CREATING SUCCESSFUL LOCAL ECONOMIES

Review of Local Enterprise Partnership area economies in 2012

CONTENTS

FOREWORD

BY DAVID FROST, LEP NETWORK CHAIR

Private-sector-led growth based on local strengths, assets, knowledge, innovation and entrepreneurship is what will drive our local economies, helping to push the UK into economic recovery and growth.

That is why Local Enterprise Partnerships (LEPs) have such a vital part to play in the challenges and opportunities facing us today. They offer a business-led approach to enable and facilitate local economic growth and development.

The report highlights some of the opportunities and challenges facing LEP areas. Of course, the LEPs themselves are the best source of knowledge and insight on context behind these, and how they plan to respond. Every LEP has the potential to enhance and maintain their standing as a competitive business location.

The report also reveals that, whilst there are common economic challenges facing England's localities, there are also significant differences. Each area has a different economic structure, historical development path, rurality and size. Localities are at different stages of restructuring and growth and faces unique challenges.

There are significant global opportunities and England's local economies are well placed to capitalise on these. The world economy is predicted to grow between three and four per cent per year over the next three years, and global trade and consumer expenditure are expected to continue their strong growth. In particular, developing nations are providing more and more opportunities for local businesses that can operate internationally. Growth will be strongest in the fast-growing developing nations with large populations and rapidly growing consumer expenditure, such as China and India.

We would do well to remember that the UK has remarkable strengths in international markets. Only last year, the World Bank announced that the UK remains the best place to do business in the EU and the G8, and is the fourth-best place to do business in the world. And these strengths derive from local assets such as skills, education and infrastructure, which play a big part in decisions to invest in the UK.

Local Enterprise Partnerships, and the local economies and enterprises that they seek to promote and develop, very much represent a local opportunity in an expanding global economy.

EXECUTIVE SUMMARY

TAKING MEASURE OF THE LOCAL CHALLENGES AND OPPORTUNITIES IN ENGLAND

This report provides a starting point for considering the opportunities, challenges and priorities for LEP areas. It offers an evidence-based assessment of where LEP area economies currently stand in terms of their economic characteristics and recent performance. The report is a tool to help places understand the fundamentals of their economies, to help them assess how they have changed since the previous year, and take advantage of their strengths and to meet their challenges.

There is no single recipe for success, and LEPs themselves will be best placed to choose which priorities and actions to follow. All LEP areas have the potential to enhance and maintain their standing as competitive business locations - whether underpinning the success of local, home-grown enterprises, improving infrastructure and skills, or trying to retain or attract external investment.

LEP areas are all different - in their economic structure, development paths, level of urbanisation, rurality and size. They range from the predominantly rural, such as Cornwall and the Isles of Scilly, with 92 per cent of its population classified as rural; to the overwhelmingly urban such as the Black Country, with 99.8 per cent of its population classified as urban.

LEP areas are also significantly different in geographical and population size. The largest LEP by land area is York, North Yorkshire and East Riding. It covers 10,717 square kilometres and had a population of 1,140,800 in 2010. The Black Country, with the smallest land area of 357 square kilometres, had a population of 1,096,400 in 2010.

LEP area economies also show significant differences in structure, stages of growth, and industrial composition. Private services employment is more dominant in London, Thames Valley Berkshire, Hertfordshire, Buckinghamshire Thames Valley, Enterprise M3, South East Midlands, Cheshire and Warrington and Coast to Capital – accounting for over 55 per cent of all employees. Manufacturing remains important in LEP areas such as Cumbria, Humber, Black Country, The Marches, Worcestershire, Lincolnshire, Leicester and Leicestershire, Lancashire and D2N2, supporting 14 to 15 per cent of total employment.

All LEP areas experienced localised job losses during the recession. Evidence from Experian suggests that certain LEP areas are more resilient than others – they are more able to withstand and respond to shocks in the external environment. LEP areas such as Enterprise M3, Buckinghamshire Thames Valley and Thames Valley Berkshire rank highly in terms of overall resilience due to the presence of high levels of entrepreneurship, skills and low unemployment. LEP areas such as North Eastern, York, North Yorkshire and East Riding, and Liverpool City Region rank the highest in terms of 'place resilience' –due to factors such as good housing affordability relative to the rest of England, and school qualifications attainment levels.

Whilst the recovery from recession brings new challenges, the long term ones also remain. For many local economies, their future levels of economic prosperity are closely tied to their past performance. Changing the economic profile and performance of a local area substantively is a long-term exercise. When the economic performance of each LEP area is examined over the decade from 1998 to 2008 (before the onset of recession), the relative economic position of a substantial number of LEP areas relative to others had not changed much. The exceptions to this rule are the LEP areas which have seen marked relative improvements in their performance, such as Heart of the South West, Dorset, South East, Greater Cambridge and Greater Peterborough, North Eastern, and Solent.

High levels of productivity, skills, innovation, enterprise and competition are features of high-performing local economies. For those LEP areas which continue to face economic restructuring challenges, developing these high performance features will take a long time to build or emulate. These factors are strongly related to the nature of economic activity in a local economy and the types of industries, firms and institutions in the area. Local economies need to foster demand for these factors as well as supply.

LOCAL ENTERPRISE PARTNERSHIPS - THE LOCAL OPPORTUNITY IN AN EXPANDING GLOBAL ECONOMY

Local growth and restructuring must be private-sector led. England's LEP areas are facing unprecedented public-sector budget and employment cuts. The emphasis must be on how the private-sector can help restructure local economies and create new jobs and prosperity.

The opportunities are global and England's local economies have distinct advantages. The world economy is predicted to grow between two and four per cent per year over the next two years. Global trade and consumer expenditure are expected to continue to grow strongly. Developing nations offer new market opportunities for local businesses. Growth will be strongest in the fast-expanding developing nations with large populations and rapidly growing consumer expenditure, such as China and India.

The UK remains the best place to do business in the EU and the G8. According to the World Bank, the UK is also the most attractive destination in Europe for Foreign Direct Investment (FDI). The strength of local assets plays a big part in decisions to invest in the UK.

Many LEP areas are active in the global economy, with between 10 and 20 per cent of total employment in activities that are strongly oriented towards exporting. At 20.4 per cent, Gloucestershire has the highest share of employment in export-intensive industries. Cumbria and the Black Country are not far behind, with 20.0 per cent and 19.5 per cent of employment in export-intensive industries respectively.

A number of LEP areas have a high proportion of jobs in foreign-owned enterprises. Coventry and Warwickshire has 27.8 per cent of total employment in foreign-owned enterprises. Thames Valley Berkshire, Enterprise M3, Leeds City Region and South East Midlands have close ties to the global economy with between 20 and 25 per cent of total employment within foreign-owned enterprises.

To succeed in the international marketplace, LEP areas will need to build success on factors other than cost-based competitiveness. Future local success will depend on the ability to compete through the strength of local ideas (such as designs, solutions and customer value), innovations (successful commercial exploitation of ideas) and connections (alliances, networks and access to markets).

To seize the global challenge, local exporters must diversify and trade with the developing world. UK trade is underrepresented in the future growth markets of the developing world – the UK exports almost twice as much by value to Belgium than it does to China. Overall, the UK's export economy is focused on regions where there will be slower market growth, such as Europe and the USA. This suggests that there is opportunity and merit in significantly reorienting trade relationships towards growth markets in the emerging economies.

There is much potential for attracting Foreign Direct Investment (FDI) to LEP areas, as evidenced by the UK retaining its ranking as Europe's number one FDI destination in 2011. The UK has a phenomenal track record in attracting FDI, and has the second highest level total of foreign investment (after the USA). In 2010/11, the UK's 1,434 FDI projects safeguarded over 52,000 jobs – and created 42,000 new jobs. FDI came from 54 source countries, increasing the capital stock of FDI by £41 billion. Over this period, 274 headquarters located in the UK generating 21,000 jobs. The most important location factors for international investors include telecommunications and technology infrastructure; legal, financial and business services; quality of life, culture and language; education and highly-skilled labour; and an entrepreneurial culture.

CREATING JOBS AND PROSPERITY THROUGH LOCAL ENTERPRISE, INNOVATION AND KNOWLEDGE

For private-sector growth and jobs we need successful enterprises. Entrepreneurs can identify opportunities and resources and translate them into higher return activities by establishing new businesses, increasing efficiencies and intensifying competition. Many LEP areas have significantly expanded their entrepreneurial bases over the past decade. Buckinghamshire Thames Valley has 52 enterprises per 1,000 residents – the highest enterprise presence of any LEP area. Tees Valley LEP area has the lowest enterprise presence, at 20 enterprises per 1,000 residents.

LEP areas with high levels of births and deaths have what is called a high 'churn rate' and are highly enterprising. LEP areas such as London, with a high birth rate of 13.1 per cent and a high death rate of 15.0 per cent, have dynamic, entrepreneurial economies with high levels of business creation and destruction. Greater Manchester also displays a similarly dynamic entrepreneurial environment.

It is notable that the rate of business deaths exceeded births in 2010 in every LEP area, perhaps reflecting the current economic and financial circumstances facing businesses.

A diverse range of LEP areas enjoy high three-year business survival rates, including Oxfordshire, West of England, Worcestershire and Cumbria. Lower survival rates are as much a signal of high levels of competition and risk-taking, as they are of the potential weaknesses of businesses and their local economies. London has the third lowest three-year survival rate at 59.8 per cent. London is notable for its high business start-up and failure rate. This is due historically to higher levels of entrepreneurship and a more intense competitive and commercial environment.

The most successful local economies are those with high levels of innovation and knowledge-based employment. Two-thirds of UK private-sector productivity growth between 2000 and 2007 was the result of innovation according to a recent report by NESTA. LEP areas with the highest rates of economic growth over the past decade and the greatest degree of resilience during the recession are all high innovation performers. These include London, Thames Valley Berkshire, Enterprise M3, Oxfordshire, Greater Cambridge and Greater Peterborough.

The leading local innovation and knowledge economies include Greater Cambridge and Greater Peterborough. With its significant presence of scientific, engineering, technology and software activities, this local area demonstrates significant levels of innovation; this LEP area had 43.1 patents per 100,000 residents in 2007, the highest of all LEP areas and over four times higher than the national (England) average. Oxfordshire has the second highest level of patents, at 33.4 per 100,000 residents, followed by Thames Valley Berkshire at 24.6.

COMPETITIVE LOCAL PLACES THAT SUPPORT HOME-GROWN BUSINESSES AND ATTRACT INVESTMENT

Access, availability of qualified staff, quality of telecommunications, transport links and value for money office space are the top five factors that influence business location decisions according to 500 business leaders surveyed as part of the 2011 European Cities Monitor (Cushman and Wakefield).

LEP areas need to compete as locations for private-sector-led growth. To do this they need the appropriate skills, infrastructure and institutions to give a competitive edge to home-grown business and attract inward investment and jobs.

Skills contribute significantly to economic output and are a dynamic driver for enterprise, investment, and new industries. LEP areas vary significantly in the skill levels of the jobs undertaken by local residents. A higher proportion of residents are employed in managerial and professional and associate professional and technical occupations in London (52.7 per cent), Thames Valley Berkshire (51.3 per cent) and Hertfordshire (50.6 per cent). This reflects the importance of knowledge-based activities in these areas.

There is a wide difference in the qualifications attainments levels of adults that live in LEP areas. In particular, degree-level qualifications attainments differ significantly between LEP areas. In 2010, 41.9 per cent of London's workforce had qualifications at degree level (or equivalent) and above compared with 19.1 per cent in the Black Country. All but one LEP area increased the number of degree-level qualifications (or above) in their adult population between 2005 and 2010.

Skills also matter for individuals, having considerable impact on whether they are in or out of work and the wages they are paid. There is a very strong and positive correlation between levels of formal qualification attainments, earnings, unemployment and labour market participation rates.

Transport and communications infrastructure are important for local economies as they facilitate the integration of the local area into regional, national and international markets, allowing greater potential to exploit local comparative advantage. Road transport is the predominant mode of transport in Great Britain, accounting for 91 per cent of all passenger distance travelled in 2010. Analysis of road congestion in LEP areas reveals acute problems in urban centres and inner London. In Leicester and Leicestershire average morning peak time vehicle speeds are 34 per cent below the national average.

Broadband internet services are becoming increasingly needed as a mainstay for business, learning and leisure. There are a significant number of broadband black spots in many LEP areas, especially in rural localities, which do not receive download speeds at 2mbps or greater and are too slow to utilise next-generation services. Increasingly, broadband access is becoming regarded as an essential service for business, commerce, learning and culture; as well as offering transformational potential as a technology for local economies.

There has been a significant expansion in commercial office floor space in England over the decade preceding the recession. Between 1998 and 2008, an additional 17.8 million square metres of rateable commercial office space was created. Areas that have been historically underserved by commercial office floor space, such as the North Eastern LEP area, have seen increases of almost 80 per cent in the decade between 1998 and 2008. Almost an equivalent amount of factory floor space was lost over this period too - 19.2 million square metres were lost, representing a decline of 9.1 per cent.

CREATING JOBS AND PROSPERITY ARE VITAL FOR LOCAL COMMUNITIES

The need to create local jobs and prosperity is great. The UK must generate 1.7 million new private-sector jobs to offset job losses from the recession and from expected public expenditure cuts. 792,000 jobs have been lost in the UK since workforce jobs peaked in June 2008.

All LEP areas have experienced increases in unemployment and job losses due to the recession, as well as retaining their longstanding economic challenges – such as industrial restructuring and managing and maintaining growth. Creating the conditions for maintaining and enhancing local jobs and prosperity are vital for the success our local economies.

The 2008/09 recession was a serious downturn in the economy – and the labour market impacts are therefore likely to be significant and long - lasting. Evidence from previous recessions tells us that some individuals made redundant will find it difficult to re-enter work without assistance. Some of the young people who cannot currently find work are at risk of long-term unemployment and becoming disaffected from the labour market.

With the exception of London, the highest rates of unemployment are found in LEP areas in the North of England and the West Midlands – the Black Country, Tees Valley, Greater Birmingham and Solihull, Liverpool City Region and North Eastern. These LEP areas have also experienced the greatest increase in unemployment over recent years, with Tees Valley experiencing an increase in the unemployment rate from 6.1 per cent in 2004 to 11.3 per cent in 2010.

London has had high and persistent unemployment rates for the past decade. At 7.0 per cent London had the highest unemployment rate of any LEP area in 2004. By 2010, the unemployment rate increased to 8.6 per cent. Official unemployment now totals 359,000 in London.

