research assets.

The area's place on the "innovation triangle" formed by the university centres of Oxford, Cambridge and London is valuable. An identifiable knowledge intensive corridor, containing important educational institutions, which along with further education colleges, offer businesses a local pool of talented, skilled graduates to tap, and the quality of expertise with which to develop the benefits of research.

The five HEIs of the South East Midlands Universities group (SEMU) – comprises the University of Bedfordshire, University of Buckingham, Cranfield University, University of Northampton and the Open University. SEMU members have developed strong collaborative working relationships delivering significant outcomes including encouraging growth through enterprise and entrepreneurship, a joint Master's programme, a joint HEFCE Catalyst Fund bid, plus developing international links, particularly with China.

Each university has particular strengths and specialism which link to some of the sectors identified in the sector reviews that have been highlighted as potential investment priorities.

- Cranfield University is a worldwide centre of excellence in precision engineering. Cranfield has a number of thematic areas of focus, including automotive, aerospace and manufacturing. The Manufacturing Research Centre is a key asset for the area, as are the active collaboration networks such as the Engineering & Physical Sciences Research Council projects into industrial sustainability and advanced composites and strong links with partners such Jaguar, Lotus, Boeing and Nissan.
- University of Bedfordshire has an established reputation and developed new programmes in science, computing and medically-related science. It is expanding the range of courses it delivers in collaboration with industry.
- The Open University (Milton Keynes) providing distance learning courses to students across the UK and further afield at undergraduate and postgraduate level as well as continuing professional development courses and research degrees. Expertise includes, Centre for Research in Computing.

- The University of Northampton provides higher level skills across a wide range of subjects including health, creative arts, logistics, business studies, leather technologies and sustainable communities. It also includes Northampton which was ranked by HESA in 2012 as England's No 1 University for Employability and is the only UK university accredited by Ashoka with 'Changemaker Campus' status – Social Enterprise is a priority 'sector' and a unique selling point.
- University of Buckingham, the UK's longest standing fully private HEI, has particular pride in their high international student profile and Oxbridge style tutorial groups
- The Universities of Northampton and Bedfordshire share a manifest commitment to business-focused provision, enterprise development and to workforce skills with important niche research specialisms; and are well positioned for delivery across the South East Midlands geography.
- There exists strong involvement of Universities in promoting and running Innovation centre facilities, as well as offering services to assist emerging businesses with programmes to access or collaborate in research.
- Business support varies across the range of innovation assets with some providing more generic managed workspace whilst others have a strong focus on innovation.
- Some Innovation Centres are located within larger industrial spaces that are being redeveloped for mixed use purposes.
- Some of the Innovation Centres have a strong focus on one or more of the following sectors: food, health, life science and wellness; aerospace, engineering, materials, defence and technology; sustainable construction; motor sports engineering and testing; social enterprise and Shoe and Allied Trades. Some of these relate to the key growth sectors that support delivery of South East Midlands vision whilst others are not.

This is complemented by professional development and training infrastructure across the South East Midlands, including the Cranfield Centre for Logistics and Supply Chain Management (advanced teaching and research in logistics, supply chain management and transportation management); Chartered Institute of Logistics and Transport at Corby, also linking to specific courses offered by the Open University, Nissan Technical Centre and three University Technology Colleges (UTCs), Central Bedfordshire UTC (Specialism: Design, Engineering and Manufacturing), Daventry UTC (Specialism: Sustainable and Related New Technologies), Millbrook Proving Ground and Silverstone UTC (Specialism: High Performance Engineering).

A desk based review of South East Midlands' Innovation assets identified a broad geographical spread with at least one centre in each local authority area and in some instances, distinct concentrations of provision, with 7 in Luton.

Key findings from the review highlighted that:

- Innovation Centres vary in the scale of the provision with a number being small in scale and whilst important in their own locality, may lack strategic impact in their own right.
- The area enjoys some world class Science Park assets, particularly Cranfield Technology Park, Begely Science Park and Colworth Park. These are underpinned by involvement of leading research Universities and a major global corporate, both generating different forms of knowledge.

The Witty Review also highlighted a number of strengths regarding universities and their links with businesses and impact on the wider economy. It highlighted that for South East Midlands there were:

- 2,595 interactions with small and medium sized enterprises (SMEs) by University of Northampton on consultancy and contract research for 2008 to 2012.
- University of Northampton was ranked first in the top 20 universities as a result of its interaction with SMEs in continuous professional development activities with the estimated value in turnover at £10.4m. University of Cranfield was ranked 5th with an estimated value in turnover at £4.8m.
- University of Bedfordshire was ranked 11th in the top 20 universities with highest current turnover out of all active graduate start-up firms since 2008. This equated to £22.3m.
- University of Bedfordshire was ranked in the top 10 universities with the highest number of qualifiers in Computer Science first and post graduate degrees.
- In terms of LQs which compares LQs in 2008 to 2012 for each sector in BIS Industrial Strategy, South East Midlands economy's sector strengths are aerospace, information economy, professional and business services and automotive. Only information economy and automotive remained sector strengths for both 2012 and 2008 whereas professional and business services and aerospace became sector strengths in 2012.

(Source: Encouraging a British invention revolution: Sir Andrew Witty's review of universities and growth, 2013).

According to the SEMLEP Business Survey, about one in ten businesses have links with universities or colleges and a third of businesses have introduced or intend to introduce a new product, service or process, with larger businesses more likely to do so. 8% of businesses have links with universities or colleges for research and development purposes. 33% of businesses have introduced or intend to introduce a new product, service or significantly improved process. Larger businesses are more likely to have links with colleges/universities or innovate. For example, 30% of businesses with 1-9 employees have introduced or intend to introduce a new product, service or process compared with over 50% of businesses with 50+ employees.

Patents registered

The South East Midlands area has a below average performance in terms of patent applications, although for this indicator the national average is heavily skewed by the performance of the South East of England, London and the East of England. Notably, the performance of Cherwell and Aylesbury Vale has been based on Oxfordshire and Buckinghamshire and thus may be slightly misleading as it may reflect higher education and research institutes outside the LEP boundaries. For example, at c. 31 patents per 100,000 working age population (2005-10), the South East Midlands ranks 21 from 39 LEPs and is significantly below the national average (47.8). The South East Midlands share of total employment in knowledge based industries (46.2%) is slightly below the national average (48.3%).

It is also apparent that the area significantly underperforms in overall levels of innovation, measured by comparison with other LEPs in terms of its share of employment in high and medium technology firms and also in the number of patents registered.

Recent analysis by Experian showed that the South East Midlands has the greatest concentration in the UK of areas rated as having strong prospects for economic growth. Milton Keynes, Aylesbury Vale and Luton all feature in the top ten UK areas for predicted output and employment growth over 2013-17.

What does this mean for the South East Midlands local economy?

The area's strengths in research and development and universities' strong links with businesses are not leading to sufficient growth in innovation and may also indirectly result in greater levels of innovation elsewhere by companies located outside of South East Midlands who may have strong links with universities like Cranfield. Given that 96.6% of South East Midlands businesses are small employing under 50 people, it is important that these businesses are able to access support from universities and receive better information about facilities available to support and encourage their potential to innovate/launch a new product. Furthermore better linkage between businesses and universities within South East Midlands could as the Witty review highlighted have the potential to support business growth, address skills gaps within the existing workforce and improve business performance. There is also an opportunity for South East Midlands to pioneer how its diverse business base and academic resources may collaborate to deliver growth – for example, through collaborative research and development, technology and knowledge transfer, and to showcase how key sectors are using advanced and renewable technologies.

Rural Economy

Key Issue

The rural economy continues to play a critical role in supporting sustainable economic growth across the South East Midlands however businesses and those living in rural areas face a number of barriers in terms of transport, access to skilled labour, superfast broadband and business support.

With 27.5% of the South East Midlands population living in areas classified as rural it is important to briefly consider some of the characteristics and issues that are particularly pertinent to such areas. Perhaps the most comprehensive research undertaken recently in relation to the rural economy and issues specifically relating to rural areas are the reports presented by Oxford Consultants for Social Inclusion (OCSI) – “The rural economy in South East Midlands LEP” (2011) and “Access to services in South East Midlands LEP” (2011).

These two papers identify a number of characteristics and issues for rural areas in the South East Midlands area:

- **Self-employment rates tend to be higher in rural areas.** This is particularly evident in the South East Midlands area, where the self-employment rate in the rural areas is nearly double the rate for the urban parts. To a considerable extent, this is also reflected in the levels of VAT registered businesses, which is significantly higher in rural areas, but less so in the South East Midlands area compared with regional and national estimates. Importantly though, a much greater proportion of the business activity in the rural parts of the South East Midlands area is focussed in micro businesses (0-4 employees) and the agricultural sector.
- **Higher than average occupational levels:** similar to the national and regional picture, and reflecting the attraction of the rural lifestyle and environment to higher level occupations, the employment rate in rural parts of the South East Midlands area is higher than in the urban parts.
- **Working from home.** The proportion of people working from home is significantly higher in rural areas than in urban areas. This, of course, means that it is crucial that superfast broadband coverage and take up is extended to the rural areas as far as possible.
- **Higher proportions of knowledge workers.** Reflecting the higher skills levels and greater proportion of knowledge workers in rural areas, the average household income in rural areas is also significantly higher than in urban areas. Notably, with an average household income 20% higher than in urban areas, the rural/urban differences in the South East Midlands area, on this particular measure, are much more pronounced than regionally and nationally.
- **Housing affordability** appears to be less of an issue in the rural parts of the SEMLEP area than nationally.

- **Jobseeker's Allowance (JSA) claimant rates for rural areas** in South East Midlands has historically been much lower than in urban areas and continue to be so, despite a recent increase in the claimant rate. This measure, however, masks some "hidden" unemployment. Indeed, it is estimated nationally that less than 60% of unemployment is covered by the claimant rate. Notably, the claimant rate in rural parts of the SEMLEP area is significantly higher among people aged 50+ years (relative to urban areas).
- **Access to services** continues to be an issue for many rural communities, for example within one area issues have been highlighted in Riseley, Washington, Woburn, Clipson, Blakesley and Brill. Consequently, there is a high reliance on cars in the rural parts of the South East Midlands area. Indeed, more than half of the households have two or more cars.
- **Farming and diversification.** Continued support for diversification has a role to play in enabling farmers to restructure to meet the new challenges, such as increasing competition. It provides a number of benefits and forms an important mechanism in integrating farmers into the wider rural economy.

What does this mean for the South East Midlands economy?

Whilst the evidence under Rural Economy is just a snapshot of key characteristics and challenges facing both residents and businesses, it is clear that having consulted with local authorities, Local Transport Boards and private sector that there are specific issues unique to those working in rural areas that the Strategic Economic Plan will need to address. Further analysis will be required of the issues facing rural businesses from SEMLEP's Business Survey. However anecdotal evidence from some local authorities with just under 50% of businesses located in rural areas shows that they face a number of barriers which indicates the need for a rural business support programme across South East Midlands.

1.2 MARKETS

Objective 3: Support existing businesses to export their goods and services.

Objective 4: Attracting domestic and international investments.

Key Issue

Given the importance the government has placed on the role of exports to new and existing markets and its role in supporting growth, the South East Midlands is below the national average in terms of employment in export intensive sector. There is a need to examine how our business support offer can help existing businesses and potential new businesses to export including new products to overseas markets via working with business networks like Chamber of Commerce, UKTI and building on relationships our SEM universities have with overseas markets.

Exports

The Local Enterprise Partnership (LEP) Network report highlights the importance of exploiting the future overseas economic opportunities, including in China, India, Nigeria, Indonesia and Brazil and identifies that the level of internationalisation of the local economy is a critical issue for LEP areas. However, only 16.4% of South East Midlands employees are employed in export intensive sectors (2011) which are below the national average (17.7%), and neighbouring LEPS, including Northamptonshire (18.7%). The most significant businesses relevant for attracting additional FDI employ represent just 10% of the entire workforce. There is therefore a strong need to dramatically improve the export ability of the South East Midlands area businesses is clear. Exporting has significant benefits for businesses, positively impacting on staffing, productivity, financial performance and longevity. The figures are compelling, showing those firms who chose to export become 34% more productive in their first year while those already exporting achieve 59% greater productivity growth than non-exporters.

(Source: Bringing home the benefits: How to grow through exporting, UKTI, 2012). According to UKTI, around 38% of companies said that exporting delivered a level of growth not otherwise possible. Companies generally reported a significant return on investment from doing business overseas in terms of improved financial performance, higher levels of innovation and productivity. Around two thirds (66%) of UKTI clients reported that their profile or credibility improved as a result of overseas activity. (Source: New markets, new ideas: How exporting fosters innovation and growth, 2011).

Inward Investment

Data available for inward investment at a Local Enterprise Partnership level is limited. According to UKTI Inward Investment Report 2011/12, overseas investors created 1,090 new and safeguarded jobs in South East Midlands and 29 inward investment projects to the area. Looking at inbound investment, in the period June to December 2013, the South East Midlands was home to some 28 investments from companies located outside the region and overseas. Whereas the value of the majority of these transactions has not been made publicly available, the combined value of deals where the transaction value was disclosed (nine deals in total) stood at just over £680m.

Companies located in other regions of the UK formed the largest group in terms of investment in the South East Midlands region, accounting for ten of the 28 deals over the period. In this category, there was a broad scope of deal flow, across several key industry sectors including health care, finance services and manufacturing. In one of the most prominent deals in the last six months, Basingstoke-based property development firm MEPC, a company backed by substantial funding from the BT pension fund, acquired a 999 year lease on the Silverstone Industrial Estate, for a consideration of £32m, with a view to enhancing the Formula One circuit and creating a new, world class, development to enhance the existing surrounding business park. (Source: Experian Corpfin, December 2013).

1.3 WORKFORCE SKILLS

Objective 6: Addressing barriers to the labour market for disadvantaged groups.

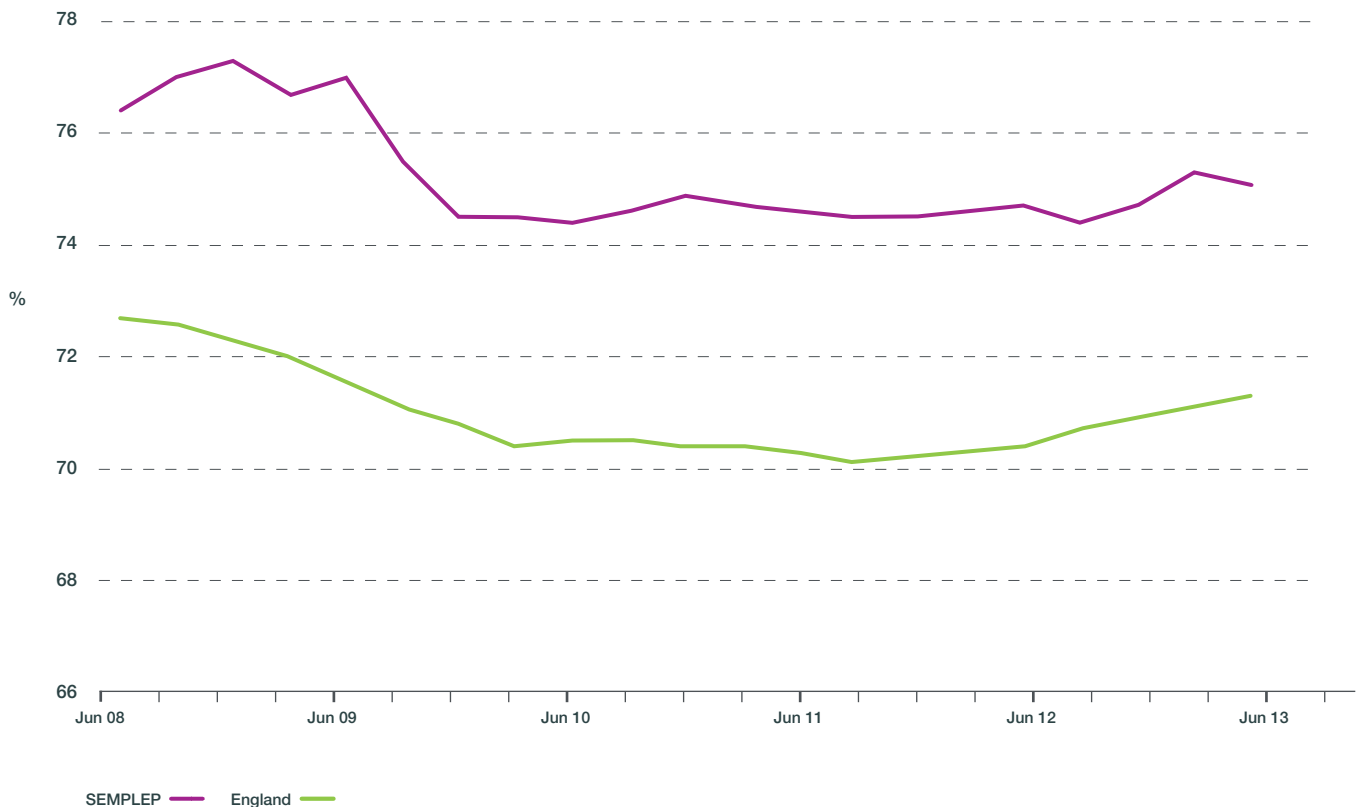
Key Issue

Whilst employment rate remains relatively strong and above national average since June 2008 it is still below pre-recession levels. At the same time the rate varies significantly across the South East Midlands (SEM) with some places like Luton well below both SEM and national average whilst others perform well above this like South Northamptonshire. It is important to address the underlying causes of differences in employment levels in some areas and for particular disadvantaged groups if we are to deliver sustainable economic growth for the whole of South East Midlands. Furthermore certain groups have lower employment compared to SEM and national averages including young people, older people, ethnic minority women and disabled people.

Employment Rate

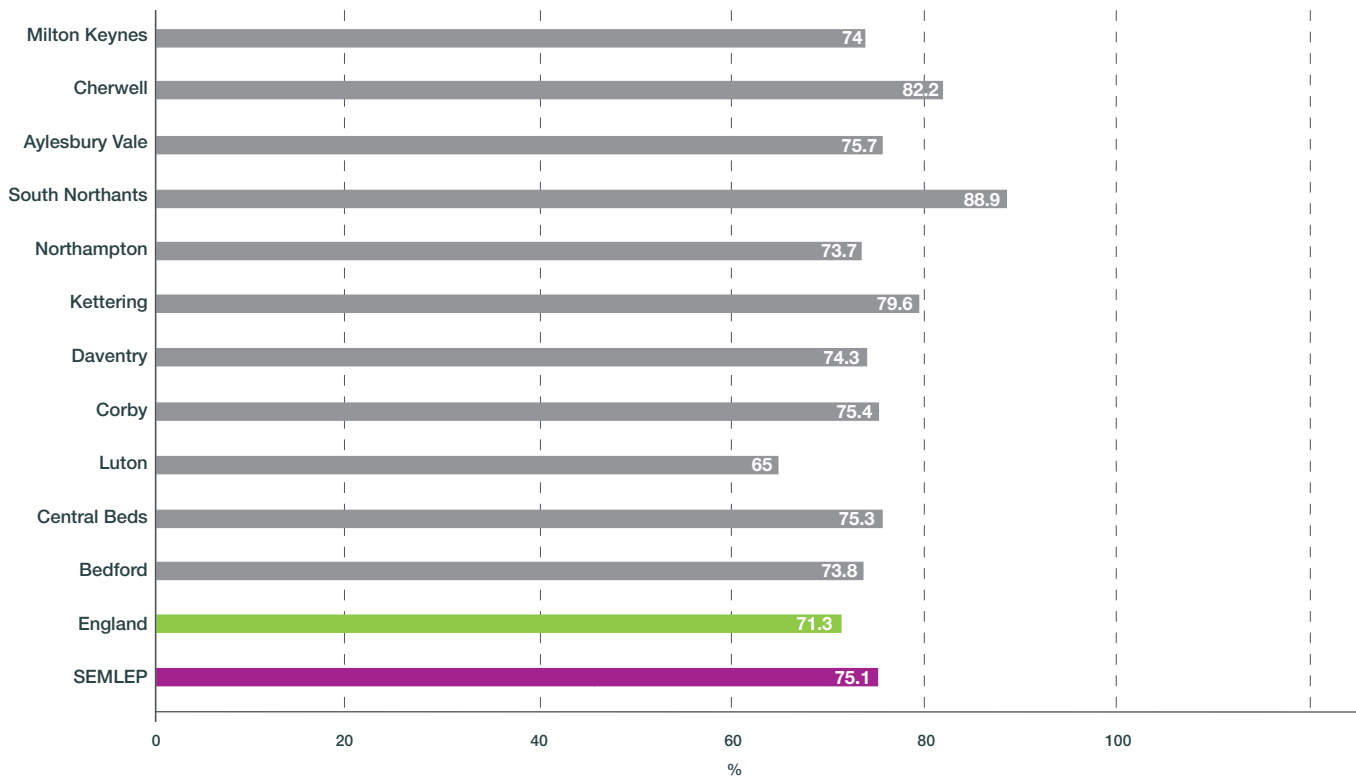
The rate of employment (16-64) has remained relatively stable since December 2009 following a period of volatility for South East Midlands area at the beginning of the recession however remains below pre-recession levels. Employment rate was 75.1% in June 2013 and continues to remain above the England average (71.3%). However the rate varies significantly across South East Midlands with some areas well below the national average such as Luton at 65.0% whereas other areas like South Northamptonshire have much higher employment levels at 88.9% as highlighted in Chart 5.

Chart 4: Employment rate as a percentage of working age population (16-64) change over time



Source: Office for National Statistics, Annual Population Survey, June 2013

Chart 5: Employment rate as a percentage of working age population (16-64)



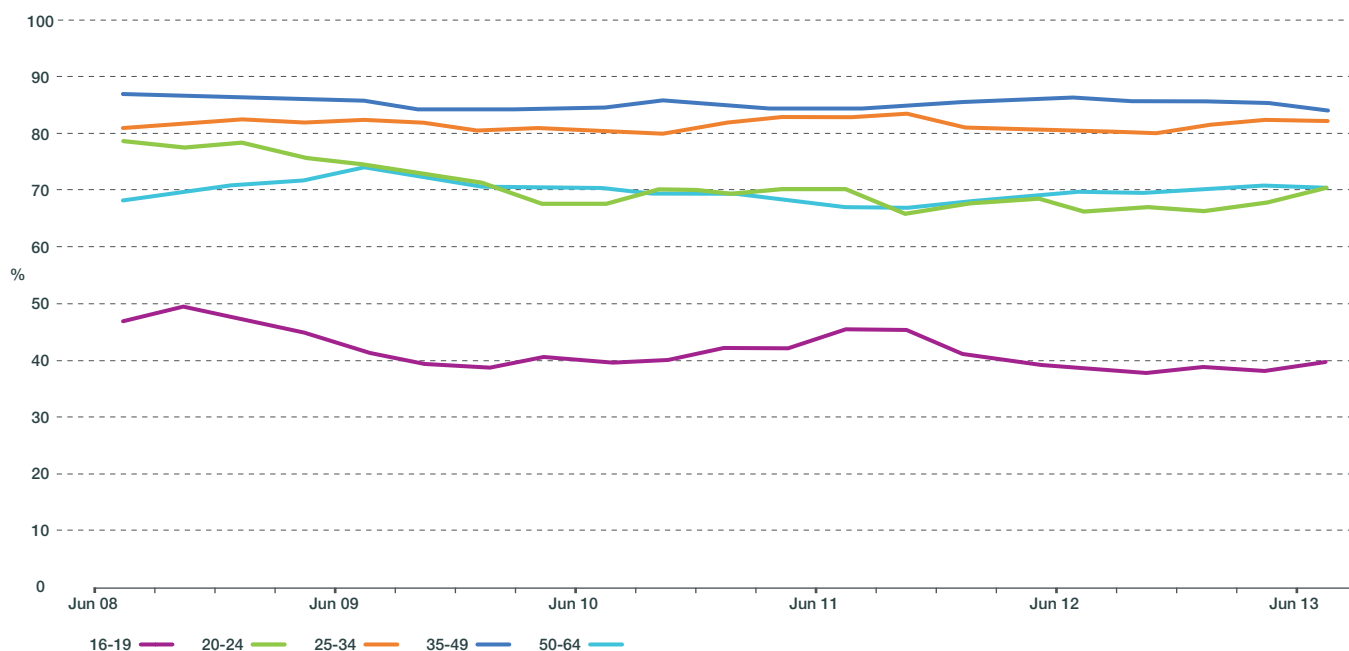
Source: Office for National Statistics, Annual Population Survey, June 2013

However the rate has not increased as quickly as the population growth rate since June 2008 which has seen the number of people of working age in employment in South East Midlands increase by 1.6%. However there are wide variances in percentage increase in number of people of working age in employment across South East Midlands.

The number of people in employment generally rises when taking into account those people who remain in work beyond the age of 65 coupled with the removal of the default retirement age and state pension age for both men and women increasing to 66 by 2020. In June 2013, the number of people in employment in South East Midlands increased by 20,700 from June 2008 to 63.2% when looking at all people in work over the age of 16. This is higher than nationally (England) which is 58.6%.

In regards to employment rate by age group, 16-19 year olds have the lowest employment rate amongst all age groups at 39.5% whereas 35-49 year olds have the highest employment rate at 84.0% in June 2013. However the age group that has seen the greatest increase in number of people in employment since June 2008 has been those aged 50-64 years old, which saw an increase of 20,400 people followed by those, aged 25-34 years old, an increase of 20,000.

Chart 6: Percentage of residents (16-64) in employment by age group, change over time



Source: Office for National Statistics, Annual Population Survey, June 2013

When considering full-time and part-time employment, the majority of the working age population in South East Midlands in employment work full-time. In June 2013, 75.5% of people of working age in employment worked full-time compared to 24.4% employed part-time. However the number of people employed full-time has fallen since June 2008 by 6,600 people whereas the number of people in employment working part-time has risen and at a faster rate than nationally. This has increased by 19,400 people since June 2008, a 10.1% increase compared to nationally that saw an increase of 4.8%.

Key Issue

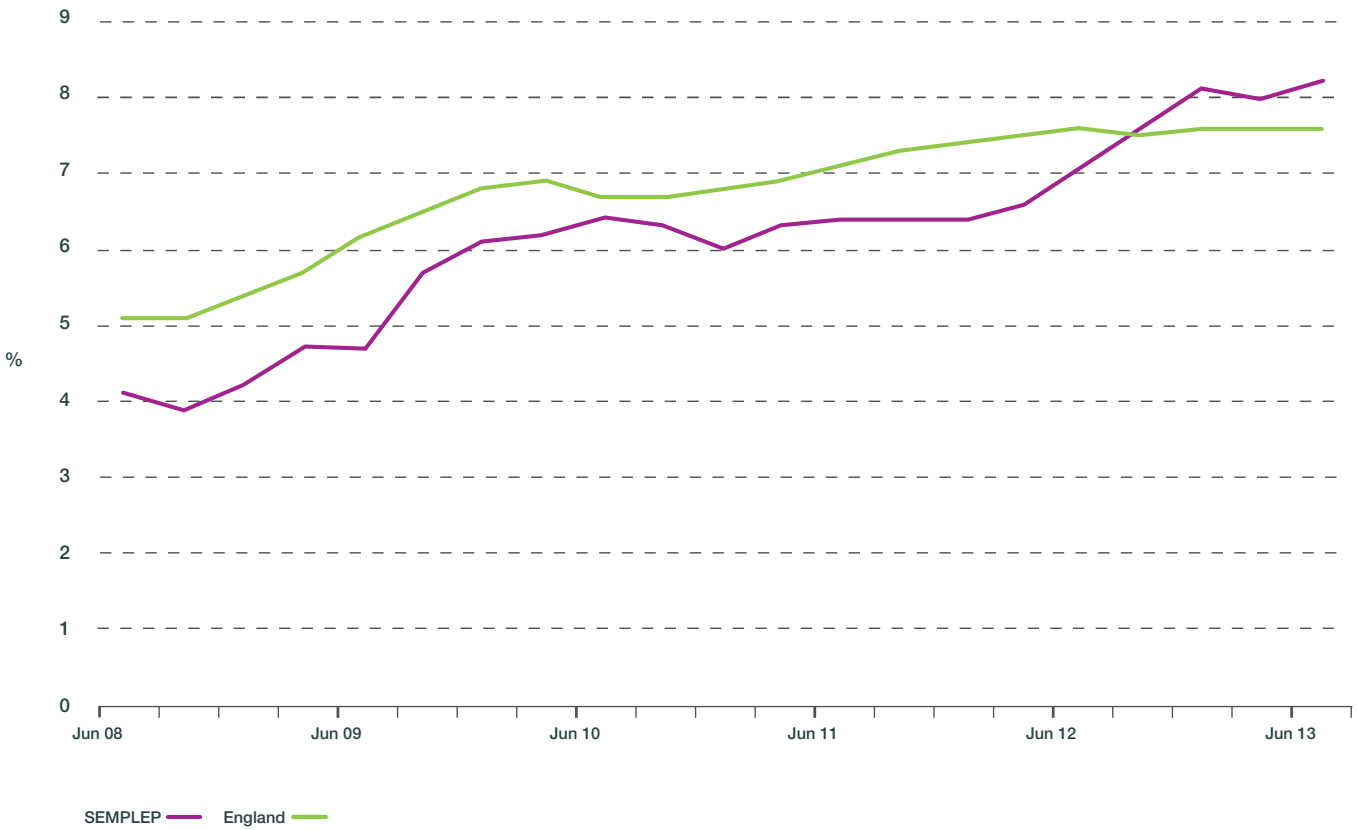
Levels of worklessness continues to rise as more people become unemployed/economically inactive and looking for work. At the same time unemployment rate is above South East Midlands and national averages in some areas of the South East Midlands, which

remains a key concern for our economy. In particular both youth and female unemployment remain volatile and above precession levels as these groups face a number of barriers to accessing the labour market. This includes lack of affordable child care for women returners, flexible working practices, attitudes/lack of understanding of employment/business support advisors and lack of accessible and affordable public transport in significant parts of the area.

Unemployment

The ILO unemployment rate for South East Midlands (SEM) has remained lower than the national level since the recession and in June 2013 was below some of its neighbouring LEP areas such as South East (7.6%) and Oxfordshire (7.2%) at 7.1% or 63,500 people of working age (16-64).

Chart 7: Unemployment rate of working age population over time



Source: Office for National Statistics, Annual Population Survey, June 2013

At a national level, unemployment has risen but at a slower rate than South East Midlands area. In June 2013, the national unemployment rate was 8.0%. The percentage change over the period June 2008 to June 2013 shows that the unemployment rate in the South East Midlands has increased significantly from 37,900 to 63,500 people which represents an increase of 67.5% since June 2008 compared to nationally which saw an increase of 53.8% during the same period.

It has been suggested that the recovery of unemployment rate to pre-recession levels will take longer than previous recessions due to a variety of factors. This includes changes to working patterns, common practice of labour hoarding, weakness of the economy to recover and the protracted nature of the recession. (Source: Labour Market Statistics User Group Conference, March 2013)

Unemployment rate varies substantially in terms of age, gender, disability and ethnicity nationally and in South East Midlands. For example, the percentage of disabled people of working age who are unemployed was more than double the South East Midlands overall unemployment rate at 17.7% in December 2012. ¹⁵This is higher than the national average at 16.3%. Unemployment rate by ethnicity (16+) highlights that percentage of ethnic minority population who are unemployed is more than double the percentage of white population. In June 2013, 12.6% of ethnic minority population (16+) were unemployed compared to only 6.1% of white population (16+).

In regards to age, those between 16-19 years old continue to have the highest unemployment rate compared to all other age groups. This was 27.9% in June 2013. However, those aged between 35-49 years old have seen biggest percentage increase in the number of people in this age group who are unemployed since June 2008 by 84.0%. In June 2013, the rate of unemployment of those aged between 35-49 was 4.5% which increased from 2.4% in June 2008. At the same time the number of people aged 35-49 has decreased by 7,700, which is higher than all other age groups during the same period. This may partly explain why the number of people 35-49 years old who are unemployed has increased at a faster rate compared to other age groups.

Economic Activity

The economic activity rate in South East Midlands (SEM) in June 2013 was 80.8% of working age population or 900,400 people. Since June 2008, the number of people of working age who are economically active has increased by 39,100 (+4.5%) and has remained above the national rate for England, which in June 2013 was 77.5%. However the level of worklessness (people who are not employed and are either looking for work or do not want a job) since June 2008 has continued to rise to 278,000 people of working age or 25.9% in June 2013.

¹⁵ This is the latest data available. It should be noted that this figure has a confidence interval of 4.9 percentage points which means that the actual figure could be 4.9 percentage points higher or lower than what is reported.

However it remains below the national rate for England at 28.7%. At the same time the number of people who are economically inactive and do not want a job has fallen steadily by 4,300 people to 166,700 or 77.7% whereas the number of people economically inactive and want a job has increased by 1,700 to 22.3%. The main reason for being economically inactive and not looking for work is due to looking after family/home. This accounted for 29.2% in June 2013.

Chart 8: Economic activity rate of resident working age population, change over time



Source: Office for National Statistics, Annual Population Survey, June 2013

Economic inactivity rate varies across South East Midlands area – Luton has the highest rate of economic inactivity at 28.2% whereas other areas like Cherwell at 13.0% and South Northamptonshire at 9.5% are much lower.

Youth Unemployment

In September 2013, there were 6,915 young people or 3.7% of 16-24 year olds claiming Job Seeker's Allowance in South East Midlands. The rate of claimant count (16-24) varies across the South East Midlands from 6.7% in Corby to 2.2% in South Northamptonshire. The table below shows the claimant count rate for 16-24 year olds in September 2013. Young people between 16-24 years old represent 23.7% of all South East Midlands residents claiming Job Seekers Allowance in September 2013.