Youth unemployment is of particular concern in some LEP areas - particularly in Greater Manchester, Leeds City Region, South East, Greater Birmingham and Solihull, North Eastern, D2N2, Liverpool City Region and Sheffield City Region.

1: THE LOCAL OPPORTUNITY

HIGHLIGHTS

- LEP areas all differ in their economic structure, development paths, level or urbanisation and rurality, and size
- LEP area economies are at different stages of restructuring and growth
- Local growth and restructuring must be private-sector led
- Stimulating the right conditions and activities for long-term prosperity are critical for England’s LEP areas
- Productivity, skills, innovation, enterprise and competition significantly help drive growth and economic performance
- The need for prioritisation is great in this era of limited public resources
- The need to create local jobs and prosperity is great in all LEP areas after the job losses from recession and public expenditure cuts

1.1 THE OPPORTUNITIES AND CHALLENGES FACING LEP AREAS

AN EVIDENCE - BASED ASSESSMENT OF LEP AREA ECONOMIES

This report provides a starting point for considering the opportunities, challenges and priorities for LEP areas. It offers an evidence-based assessment of where LEP area economies currently stand in terms of their economic characteristics and recent performance.

The analysis and information provided is a tool to help places understand the fundamentals of their economies, to help them assess how they have changed since the previous year, to take advantage of their strengths and to meet their challenges.

There is no single recipe for success, and LEPs themselves will be best placed to choose which priorities and actions to follow. There is no single way to undertake local economic development successfully. Each LEP area is different and each LEP area has its own internal diversity of opportunities and challenges. However, it is clear that any big choices made now will have long-term impacts. In order to make the right choices, it is important for LEP areas to have a good, up-to-date understanding of their economy, businesses and industries.

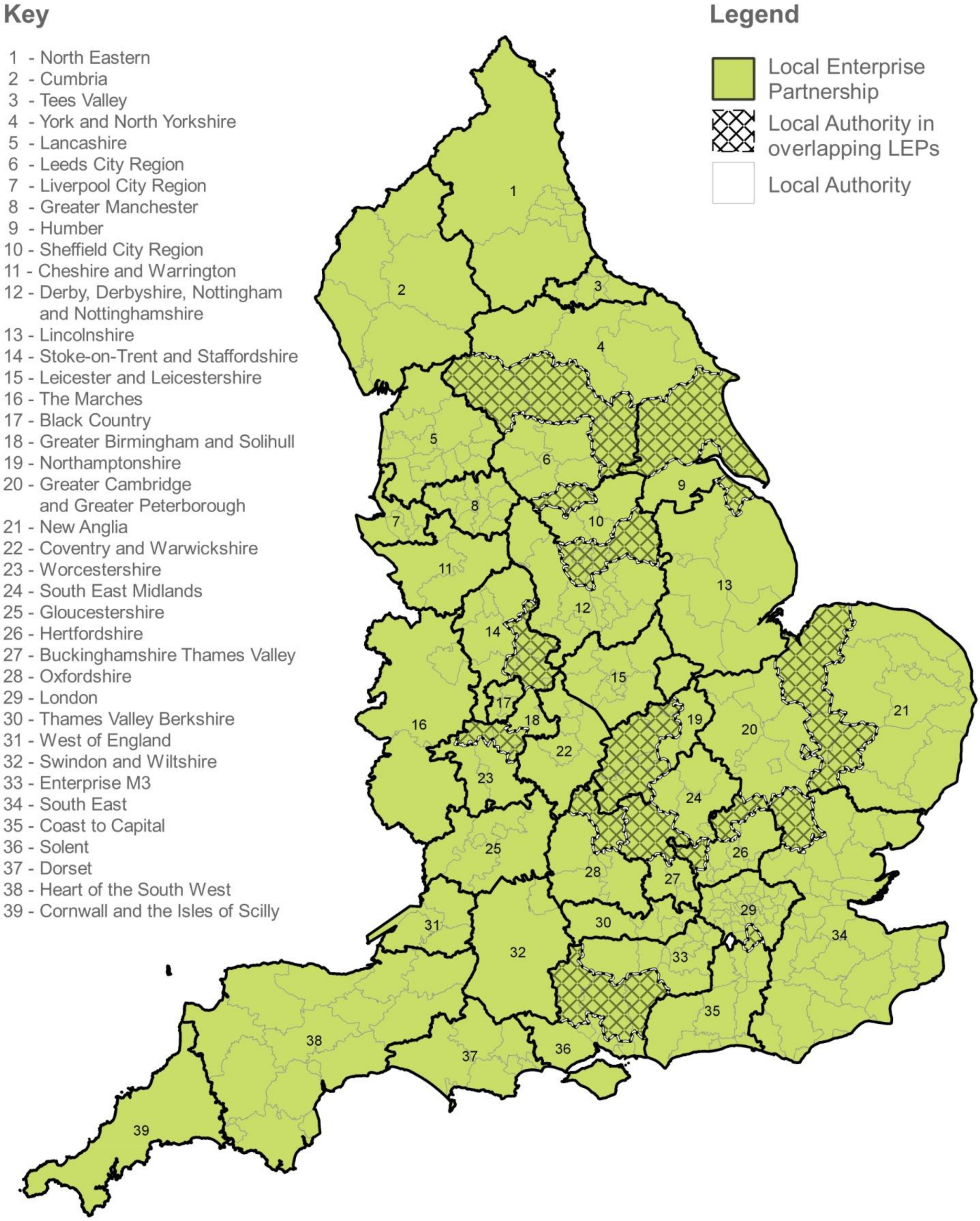
All LEP areas have the potential to enhance and maintain their standing as competitive business locations - whether underpinning the success of local, home-grown enterprises, improving infrastructure and skills, or trying to retain or attract external investment.

LOCAL ENTERPRISE PARTNERSHIPS AND THE LEP NETWORK

Local Enterprise Partnerships are partnerships between local authorities and businesses. Their purpose is to play a central role in determining local economic priorities and shape activities to drive economic growth and the creation of local jobs. On 28 October 2010, the UK government announced 24 partnerships that were ready to move forward and establish their Local Enterprise Partnership boards. A further 15 partnerships have been announced since October. The LEP areas are presented on the map in **Figure 1.1** over the page. Some local areas are in more than one LEP and this is clearly marked.

The LEP Network (www.lepnetwork.org.uk) is a gateway to news and information, and enables LEPs to come together to discuss issues of shared importance, engage with government and share knowledge and good practice. It assists LEPs to ‘self-serve’ with their troubleshooting, capacity-building and problem-solving needs. The LEP Network’s core programme consists of events; electronic forums for regular communication; a monthly bulletin; and an annual benchmarking report of LEP-area economies.

FIGURE 1.1: LOCAL ENTERPRISE PARTNERSHIP AREAS



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1.2 LOCAL DIFFERENCES MATTER

THE LEP AREAS ARE ALL DIFFERENT

LEP areas have many differences. Their economies were at different stages of restructuring and growth at the time that LEPs were conceived and implemented. Their areas all have different economic histories. Views also differ on the vision for the future of each local economy and how to achieve change.

DIFFERENCES ARE IN ECONOMIC STRUCTURE, RURALITY AND SIZE

LEP areas range from being predominantly rural (see **Figure 1.2**), such as Cornwall and the Isles of Scilly (where the Department for Environment, Food and Rural Affairs classifies 92 per cent of the population as rural) **to being almost exclusively urban**, such as the Black Country (where only 0.2 per cent of the population is rural). London, Black Country, Greater Manchester, Liverpool City Region and Greater Birmingham and Solihull have the highest population densities and are highly urbanised. Cumbria and York, North Yorkshire and East Riding have the lowest population densities and are predominantly rural.

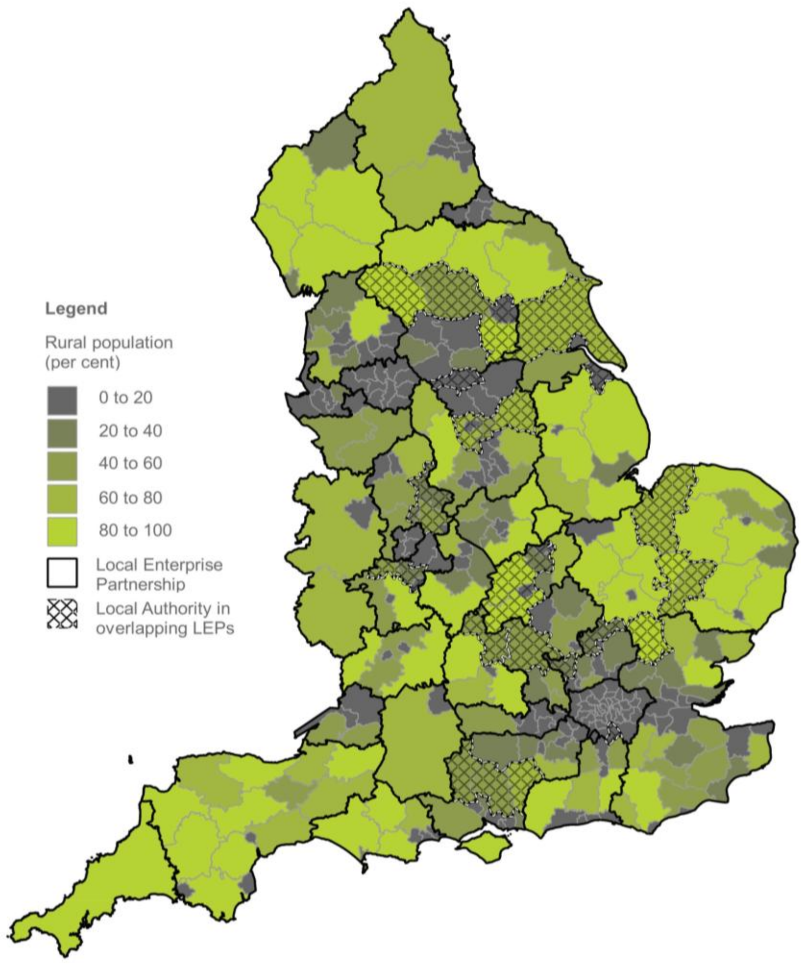
LEP areas are also significantly different in geographical and population size. The largest LEP by land area is York, North Yorkshire and East Riding. It covers 10,717 square kilometres and had a population of 1,140,800 in 2010. The Black Country, with the smallest land area of 357 square kilometres, had a population of 1,096,400 in 2010.

Private services sector employment, which encompasses a very broad and diverse range of activities, accounts for the largest share of employment in every LEP area. **Figure 1.3** on the next page presents the share of employment in industry groups within LEP areas. It is evidence that private services employment is more dominant in London, Thames Valley Berkshire, Buckinghamshire Thames Valley, Hertfordshire, Enterprise M3, South East Midlands, Cheshire and Warrington and Coast to Capital.

A number of LEP areas maintain high shares of employment in manufacturing. Cumbria, Humber, Black Country, The Marches, Worcestershire, Lincolnshire, Leicester and Leicestershire, Lancashire and D2N2 LEP areas all have manufacturing sectors that support 14 to 15 per cent of total employees.

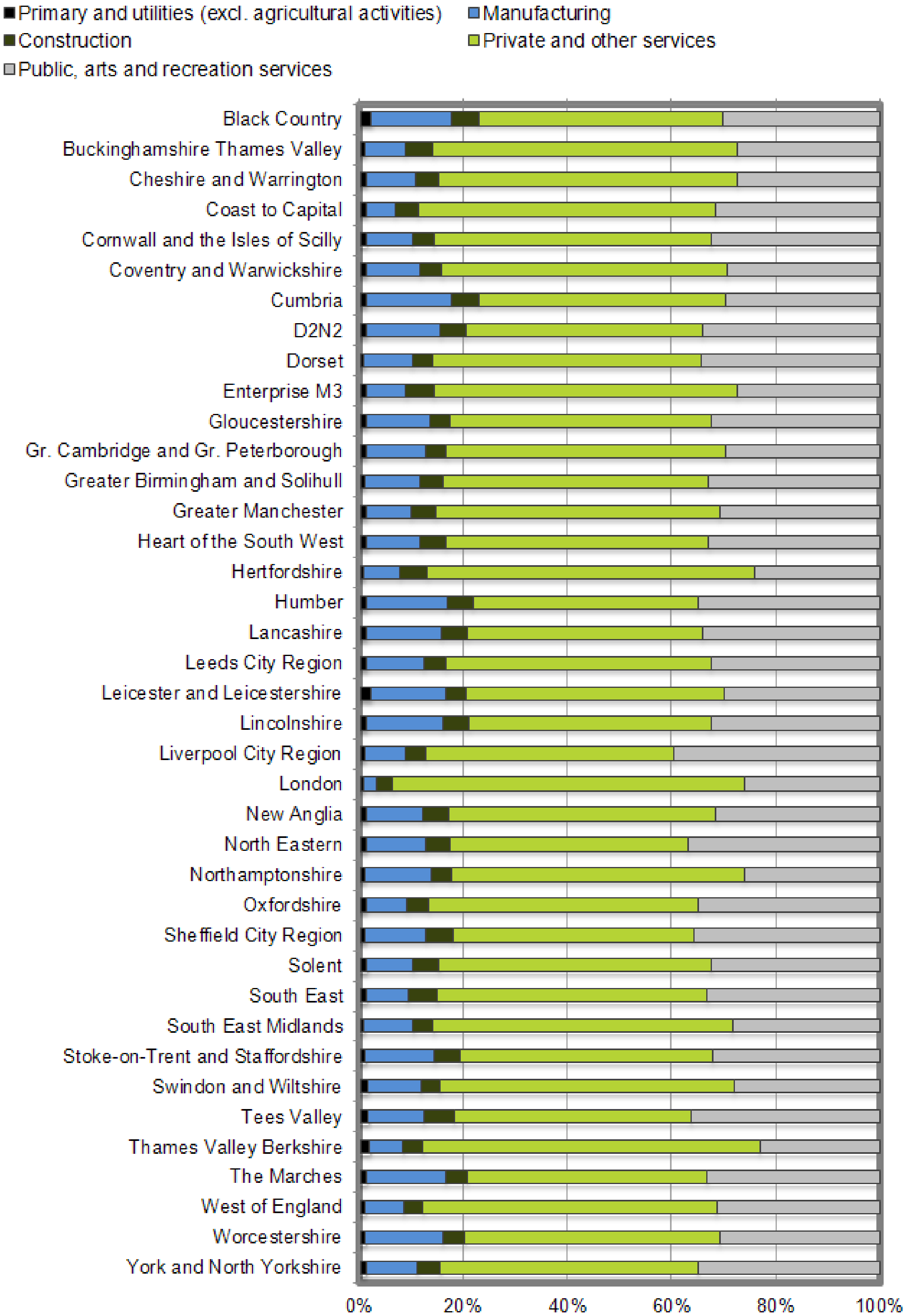
Public, arts and recreation services employment is markedly higher in Liverpool City Region. This sector accounts for 39.7 per cent of all employees. Other LEP areas with a high share of total employment in public, arts and recreation services include North Eastern (36.9 per cent), Tees Valley (36.3 per cent), Sheffield City Region (35.9 per cent), Oxfordshire (35.0 per cent) and York, North Yorkshire and East Riding (35.0 per cent).

FIGURE 1.2: SHARE OF LOCAL AUTHORITY AREA POPULATIONS CLASSIFIED AS RURAL



Source: DEFRA, 2010:
Based on Census 2001 population estimates, ONS
People living in the Large Market Towns defined as Urban.

FIGURE 1.3: INDUSTRIAL STRUCTURE – SHARES OF EMPLOYMENT IN BROAD INDUSTRIES IN LEP AREAS, 2010



Source: Business Register and Employment Survey, 2010, Office for National Statistics

LEP areas have their own industrial specialisms. It is a general principle of development economics that industrial specialisation helps to contribute to high and sustained rates of economic growth[1]. Within broad industrial categories, such as manufacturing, there are many different specialisms.

Specialisation can be a measure both of the resilience and vulnerability of a local economy. Specialisation in strong, internationally-competitive industries and businesses helps to build resilience and long-term growth in local economies. However, if local economies specialise in weak, uncompetitive industries, then there are risks of further job loss and decline. A detailed appraisal of employment by industry and activity reveals some strong specialisms in different LEP areas, summarised in **Figure 1.4** below, ranging from computer programming at four times more important than nationally in employment terms in Thames Valley Berkshire, to accommodation employment at five times more important than nationally in Cornwall and the Isles of Scilly.

FIGURE 1.4: INDUSTRIAL SPECIALISMS IN LEP AREAS ON THE BASIS OF EMPLOYEE SHARE, 2010

Specialism	Location and significance compared to shares of employment in England
Computer programming activities (SIC 62)	▪ **Thames Valley Berkshire:** employs 34,000 and 3.9 times more important as an employer than nationally. ▪ **Enterprise M3:** employs 34,000 and 2.3 times more important as an employer than nationally. ▪ **London:** employs 126,000 and 1.6 times more important as an employer than nationally.
Air transport (SIC 51)	▪ **Coast to Capital:** employs 10,600 and 5 times more important as an employer than nationally. ▪ **London:** employs 34,200 employees and 2.9 times more important as an employer than nationally.
Education (SIC 85)	▪ **Oxfordshire:** employs 50,900 and 1.7 times more important as an employer than nationally.
Accommodation (SIC 55)	▪ **Cornwall and the Isles of Scilly:** employs 12,600 and 5 times more important as an employer than nationally. ▪ **Cumbria:** employs 7,800 and 2.8 times more important as an employer than nationally. ▪ **Dorset:** employs 10,600 and 2.7 times more important as an employer than nationally. ▪ **Heart of the South West:** employs 22,100 and 2.6 times more important as an employer than nationally. ▪ **York, North Yorkshire and East Riding:** employs 11,400 and 1.9 times more important as an employer than nationally.
Distinct manufacturing specialisms	▪ **Lancashire:** other transport equipment accounts for 20,900 employees and 7.7 times more important as an employer than nationally. ▪ **Black Country:** basic metals, wearing apparel and fabricated metal products. ▪ **Buckinghamshire Thames Valley:** Manufacture of computer, electronic and optical products ▪ **Cheshire:** motor vehicles and chemical products. ▪ **Cornwall and the Isles of Scilly:** food products. ▪ **Coventry and Warwickshire:** motor vehicles. ▪ **Cumbria:** other transport equipment. ▪ **D2N2:** other transport equipment and non-metallic mineral products. ▪ **Enterprise M3:** machinery and equipment. ▪ **Greater Birmingham and Solihull:** motor vehicles and fabricated metal products. ▪ **Gloucestershire:** computer, electronic and optical products. ▪ **Greater Cambridge and Greater Peterborough:** computer, electronic and optical products. ▪ **Heart of the South West:** other transport equipment. ▪ **Hertfordshire:** pharmaceuticals. ▪ **Humber:** basic metals, food products, and chemicals and chemical products. ▪ **Leeds City Region:** textiles. ▪ **Leicester and Leicestershire:** food products. ▪ **Lincolnshire:** food products. ▪ **New Anglia:** food products. ▪ **Northamptonshire:** food products. ▪ **North Eastern:** motor vehicles. ▪ **Sheffield City Region:** basic metals and fabricated metal products. ▪ **Solent:** other transport equipment, and computer, electronic and optical products. ▪ **Stoke-on-Trent and Staffordshire:** non-metallic mineral products, and machinery and equipment. ▪ **Swindon and Wiltshire:** motor vehicles. ▪ **Tees Valley:** chemicals and chemical products. ▪ **The Marches:** motor vehicles, machinery and equipment, and food products. ▪ **West of England:** transport equipment. ▪ **Worcestershire:** fabricated metal products. ▪ **York, North Yorkshire and East Riding:** food products.
Film, TV and music production and publishing	▪ **London:** employs 40,200 and, 3.2 times more important as an employer than nationally. ▪ **London:** A further 17,500 are employed in programming and broadcasting activities.

[1] The standard Heckscher-Ohlin model, which underpins economic development theory, predicts how countries specialise according to their endowments, and how a small country's specialisation changes along its development path when it accumulates capital over time. The relationship between industrial specialisation and local growth has been a mainstay of theoretical and empirical analysis in this field, from Marshall, A (1890) *Principles of Economics*, to Porter (1990) *The Competitive Advantage of Nations*.

Source: Business Register and Employment Survey, Office for National Statistics. Note: Industrial specialisms have been selected according to their greater share of local employment compared to the national average share (location quotients), and where they account for a large number of employees

1.3 ECONOMIC RESILIENCE AND THE LONG-TERM GROWTH CHALLENGE

THE RECESSION WAS A SIGNIFICANT SHOCK FOR ALL LEP AREAS

Almost every LEP area suffered job losses, business closures and an increase in unemployment. **Figure 1.6** on page 14 shows employment change in England's local authorities between 2008 and 2010. Almost every LEP area has experienced localised heavy jobs losses in one or more of its constituent districts. Generally, the recession hit the most vulnerable local economies hardest – those that were already trying to cope with long-term economic restructuring.

RECESSION

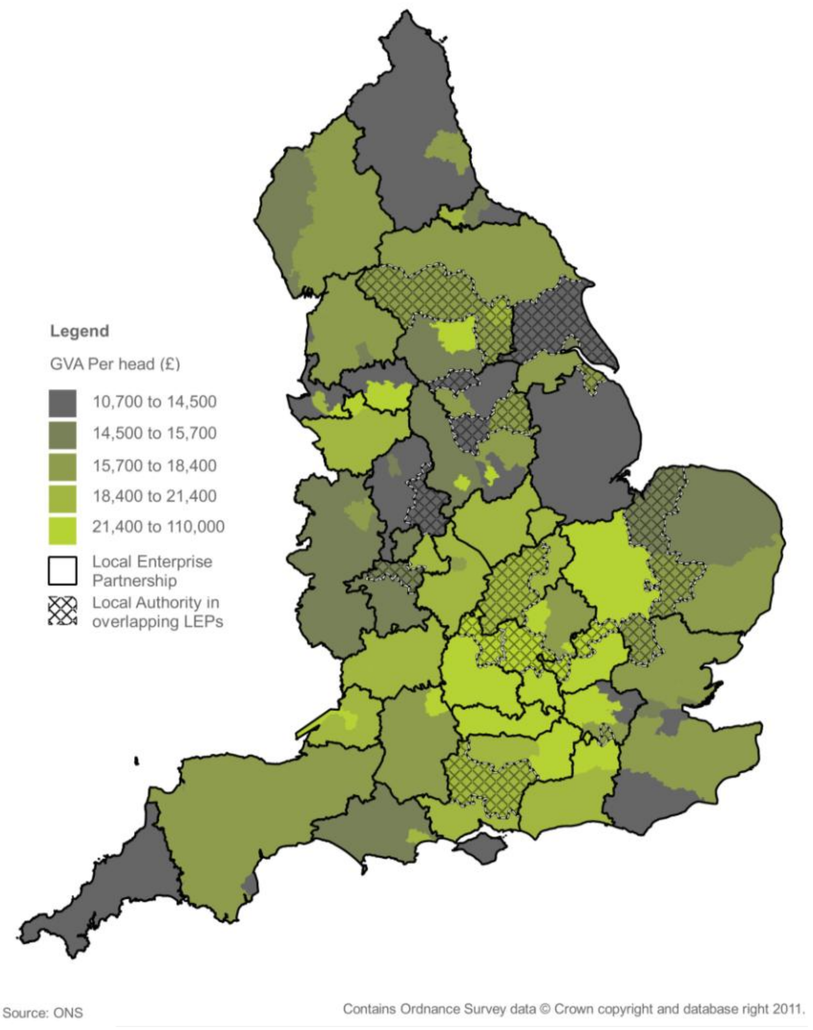
A recession is a period of time when the value of economic output of a nation or area declines. An official recession is when economic output declines for two or more quarters (a quarter is a three month period) in a row. The most recent official UK recession was when there were six consecutive quarters of declining value in economic output, from and including Q2 2008 to Q3 2009.

After the recession, long-term challenges remain. The recession was a significant but temporary shock and the long-term challenges LEP areas faced prior to the recession still remain.

Recessions and economic crisis also bring some advantages to local economies and businesses. New business models and innovations tend to emerge, as there is a higher acceptance of change. There is more interest in entrepreneurship, and market entry can become easier. It can also be easier to do business as the costs for land, property and labour are often lowered. Hiring the right staff can also be easier as skills availability is increased and costs decreased.

The latest estimate of overall economic performance – economic output per capita in 2009 – presented in **Figure 1.5** highlights some of the differences between LEP areas. As the rest of this chapter goes on to illustrate, these differences are long standing and are influenced by each local economy's mix of industries, entrepreneurialism, innovation, skills and knowledge.

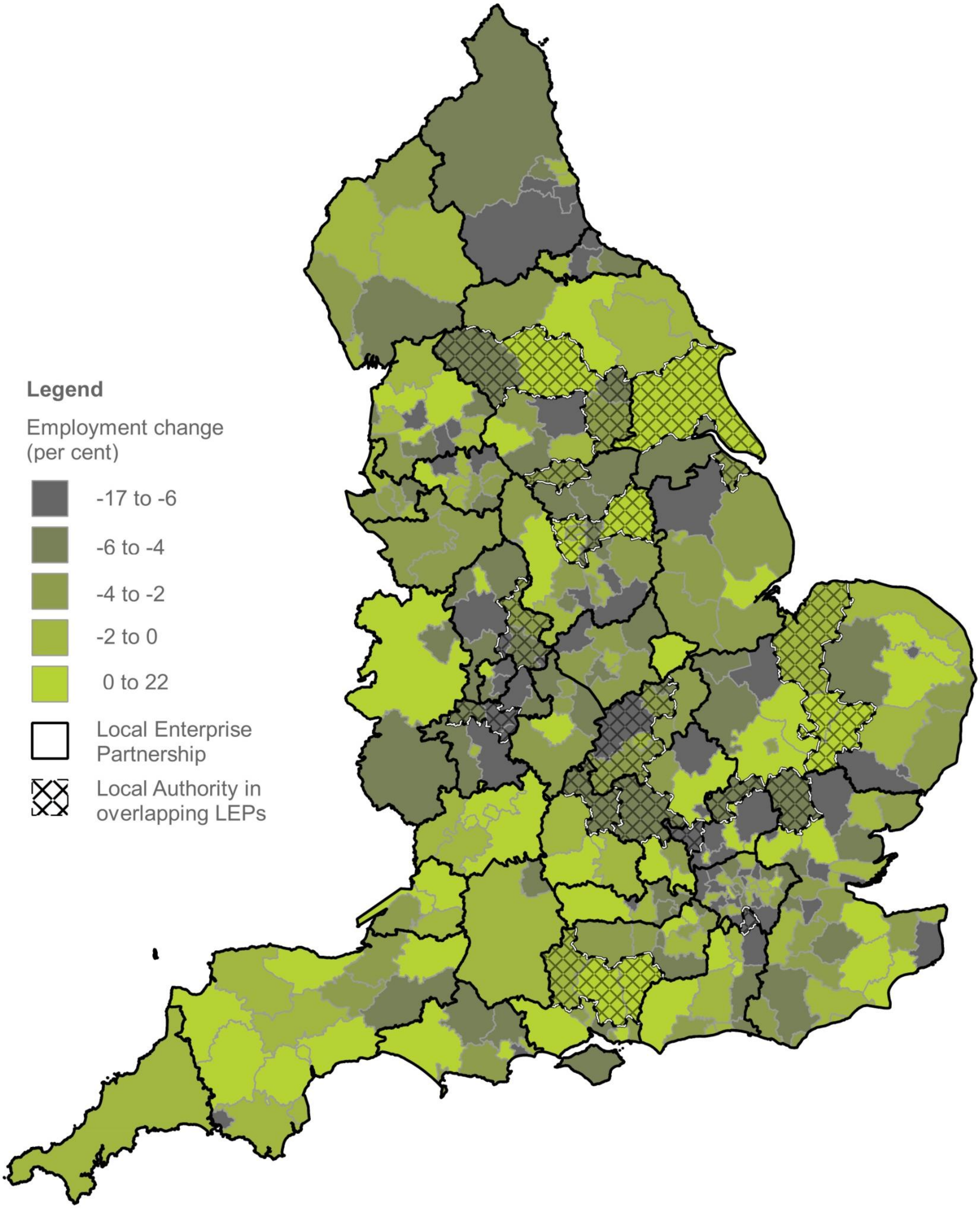
FIGURE 1.5: ECONOMIC OUTPUT PER CAPITA (RESIDENTS) £, 2009



MEASURING ECONOMIC OUTPUT – GROSS VALUE ADDED

Gross Value Added (GVA) is an estimate of the value of the economic output of a local area, region or nation. Gross Value Added (GVA) per head or per capita is an estimation of the value of economic output produced per resident, and is a useful method of comparing economic performance between local areas. GVA is one of three methods available to estimate the economic output or Gross Domestic Product (GDP) of an area.