Table 8: Percentage of 16-24 year olds claiming Job Seekers Allowance

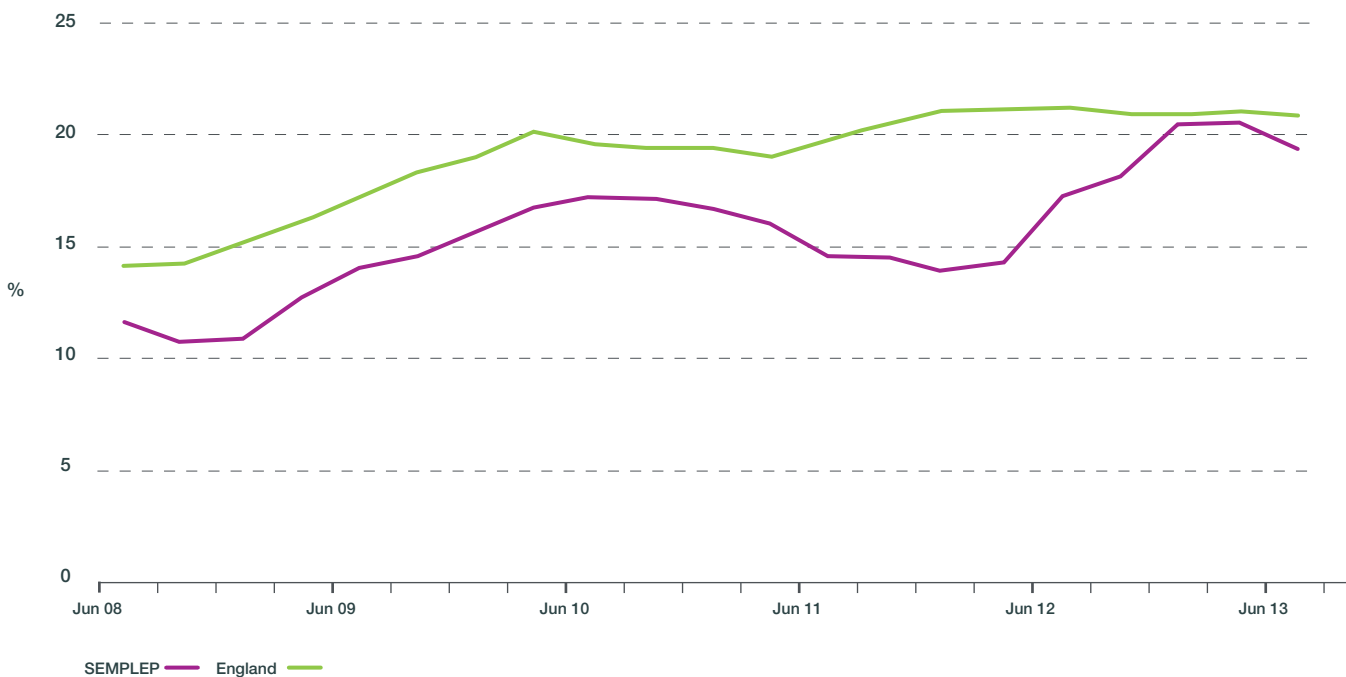
Area	Rate (%)
England	4.6
SEMPLEP	3.7
Aylesbury Vale	2.1
Bedford	5.1
Central Bedfordshire	3.0
Cherwell	2.1
Corby	6.7
Daventry	3.5
Kettering	5.2
Luton	3.9
Milton Keynes	3.8
Northampton	4.4
South Northamptonshire	2.2

Source: JSA Claimant Count, September 2013

For young people, employment levels are amongst the highest of all LEPs but there are pockets of very high levels of youth unemployment. An alternative measure of youth unemployment rate (16-24) shows that the rate has remained volatile and is well above pre-recession levels at 19.3% or 26,200 young people in South East Midlands in June 2013.

It remains slightly below England (20.8%). However the number of young people unemployed since June 2008 increased significantly by 10,100 or a percentage increase of 62.7%. This is also similar at a national level however the percentage increase was less pronounced at 40.7%.

Chart 9: Youth unemployment as a percentage of all aged 16-24, June 2013



Source: Office for National Statistics, Annual Population Survey, June 2013

Youth unemployment varies across the South East Midlands with areas such as Milton Keynes having higher levels of youth unemployment at 25.8%¹⁶. Youth unemployment includes people in full-time education (FTE) if they have been looking for work within the last four weeks and are available to start work within the next two weeks. Other reasons cited for the increase in youth unemployment across the country include: seasonal increases in the number of young people NEET, growth of highly skilled occupations, increased competition for low wage service employment, increased demand for a more qualified workforce and a shift in focus to support lone parents and those on incapacity benefit has impacted upon young people's ability to find employment. (Source: Short-term crisis-long-term problem? Addressing the youth employment challenge, The Work Foundation, 2012)

Female unemployment

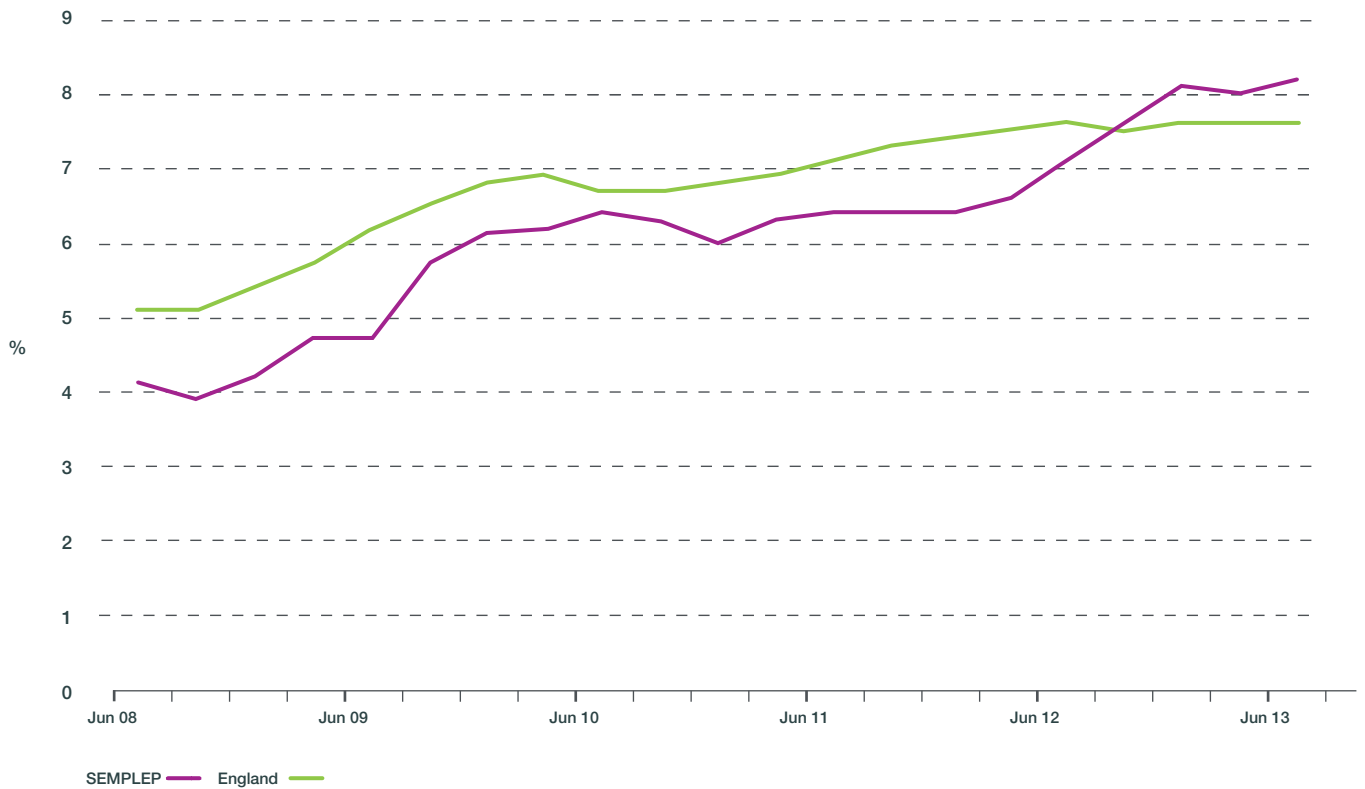
The number of females of working age (16-64) unemployed has more than doubled in numbers since June 2008 and has increased at a faster rate compared to male unemployment rate. Since June 2008, the number of females (16-64) unemployed has increased from 16,300 to 35,000 in June 2013, an increase of 114.7%. The female unemployment rate (16-64) has also doubled since June 2008 from 4.1% to 8.2%¹⁷ in June 2013. It has continued to increase most quarters since 2008. The rate for female unemployment varies significantly across South East Midlands with for example Luton at 11.8% to 6.9% in Central Bedfordshire in June 2013.

In comparison the number of males (16-64) unemployed has increased at a slower rate from 21,600 in June 2008 to 28,500 in June 2013 or percentage increase of 31.9%. In June 2013 male unemployment rate (16-64) in South East Midlands was 6.0%. This has increased from 4.6% in June 2008.

¹⁶ The confidence interval can be as high as 8.7 percentage points, meaning that the actual figure could fall anywhere with 8.7 points either side of the figure reported.

¹⁷ The confidence interval associated with these figures should be noted as it means the actual figure could fall anywhere with 1.3 points either side of each figure reported. However some data is missing due to small sample sizes being unreliable across a number of local authority areas.

Chart 10: Percentage of female of working age (16-64) unemployed, June 2008-June 2013

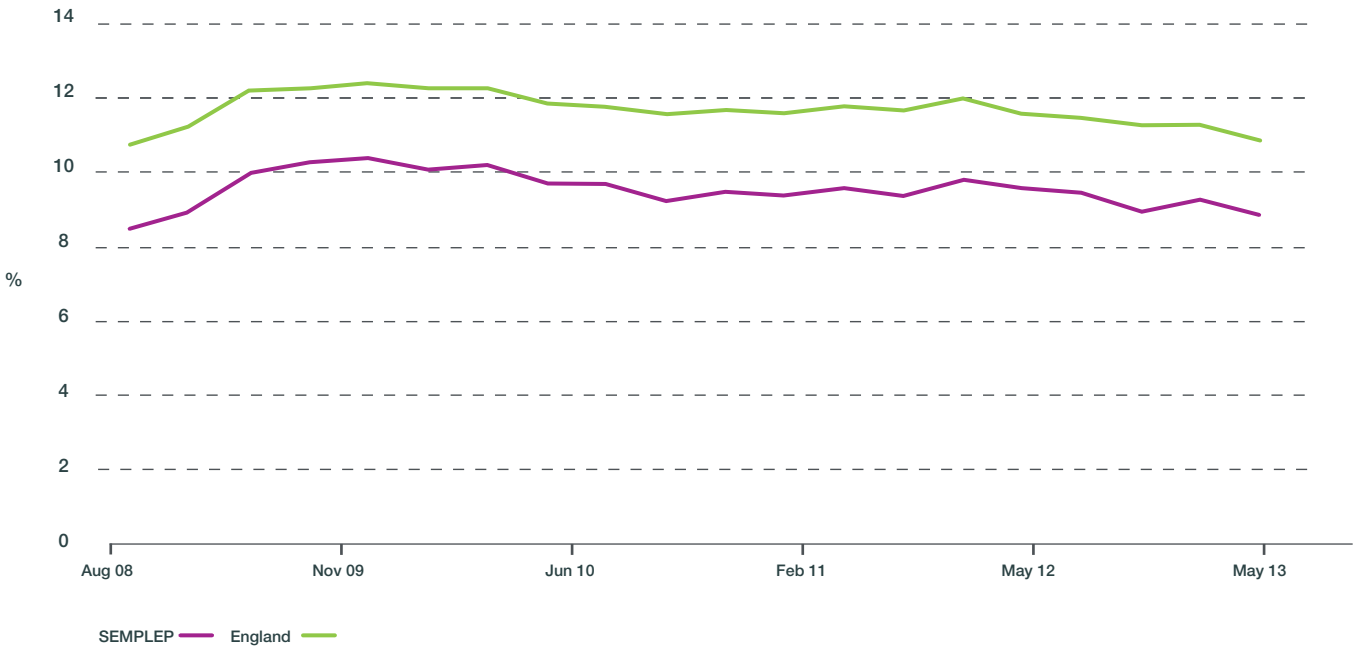


Source: Office for National Statistics, Annual Population Survey, June 2013

Out of work benefits

In May 2013, there were 125,820 or 11.3% of people of working age (16-64) claiming any type of benefit in the South East Midlands. This is lower than the England rate which stands at 13.5% in May 2013 however it has continued to increase since August 2008. In regards to out of work benefits, 8.9% of people of working age were claiming out of work of benefits in May 2013 in South East Midlands. This compares to the England rate which was slightly higher at 10.9%. The number of people claiming out of work benefits has continued to fall since August 2009 by 12,290 people. Those claiming Employment Support Allowance/Incapacity Benefit continues to account for the largest proportion of those claiming any type of benefit at 40.6% in May 2013. However this has fallen since August 2008 from 44.6%.

Chart 11: Proportion of resident population (16-64) claiming out of work benefits, August 2008-May 2013

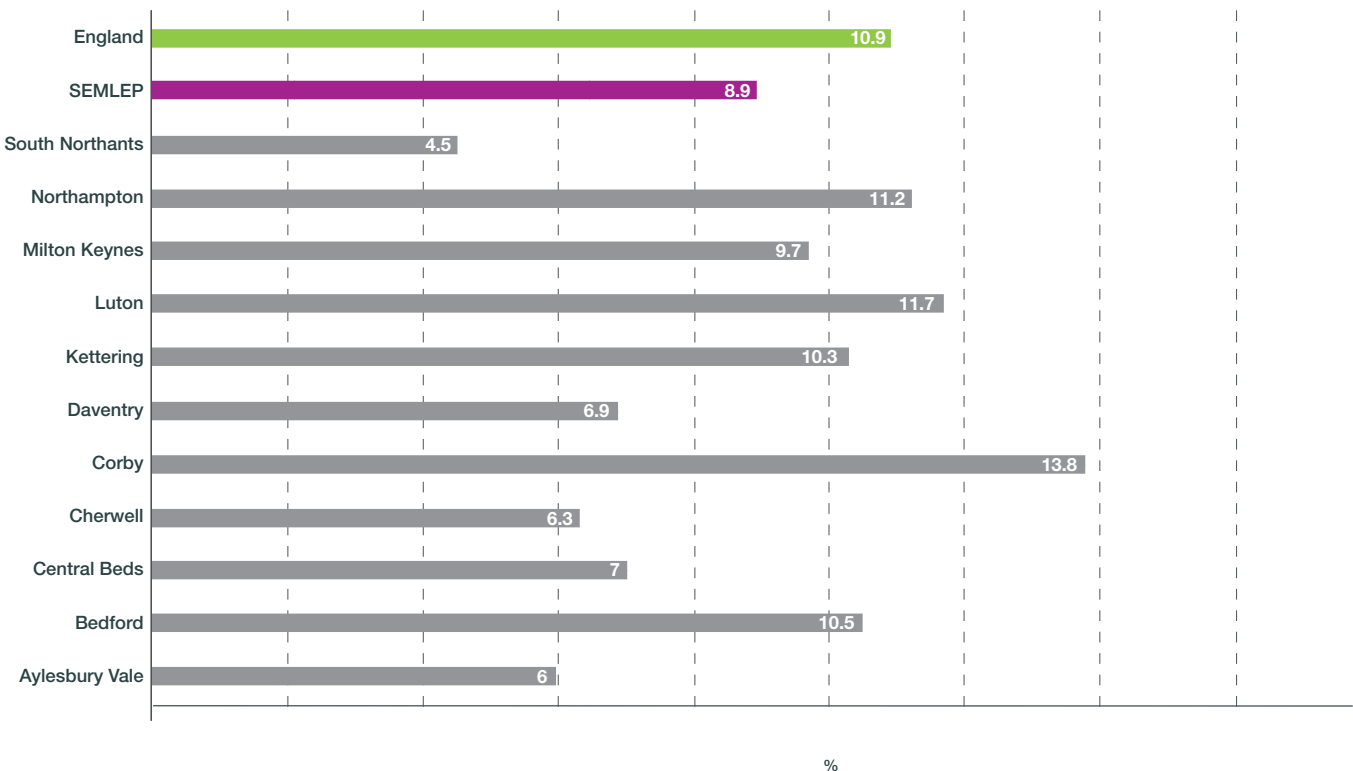


Source: Department for Work and Pensions, Benefits via nomisweb, May 2013

The rate is higher than nationally in some areas like Corby (13.8%), Luton (11.7%) and Northampton (11.2%) whereas others are relatively low such as South Northants (4.5%).

In regards to Job Seekers Allowance, the percentage of South East Midlands working age population claiming Job Seekers Allowance remains below the England average. In September 2013, 2.6% of working age population in South East Midlands were claiming Job Seekers Allowance compared to an England average of 3.1%.

Chart 12: Proportion of resident population (16-64) claiming out of work benefits, May 2013



Source: Department for Work and Pensions, Benefits via nomisweb, May 2013

The majority of IB/SDA/ESA claimants are long-term claimants, with 58.0% having claimed for five years and over and 73.0% having claimed for two years or more. (Source: DWP Benefits Claimants, via Nomis, May 2013).

In regards to age, those aged 45-54 years represent the largest proportion accounting for 17.9% of all those claiming out of work benefits whilst those aged 60-64 years old represent only 6.9%. All age groups have seen a decrease in numbers of people claiming out of work benefits between May 2012 and May 2013 with those aged under 25 years old witnessing the biggest decrease in number of people claiming out of work benefits (-2,200) or percentage decrease of 12.2%.

Table 9: Out of work benefits by age band, May 2012-May 2013

	May 12	Aug 12	Nov 12	Feb 13	May 13	% of all benefits, May 13	Change May 12 to May 13	% Change May 12 to May 13
Under 25	18,260	18,410	16,300	17,300	16,040	12.8%	-2,220	-12.2
25-34	22,750	22,500	21,550	22,600	21,560	17.2%	-1,190	-5.2
35-44	22,330	21,840	20,910	21,230	20,340	16.2%	-1,990	-8.9
45-54	23,510	23,200	22,720	23,140	22,480	17.9%	-1,030	-4.4
55-59	11,170	11,000	10,770	11,030	10,860	8.6%	-310	-2.8
60-64	8,860	8,860	8,810	8,860	8,730	6.9%	-130	-1.5

Source: DWP Benefits via nomisweb, May 2013

In regards to male/female split, there were more females claiming lone parent, bereaved, disabled and carer related benefits than males in May 2013.

Poverty

Despite a relatively strong economic activity rate, there exist pockets of deprivation across the South East Midlands area with 29.3% of Corby's population, 26% of Luton's and 20.3% of Northampton's living in the most deprived areas of England compared to very low levels in South Northamptonshire (0%), Aylesbury Vale (0.9%) and Central Beds (2.2%).