FIGURE 1.6: EMPLOYMENT CHANGE IN ENGLAND'S LOCAL AUTHORITIES 2008-2010, PER CENT



Source: BRES, ONS

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SOME LEP AREAS ARE LIKELY TO BE MORE RESILIENT TO SHOCKS THAN OTHERS

Resilience is the ability of an area to withstand and respond to shocks in the external environment. Experian (www.experian.com) has undertaken research to understand how areas have been impacted by the planned public expenditure cuts and the continuing challenging economic climate. It highlights the positive and negative factors that underpin performance across different local areas.

This research looks at resilience across four key themes: business, community, people, and place. In **Figure 1.7** over the page, Experian's ranking of LEP areas in terms of their resilience is presented. Certain social and economic characteristics are associated with greater resilience. Additionally, some sectors have been classified as vulnerable such as public administration and education; gas; electricity & water; paper; printing and publishing; textiles and clothing. It is thought that sectors such as banking and insurance; business services; other finance and business services; and communications have stronger resilience. The vulnerable and resilient sector definitions have also been updated to reflect the current economic climate and Experian's local economic forecasts over the short and medium term.

Higher resilience is associated with higher levels of enterprise and entrepreneurship; more significant presence of less vulnerable sectors; higher levels of educational attainment and labour market participation; lower unemployment; higher levels of life expectancy; and better living environments. LEP areas such as Enterprise M3, Buckinghamshire Thames Valley and Thames Valley Berkshire rank highly in terms of overall resilience, and in business resilience. LEP areas such as North Eastern, York, North Yorkshire and East Riding, and Liverpool City Region rank the highest in terms of place resilience – probably due to factors such as good housing affordability relative to the rest of England, and school qualifications attainment levels.

Lower resilience is associated with lower levels of enterprise, entrepreneurship and self-employment; higher vulnerability to long term unemployment; lower rates of labour market participation; lower levels of qualifications attainment; and lower earnings. Experian classifies the least resilient LEP areas as Black Country, Sheffield City Region and Humber.

FIGURE 1.7: EXPERIAN'S RESILIENCE INDEX FOR LEP AREAS, 2012

Rank	HEADLINE RESILIENCE	BUSINESS	COMMUNITY	PEOPLE	PLACE
	Most resilient LEP areas				
1	Enterprise M3	Thames Valley Berkshire	Enterprise M3	Thames Valley Berkshire	North Eastern
2	Buckinghamshire Thames Valley	Enterprise M3	Cornwall and the Isles of Scilly	Buckinghamshire Thames Valley	York and North Yorkshire
3	Thames Valley Berkshire	Buckinghamshire Thames Valley	Buckinghamshire Thames Valley	Enterprise M3	Liverpool City Region
4	Hertfordshire	London	Gloucestershire	Hertfordshire	Cheshire and Warrington
5	Coast to Capital	Hertfordshire	York and North Yorkshire	Oxfordshire LEP	Buckinghamshire Thames Valley
6	Cheshire and Warrington	Coast to Capital	Hertfordshire	Coast to Capital	Hertfordshire
7	London	Cheshire and Warrington	Oxfordshire LEP	London	South East
8	Oxfordshire LEP	South East Midlands	Swindon and Wiltshire	Cheshire and Warrington	Enterprise M3
9	Gloucestershire	Oxfordshire LEP	Dorset	Gloucestershire	Greater Birmingham and Solihull
10	Swindon and Wiltshire	Swindon and Wiltshire	Gtr Cambridge & Gtr Peterborough	West of England	Coventry and Warwickshire
11	Gtr Cambridge & Gtr Peterborough	Solent	Heart of the South West	Gtr Cambridge & Gtr Peterborough	Greater Lincolnshire
12	South East Midlands	Gloucestershire	New Anglia	South East Midlands	Oxfordshire LEP
13	Dorset	Dorset	The Marches	Swindon and Wiltshire	Gtr Cambridge & Gtr Peterborough
14	West of England	West of England	Thames Valley Berkshire	Solent	Greater Manchester
15	Solent	Gtr Cambridge & Gtr Peterborough	Worcestershire	Worcestershire	Cumbria
16	South East	Greater Birmingham and Solihull	Solent	South East	Worcestershire
17	York and North Yorkshire	Northamptonshire	Cumbria	Dorset	The Marches
18	Worcestershire	South East	Coast to Capital	York and North Yorkshire	Humber
19	Coventry and Warwickshire	Coventry and Warwickshire	South East	Coventry and Warwickshire	Leeds City Region
20	Northamptonshire	Greater Manchester	West of England	Heart of the South West	Lancashire
	Least resilient LEP areas				
21	Heart of the South West	New Anglia	South East Midlands	Northamptonshire	Swindon and Wiltshire
22	New Anglia	Cumbria	Northamptonshire	Greater Lincolnshire	Stoke-on-Trent and Staffordshire
23	Cumbria	Heart of the South West	Greater Lincolnshire	Greater Manchester	Thames Valley Berkshire
24	Cornwall and the Isles of Scilly	Worcestershire	Cheshire and Warrington	New Anglia	Cornwall and the Isles of Scilly
25	The Marches	Cornwall and the Isles of Scilly	London	D2N2	Tees Valley
26	Greater Birmingham and Solihull	Leicester and Leicestershire	Stoke-on-Trent and Staffordshire	Leeds City Region	D2N2
27	Greater Manchester	York and North Yorkshire	Coventry and Warwickshire	Leicester and Leicestershire	Coast to Capital
28	Leicester and Leicestershire	The Marches	Leicester and Leicestershire	The Marches	Gloucestershire
29	Stoke-on-Trent and Staffordshire	Leeds City Region	D2N2	Cumbria	London
30	Greater Lincolnshire	Stoke-on-Trent and Staffordshire	Humber	Lancashire	Sheffield City Region
31	Leeds City Region	Tees Valley	Sheffield City Region	Stoke-on-Trent and Staffordshire	West of England
32	D2N2	D2N2	North Eastern	Greater Birmingham and Solihull	Dorset
33	North Eastern	Liverpool City Region	Leeds City Region	Humber	South East Midlands
34	Liverpool City Region	Lancashire	Lancashire	North Eastern	Heart of the South West
35	Lancashire	Greater Lincolnshire	Greater Manchester	Sheffield City Region	Black Country
36	Tees Valley	Sheffield City Region	Greater Birmingham and Solihull	Liverpool City Region	New Anglia
37	Humber	Humber	Black Country	Tees Valley	Leicester and Leicestershire
38	Sheffield City Region	Black Country	Tees Valley	Cornwall and the Isles of Scilly	Solent
39	Black Country	North Eastern	Liverpool City Region	Black Country	Northamptonshire

Source: Experian, http://publicsector.experian.co.uk/Products/Local%20Economic%20Resilience.aspx

Note: Experian's approach looks at resilience across four key themes: business, community, people, and place. Underneath each of the four themes sit a number of variables. 39 variables have been used in total to create the index. Each variable is available at local authority district level. As such, data can be sorted and analysed by variable allowing an understanding of which factors impact local economic resilience and how these compare across geographies.

Business: How strong is the local business base? Is it dependent on sectors that have been impacted by the challenging economic climate? Does it have a high number of firms proven to adapt to difficult economic conditions? Have many firms gone out of business? Are businesses dependent on only local markets, or do they export?

Community: How high is life expectancy? How many people claim benefits? Does the area suffer from deprivation? How many households are vulnerable to long-term unemployment? How many households are vulnerable to declines in disposable income? How cohesive is the community?

People: Is there a large working age population that can contribute to the economy? How many people have high skills levels? How many people work as managers and how many people work in elementary roles such as cleaners and refuse workers? How much do locals earn on average?

Place: What are GCSE attainment rates like? How affordable are houses? How high is the local crime rate? How much fraud is committed? What is the value of local office space? How high are the local carbon emissions? How many vacant shops are there?

LESSONS FROM HISTORICAL ECONOMIC PERFORMANCE

A number of LEP areas continue to deal with long-term economic restructuring. For LEP areas such as the Black Country, Tees Valley, Stoke and Staffordshire, Humber and Liverpool City Region, the impacts and challenges of industrial restructuring have been huge and continue to be of concern. It is important to acknowledge that achieving successful restructuring is a long-term goal if they are to improve their lower-than-average rates of economic growth, as indicated in **Figure 1.8** below.

For other LEP areas, the main challenges relate to maintaining and managing growth. LEP areas such as London and Thames Valley Berkshire have experienced remarkable levels of economic growth in the past 20 years and this continued into 2009. To maintain these impressive growth rates, these LEP areas must deal with challenges such as infrastructural capacity, skills provision, population growth and housing supply.

FIGURE 1.8: ANNUAL ECONOMIC GROWTH RATES 1998-2008 (BASED ON CURRENT PRICES)

LEP area	Annual Economic Growth Rate 1998-2008, per cent	LEP area	Annual Economic Growth Rate 1998-2008, per cent
Black Country	2.9	Lincolnshire	4.2
Buckinghamshire Thames Valley	4.1	Liverpool City Region	4.3
Cheshire and Warrington	3.9	London	6.2
Coast to Capital	5.1	New Anglia	4.8
Cornwall and the Isles of Scilly	6.4	North Eastern	4.5
Coventry and Warwickshire	4.0	Northamptonshire	4.9
Cumbria	4.0	Oxfordshire	5.1
D2N2	4.5	Sheffield City Region	4.7
Dorset	5.1	Solent	5.4
Enterprise M3	5.1	South East	5.2
Gloucestershire	4.3	South East Midlands	5.2
Greater Birmingham and Solihull	4.3	Stoke and Staffordshire	3.9
Greater Cambridge and Greater Peterborough	5.8	Swindon and Wiltshire	4.6
Greater Manchester	4.3	Tees Valley	3.7
Heart of the South West	5.4	Thames Valley Berkshire	5.3
Hertfordshire	4.7	The Marches	4.8
Humber	3.7	West of England	5.1
Lancashire	4.1	Worcestershire	4.5
Leeds City Region	4.3	York and North Yorkshire	4.3
Leicester and Leicestershire	4.8	England	5.4

Source: Office for National Statistics Nuts 2 and 3 GVA estimates. LEP areas are approximated to relevant Nuts 2 and Nuts 3 areas – see Appendix B for definitions. Please note: based on current prices. Annual growth rates are calculated as compound annual growth rates.

For many local economies, their future levels of economic prosperity are closely tied to their past performance. To change the economic profile and performance of a local area substantively is a long-term exercise. **Figures 1.8** and **1.9** compare how LEP areas compared on the value of economic output per head in 1998 and 2008. This period is chosen because it describes the long-term trends facing local areas before the onset of the recession in 2009. It clearly demonstrates that, for many local economies, future levels of economic prosperity are closely tied to past performance. Those LEP areas with the highest levels of economic output per head in 1998, such as London, Thames Valley Berkshire and Hertfordshire, continued to perform strongly in 2008.

Conversely, the LEP areas with the lowest levels of economic output per head in 1998, such as Cornwall and the Isles of Scilly, Liverpool City Region and Sheffield City Region, continued to display the lowest levels in 2008. **Figure 1.9** on page 18 shows how LEP areas improved or worsened over the decade. **The most significant movements in performance can be summarised as:**

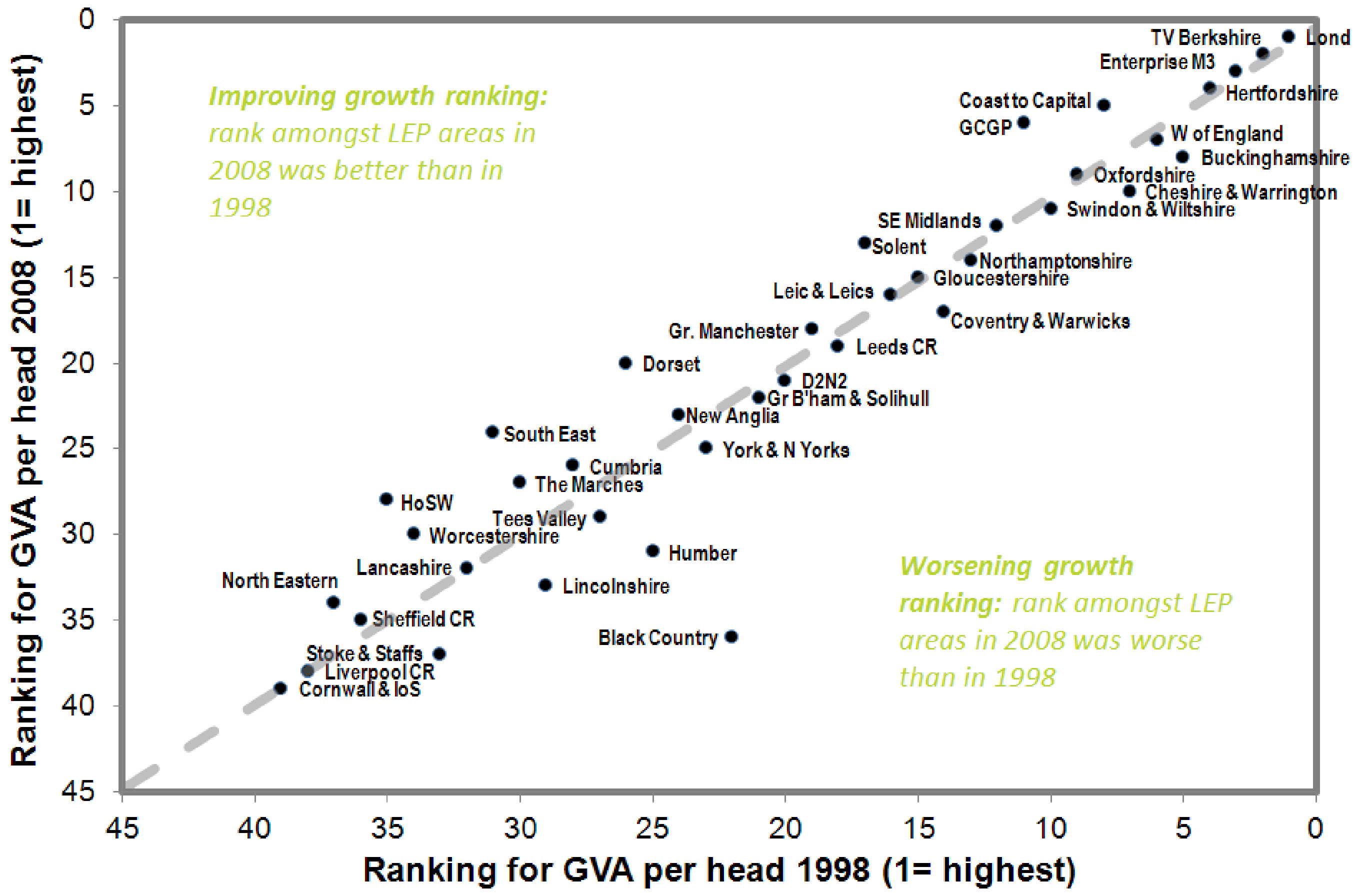
Significant improvement: Heart of the South West (from 34th in 1998 to 27th in 2008)**;** Dorset (from 25th in 1998 to 19th in 2008); South East (from 29th in 1998 to 23rd in 2008); Greater Cambridge and Greater Peterborough (from 10th in 1998 to 6th in 2008.