The following wards are currently designated as Assisted Areas that have both economic need and opportunities for growth. These are: Biscot, Challney, Crawley, Dallow, High Town, Lewsey, Round Green, Saints, South, Stopsley and Wigmore within Luton and Houghton Hall, Icknield, Parkside and Tithe Farm within Central Bedfordshire.

These wards (and those adjacent) still show considerable economic need and/or opportunity. They also provide a continuous area with a population of 151,000 (ONS 2011-based mid-year population estimates).

This area demonstrates economic need by rates of unemployment above the national average (as measured by claimant count data), high absolute numbers of claimants, significant parts of the area within the 20% most deprived areas according to the Index of Deprivation 2010 (and with some areas in the top 10%); low skill levels – 16% of working population in Luton with no qualifications and 9.6% in Central Bedfordshire. Luton in particular also has a lower proportion with NVQ Level 2 and Level 4 qualifications, greater proportion of the population employed in manufacturing (Luton 10.5%, Central Bedfordshire 11.1%) when compared to the national average of 8.7% and low land values providing a major constraint on development of any kind particularly employment uses.

Bedford and Kempston suffer significant economic problems and this is exacerbated by higher levels of public sector employment. These areas are Brickhill, Castle, Cauldwell, De Parys, Goldington, Harpur, Kingsbrook, Newnham, Putnoe, Queens Park, Kempston Central and East, Kempston North, Kempston South, Kempston West, Clapham, Eastcotts, Elstow, Kempston Rural, Wilshamstead and Wootton.

Key factors for Bedford are:

- Unemployment rates significantly more than 115% of the GB average, with higher than average youth unemployment.
- Concentrations of deprivation with several areas in the most deprived 10% of areas in the country, as measured by the Index of Deprivation.
- Low land values providing a major constraint on development of any kind particularly employment uses.

Barriers to the labour market

Despite having a relative strong employment rate, some groups experience lower employment rates and face barriers to the labour market. This includes ethnic minority females, disabled people, young people and people over 50.

Table 10: Employment rates by disadvantaged groups

Group	Rate
Total employment rate	75.1%
Disabled people	39.0% ¹⁸
Disabled females	41.0% ¹⁹
Disabled males	36.5% ²⁰
Ethnic minority females	57.3%
Ethnic minority males	69.7%
Over 50 years old	44.1%
16-24 year olds	57.4%

Source: Office for National Statistics, Annual Population Survey, June 2013

What does this mean for the SEMLEP economy?

Whilst employment rate has remained relatively strong and above the national average, the levels of worklessness has continued to increase since 2008 which is largely due to more people becoming economically inactive and looking for work or unemployed. The differences in the economic inactivity rate across South East Midlands have an impact on the overall levels of worklessness. Furthermore it is clear that particular groups including young people, women, disabled people, older people and certain ethnic minority groups have lower employment rates and may account for a significant proportion of those who are economically inactive. Taking into account the varying levels of economic inactivity and unemployment rates across the South East Midlands area, it may require designing specific interventions to support those more likely to become economically inactive to find employment and working with employers to support

them to recruit and retain a diverse workforce. However further analysis is required at local authority level to identify and gain a better understanding of labour market outcomes for disadvantaged groups and where interventions/targeted support is required.

Key Issue

Whilst we have a high proportion of working age population employed in the private sector, the sector has not seen as fast a growth rate compared to the public sector since June 2008. Although over half of the working age population (both residents and workers) are employed in higher skilled occupations, some areas' employment is strongly concentrated in lower skilled occupations. This coupled with skill shortages faced by some of the key sectors and businesses reporting difficulty recruiting to skilled trades and professional/technical professions would suggest the need to up skill those working in lower skilled/unskilled jobs to be able to meet current and future skills demands of employers as these sectors grow and in order to attract businesses to locate in the South East Midlands as more of the working age population gain the necessary skills to meet future demand. The area also faces high levels of out commuting across significant parts of the South East Midlands and will have an impact on jobs available (jobs density) for local residents.

Public and private sector employment

SEMLEP continues to be one of only 11 of the 39 LEPS with a greater proportion of employment within the private and others services sector. However, at 55.0% (2011) it is only slightly above the average for England of 53.3% and has also shown a minor decline against the national trend. This emphasises the need for the SEM area to grow new private sector employment opportunities. When comparing the public private sector split based on the Annual Population Survey, the percentage of working age population employed in the private sector in South East Midlands area stood at 79.5% compared to 20.5% in the public sector in June 2013. However since June 2008 public sector employment has seen a greater percentage increase in number of people working in that sector in the South East Midlands by 5.3% compared to 1.6% in the private sector. However this does include those who are contracted by a local authority to deliver a service/product on their behalf such as a consultant.

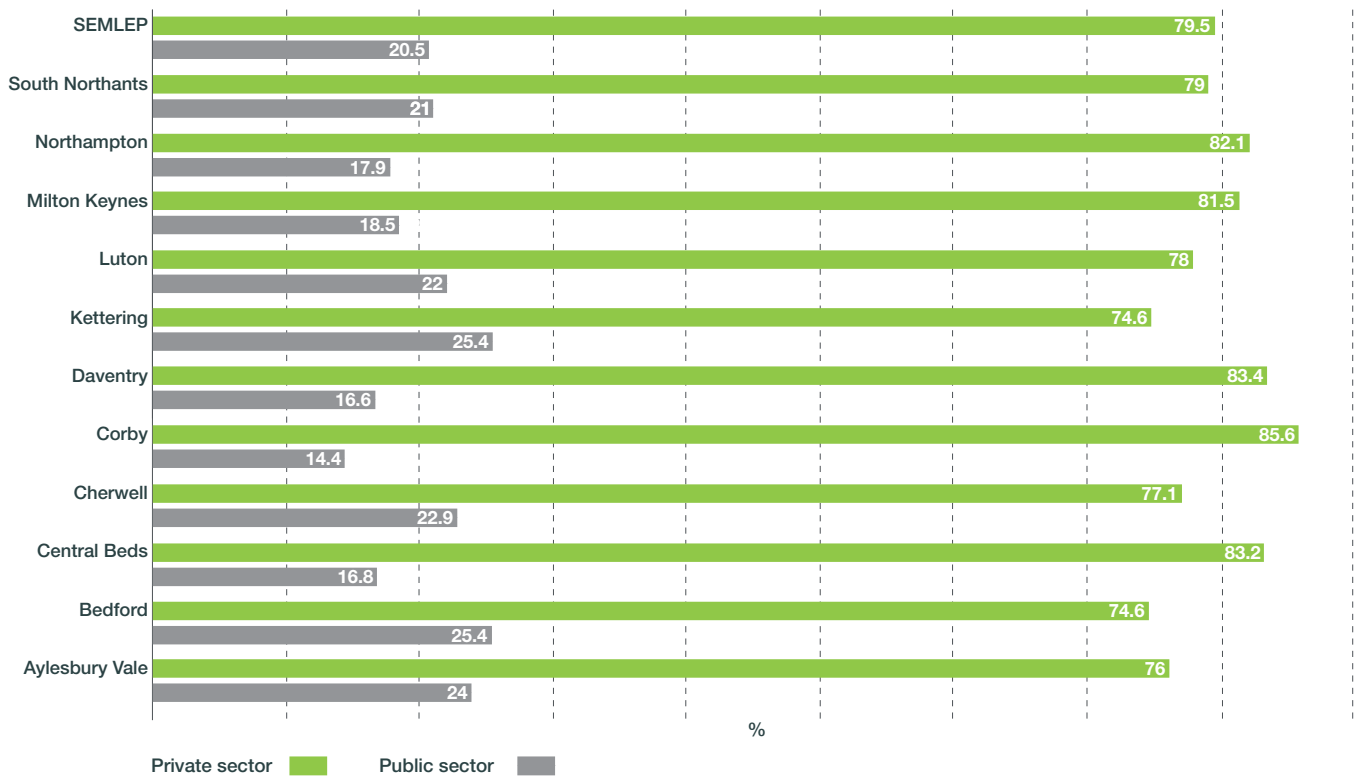
Across the South East Midlands, some areas have a greater proportion of the working age population employed in the public sector compared to other areas. As Chart 12 illustrates Bedford (25.4%), Kettering (25.4%) and Aylesbury Vale (24.0%) have higher proportion of the working age population employed in the public sector.

¹⁸ December 2012 is the most recent figure available for this indicator.

¹⁹ Ibid.

²⁰ Ibid.

Chart 13: Percentage of working age population employed in public sector and private sector by local authority in South East Midlands, June 2013



Source: Office for National Statistics, Annual Population Survey, June 2013

Jobs Density

Jobs density is defined as the number of jobs in an area divided by the resident population aged 16-64 in that area and is a measure of labour market demand. For example, a job density of 1.0 would mean that there is one job for every resident aged 16-64. Overall South East Midlands area has continued to have a low jobs density over the past decade predominantly due to the levels of out commuting to places such as London, Cambridge and Oxford. In 2011 jobs density in South East Midlands was 0.80 per working age resident. This means that there is less than 1 job available per working age resident. Jobs density is particularly low in some parts of the South East Midlands such as Central Bedfordshire which had the lowest jobs density in 2011 at 0.65 jobs per working age resident and is an area that faces historically high levels of out commuting.

Occupations

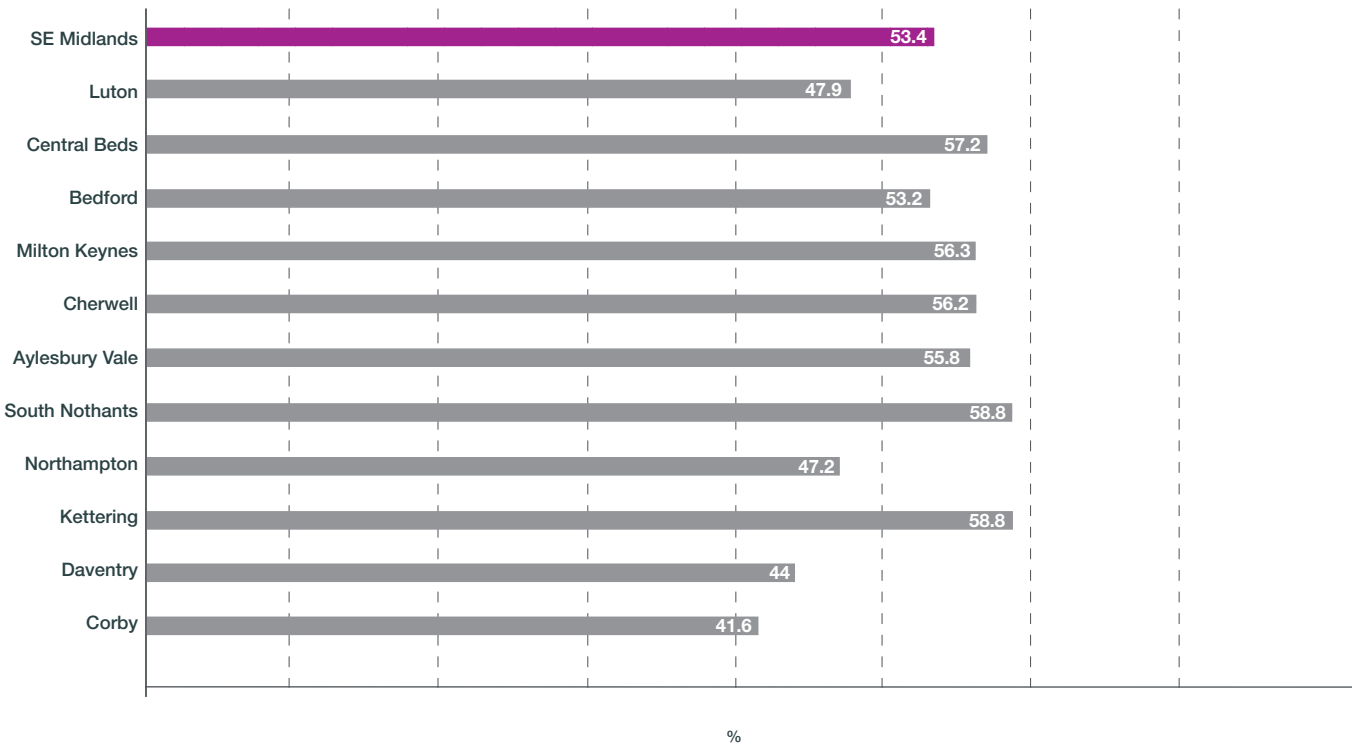
The South East Midlands has a highly skilled workforce with the majority of residents employed (53.4%) in managerial, professional, technical and skilled occupations. Analysis of those who work in the area but who may live elsewhere shows that this is slightly higher at 53.7% the majority of whom are employed in managerial, professional and technical occupations. This highlights the strength of both the resident population and those who commute to work there. However further analysis across the area shows a polarised occupational structure e.g. high skilled work prominent in Milton Keynes (56.1%), low skilled work accounts for relatively large proportion of employment in Corby (58.6%).

Table 11: Job Density, 2000-2011

2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
0.81	0.80	0.79	0.81	0.83	0.84	0.80	0.82	0.81	0.79	0.79	0.80

Source: Office for National Statistics, Jobs Density, 2011

Chart 14: Percentage of people employed (residents) in highly skilled occupations, June 2013



Source: Office for National Statistics, Annual Population Survey, June 2013

Chart 15: % of people employed (workers) in highly skilled occupations, June 2013



Source: Office for National Statistics, Annual Population Survey, June 2013

Despite over half of the resident population working in higher skilled occupations, the level of out commuting is a major issue for the South East Midlands as significant proportions of residents in employment commute elsewhere for work. According to Census 2001, 33,576 residents (16-74) commute to work in London. Significant levels of out commuting to London are an issue in particular for Central Bedfordshire, Milton Keynes and Aylesbury Vale. About 15% of those commuting from South East Midlands to London to work in higher professional occupations and 39.4% in lower managerial and professional occupations.

Whilst over half of the resident population work in highly skilled occupations, it masks differences by gender. Men in South East Midlands are almost twice more likely to work in higher skilled occupations than women. In June 2013 65.5% of males employed worked in higher skilled occupations compared to 39.3% of females. In fact women are less likely to work as managers, directors and senior official occupations within South East Midlands compared to men. In June 2013, only 6.3% of females were employed in these occupations compared to 12.6% of men. In comparison, almost a quarter (21.0%) of females of working age in South East Midlands worked in administrative and secretarial occupations in June 2013 compared to 4.8% of males.

Table 12: Occupational Structure by gender, June 2013

Occupation by Standard Occupational Categories (2010)	Rate (%)	Rate (%)
Managers, directors and senior officials	12.6	6.3
professional occupations	19.6	18.7
associate prof & tech occupations	16.9	11.8
administrative and secretarial occupations	4.8	21.0
skilled trades occupations	16.4	2.5
caring, leisure and other service occupations	2.6	16.0
sales and customer service occupations	4.2	11.8
process, plant and machine operatives	11.4	1.5
elementary occupations	11.2	10.4

Source: Office for National Statistics, Annual Population Survey, June 2013

Recruitment

According to the Business Survey one in every five businesses reported hard to fill vacancies in the past 12 months, with larger businesses more likely to have hard to fill vacancies.

20% of businesses reported hard to fill vacancies in the past 12 months. There is broad consistency in levels of skills vacancies across different Local Authorities.

Larger businesses are more likely to report hard to fill vacancies. For example, 17% of businesses with 1-9 employees had hard to fill vacancies in the past 12 months, compared with 47% with 50+ employees.

The top three occupations that were hard to fill are Sales and marketing (cited by 16% of businesses that had hard to fill vacancies), Science, engineering and production technicians (12%) and Food preparation and hospitality trades (9%).

The main reasons for hard to fill vacancies are a lack of applicants with the required skills (cited by 43% businesses that had hard to fill vacancies), a lack of applicants with the required attitude (19%), lack of qualifications (17%), lack of work experience (16%) and a low number of applicants generally (15%).

In terms of a national comparison, the UK Employer Skills Survey (December 2011) reported that 23% of vacancies overall were hard to fill, although only 4% of businesses reported hard to fill vacancies.

Average Earnings

There are significant differences in the gross average weekly earnings between those who live in the South East Midlands area but may work elsewhere (residents) and those who work in the South East Midlands area but may live elsewhere (workers). In 2012, the gross average weekly earnings for a South East Midlands resident was £515.50. This is slightly above the England average at £512.70.

The gross average weekly earnings of those who work in the South East Midlands area but may live elsewhere is much lower at £471.90 per week. This has fallen since 2011 from £476.90. In fact the gap between residents and workers has grown and stands at £43.70 in 2012.

The difference between the top and bottom percentile for residents in South East Midlands area was £467.80 in 2012.

The gap between male and female gross average weekly earnings for the South East Midlands residents is significant at £201.70.

There is wide variation across the South East Midlands area in regards to differences in gross weekly earnings between residents and workers. For some areas this is significant with for example, Daventry and Central Bedfordshire where the difference is £103 and £102 respectively. This highlights the fact that out commuting remains an issue for most of the South East Midlands area. However for other areas like Milton Keynes the difference is less significant at £1.10 whereas residents who live in Northampton but work elsewhere earn less than those who work there but may live elsewhere.

In regards to average annual gross earnings for the South East Midlands residents, this stands at £27,175 in 2012. This is higher than England which was £26,804. However the average annual gross earnings has grown at a faster rate nationally by 1.1% compared to South East Midlands at 0.7%.

Future Jobs Growth

Based on East of England Forecasting Model 2013, the South East Midlands economy is forecasted to grow by a further 123,000 jobs by 2031. The sectors forecasted to have the biggest numbers of jobs by 2031 are:

- Health and Care (105,800)
- Professional Services (95,500)
- Retail (95,000)
- Wholesale (85,700)
- Business Services (75,200)

The top 5 sectors that will see the greatest percentage increase on jobs growth are Water and air transport (46%), Professional Services (39%), Research and Development (36%) and Business Services (36%). However it should be noted that Water and air transport have a relatively small workforce.

In November 2013 we commissioned jobs led and dwellings led scenarios of the East of England Forecasting Model (EEFM) and its results highlighted the following:

- Central unconstrained growth scenario projects an increase in the employment base across the South East Midlands of 91,500 new jobs by 2020. This has the potential to create net additional £9.9 billion of GVA. This unconstrained growth scenario is based upon a population increase of 151,400 to a total of 1.87 million by 2020.
- Higher growth scenario has been modelled within the EEFM based upon Oxford Economics base projections, the potential of which could be achieved if investment accelerates growth is 111,200 new jobs by 2020 in the South East Midlands and an additional £10.8 billion of GVA.

SKILLS

Objective 5: Developing a skilled and adaptable workforce.

Key Issue

Whilst we have in place the critical educational infrastructure to support the up skilling of the existing and future workforce in a number of key sectors, we are still lagging behind in skills attainment at NVQ3, 4 and degree level and above compared to nationally. At the same time businesses are still reporting skills shortages when recruiting outside the organization and skills gaps within their existing workforce. This includes leadership and management, technical as well as basic skills. This would suggest we need to do more to support and further develop existing educational infrastructure and work with employers to ensure providers design and tailor curriculum that is responsive and flexible to support current and future skills demands and growth in key sectors.

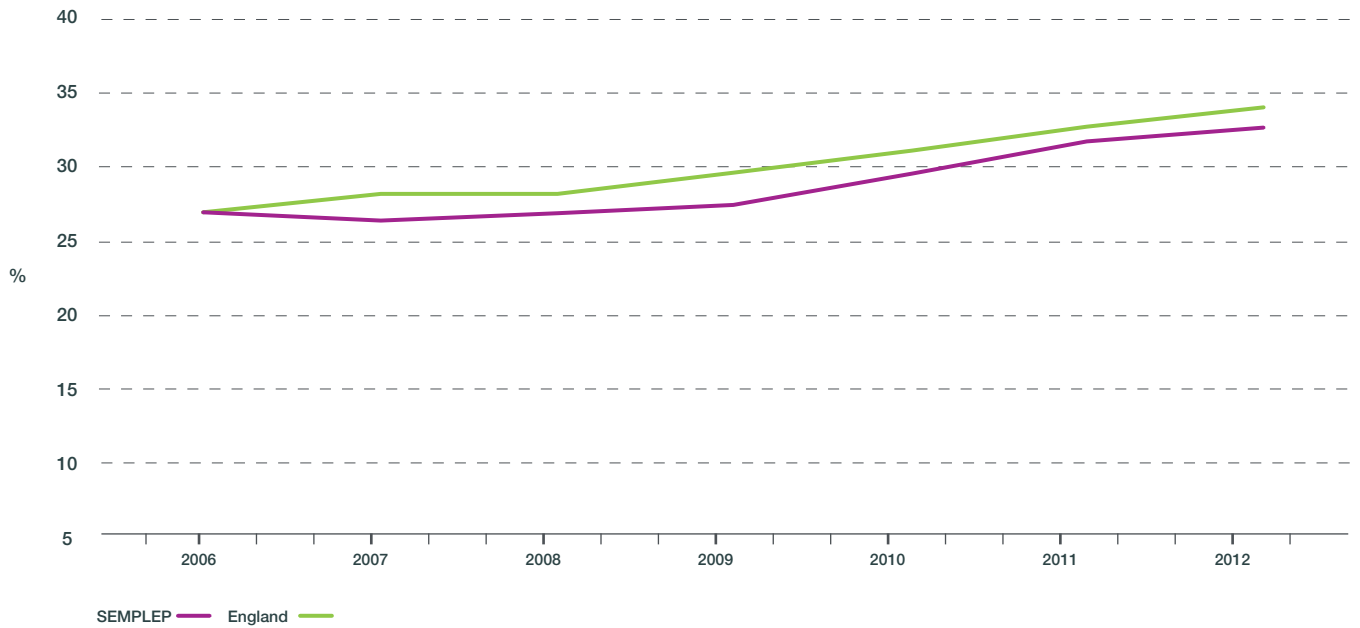
For the economy this will mean Further Education and Higher Education Institutions working more and more in partnership with employers in those sectors as well as other sectors that support the growth sectors to tailor employment and skills support to the current and future demands of employers. Whilst the level of out commuting will remain an issue as we compete with other employment centres, it is important to support local employers to identify how they can offer incentives to encourage highly skilled residents to access local employment opportunities as well as school leavers and young people to access local employment opportunities. There is also the potential that a significant proportion of small businesses in South East Midlands do not provide training who make up 96.6% of businesses.

Skills Attainment

Overall, the South East Midlands (SEM) performs reasonably well in terms of the skills levels of the resident working age population however it remains slightly below England in terms of attainment at degree level or above and NVQ Levels 3 and 4 and above. In 2012, 32.8% of the SEM working age population had an NVQ level 4 or above, slightly below the national average which in December 2012 was 34.2%.

Over the past six years, the proportion of working age population with NVQ Level 4 and above has grown at a faster rate nationally at 33.4% increase compared to South East Midlands at 29.9%.

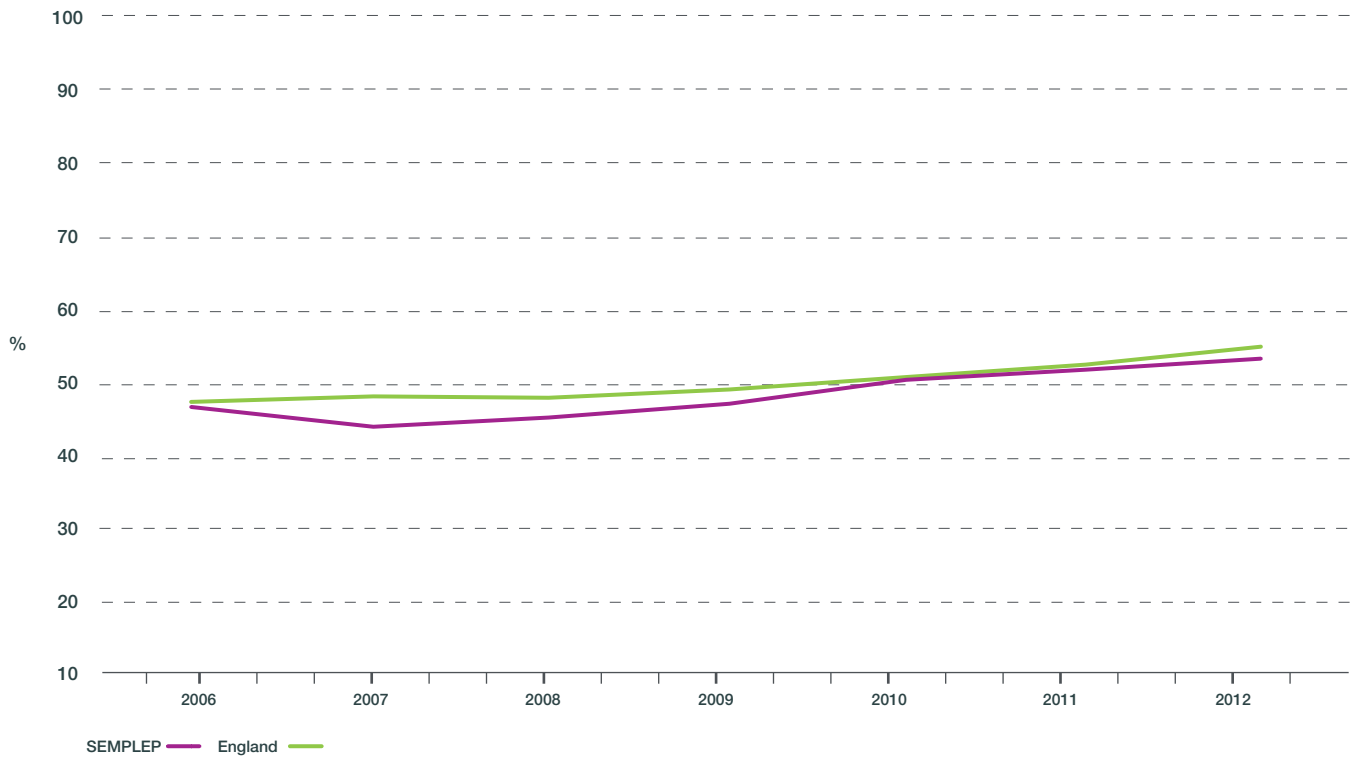
Chart 16: Percentage of working age population with NVQ 4 and above



Source: Office for National Statistics Annual Population Survey December 2012

We are also slightly below national average (54.9%) in regards to percentage of working age population in South East Midlands with NVQ Level 3 and above (53.6%). Conversely, while 8.6% of the working age population in the South East Midlands area had no qualifications, this was true for England at 9.5%.

Chart 17: Percentage of working age population with NVQ 3 and above



Source: Office for National Statistics Annual Population Survey December 2012

In addition there are significant variations across the area as highlighted in Table 12.

Some areas such as Luton are well above the national and SEM average for percentage of working age population with no qualifications at 16.1%. Indeed, more than a quarter of the resident working age population in Luton, Daventry, Corby and Northampton have a NVQ1 or no qualification. This is in contrast with Aylesbury Vale, Bedford and Cherwell where approaching two fifths of the resident working age population are educated to degree level or above (NVQ4+).

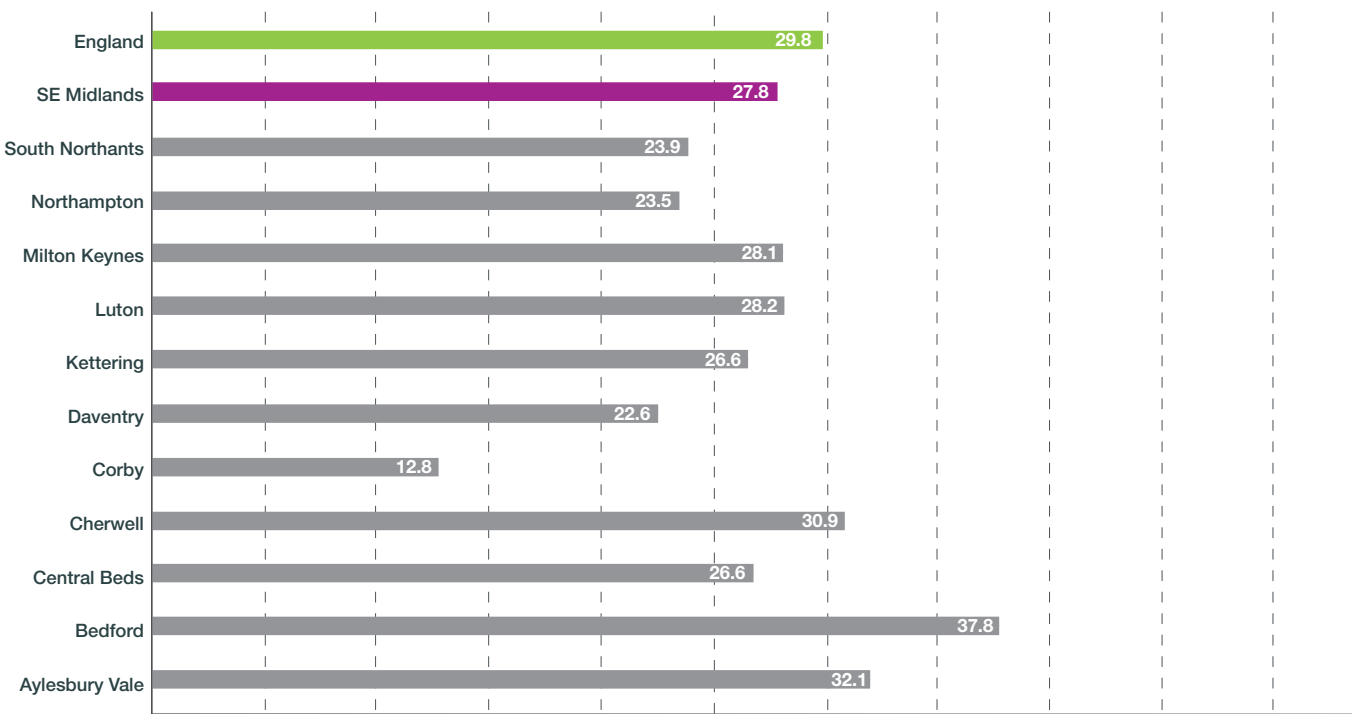
Table 13: Qualification attainment in 2012

	SEMLEP	England
Degree or equivalent and above	27.8	29.8
Higher education below degree level	8.5	8.4
GCE A level or equivalent	23.6	23.1
GCSE grades A-C or equivalent	24.9	22.8

Source: Office for National Statistics Annual Population Survey December 2012

Over a quarter of the working age population (27.8%) in the South East Midlands who are economically active have a degree or equivalent and above. This is slightly below England at 29.8%. There are significant variations in regards to level of attainment at degree level or equivalent and above with areas such as Bedford, Aylesbury Vale and Cherwell being well above South East Midlands and England average in 2012 at 37.8%, 32.1% and 30.9% of working age population who are economically active with degree level or above. In comparison some areas are trailing behind such as Corby with only 12.8% of its resident population who are economically active with degree level or equivalent and above. At the same time some areas have witnessed faster growth in attainment levels in terms of numbers of people who are economically active with degree or equivalent and above since 2006. Both Bedford and Central Bedfordshire have seen the biggest increase in number of people who are economically active with degree or equivalent and above by 15,300 (+89.5%) and 14,700 (+75.0%) respectively from 2006 to 2012.

Chart 18: Percentage of working age population who are economically active with degree or equivalent and above, December 2012



%

Source: Office for National Statistics Annual Population Survey December 2012

This is also the case at NVQ 1-4 and above where Corby trails behind all other local authorities within South East Midlands as highlighted in Table 14 below.

Table 14: Percentage of working age population with NVQ 1-4 and no qualifications, December 2012

	NVQ 4+	NVQ 3+	NVQ 2+	NVQ 1+	No qualification
England	34.2	54.9	71.8	84.2	9.5
SEMLEP	32.8	53.6	71.8	84.8	8.6
Aylesbury Vale	35.9	58.7	77.9	91.7	4.5
Bedford	41.7	64.4	79.5	89.0	6.3
Central Bedfordshire	32.8	54.7	72.7	86.0	9.6
Cherwell	42.0	60.9	78.1	90.0	6.0
Corby	14.2	36.8	53.7	70.5	8.8
Daventry	26.5	50.1	68.9	85.1	12.1
Kettering	30.5	53.5	71.8	84.2	9.5
Luton	30.6	46.1	64.1	75.2	16.1
Milton Keynes	33.3	54.8	71.7	86.2	7.1
Northampton	27.6	46.7	67.2	80.5	8.7
South Northamptonshire	31.6	54.5	77.9	91.3	3.8

Source: Office for National Statistics, Annual Population Survey, December 2012

Skills Shortages

In the Business Survey, a third of businesses reported finding it difficult to obtain key skills when recruiting new staff, with larger businesses more likely to have skills shortages.

35% of businesses reported finding it difficult to obtain key skills when recruiting new staff (skills shortages are defined as where skills are difficult to obtain from outside the organisation/from new recruits).

Larger businesses are more likely to have skills shortages with 30% of businesses with 1-9 employees with skills shortages compared with 54% of businesses with 50+ employees.

The most commonly cited skills shortages are in Job specific skills (cited by 19% of businesses), Technical or practical skills (15%), Communication skills (14%), Planning and organisational skills (12%) and Customer service skills (12%). More functional skills were also mentioned such as Numeracy (11%), Literacy (10%), Advanced I.T skills (10%), knowledge of English amongst non-native speakers (8%) and basic I.T skills (7%).

The main reasons cited for skills shortages are a general lack of skills in the available workforce (cited by 40% of businesses with skills shortages), poor quality applicants generally (30%), low quantity of applicants (19%), lack of work ready school leavers (12%) and lack of work ready college/further education leavers (11%).

In terms of a national comparison, the UK Employer Skills Survey (December 2011) reported that 16% of all vacancies were hard to fill due to skills shortages. This is a different style of question to that asked in this survey and therefore caution should be applied when comparing the two.

In addition to the Business Survey, recent research undertaken by Ecorys (2012/13) to facilitate the preparation of the Northampton Waterside Enterprise Zone Skills Strategy and Action Plan identified skills gaps and shortages manifesting themselves in workplaces throughout the SEMLEP study area, including:

- **Basic and transferable skills**, including team working, literacy, numeracy and communication skills;
- Across all sectors, **skilled trades and sector specific skills** were considered to be in short supply; and,
- Leadership and management and supervisory skills need to be increased and improved.

These skills gaps and shortages relate closely to those identified at the various occupational levels. Table 15 below lists examples of skills gaps and shortages by occupational level.