Slight improvement: North Eastern (from 36th in 1998 to 33rd in 2008); Solent (from 16th in 1998 to 12th in 2008).

Significantly worsening: Black Country (from 21st in 1998 to 35th in 2008); Humber (from 24th in 1998 to 30th in 2008).

Slightly worsening: Lincolnshire (from 28th in 1998 to 32nd in 2008); Stoke-on-Trent and Staffordshire (from 32nd in 1998 to 36h in 2008).

FIGURE 1.9: COMPARING LEP AREA RANKINGS FOR ECONOMIC OUTPUT PER HEAD IN 1998 AND 2008



Source: Office for National Statistics Nuts 2 and 3 GVA estimates. LEP areas are approximated to relevant Nuts 2 and Nuts 3 areas – see Appendix B for definitions. Please note: based on current prices.

POPULATION TRENDS ARE SIMILAR TO ECONOMIC GROWTH TRENDS

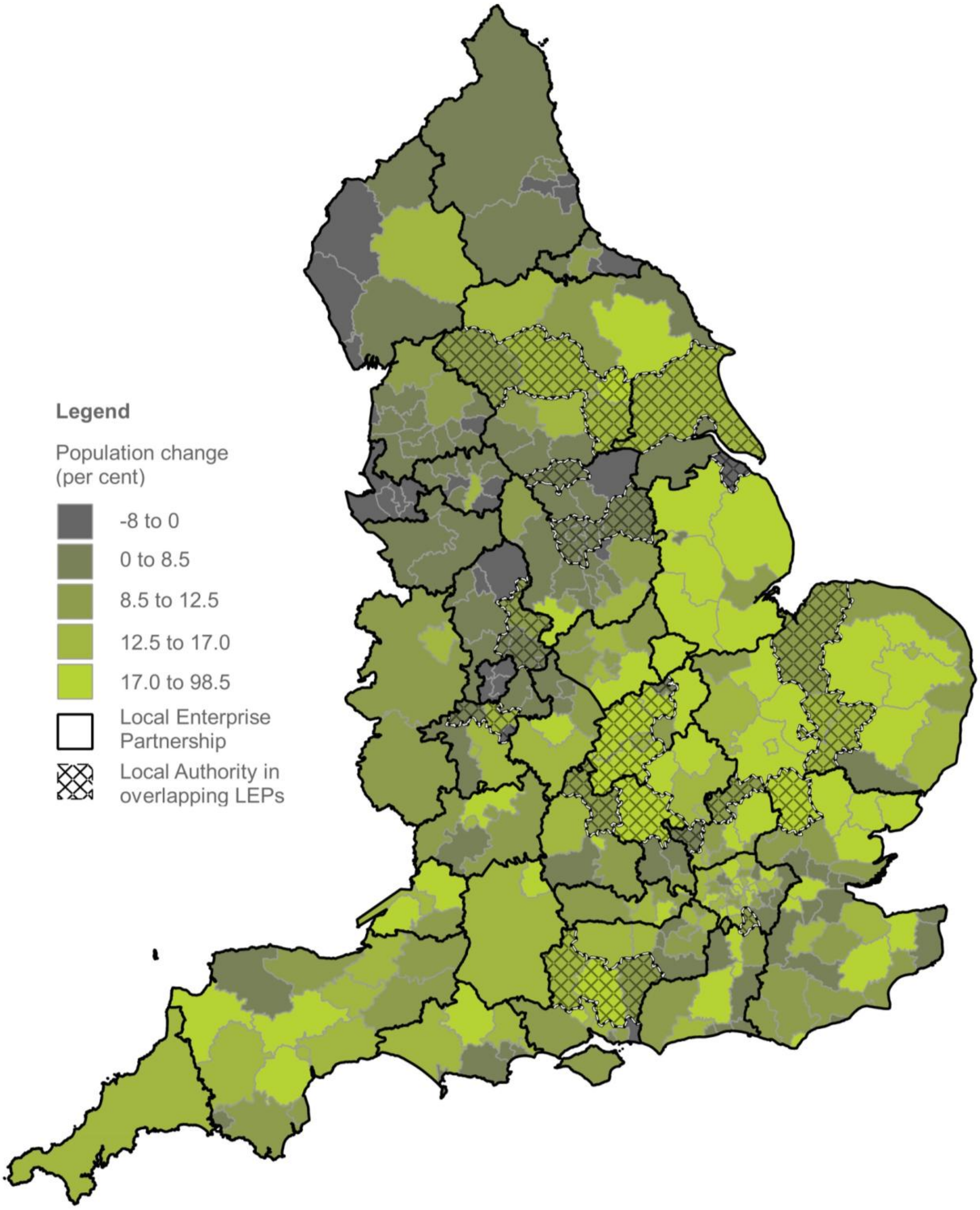
High rates of population growth will continue in England. Population growth rates peaked during the last decade and the nation's population is set to increase further according to official estimates – from 62 million in 2010 to 74 million in 2033. Net migration has contributed significantly to past increases and will continue to do so. It is projected to account for two-thirds of the population increase to 2033.

For local economies and LEP areas this means that there is likely to be a healthy labour supply for businesses. This may also mean that, in order to reduce the potential problems of long-term unemployment, current residents will need to be equipped to compete with migrants for jobs. For many LEP areas, large population increases will add pressure to existing infrastructure and housing.

The LEP areas with the fastest-growing population, as detailed in **Figure 1.10**, include Northamptonshire and South East Midlands – recording the highest rate of population growth over the 20 years from 1990 to 2010, adding 107,600 and 288,000 to their populations over this timescale respectively. London experienced the highest total population change, experiencing a population increase of 1.03 million between 1990 and 2010. The South East and Leeds City Region areas also had large changes in total population, growing by 412,400 and 266,400 respectively.

The LEP areas with the slowest-growing populations tend to be those with historically lower than average rates of economic performance, such as Liverpool City Region and the Black Country. Liverpool City Region recorded the slowest rate of population growth between 1990 and 2000, experiencing a total contraction of 5.9 per cent and a total decline of 92,400 residents. However, between 2000 and 2010, Liverpool City Region's population levels stabilised. A number of LEP areas reversed the population decline they experienced during the 1990s, including the Black Country, North Eastern and Sheffield City Region.

FIGURE 1.10: POPULATION CHANGE IN ENGLAND'S LOCAL AUTHORITIES 1990-2010



Source: ONS Mid-year population estimates

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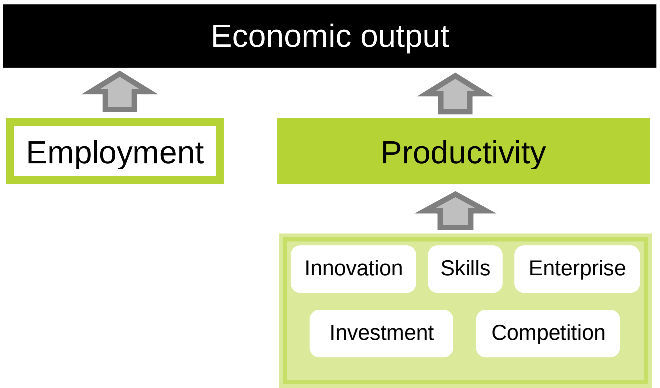
THE FACTORS INFLUENCING LONG-TERM ECONOMIC GROWTH AND PERFORMANCE

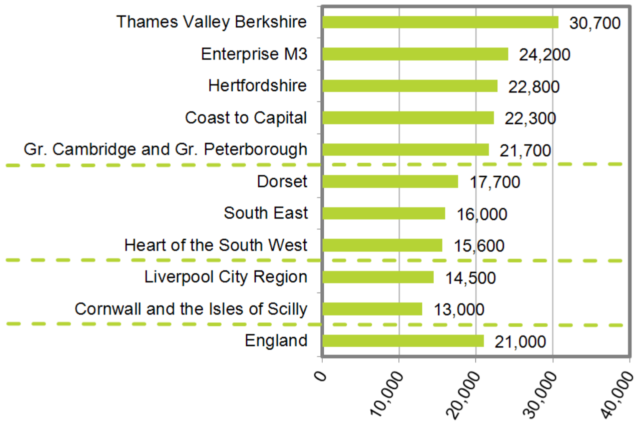
Underneath the broad performance trends outlined so far, a number of key factors have driven performance in those local areas experiencing the highest rates of economic growth and performance. There is compelling evidence that the drivers of economic performance outlined by HM Treasury in **Figure 1.11** relate strongly to individual LEP area performance. From the analysis outlined in the rest of this section, it becomes clear that the highest-performing and significantly improving LEP areas have growing workforces; high levels of employment; a more skilled workforce and employment; higher levels of innovation, knowledge and technology-based employment; and are entrepreneurial. These factors have helped the most successful local economies to facilitate and maintain high performance and high levels of employment.

FIGURE 1.11: ECONOMIC PERFORMANCE IS PRIMARILY INFLUENCED BY LEVELS OF EMPLOYMENT AND PRODUCTIVITY



Source: Adapted from HM Treasury

FIGURE 1.12: ECONOMIC OUTPUT PER CAPITA (RESIDENTS), 2009



To demonstrate the importance of these factors and drivers, 10 LEP area economies are examined according to the HM Treasury economic performance criteria in the rest of this section, chosen for their particular long-term economic performance, as either high-performing, significantly-improving or low-growth local economies. The most recent economic performance of these 10 LEP areas in terms of economic output per capita is outlined in **Figure 1.12**.

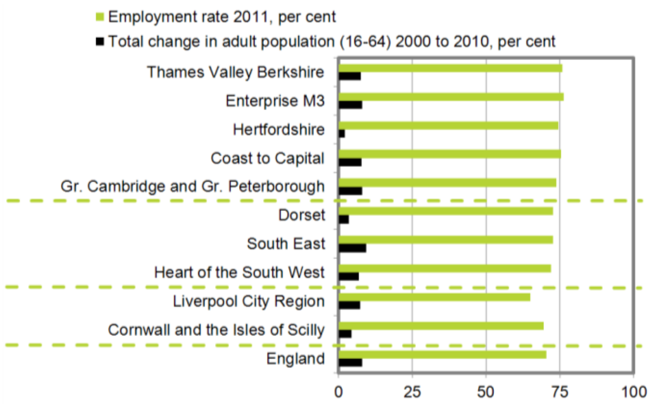
High-performing LEP areas with consistently high economic output per capita and strong historic growth rates include Thames Valley Berkshire (ranking 2nd in both 1998 and 2008), Enterprise M3 (3rd in 1998 and 2008, Hertfordshire (4th in 1998 and 2008) Coast to Capital (8th in 1998 and 5th in 2008), and Greater Cambridge and Greater Peterborough (11th in 1998 and 6th in 2008).

Significantly improving LEP areas for economic output per capita include Heart of the South West (35th in 1998 to 28th in 2008), Dorset (26th in 1998 to 20th in 2008), and South East (29th in 1998 to 23rd in 2008).

Lower growth LEP areas with relatively lower economic output per capita over the past decade include Cornwall and the Isles of Scilly (39th for economic output per capita in 1998 and 2008) and Liverpool City Region (38th in 1998 and 2008).

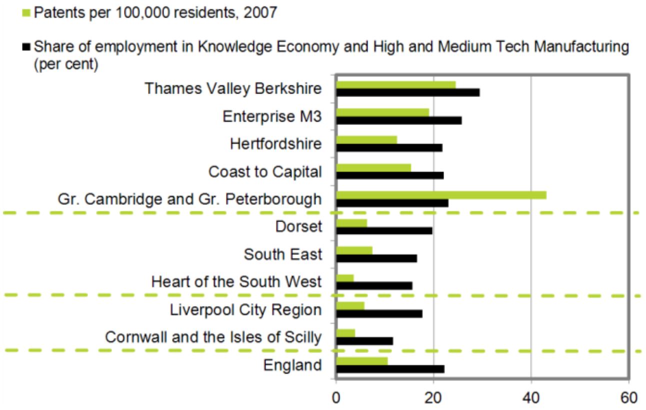
High-performing local economies generate significant employment opportunities and higher levels of labour demand. This is evident from evidence about LEP areas in **Figure 1.13**, where the many of the higher performing LEP areas employ a greater proportion of their adult population and also have experienced high population growth rates. The low-growth LEP areas have a lower utilisation of adult labour, with lower employment rates.

FIGURE 1.13: EMPLOYMENT AND LABOUR



Source: Business Register Employment Survey, Office for National Statistics. Note: refers to resident employees and adults.

FIGURE 1.14: INNOVATION

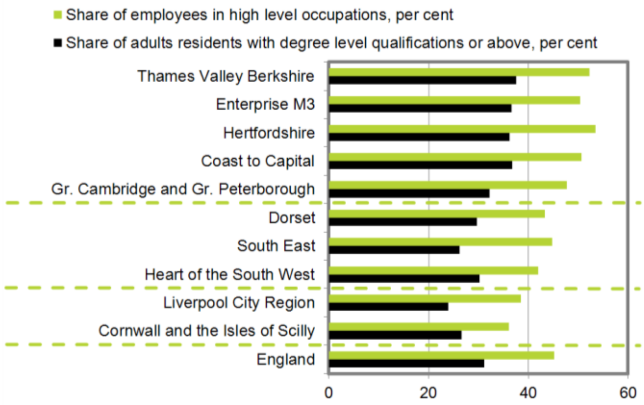


Source: OECD Patents Database; Mid-Year Population Estimates and Business Register Employment Survey, Office for National Statistics.