Table 15: Skills Gaps and Shortages by Occupation

Occupational Level (SOC codes)	Skills Gaps and Shortages
Managers and Senior Officials	Leadership and Management, Man Management, Information Technology and Financial Management
Professional	Supervisory and management skills, product design and development, engineering, software development
Associate Professional & Technical	Electrical Engineers, Mechanical Engineering,
Administrative & Secretarial	Communication, Customer Service, Information Technology
Skilled Trades	Motor Mechanics, Precision Engineers, Programmers, Chefs, Baristas, Designers, Builders, Plasterers, Financial Advisors
Personal Services	Care Staff, Customer Service
Sales and Customer Service	Communication, literacy and numeracy, Transferable Skills, Information Technology
Process, Plant and Machine Operatives	Usage of new machinery, Technological change, Professionalism, Transferable Skills
Elementary	Basic Skills and Transferable Skills, Motivation, Time Keeping, personal budgeting

Source: Ecorys Business Survey (2012)

The Ecorys research asked businesses to comment on current and future skills gaps and shortages apparent in their businesses and the wider economy. In terms of future skills requirements, the research identified five main areas²¹:

- **Technical and Sector Specific Skills:** which remain and will become increasingly important, in particular in Production, Construction, Professional, Scientific and Technical companies and ICT. Examples of such skills included engineers, electricians, hardware and software designers, chefs and electronics.
- **Information Technology:** This was arguably the most commonly cited requirement of companies, with a need for more ICT proficient staff in all sectors and across all occupational levels, but particularly with Management and Supervisory roles.
- **Management and Leadership Training:** relating strongly to the higher occupational levels and to the smaller companies that often have managers that lack business acumen and leadership, financial and team management skills.
- **Customer Service:** These skills are generally needed at the lower end of the occupational and skills profile and are particularly prevalent among retail food and accommodation and the finance and insurance sectors.

- **Industry Experience:** Lastly, and arguably most importantly from the standpoint of the identified 'growth sectors' companies have stated the need for individuals with higher levels of industry experience. This can be obtained via vocational training and work experience, particularly Apprenticeships, which now hold a more prominent place within the training environment.

By way of summary, the following highlights some of the key skills challenges facing companies within the advanced manufacturing and engineering sectors.

Skills research of the Cogent sectors for the period 2004-14 identified skills issues in Management and leadership – particularly in change management, business management, and business improvement.

The sector also faces a significant shortage of engineers in the workplace, due to the number of skilled engineers retiring and the lower number of graduates, with further skills needs including Senior Managers and Directors, metal working and maintenance fitters and engineers, skilled technicians in science and engineering, Numeracy/maths skills, craft occupations, IT skills.

Additional skills needs for High Performance Engineering include:

- The highest end of engineering expertise – masters and PhD
- Research and Development
- Apprentices with good mathematics
- Business management

Skills Gaps

In the Business Survey, about a tenth of businesses reported skills gaps in their existing workforce, with larger businesses more likely to have skills gaps.

12% of businesses reported having skills gaps amongst their existing workforce (skills gaps are defined as where skills are lacking in the existing workforce of a business). Larger businesses are more likely to have skills gaps. For example, 9% of businesses with 1-9 employees reported skills gaps compared with 29% of businesses with 50+ employees.

The most commonly cited skills gaps are Job specific skills (cited by 5% of businesses), Sales and marketing (4%) and Planning and organisational skills (4%).

The main reason cited for skills gaps is poor quality staff (cited by 32% of businesses with skills gaps). Lack of work ready school leavers (10%) and college/further education leavers (10%) were also mentioned.

²¹ Ecorys (2012) Northampton Waterside Enterprise Zone Skills Research. A report for Northampton Borough Council and South East Midlands Local Enterprise Partnership (SEMLEP). Appendix 3a - Phase One Employer Survey Analysis

In terms of a national comparison, the UK Employer Skills Survey (December 2011) found that 13% of businesses reported having at least one member of staff that was not fully proficient. This is a different style of question to that asked in this survey and therefore caution should be applied when comparing the two.

A report by Skills For Logistics examining the challenges facing the Logistics sector in the South East Midlands highlighted a number of skills gaps. Only 10 per cent of logistics establishments in South East Midlands report having at least one member of staff that is not fully proficient (skills gaps). This means that individuals do not have the full set of skills to perform their jobs, which can impact their efficiency and productivity and in turn that of the company. 83 per cent of logistics employers report that skills gaps impact how the company performs, which is much greater than the all sector figure of 68 per cent.

The skills lacking in the current workforce closely reflect the skills reported missing from applicants in the Logistics Sector. This indicates that employers recruit individuals without the full skill set required, who then need to undertake training to meet the basic job requirements. The top skills gaps are those which the sector relies on: job related technical skills and customer service. If these are lacking, there will be a negative impact on performance.

The report also highlights real concerns with particular recruitment issues relating to younger workers and drivers and how this may impact the sector's ability to fulfil its replacement demands of 900,000 additional workers by 2020. Only 20 per cent of logistics employers in the South East Midlands have recruited at least one education leaver to their first job on leaving education in the last 12 months. This is much lower than the all sector figure of 25 per cent, and places logistics in the bottom third of all sectors for recruiting young people.

Workforce development

According to the Business Survey about half of businesses provided their staff with on the job or off the job training in the past 12 months, with larger businesses more likely to provide training

59% of businesses provided on-the-job training in the last 12 months (On-the-job training is defined as activities that would be recognised as training by staff, and not the sort of learning by experience which could take place all the time). 42% of businesses provided off-the-job training and development in the last 12 months (Off-the-job training is defined as training away from the individual's immediate work position, whether on the premises or elsewhere).

Larger businesses are more likely than smaller businesses to provide training. For example, 95% of businesses with 50+ employees provided on-the-job training and 84% off-the-job training compared with 51% of businesses with 1-9 employees providing on-the-job training and 34% providing off-the-job training.

Of those businesses that did not provide training, the main reason was a lack of identified need – 85% said they did not provide on-the-job training and 83% did not provide off-the-job training because there was no business need.

In terms of a national comparison, the UK Employer Skills Survey (December 2011) reported that 59% of businesses had provided their staff with some training in the past 12 months (13% off-the-job, 17% on-the-job and 29% featuring both).

Larger businesses are more likely to have a workforce development plan than smaller businesses. Overall, 31% of businesses have a workforce development plan. Larger businesses are more likely to have a workforce development plan. For example, 79% of businesses with 50+ employees have a workforce development plan compared with 24% of businesses with 1-9 employees.

In terms of a national comparison, the UK Employer Skills Survey (December 2011) reported that 38% of businesses had a workforce development plan in place.

Job related training

In regards to job related training in the last 4 weeks as measured by the Annual Population Survey June 2013, 10.3% of working age population in South East Midlands received job related training in last 4 weeks to June 2013. This is slightly above the England average of 9.6%. It is also important to note that on average private sector services business are less likely to provide training to workers in SEMLEP (as measured using the APS (July-June 2012 -2013 analysis, 0.1% points below England levels for those receiving training in the last 4 weeks in private sector services) Overall those in South East Midlands are less likely to have received training in the last four weeks (0.4% difference to England) – providing the rationale for both support around developing the labour market and in enhancing the competitiveness of SMEs a priority.

At the same time there has been an increase in the number of South East Midlands working age residents who have received job related training in last 4 weeks between June 2008 to June 2013 by 15,900 or percentage increase of 16.1% whereas England as a whole has seen a slight fall of 1.1%. Females are more likely to receive job related training in last 4 weeks than males and this is true at a national level also. In June 2013, 9.5% of males of working age received job related training compared to 11.1% of females in last 4 weeks to June 2013. This compares to 9.1% and 10.1% respectively for England.

Apprenticeships

In 2012/13 there were 14,703 apprenticeship starts in the South East Midlands, an increase of 7.1%. In the Business Survey over two fifths of businesses either have an apprentice or would consider having an apprentice, with medium and larger businesses more likely to have or consider having an apprentice.

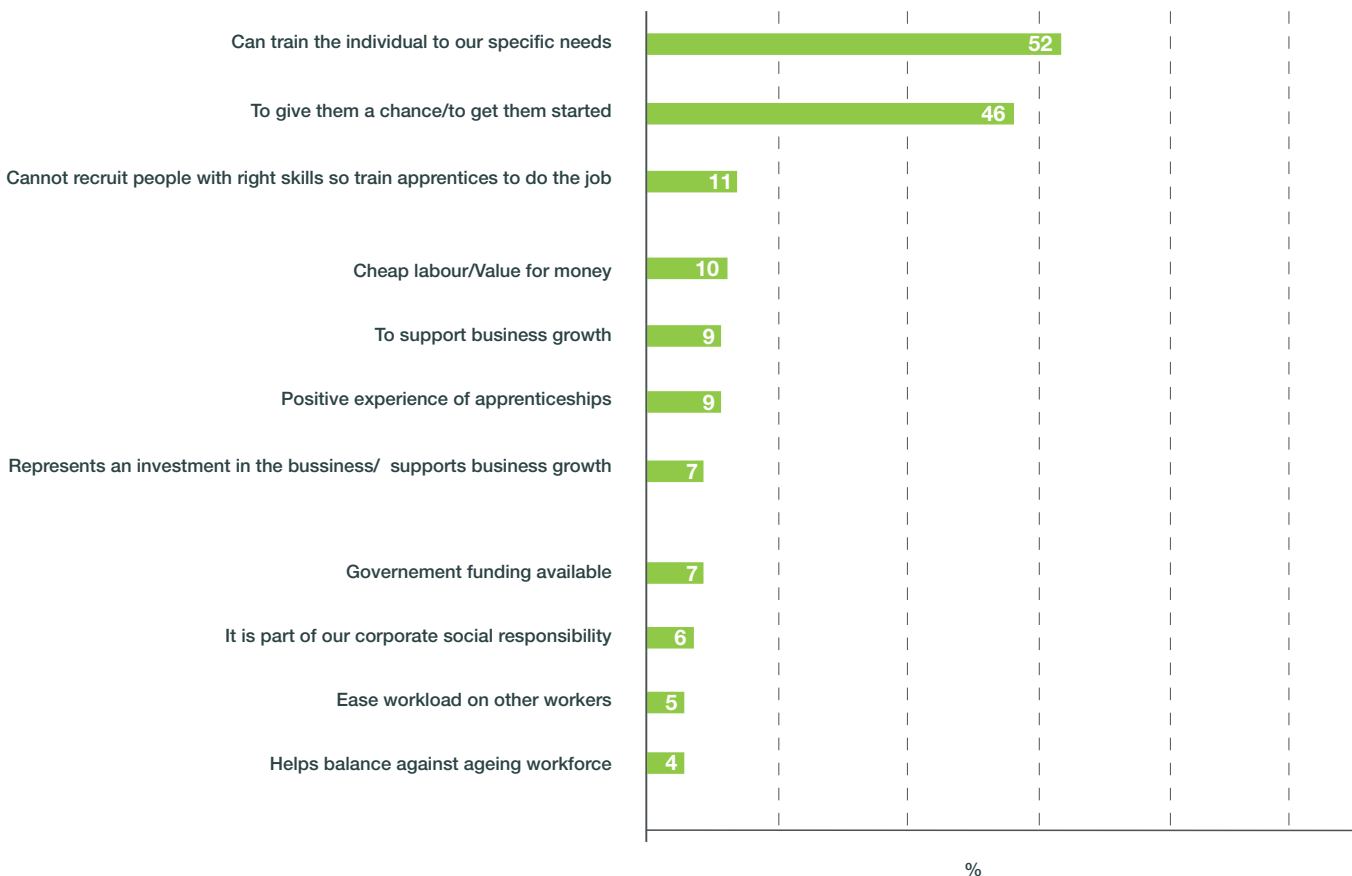
9% of businesses currently have an apprentice and 34% would consider having an apprentice. Medium and larger businesses are more likely to have or consider having an apprentice, with 47% of businesses with 50+ employees and 39% of businesses with 10-49 employees not having or considering having an apprentice compared with 61% of businesses with 1-9 employees. The main reasons for having or considering having an apprentice are to train the individual to the specific needs of the business and to give the individual a chance. 52% of businesses have or would consider having an apprentice to train the individual to the specific needs of the business and 46% to give the individual a chance.

40% of businesses do not have or would not consider having an apprentice because they have no current business need. A further 22% would not have an apprentice because their business is too small, 18% would not have an apprentice because the business is unsuitable and 13% would not have an apprentice because they believe apprentices do not have the necessary skills, experience or qualifications to do the job.

NEETS

The proportion of 16 to 19 year olds who are not in education, employment or training (NEET) in certain areas of the SEMLEP are high. For example, in Luton the figure is high, and rising. 6.3% of 16-19 year olds were classed as NEET in March 2013 with a further 5.5% of young people "unknown". This compares to Central Bedfordshire's NEET level at 4.5%, Bedford (7.7%) and Milton Keynes (4.8%) in March 2013.

Chart 19: Reasons for having an apprentice



Number of respondents: 401

Note: Respondents could select more than one answer

Questions: Why do you employ apprentices/would you consider employing apprentices?

1.4 INFRASTRUCTURE

Objective 7: Delivering infrastructure to accelerate sustainable growth in jobs and housing.

Objective 8: Securing long term funding to deliver our infrastructure plan.

Key Issue

The area is well served in terms of road and rail links from south to north. These include the M1, which links Luton to Milton Keynes and Northampton, the M40 which links High Wycombe to Oxford, Bicester and Birmingham and the A1, which runs from London to the north of England through Bedfordshire. The West Coast Mainline links Northampton and Milton Keynes to London Euston, whilst the Midland Mainline runs from Corby via Kettering, Bedford and Luton into London St Pancras and beyond to mainland Europe. A key strategic challenge remains in this area is to provide good east west links, although recent investment is already helping with this. The A421 between Milton Keynes and Bedford has been dualled providing fast road access between these key towns. In 2014 construction will begin on the electrified rail link between Oxford, Milton Keynes, Aylesbury and Bedford.

The South East Midlands has the greatest concentration in the UK of areas rated as having strong prospects for economic growth. Our polycentric territory of similar and inter-related urban economies with their rural hinterlands has a heritage of new town development and constitutes what is in effect a garden city-type environment on a grand scale, providing homes and work in settings that are sustainable and attractive to families, investors and businesses. Together with our strategic location, previous infrastructure investment, site availability and local “know how”, this provides a uniquely strong platform for economic development and our ambitious programme of large-scale growth in jobs and housing.

A business perspective on the area

The area’s strategic road network (81%), rail network (64%), good quality schools/colleges (60%), transportation of freight (55%) and attractive surroundings (58%) were the top 5 aspects rated as good by businesses surveyed.

Connectivity

This area’s public transport and highway connectivity to London, the South East and to the Midlands and beyond makes it a key contributor to the labour markets of these economies. It is also a dominant business location in its own right with Milton Keynes, Aylesbury Vale and Luton all featuring in the top ten UK areas for predicted output and employment growth over 2013-17, according to a recent analysis by Experian.

The area’s strategic road network and rail network were the top 2 aspects of what is good about the area as rated by businesses. However, more investment is needed to ensure that the planned growth does not lead to congestion and reduced reliability on the road network. It is important to enable sustainable travel between key towns to enable access to jobs. This may involve investment in public transport, provision of better cycle routes and cultural change to encourage ‘smarter’ travel choices. There is also scope for innovative transport solutions such as those that respond to personal travel choices rather than mass transit making use of low carbon solutions where possible.

Key Issue

The area has not seen consistent housing growth each year. Since 2010/11, the area has seen a more subdued housing growth in the number of houses built following a significant percentage increase of 24% from 2008/09 to 2009/10. The past year however has witnessed a fall in the number of houses built which represents a 5% decrease. This was largely the result of the recession and the collapse of the lending market in 2008.

Housing

This area has ambitious plans for growth in new homes. From 2013/14 to 2020/21 local authorities have plans to construct around 86,700 new homes. However, to deliver these new homes will require the necessary infrastructure to access and service sites – roads and utilities. Also the additional population has to be provided with essential services such as new schools and community and leisure facilities.

This was the subject of the wave two City Deal proposals from the Milton Keynes and South East Midlands area, which asked for Government help to put in place a revolving fund to provide the necessary infrastructure to support growth.

The offer for Government was significant growth in new homes, which would be beneficial to the economy. The national boost in tax revenues from stamp duty, corporation tax, income tax and national insurance contributions from 120,000 homes would be around £3bn pa. In addition, in the shorter term, particularly when the economy is operating below capacity, investment in housing will generate increased economic output through construction, industry supply chains and additional spend in the wider economy. A recent study by L.E.K. Consulting estimated that every £1 of capital construction spend would translate into up to £2.84 in additional economic activity while the economy remains below capacity.

Government incentives for business growth have recently been introduced but there are no counterbalancing incentives to host labour markets alongside growing businesses. Population growth adds to the pressure on services provided by local authorities. The new arrangements for local government finance – in particular the recent decision to “freeze” baseline funding levels for at least the next 8 years – will no longer take account of increased need through annual updating of the formula funding assessments. This means authorities that deliver significant numbers of new homes will face an increase in costs for service provision of around £3.5m pa for every 1,000 additional houses, assuming an associated increase in population of 3,000. Local income sources such as fees and charges, additional council tax and retained business rates will offset around £2.04m of this cost, but this still leaves an “unfunded” local burden of £1.46m pa for every 1,000 new homes, a significant disincentive to support growth.

What does this mean for the SEMLEP economy?

Delivery of the current projection of 80,000 homes (assuming even delivery over the 15 year plan period) will produce a cumulative “unfunded” local burden of £278m over the first 8 years. Closing the delivery gap of 40,000 (again, assuming even delivery over the 15 year plan period) would add a further £139m to the 8 year burden, a total “unfunded” pressure of £417m.

In such a context, housing growth becomes unsustainable. We need a transformational new model for large-scale housing growth that is self-sustaining locally and can enhance, rather than inhibit, confidence and delivery. The housing growth and supporting infrastructure developments also bring opportunities across the SEMLEP area (e.g. retrofit of existing buildings and the roll out of Green Deal and related ‘green economy’ initiatives), of which skills and training will be a key component to help deliver on the SEMLEP goal of new jobs growth and new business growth. For example, this could include stimulating demand for new built environment skills within local workforce, both new and existing jobholders – up-skilling, specialist skills and new skills.

New homes

SEMLEP ranked 3rd out of the 39 LEPs for number of new builds completed with a total of 6030 homes completed in 2012. London and South East were ranked 1st and 2nd respectively. Below are the top 10 LEPs with the most new homes completed in 2012.