There is a strong link between economic performance and the extent of local innovation activity and potential. **Figure 1.14** demonstrates that all of the high-growth LEP areas are notable by their higher levels of patenting and higher shares of employment in the knowledge economy and in high and medium technology manufacturing. The significant improvers and the low-growth LEP areas, by contrast, have lower rates of patenting and knowledge and technology employment. This illustrates the role of innovation in driving up productivity, as well as creating new entrepreneurial and market opportunities.

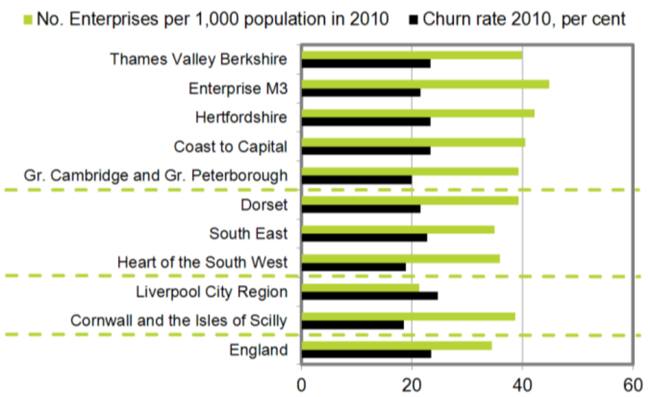
High-performing local economies have a significant number of high-skilled residents and a highly qualified workforce, as demonstrated in **Figure 1.15**. The high-growth LEP areas not only have a greater share of employees in highly-skilled jobs, but they also have highly educated workforces. The significantly improving LEP areas have skills and qualification levels that are approaching those found in high performing LEP areas. By contrast, the low-growth LEP areas have lower levels of highly-skilled employment and a slightly lower share of adults holding degree-level qualifications or higher. This also demonstrates that the high qualification attainment of the local workforce does not automatically lead to high- skilled jobs. High-skilled jobs are dependent on employer demand and on the types of business activities present in the particular local economy.

FIGURE 1.15: SKILLS



Source: Annual Population Survey, Office for National Statistics. Note: refers to resident employees and adults. Note: refers to resident employees and adults

FIGURE 1.16: ENTERPRISE AND COMPETITION



Source: Inter Departmental Business Register, Mid-Year Population Estimates and Business Demography, 2010, Office for National Statistics.

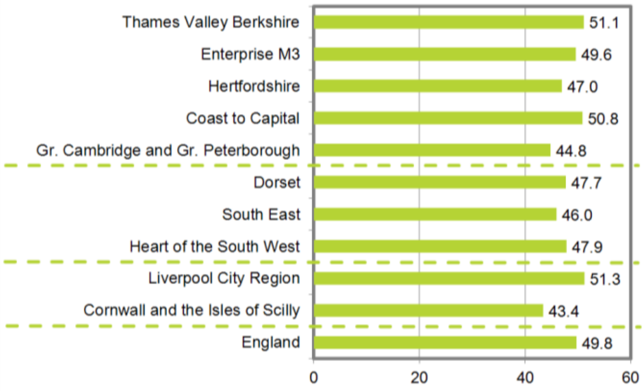
The highest-performing LEP areas tend to have strong rates of entrepreneurship and business start-ups and closures as **Figure 1.16** demonstrates**.** High-growth LEP areas are more entrepreneurial – with a high number of enterprises per capita. Liverpool City Region has a notably lower presence of enterprises per capita, although Cornwall and the Isles of Scilly does not have such a low presence. This is because rural areas tend to have a larger presence of small businesses and much fewer large employers compared to urban areas. In terms of competition, the 'churn rate' (a measure of enterprise start up and closure) indicates that the high-growth LEP areas have high rates of competition. However, it must be remembered that the opportunities and potential rewards from enterprising behaviour in LEP areas are likely to be greater and thus act as an incentive to encourage entrepreneurship.

Much of the use of skills, innovation and knowledge in an economy can be explained by industrial structure and types of business activities undertaken. The evidence presented in **Figure 1.17** suggests that the difference between LEP areas is small in terms of shares of employment in industries demonstrating the highest national growth. However, the evidence previously discussed concerning skills, qualifications and labour utilisation rates suggests that there may be many aspects of high-growth LEP areas that enjoy higher productivity than low-growth LEP areas.

Some fairly clear conclusions can be made about factors for performance and growth and the comparative performance of LEP areas. The highest-performing and significantly improving LEP areas have growing workforces; high levels of employment; a more skilled workforce and employment; higher levels of innovation, knowledge and technology-based employment; and are entrepreneurial. These factors have helped the most successful local economies to facilitate and maintain high performance and high levels of employment.

FIGURE 1.17: EMPLOYMENT IN GROWTH INDUSTRIES

Share of employment in highest growth sectors (accounting for 80 per cent of total national output growth (producer prices) 1990 – 2009, per cent



Source: Input-Output Tables and Business Register Employment Survey, Office for National Statistics. See Appendix B for further details.

However, it is not so straightforward for local economies to simply deliver these factors and expect growth to follow. For example, it may be tempting to invest heavily in expanding degree-level qualification attainment amongst the local population. However, if there is insufficient demand for labour and too few opportunities for newly qualified graduates, it is unlikely that many of them will set up businesses and more likely that many will seek work outside of the locality.

Productivity, skills, innovation, enterprise and competition are embedded in local economies to a significant degree. These factors are strongly related to the nature of economic activity in a local economy and the types of industries, firms and institutions in the area. Local economies need to foster demand for these factors as well as supply.

This implies that economic restructuring is a long-term agenda and that those LEP areas with ambitions to improve their economic performance significantly will need to consider long timeframes.

THE POTENTIAL IMPACT OF PUBLIC EXPENDITURE CUTS

During the next five years, LEP areas that are more dependent on the public-sector for employment are at risk, as public expenditure cuts and public-sector wage restraints are now expected to last for the medium term. Some of the private-sector jobs that rely on public-sector contracts are also at risk.

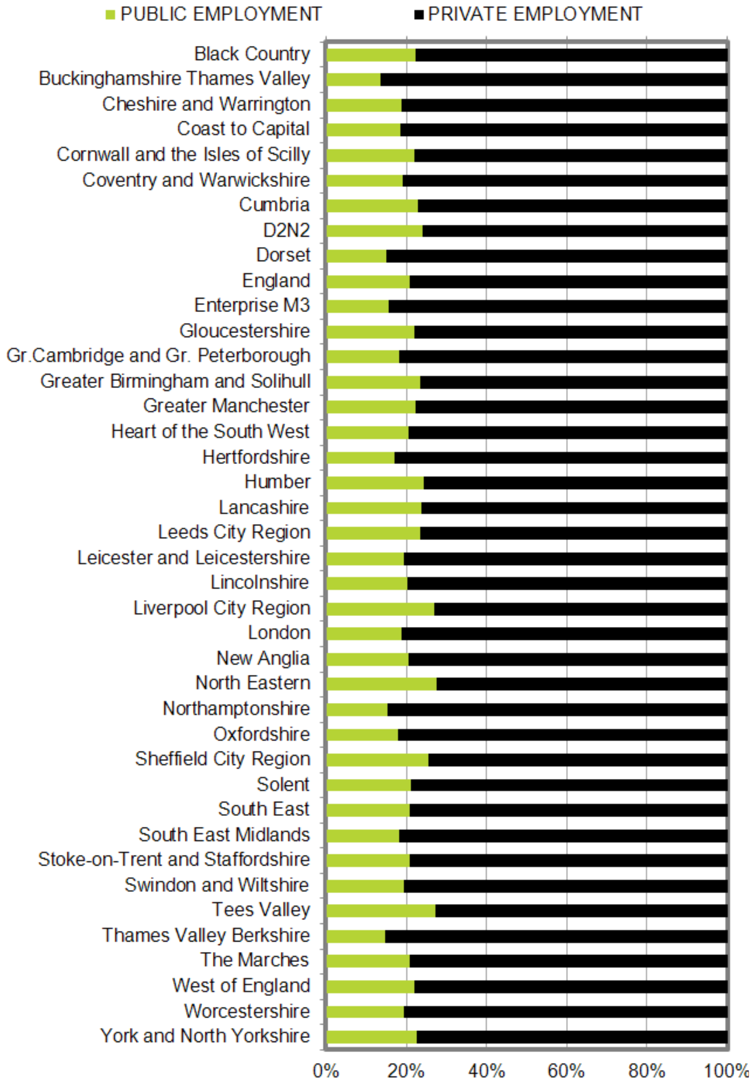
Dependence on public-sector employment appears to be a characteristic of some of the local economies in the North of England as is apparent from **Figure 1.18**. In 2010, the public-sector accounted for 27.6 per cent of total employment in the North Eastern LEP area. It accounted for 23.6 per cent of total employment in Leeds City Region - representing 305,000 employees.

Local economies in the Greater South East[2], by contrast, appear to be at lower risk from public expenditure cuts. In Buckinghamshire Thames Valley the public-sector accounts for only 13.6 per cent of total employment. However, the data relate to employers based in each local area, and does not account for workers who commute to public-sector jobs elsewhere, such as in London.

Public-sector employment is incredibly diverse and covers activities such as local authorities; higher education and research institutions; national administrative centres such as the Department for Work and Pensions offices in the North Eastern LEP area; and the Met Office headquarters in The Heart of the South West LEP area.

What the analysis does suggest is that private-sector job creation is even more necessary in LEP areas that are more reliant on public-sector employment. There is little substantive evidence to suggest that the public sector crowds out private-sector activities in the UK or in individual LEP areas. Nor does evidence indicate that public-sector employment is not necessary in these areas. It is worth remembering that the decision to locate national public services and employment in local economies in the North of England might have been sensible from the point of view of reduced costs and access to the workforce required. Nonetheless, the current public expenditure environment represents real risks to those local areas more dependent on public-sector employment.

FIGURE 1.18: SHARE OF PRIVATE AND PUBLIC EMPLOYMENT IN LEP AREAS, 2010



Source: Business Register and Employment Survey analysis, Office for National Statistics

PUBLIC-SECTOR EMPLOYMENT

Public-sector employment as defined here encompasses employment in central government (including HM Forces, courts and the NHS), local government (including police forces, schools) and public corporations (including Royal Mail, London Underground Ltd, Royal Bank of Scotland and Lloyds Banking Group). Public-sector employment does not include university employees or employees of private-sector companies providing contracted out services to the public sector.

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2 The Greater South East is shorthand for combining the standard statistical regions of the East of England, South East of England and London.

1.4 THE NEED TO CREATE LOCAL JOBS AND PROSPERITY

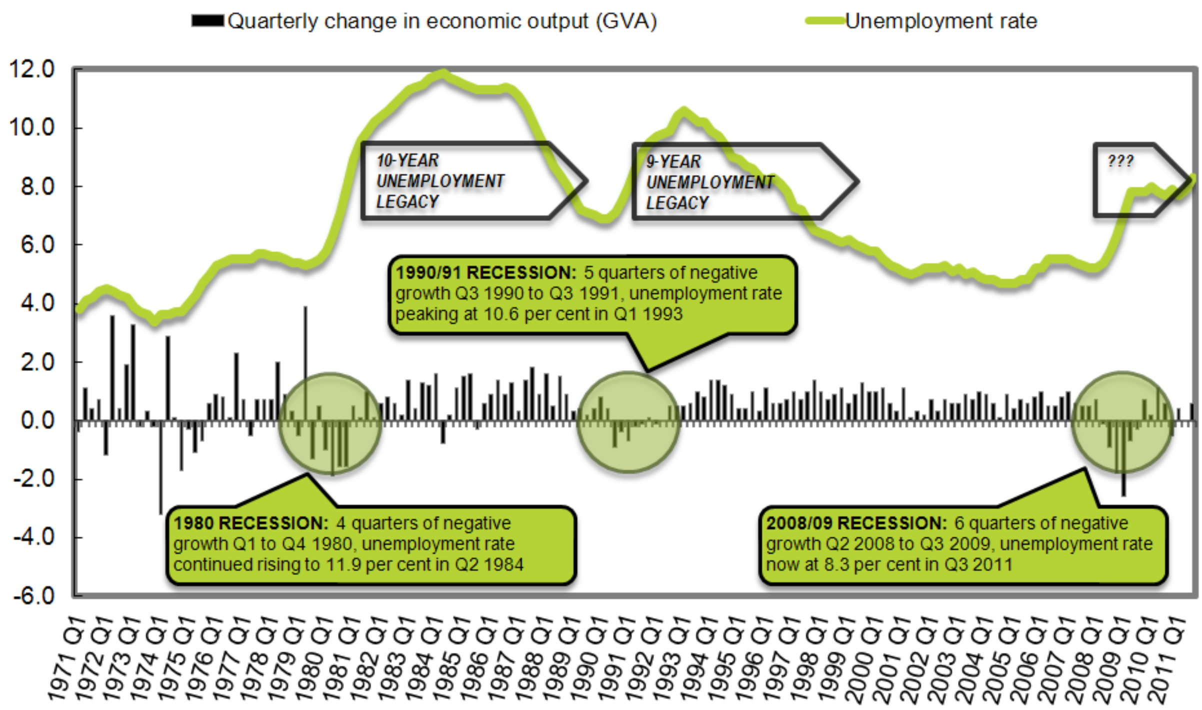
THE UK MUST GENERATE 1.7 MILLION NEW PRIVATE-SECTOR JOBS

The UK must generate 1.7 million new private-sector jobs to offset job losses from the recession and from public expenditure cuts. 792,000 jobs have been lost in the UK since workforce jobs peaked in June 2008. In June 2008, there were 32,063,000 jobs in the economy but by September 2011 this had decreased to 31,271,000. Further UK job losses are predicted from reductions in public spending. Official projections from the Office for Budget Responsibility[3] in November 2011 predicted that 710,000 public-sector jobs would be lost between 2011 and 2016.

The most enduring legacy of the recession will be changes in the labour market. If the repercussions of previous recessions are examined, as set out in **Figure 1.19**, it becomes clear that high levels of unemployment persist for up to 10 years after recessions officially end. Employers are reluctant to start hiring new workers again until they are confident that the economy has stabilised and has begun to grow.

The 2008/09 recession was a serious downturn in the economy – and the labour market impacts are therefore likely to be significant and long-lasting. Evidence from previous recessions tells us that some individuals made redundant will find it difficult to re-enter work without assistance. Some of the young people who cannot currently find work are at risk of long-term unemployment and becoming disaffected from the labour market.

FIGURE 1.19: THE UNEMPLOYMENT LEGACY OF THE PREVIOUS THREE RECESSIONS



Source: Office for National Statistics quarterly GVA estimates and official unemployment rate.

[3] Office for Budget Responsibility (2011) *Economic and Fiscal Outlook, November 2011*, HMSO, London.

HIGH UNEMPLOYMENT IS ONE OF THE BIGGEST CHALLENGES FACING LEP AREAS

The recession and slow economic recovery have taken their toll on unemployment rates. Figure 1.20 reveals that almost all LEP areas experienced a doubling of their claimant unemployment[4] rates by the end of the recession. Of course, unemployment benefit claimants represent a partial share of total unemployment. That is why the official measure of unemployment is made on the basis of those out of a job who want one, are actively seeking work and able to start work – regardless of whether they claim benefits or not (see the explanatory box opposite for a detailed explanation).

UNEMPLOYMENT – A DEFINITION

Unemployment, as officially classified in the UK and consistent with the internationally-agreed International Labour Organisation, is where anyone aged 16 years and over is without a job, wants a job, has actively sought work in the last four weeks and is available to start work in the next two weeks, or is out of work, has found a job and is waiting to start it in the next two weeks. The unemployment rate is the share of economically-active adults (those in work or actively seeking work) that are unemployed.

Claimant unemployed refers to individuals claiming Job Seeker's Allowance – the unemployment benefit. These benefits are paid to those who are registered as unemployed at a Job Centre and are actively seeking work. Claimants must be capable of work; available for work; actively seeking work; under statutory retirement age; and not working, or working on average less than 16 hours a week. Not everyone who is unemployed claims these benefits.

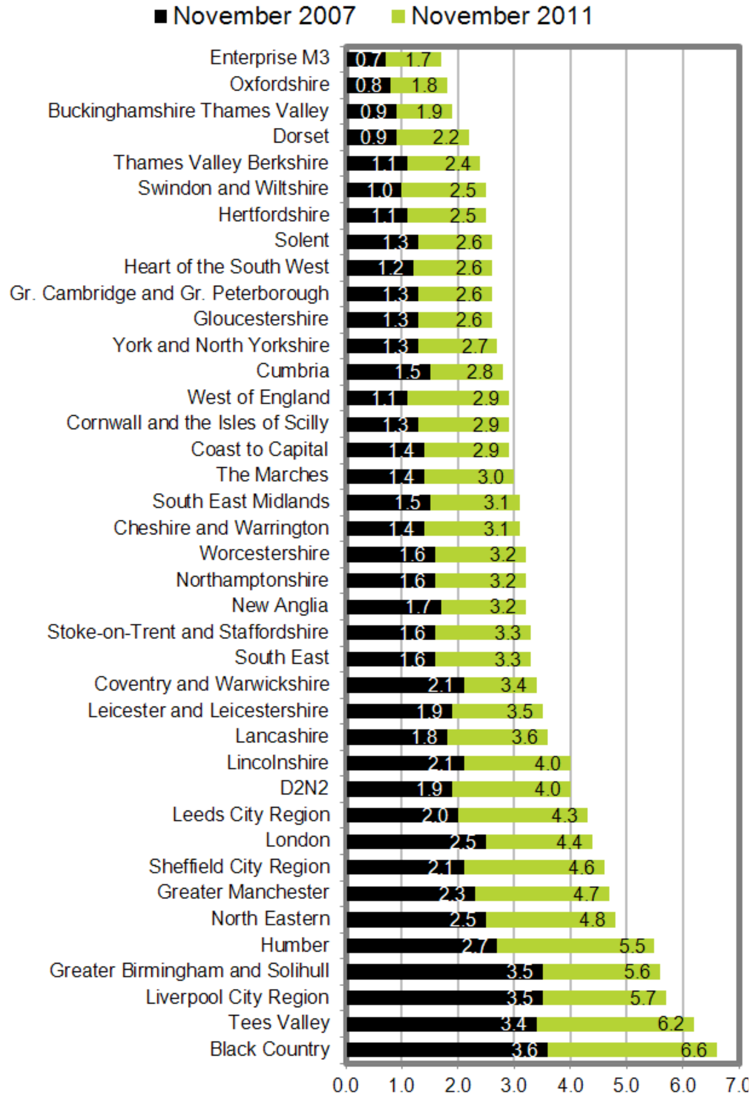
Official unemployment rates differ significantly in England and amongst LEP areas (**Figure 1.21**), with the lowest rate of 4.0 per cent in Enterprise M3 and the highest of 11.3 per cent in both the Black Country and Tees Valley.

With the exception of London, the highest rates of unemployment are found in LEP areas in the North of England and the West Midlands – the Black Country, Tees Valley, Greater Birmingham and Solihull, Liverpool City Region and North Eastern. These LEP areas have also experienced the greatest increase in unemployment over recent years – with Tees Valley experiencing an increase in the unemployment rate from 6.1 per cent in 2004 to 11.3 per cent in 2010.

London has had high and persistent unemployment rates for the past decade. At 7.0 per cent London had the highest unemployment rate of any LEP area in 2004. By 2010, the unemployment rate increased to 8.6 per cent. Official unemployment now totals 359,000 in London.

Youth unemployment is of particular concern in some LEP areas, representing between 25 and 35 per cent of all unemployment-related (JSA) benefit claimants. In particular, youth unemployment is prevalent in Greater Manchester, Leeds City Region, South East, Greater Birmingham and Solihull, North Eastern, D2N2, Liverpool City Region and Sheffield City Region – as detailed in **Figure 1.22** on page 27.

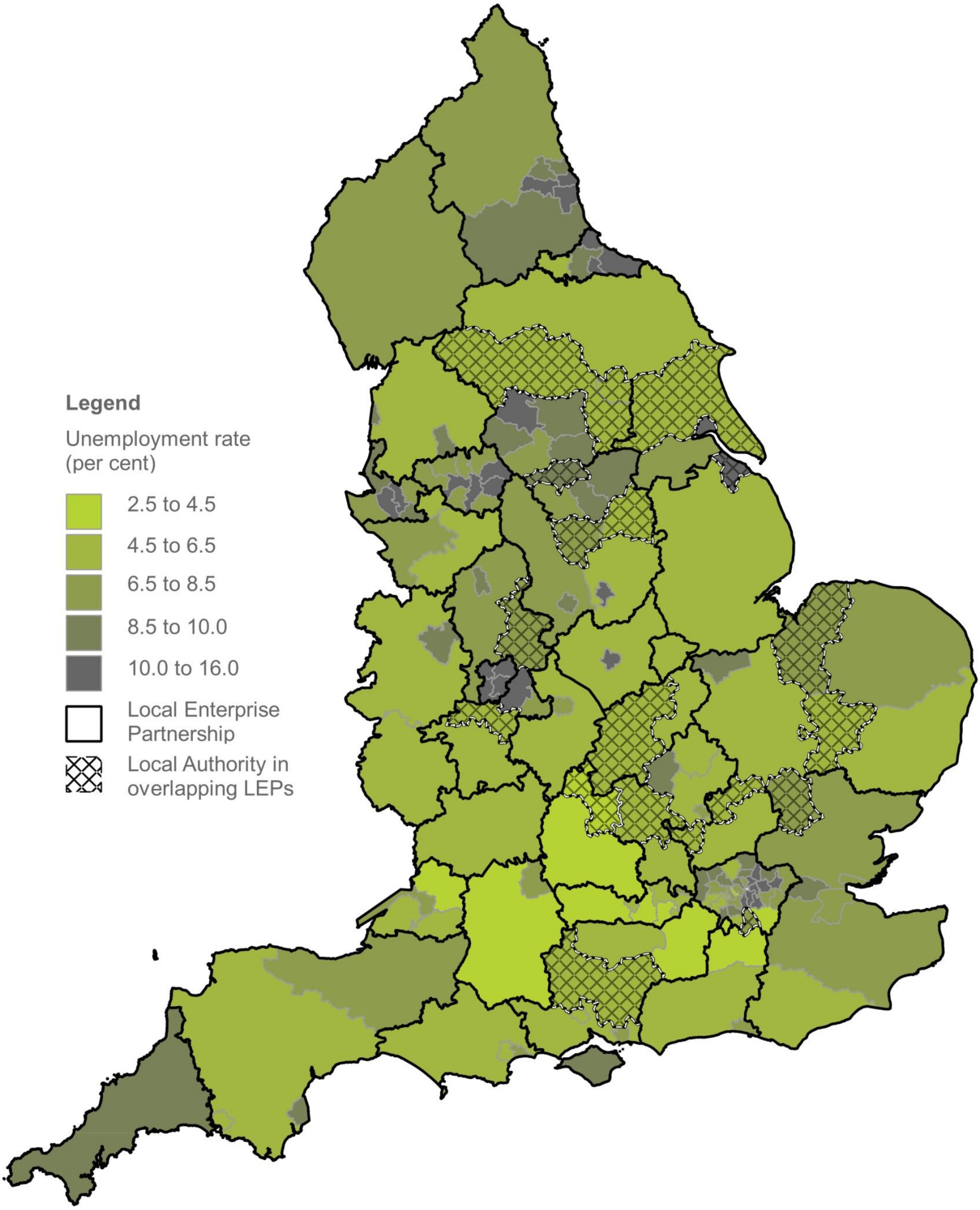
FIGURE 1.20 CLAIMANT UNEMPLOYMENT RATES IN NOVEMBER 2007 (PRE-RECESSION) AND NOVEMBER 2011



Source: Claimant Count, Office for National Statistics.

4 Refers to claimants of Job Seeker's Allowance.

FIGURE 1.21 OFFICIAL UNEMPLOYMENT RATES IN COUNTY AND UNITARY AREAS, APRIL 2010 - MARCH 2011



Source: APS, ONS

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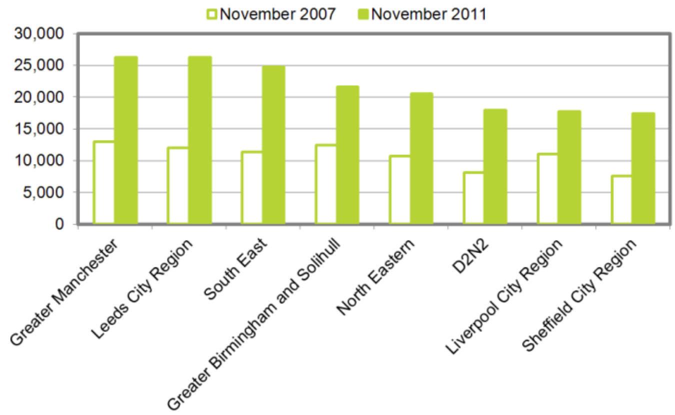
Other LEP areas have experienced significant increases in youth unemployment: including Swindon and Wiltshire (192 per cent increase between 2007 and 2011), West of England (183 per cent increase) and Enterprise M3 (157 per cent increase). For these local areas, although the totals are much lower than many other LEP areas, youth unemployment is a new and growing challenge.

All LEP areas have experienced an increase in long-term unemployment. In several LEP areas, long-term unemployment more than doubled during the recession and remains high today. For example, in the South East LEP area, the number of long-term (claiming for 12 months or longer) unemployment-related benefit claimants more than doubled from 5,790 in November 2007 to 14,465 in November 2011.

FIGURE 1.22: LEP AREAS WITH THE HIGHEST TOTAL YOUTH UNEMPLOYED (CLAIMANTS AGED 18-24)



Source: Claimant Count, Office for National Statistics.

LEP areas vary in their ability to provide job opportunities for the unemployed. Evidence (**Figure 1.23**) shows a significant variation in levels of Jobcentre Plus vacancies per unemployment benefit claimants. For example, Oxfordshire has 1.4 claimants per unfilled vacancy, suggesting a tighter labour market. This contrasts with the much looser labour market of the Tees Valley area, with 10 claimants per unfilled vacancy.

A low number of unfilled vacancies per claimant indicates that the labour market may be working well to match people to jobs, and that the local economy is creating a good number of jobs. A labour market can become ‘tight’ when recruiters find it difficult to recruit staff and there is a lot of competition for labour. Conversely, a high number of unfilled vacancies per claimant shows that the labour market may not be working so well – that claimant skills and competencies do not match employers requirements, or that the local economy is not creating sufficient job opportunities for the local workforce. A labour market can become ‘loose’ when there is an excess of unemployed workers seeking employment, but a low number of job opportunities.

Significantly, structural unemployment may occur in local economies where the types of jobs on offer do not match the skills base of the workforce. This may occur due to a legacy of deindustrialisation or a shift to new industries that requires different types of skills and competencies.

FIGURE 1.23: TIGHT AND LOOSE LABOUR MARKETS AMONGST LEP AREAS, NOVEMBER 2011

LEP AREA	Unfilled vacancies	Claimants	No. claimants per unfilled vacancy
Tight labour markets: top five LEP areas for lowest number of unemployment benefit claimants per vacancy			
1 Oxfordshire	5,334	7,612	1.4
2 Northamptonshire	7,293	14,278	2.0
3 Enterprise M3	8,591	17,468	2.0
4 Cheshire and Warrington	7,658	17,458	2.3
5 Swindon and Wiltshire	4,476	10,636	2.4
Loose labour markets: five LEP areas with the highest number of unemployment benefit claimants per vacancy			
34 Black Country	6,914	45,450	6.6
35 North Eastern	8,986	61,177	6.8
36 Liverpool City Region	7,912	54,302	6.9
37 Humber	3,563	32,716	9.2
38 Tees Valley	2,656	26,649	10.0
England	281,432	1,285,145	4.6

Sources: Jobcentre Plus Vacancies and Claimant Count, Office for National Statistics.