Table 16: Number of new homes completed, 2012

Local Enterprise Partnership	Number of dwellings completed
Pan London	21,370
South East	9,480
South East Midlands	6,030
Leeds City Region	4,660
Heart of the South West	4,580
Greater Cambridge and Greater Peterborough	4,230
Coast to Capital	4,160
Greater Manchester	4,160
Enterprise M3	4,140
New Anglia	3,710

Source: Department for Communities and Local Government, 2012

Despite a significant drop in housing completions (-23%) from 2008/09 to 2009/10, the housing market in the South East Midlands (SEM) made a significant recovery from the recession delivering 28,554 new homes in the area from 2008/09 to 2012/13 at an average of more than 5,000 new homes per year. In fact housing completions increased by 17% between 2009/10 and 2010/11 compared to nationally which saw number of housing completions drop by 10%. Furthermore the number of housing starts between 2009/10 and 2010/11 increased at a greater rate in the South East Midlands than nationally by 22% and has seen an upward trend each year since then compared to nationally which has seen number of housing starts decrease each year since 2010/11.

Table 17: Housing Completions by local authority, South East Midlands

Local Authority	2008/09	2009/10	2010/11	2011/12	2012/13
Aylesbury Vale	640	680	700	1,010	860
Bedford	660	460	634	810	580
Central Beds	690	0	1130	1170	1000
Corby	500	350	580	410	380
Kettering	410	360	350	190	330
Luton	250	190	280	210	320
Milton Keynes	1830	1610	1240	1380	1310
Northampton	750	570	320	290	480
South Northants	210	140	170	290	160
Daventry	140	150	130	130	0
Cherwell	230	350	130	160	250
Total	6310	4860	5664	6050	5670
% Change to previous year	N/A	-23%	17%	7%	-6%

Source: Department for Communities and Local Government, Housing building statistics, 2008/09-2012/13

However more recent data for housing completions in year end to quarter 3 of 2013, South East Midlands ranked first in terms of rate of growth. The area witnessed a 0.81% growth in housing completions compared to all other Local Enterprise Partnership areas. A total of 5,850 houses were built during this period. Some areas have witnessed faster growth rates such as Aylesbury Vale which has seen more homes built than some of the major cities over the past year. (Source: Housing building to Q3, Buckinghamshire Business First, 2013)

A key aspect of the Investment Plan is the need to balance homes and jobs to decrease the potential for out commuting, whilst also recognising the importance of investing in green infrastructure projects, given their strategic importance in attracting business, employees and tourism investment.

The present challenge is to provide the right sites in the right locations supported by appropriate infrastructure. There are some inefficiencies in terms of major developments, with just over half the planning decisions being made within 13 weeks (a target for most planning authorities). Furthermore, the below average change in the total rateable value for commercial and industrial property may be a sign of indicative limited growth in the commercial and industrial property market.

The importance attached to economic growth is a key consideration for SEMLEP. The generation of business and employment opportunities in key sectors will be centred on several key strategic sites throughout the South East Midlands area, including the **Northampton**

Waterside Enterprise Zone which forms a key component of infrastructure investment plans to catalyse growth opportunities for both the SEMLEP and Northamptonshire Enterprise Partnership areas. The Enterprise Zone has ambitions to create a significant level of jobs and businesses that will lever private sector investment.

The major employment sites proposed and coming forward through Local Plans and Core Strategies, will deliver approximately 3,000 hectares of business floor space over the next 20 years²². The highways and internet connections for these strategic sites will be essential in attracting businesses to the area.

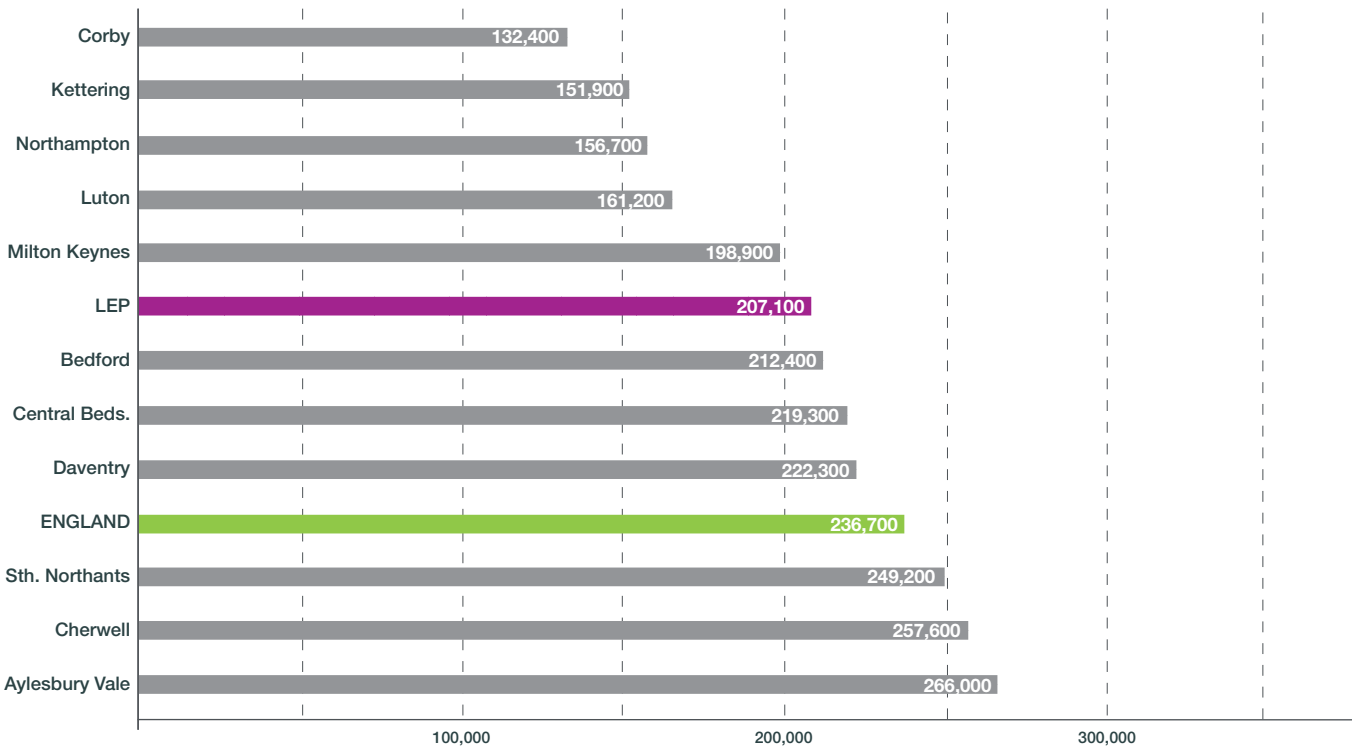
House Prices

In 2011 there were 22,197 residential property sales within SEMLEP area. This represents a small increase from the previous year which saw 22,181 sales.

Moreover, there was a decrease in the mean house price for the LEP as a whole during the same period. In 2010 the mean house price was recorded at £210,600 which fell to £207,100 in 2011. The LEP ranks 17th out of 39 in terms of mean house price and was below the average for England at £236,700.

Mean house prices within the LEP varied widely, as shown below. In 2011 the mean house price in Aylesbury Vale (£266,000) was more than double that of Corby (£132,400). Overall, there were three local authorities in the LEP with mean house prices above the English average (£236,700). These were Aylesbury Vale, Cherwell and South Northamptonshire.

Chart 20: Mean House Prices, 2011 in SEMLEP and England



Source: Office for National Statistics, 2012

Commercial, retail and residential development

Providing employment space, town centre regeneration, digital infrastructure and improving local and major transport networks (including road, rail and bus) are common themes identified in a review of SEMLEP local authorities' economic development plans and other related strategies.

The rate of growth of new commercial, retail and residential developments is linked to the planning process as well as the general economic climate affecting developers' investment priorities. In SEMLEP, just over half (51.6%) of planning decisions of major developments are made within 13 weeks. This is lower than national levels (GB) at 57.7%. There are significant variation locally with for example 75% of major planning applications being dealt within 13 weeks in Northampton compared to 26% in Cherwell.

Regeneration of the nation's town centres is a top priority for the government and for South East Midlands economy. Across the country many town centres face challenges of attracting shoppers, vacant units and many have become 'ghost' town centres with lots of vacant signs and closed shops. In regards to residents spending money on comparable consumer goods outside of South East Midlands, primary shopping areas tend to be Cambridge and London.

A desk based review of some of the local authority evidence submitted as part of pulling together our evidence base examined vacancy data, retail leakage and retail studies across key town centres that form a crucial part of the South East Midlands economy. It shows that retail leakage, attracting consumers, competition, lack of retail choice, rental rates and vacant units are common issues for some of our town centres.

However we are unable to make comparisons due to different methodologies and how frequent such data is collected. Although it does paint a picture of some of the key challenges major town centres such as the South East Midlands face.

By way of illustration, a study by CACI in March 2010 of Bedford town centre highlighted that it has an extremely high market share from within its core catchment, 73.2%. Milton Keynes is the only major competitor to Bedford from within this area taking an 11.4% market share. In terms of the total catchment, again Bedford has a strong market share at 17.6%. There are 738,037 people within the Bedford catchment, spending £1,949.3 million per annum on Comparison Goods.

Bedford is expected to attract £342.6 million of this expenditure, equating to a total catchment market share of 17.6%. Market shares are highest in the Primary catchment where Bedford attracts 79.5% of the £217.0 million available, a market potential of £172.6 million. Market shares drop slightly to 63.0% in the Secondary catchment, where market potential stands at £84.0 million. In total Bedford has a core (Primary and Secondary catchments combined) catchment market share of 73.2%. This is almost double the class average of 40.1% suggesting Bedford has a very strong core shopper base. The Tertiary catchment provides an additional £52.9 million of market potential, 23.7% of the £222.8 million total spend. The Quaternary catchment contributes a further £33.1 million. This area contains infrequent shoppers, as such market shares are low at 2.4%.

To address the gap in local data on town centre vacancies, SEMLEP commissioned Local Data Company to provide a snapshot of town centre vacancy data for major towns across South East Midlands in December 2013. It shows that vacancy rate varies across the area with some towns such as Dunstable experiencing higher than national (Great Britain) average vacancy rates at 22.6% whereas other towns such as Leighton Buzzard have much lower vacancy rates at 6%. This compares to a national average of 12.3% vacancy rate. The top 6 towns with the highest vacancy rates are Dunstable (22.6%), Corby (20%), Aylesbury (18%), Luton (17%), Northampton (16.2%) and Biggleswade (15.4%). All are well above the national average and are subject to major town centre regeneration programmes. These towns also have higher retail vacancy rates than leisure vacancy rates in particular Dunstable (24.9%), Corby (21.4%), Aylesbury (21.2%) and Luton (19.1%). In addition, Bedford has a higher retail vacancy rate than leisure vacancy rate at 15.7% and there is also a major focus on town centre regeneration.

All vacancy refers to shops and leisure classifications, including hotels, entertainment, restaurants, fast food and bars. The figures include vacant units within shopping centres where Local Data Company have had co-operation from the shopping centre owner/management.²³

Table 17: Housing Completions by local authority, South East Midlands

Town	All Vacancy %	Leisure Vacancy %	Retail Vacancy %
Milton Keynes	13.1	9	14.3
Luton	17	11.9	19.1
Bedford	13.2	5.7	15.7
Dunstable	22.6	13	24.9
Leighton Buzzard	6	5.9	6
Biggleswade	15.4	11.4	15.6
Banbury	13.2	12.9	13.3
Bicester	5.6	0	7.2
Corby	20	11.5	21.4
Kettering	11.5	10.3	11.8
Northampton	16.2	10.5	18.2
Daventry	8	3.1	9
Aylesbury	18	7.3	21.2
Great Britain	12.3	7.5	14

Source: Town Centre Vacancy Data commissioned by SEMLEP via Local Data Company, December 2013/2012/13

Key Issue

Access to broadband is a major concern for the South East Midlands with significant variation across the area with Luton having the highest level of take up by business premises whereas Corby, Daventry, Kettering, Northampton and South Northamptonshire have the lowest level of take up in South East Midlands. Given the need to support businesses to grow and with over a quarter of the population living in rural communities it is important that we continue to support the development and expansion of super-fast broadband to support business growth and job creation.

Broadband

The lack of superfast broadband (Speeds Greater than 24 Megabits per second, Mbps) services is a recognised barrier to new business formation, job creation and self-employment and hampers competitiveness. Recent evidence from the Department for Culture Media and Sport (November 2013) highlights that enhancing the availability and take-up of faster broadband speeds will add about £17 billion to the UK's annual Gross Value Added (GVA) by 2024. Likewise when considering wider global evidence, it has been shown that a doubling of broadband speeds can be expected to result in a 0.3% increase in Gross Domestic product. Superfast broadband will also have a number of environmental impacts, including reduced commuting, due to teleworking and improved efficiency. This would account for about 1.6 million tonnes of CO2 savings nationally per annum, by 2024.

Despite the economic, social benefits of superfast broadband there are a number market failures within the delivery of superfast broadband, namely asymmetric information and transaction costs and the potential 'merit good' nature of broadband access (in that the true costs and benefits of access may not be realisable in short term pricing. In particular, the high costs of infrastructure delivery relative to the short term market revenues generated in less densely populated rural areas and business parks, mean private sector investment from existing providers in these areas is unlikely.

²³ Each month the field researchers (located across the UK) physically visit and survey over 65,000 premises, updating the status of each premises (occupied, vacant, demolished) and the details of each occupier. Locations (town centres, high streets, small parades, shopping centres, retail parks and standalone out of town stores) are updated in the field on a 6-12 month update cycle, depending on the size and churn of the location. In addition, Local Data Company tracks all trade and national press for openings and closures, and updates retail chains via their head offices and websites. The figures include vacant units within shopping centres where we have had co-operation from the shopping centre owner/management. Centres are updated on 6 or 12 month cycles.

The table below shows the relative performance of SEMLEP with regard to broadband performance. Data is not available below upper tier authority level, and so SEMLEP average has to include the totals for Oxfordshire, Buckinghamshire and Northamptonshire, even though not all authorities in these counties are in SEMLEP. Data shows that despite being marginally above UK levels for speed, take up and superfast coverage, there is significant variability within SEMLEP and when considering superfast take up in particular there is considerable scope to improve, particularly when considering international performance. For example, the data when considering international take up of speeds above 30 Mbps, the UK has only 5% of connections receiving these speeds, compared to 17% in Australia, 21 % in Sweden and 22% in the Netherlands. However the UK does have a higher level of connections between 8Mbps and 30Mbps compared to comparator nations. Further international comparison was undertaken by the March 2013, by Ofcom European scorecard on the UK's performance in broadband network provision. The main focus of the scorecard was Ofcom's selection of 5 EU member states with which it then compared the UK. The UK ranked 3rd, and for completeness, Ofcom also provided the UK's ranking for superfast broadband network coverage when compared against all 27 EU member states. The UK achieves a low ranking of 17th. When performance is looked at globally, it is worth nothing that Japan and South Korea both have central government targets to have 1000 Mbps services in place to 90% of residents by 2015.

Table 19: Broadband performance across South East Midlands and UK, 2013

LA	Average Speed (Mbps)	Not receiving 2Mbps (% of all premises)	Take up (%)	Superfast Availability (% of all premises)	Superfast take up (%)
Bedford	19.5	12%	78.3	77.1	27.4
Buckinghamshire	16.5	9.2	80.8	72.9	19.1
Central Bedfordshire	19.4	8.6	81.7	76.8	23.4
Luton	24.3	8.4	77	98.6	37.7
Milton Keynes	15.5	15	82	82.1	18.1
Northamptonshire	17.5	9.8	77.7	73.8	21.2
Oxfordshire	17.4	9.2	80.5	69.1	20.2
SEMLEP	18.6	8.6	79.7	78.6	23.9
UK	16.3	10.9	71.8	69.4	18.9

Source Ofcom: UK Fixed Broadband Data 2013

Transport

In December 2013, SEMLEP commissioned WYG Consultancy to develop its Transport Strategy. The first stage of the work, completed in March 2014, ²⁴involved a review of existing evidence to determine the impact of changes in development assumptions and transport investment since the previous studies related to the Milton Keynes South Midlands sub region were undertaken (dated between 2008 and 2010).

Analysis of current evidence included data relating to existing levels of congestion, levels of travel demand with current/planned development, forecast congestion and public transport access.

The review highlighted that the current network is showing areas of link based stress²⁵ in a number of locations as set out in the map overleaf across the South East Midlands. These are:

- The entire length of the M1 covering the South East Midlands.
- To the north of the study area the A43 between Northampton and Kettering is subject to congestion as well as sections of the A45 to the east of Northampton.
- A6 between Luton and Bedford is shown as congested, as are sections of the A507.
- A413 approaching Aylesbury is congested, whilst to the south-west the M40 and sections of the A41 passing Bicester are also shown as currently being subject to link stress.

Whilst demand for travel is spread across the South East Midlands area, there are specific routes where higher levels of travel demand are predicted as a result of significant clusters of development and/or areas where large individual employment and residential sites are predicted to generate specific inter-urban movements.

This includes for example movements between employment and housing developments in Bedford and Milton Keynes. Particular links are predicted to carry significant levels of new development related traffic:

- Sections of the M1, in particular between J13-J14;
- The A421 between Milton Keynes and Bedford;
- The A5 through Milton Keynes;
- The A41 south of Bicester; The A45 east of Northampton (to Wellingborough);
- The A43 west of Towcester; and
- The A14 south of Kettering.

Overall the levels of public transport access to town centres inevitably decreases as you move further from the urban centres into the surrounding hinterlands. A number of the rural areas surrounding Bedford and in Central Bedfordshire have lower relative levels of access to town centres, although the Sandy and Biggleswade areas show good levels of access.

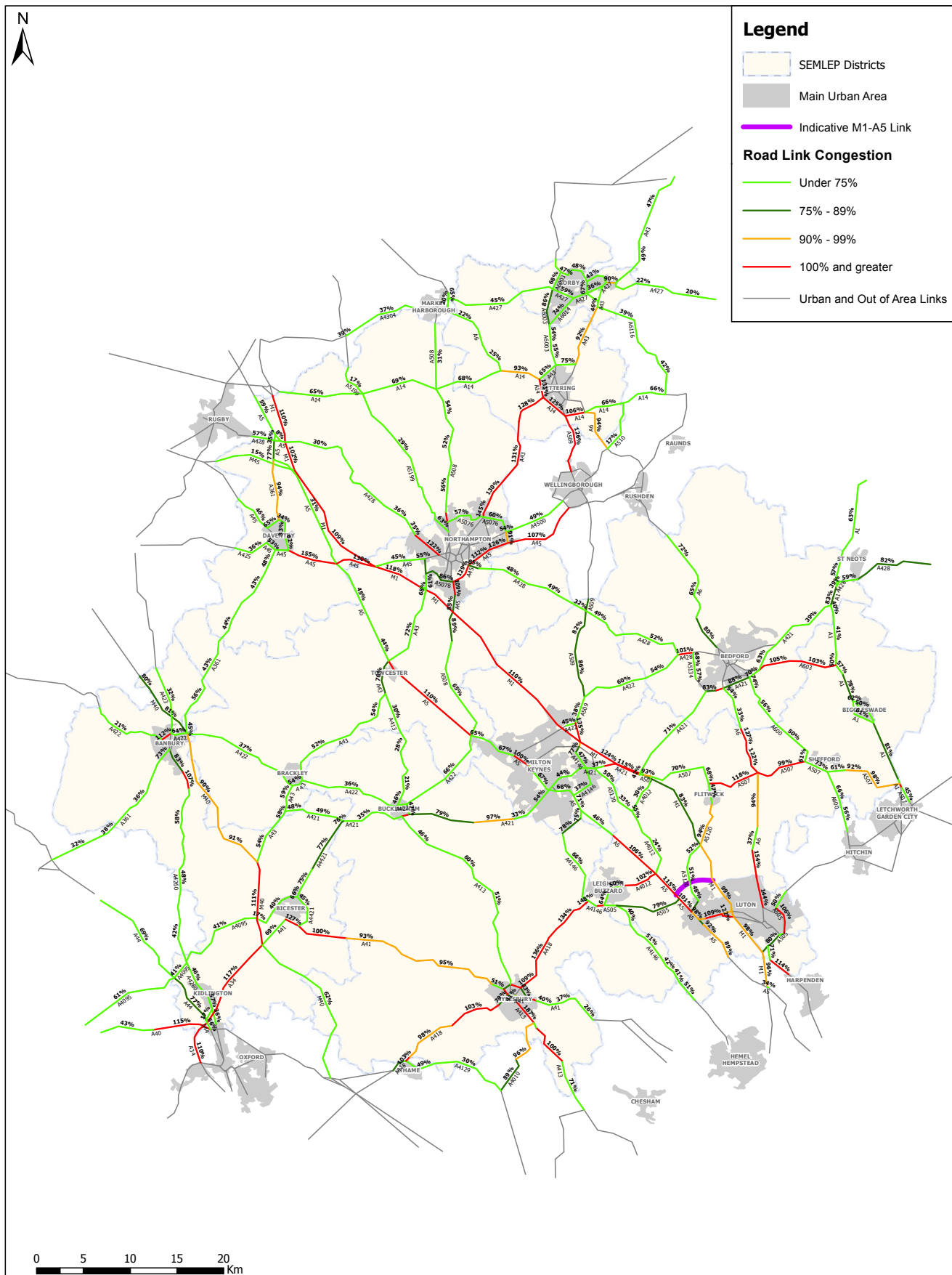
Public transport access to employment sites is generally more even across the South East Midlands, with a relatively limited number of isolated areas with access times of over 20 minutes. This is shown in the map at Figure 2. The main areas showing lower levels of access include:

- Wards surrounding Leighton Buzzard (largely located to either side of the town off the A4146);
- Wards to the south of Daventry, located on the A361 corridor;
- Wards to the north and east of Buckingham; and
- Wards to the north-west of Towcester (located off the A5).

²⁴ South East Midlands LEP Transport Strategy produced by WYG Environment Planning Transport, March 2014

²⁵ Network stress is based on the Average Annual Daily Flow in relation to the estimated Congestion Reference Flow for each of the major links.

FIGURE 1: FORECAST (2026) NETWORK STRESS (NO ASSUMED IMPROVEMENTS OTHER THAN A5-M1 LINK)



Legend


- SEMLEP Districts
- Main Urban Area
- Indicative M1-A5 Link

Road Link Congestion

- Under 75%
- 75% - 89%
- 90% - 99%
- 100% and greater
- Urban and Out of Area Links

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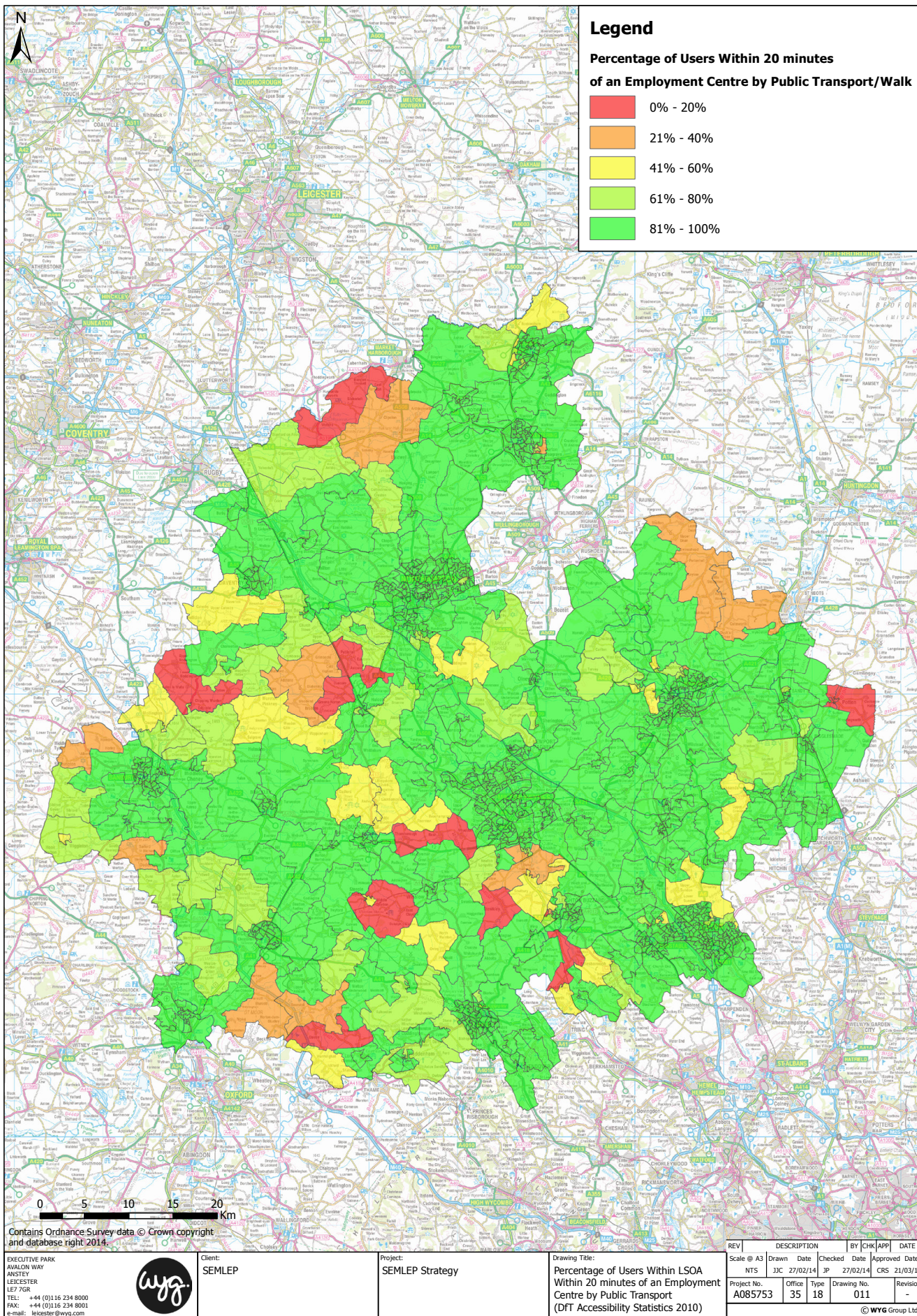
Project:
 SEMLEP Strategy

Drawing Title:
 2026 Network Stress Plan
 Base + Development
 (Does not include known junction congestion hotspots)

REV	DESCRIPTION	BY	CHK	APP	DATE
Scale @ A3	Drawn	Date	Checked	Date	Approved
NTS	JJC	26/02/14	JP	26/02/14	CRS
Project No.	Office	Type	Drawing No.	Revision	
A085753	35	18	006	-	

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FIGURE 2: PUBLIC TRANSPORT ACCESS TO EMPLOYMENT CENTRES



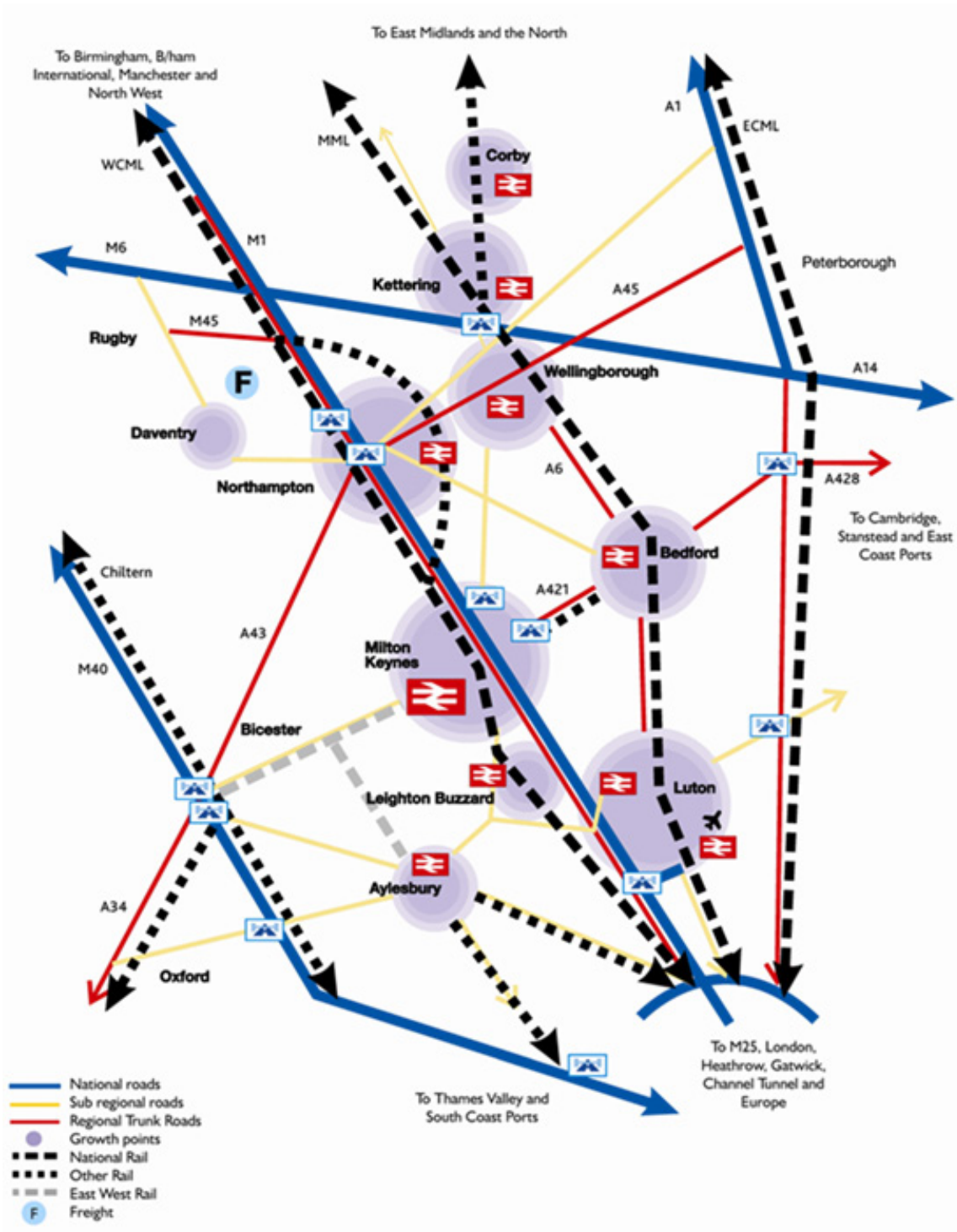
Road based accessibility to airports is highest in the areas to the south-east of the SEM area, due to increasing proximity to London Luton airport. Daventry to the west of the area also has reasonable levels of access, due to its relative proximity to Birmingham, whilst areas to the south of the area (including Bicester and Aylesbury) also show reasonable levels of access due to access to the small private airport at Oxford and better road links to Heathrow to the south-east.

Public transport access is largely determined by access to rail networks, with the greatest levels of access being in the areas immediately surrounding local rail hubs with few areas outside of these showing reasonable

levels of access. There are significantly lower levels of rail connectivity in Buckingham (and to a lesser degree Daventry) with much lower levels of public transport access to airports when compared to other urban areas.

With regard to access to the major road networks, there is a remarkable difference between the northwest, with generally high levels of access and the south east of the area where the levels of relative access are lower. This is mainly due to the number of motorway junctions to the western side of the area, with major junctions on the M1, M6 and A14 to the northwest and with access to junctions on the M40 to the south-west of the area.

FIGURE 3: KEY STRATEGIC TRANSPORT LINKS FOR THE SOUTH EAST MIDLANDS AREA



Travel to Work

The economic interaction across the South East Midlands is reflected in its commuting patterns. Its urban hubs assert a gravitational pull on their near neighbours creating economic interdependencies. For example:

- 77.3% of all commuting into Milton Keynes comes from across the surrounding South East Midlands area.³
- Net in-commuting to Northampton is expected to increase due to surrounding sub-national growth.⁴
- 39% of working people in Aylesbury Vale work commute out to work. The top destination is Of Bedford's 77,600 working population in 2008, 67% worked in the borough. Other destinations included Central Bedfordshire (7%), Milton Keynes (6%) and Luton (5%).
- Of the 75,000 people working in the borough, 66% came from the borough, while 10% came from Central Bedfordshire, 4.3% from east Northamptonshire, 4% from Huntingdonshire, 3% from Milton Keynes and 1.4% from Luton.
- Central Bedfordshire is covered by a number of travel to work areas (TTWAs). The major travel to work areas for Central Bedfordshire residents include Bedford, Milton Keynes and Aylesbury and Luton.
- The top destinations for people who commute out of Milton Keynes are Bedfordshire, Central London, Northamptonshire and Buckinghamshire.
- Northamptonshire's significant travel to work flow is southwards to Milton Keynes and Cherwell.

Natural Environment

Flooding and environmental disasters are a real issue for businesses. 1 in 5 businesses are affected by major disruption each year, and of these, 1 in 10 will go out of business as a result. (ODPM, 2004). Extreme weather is by far the most common cause of business disruption, above IT loss, loss of staff, telecommunications and utilities failures. This highlights the importance of managing environmental risks to businesses. (Chartered Management Institute, 2012). The natural environment has a role to play in managing these environmental risks through flood management, improving water quality, and reducing urban temperatures.

Local Nature Partnerships are a government initiative to drive positive change on the local natural environment. They are encouraged to work together with Local Enterprise Partnerships to deliver economic outcomes for the local natural environment. Across the South East

Midlands Local Enterprise Partnership area, there are four Local Nature Partnerships working together on cross boundary projects that benefit the natural environment.

One example of this is the Bedford and Milton Keynes Waterway which includes Central Bedfordshire. This is a significant local, regional and national new environmental infrastructure project providing the 26km missing link between the main UK canal network and the Fenland waterways, linking the Grand Union Canal at Milton Keynes to the River Great Ouse at Bedford.

It is expected to deliver a wide range of economic, social and environmental benefits to the surrounding area. This includes creating between 2,900 and 3,400 jobs a year in construction and 500 to 900 additional jobs in businesses and other organisations with an additional £35-70m annual Gross Value Added (GVA). When completed, it is estimated to attract around almost 1 million annual trips generating between £16.6m and £26.5m GVA per year. (Source: South East Midlands Local Enterprise Partnership, It's the economy naturally, 2013).

As part of an evaluation of our draft European Structural Investment Fund Strategy, SEMLEP agreed to host a workshop to complete level 1 of the Local Environmental and Economic Development toolkit which was designed by the Environment Agency and Natural England to support those responsible for strategy development to identify the environmental opportunities and threats posed to the delivery of the strategy, and possible solutions to these. Below is a summary of key opportunities and threats identified at the workshop.

The top six opportunities identified were;

- Environmental enhancement to support economic development
- Improving the capacity of regulating ecosystem services
- Improving resilience to extreme climatic events
- R&D to improve natural resource efficiency
- Including ecosystems services on the skills agenda
- Developing a SEMLEP carbon "offsetting" scheme.

The top six threats identified were;

- Inappropriate or unattractive development limiting economic development
- Limited capacity of regulating ecosystem services
- Failure to plan for extreme climatic events
- Depletion of natural resources pushes up costs
- Lack of understanding of ecosystem services
- Market failure of carbon offsetting.

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