2: THE GLOBAL OPPORTUNITY

HIGHLIGHTS

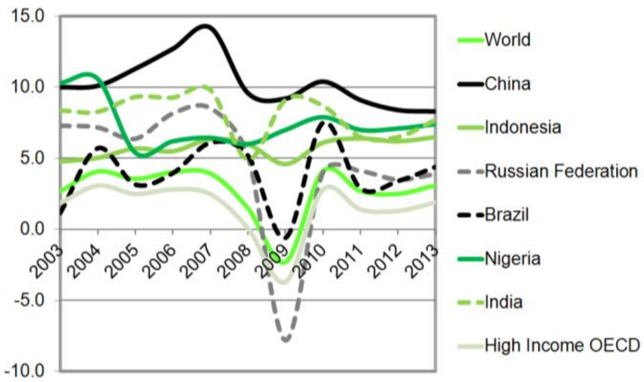
- The world economy is predicted to continue to grow and there are significant opportunities for LEP areas
- Growth will be strongest in the fast expanding, developing nations, such as China and India
- The UK is under-represented in these growth markets – a challenge for LEP areas is to increase their trade there
- The UK remains a prime destination for foreign direct investment and for many LEP areas inward investment attraction remains a suitable option
- Many firms within LEP areas are active in the global economy, with between 10 and 20 per cent of total employment in activities that are strongly oriented towards exporting
- Concepts, ideas and networks are areas where LEP areas are well-placed to compete internationally, as they cannot compete on costs alone

2.1 THE GLOBAL OPPORTUNITY

CONTINUED GROWTH IN GLOBAL AND EMERGING ECONOMIES

The global economy is expected to continue growing and is projected to remain strong from 2011 to 2013. After expanding 4.1 per cent in 2010, global economic output (or GDP) is expected to have slowed to 2.7 per cent in 2011 and 2.5 per cent in 2012, with projected growth of 3.1 per cent in 2013[5]. **Figure 2.1** illustrates some of these growth trends and the particularly strong growth prospects for Brazil, India, China and Indonesia.

FIGURE 2.1: ECONOMIC GROWTH – ACTUAL AND FORECAST IN SELECTED WORLD REGIONS AND NATIONS



Source: Global Development Indicators 2012, Global Economic Prospects, January 2012, World Bank.

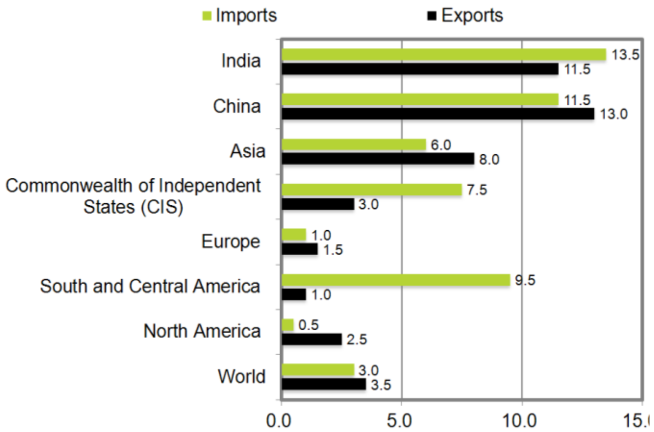
Growth will be strongest in fast-growth developing nations that represent billions of consumers. China, with its population of 1.34 billion, is forecast to continue growing 8 to 10 per cent per year over the next three years. India, with its population of 1.17 billion, is also projected to grow at similar rates.

Other developing nations also demonstrate significant potential over the next three years, such as Nigeria (population of 158 million, economic growth at 7 per cent per annum), Indonesia (population of 240 million, growth at 6 per cent per annum) and Brazil (population of 195 million, growth at 4 per cent per annum).

DEVELOPING COUNTRIES HAVE A HIGH AND GROWING DEMAND FOR GOODS AND SERVICES FROM ADVANCED ECONOMIES

World markets and trade are opening at a faster rate than the world economy is growing. World trade grew at a faster growth rate (730 per cent) than world economic output (417 per cent) over the last three decades[6].

FIGURE 2.2: THE GROWTH IN IMPORTS AND EXPORTS 2005-2010



Source: World Trade Organisation, International Trade Statistics

World trade is increasing and markets are becoming increasingly open. According to the World Trade Organisation, world merchandise trade grew by 4.3 per cent in the decade from 2000 to 2010. In 2010, world merchandise exports increased by 14 per cent compared with the previous year. Evidence from the World Bank suggests that global trade has recovered since the economic crisis, expanding at a moderate to strong pace across most economies.

Demand from developing countries was responsible for more than 50 per cent of the increase in global import volumes since Q3 2010. Strong developing-country import expenditures partly reflect robust domestic demand growth in these economies.

Global retail sales have posted positive growth rates for the past 20 months of between 7 and 10 per cent. Retail sales growth in developing countries has been double that of high-income countries.

High-income countries have been the main beneficiaries of the expanding demand for internationally tradeable goods and services. High-income country exports were strongly expanding at 15 per cent per year in the first quarter of 2011.

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[5] Word Bank (2012), *Global Economic Prospects. Uncertainties and Vulnerabilities, Volume 4, January 2012*, World Bank, Washington DC.
[6] Department for Business Innovation and Skills (2010), *Economics Paper No.8.*

2.2 FINDING LOCAL ADVANTAGE IN THE GLOBAL ECONOMY

HOW TRADEABLE IS THE LOCAL ECONOMY?

Given that most of the economic opportunities of the future will be overseas, especially in developing countries, exporting is a crucial activity for LEP areas. It is therefore useful to examine how LEP areas currently compete internationally by benchmarking their levels of internationalisation and exporting activity.

The share of export-intensive employment ranges from relatively high to relatively low across the LEP areas, as indicated in the map in **Figure 2.4** over on page 31. For example, at 20.4 per cent, Gloucestershire has the highest share of employment in export-intensive industries, and Cumbria is not far behind, with 20.0 per cent.

The Black Country has 19.5 per cent of employment in export-intensive industries. Employment in the manufacture of fabricated metal products comprises 28 per cent of all employment in export-intensive industries in this area.

HOW INTERNATIONALISED ARE THE LEP AREAS?

A number of LEP areas have a high proportion of jobs in foreign-owned enterprises. Coventry and Warwickshire has 27.8 per cent of total employment in foreign-owned enterprises and a low share of enterprises in foreign ownership as indicated in **Figure 2.3**. A large number of employees are based within a relatively small number of foreign-owned enterprises. Thames Valley Berkshire, Enterprise M3, Leeds City Region and South East Midlands have close ties to the global economy with between 20 and 25 per cent of total employment within foreign-owned enterprises.

LEP areas that are predominantly rural show much lower levels of employment in foreign-owned enterprises, indicating a much smaller presence of multinational firms. In Dorset, the Heart of the South West and Cornwall and the Isles of Scilly, foreign-owned enterprises account for between 2.5 and 3.0 per cent of total employment.

Foreign-owned enterprises can be formed either by new investments, or by buying out existing indigenously owned enterprises. If inward investment is high, then this says a lot about the attractiveness of the location. Conversely, if buy-outs are high, the emphasis is more on the attractiveness of the business rather than the location.

FIGURE 2.3: SHARE OF LOCAL ENTERPRISES, EMPLOYMENT AND TURNOVER IN FOREIGN-OWNED ENTERPRISES

	LEP Area	Enterprises (per cent)	Jobs (per cent)	Turnover (per cent)
The 10 LEP areas with the highest share of total employee jobs in foreign-owned enterprises				
1	Coventry and Warwickshire	1.3	27.8	56.2
2	Thames Valley Berkshire	2.7	25.4	44.2
3	Enterprise M3	1.7	24.0	46.5
4	Leeds City Region	0.9	21.1	30.4
5	South East Midlands	1.5	20.2	33.9
6	Buckinghamshire Th. Valley	1.4	20.0	35.3
7	Tees Valley	0.8	18.5	21.4
8	Hertfordshire	1.5	17.2	27.9
9	Coast to Capital	1.1	17.2	43.9
10	London	2.5	17.0	48.2
The 10 LEP areas with the lowest share of total employee jobs in foreign-owned enterprises				
29	The Marches	0.6	7.9	20.1
30	Cumbria	0.3	5.7	11.8
31	Humber	0.7	5.7	14.4
32	Sheffield City Region	1.0	5.4	6.4
33	North Eastern	0.7	5.4	18.6
34	Lincolnshire	0.6	5.0	13.4
35	York and North Yorkshire	0.5	4.1	9.9
36	Cornwall and Scilly	0.2	2.9	9.8
37	Heart of the South West	0.4	2.8	10.3
38	Dorset	0.5	2.6	8.7
	England	1.3	14.3	37.4

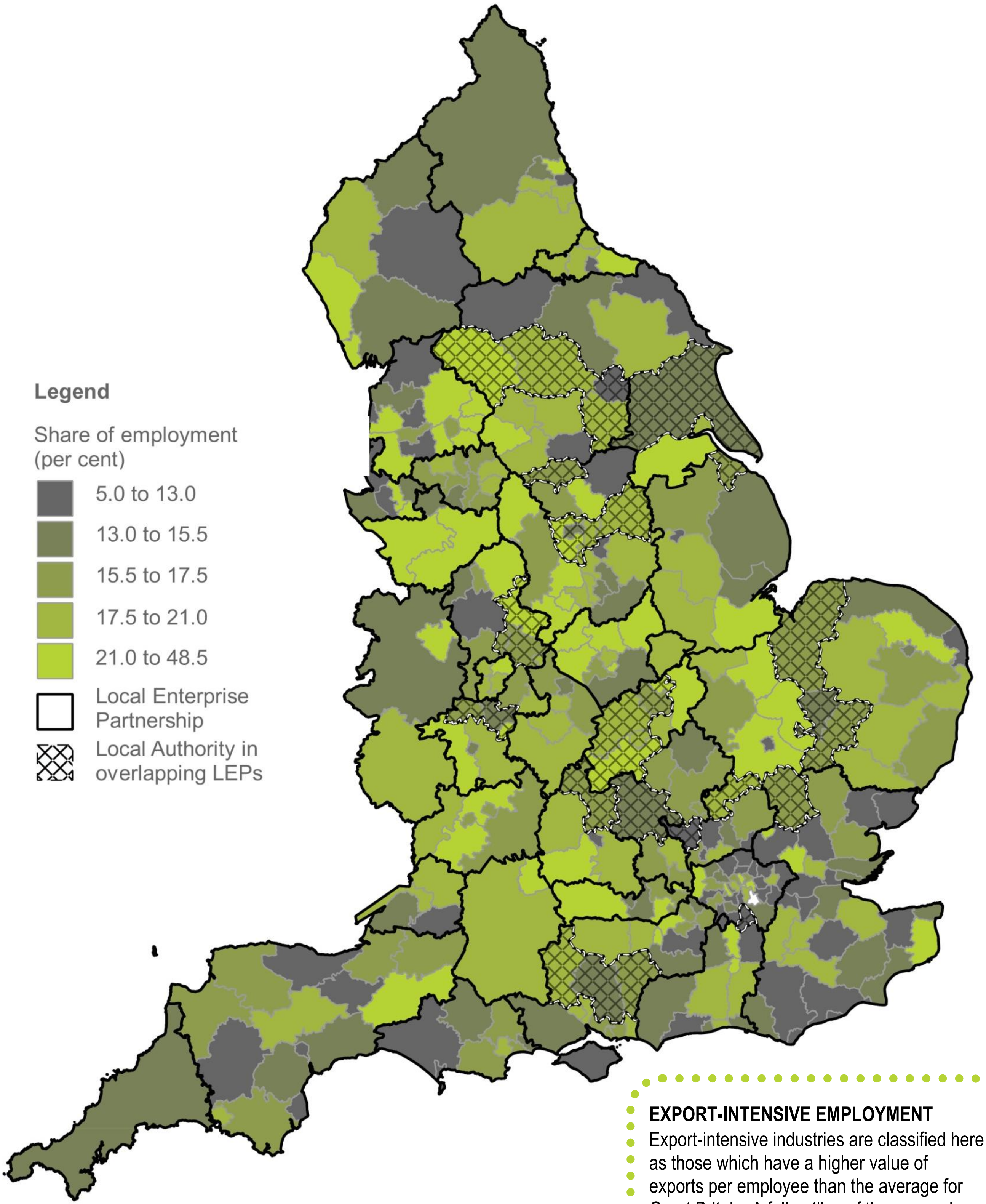
Sources: Inter Departmental Business Register, Office for National Statistics; Mid-year population estimates, 2010, Office for National Statistics. Ranked by number of enterprises per 1,000 residents. (1) Calculated as a compound annual growth rate 2000-2010. (2) Calculated using Inter Departmental Business Register enterprise data and Mid-year Population Estimates.

WHY DO SOME LOCAL ECONOMIES APPEAR SIGNIFICANTLY MORE INTERNATIONALISED THAN OTHERS?

The local presence of large exporting facilities explains many of the differences in the presence of export-intensive employment amongst LEP areas. Those LEP areas at the top of the list are home to large facilities providing manufactured goods to an international market. For example, Gloucestershire is home to Messier-Dowty, which provides landing gears to the large aeroplane manufacturers, including Boeing. Cumbria is home to BAE Systems Submarine Solutions, a subsidiary of BAE Systems.

This highlights the importance of knowing the local company base and understanding the global links of the local economy. International connections are present in many different activities, networks and individuals - from large multinational exporters, to professional networks and diaspora networks.

FIGURE 2.4: SHARE OF EMPLOYMENT IN EACH LOCAL AUTHORITY AREA IN EXPORT-INTENSIVE INDUSTRIES (ABOVE GB AVERAGE FOR EXPORTS PER EMPLOYEE)



Source: Input-Output Tables, BRES, ONS

Contains Ordnance Survey data © Crown copyright and database right 2011.

EXPORT-INTENSIVE EMPLOYMENT

Export-intensive industries are classified here as those which have a higher value of exports per employee than the average for Great Britain. A full outline of these are given in Appendix B.

2.3 MEETING THE GLOBAL CHALLENGE

OPPORTUNITIES AND CHALLENGES IN THE DEVELOPING WORLD

The growth in developing economies presents an opportunity for all LEP areas. By 2030, 1.2 billion people in developing countries, or 15 per cent of the world population, will belong to the global middle class according to World Bank estimates[7]. This is a significant increase compared to 400 million in 2005.

With low national economic growth and weak domestic demand in the short to medium term, many businesses in LEP areas will have to seek market opportunities overseas. The average of independent economic forecasts for the UK economy is for 0.6 per cent growth in 2012[8]. Forecasters such as the Institute for Fiscal Studies and Oxford Economics now predict another UK recession this year[9].

UK EXPORTERS ARE UNDERREPRESENTED IN GROWTH MARKETS

The UK export market is dominated by Europe and the USA, accounting for almost 70 per cent of UK export trade. By contrast, China is the destination for only 2.9 and 1.6 per cent of UK goods and services exports respectively, as **Figure 2.5** describes.

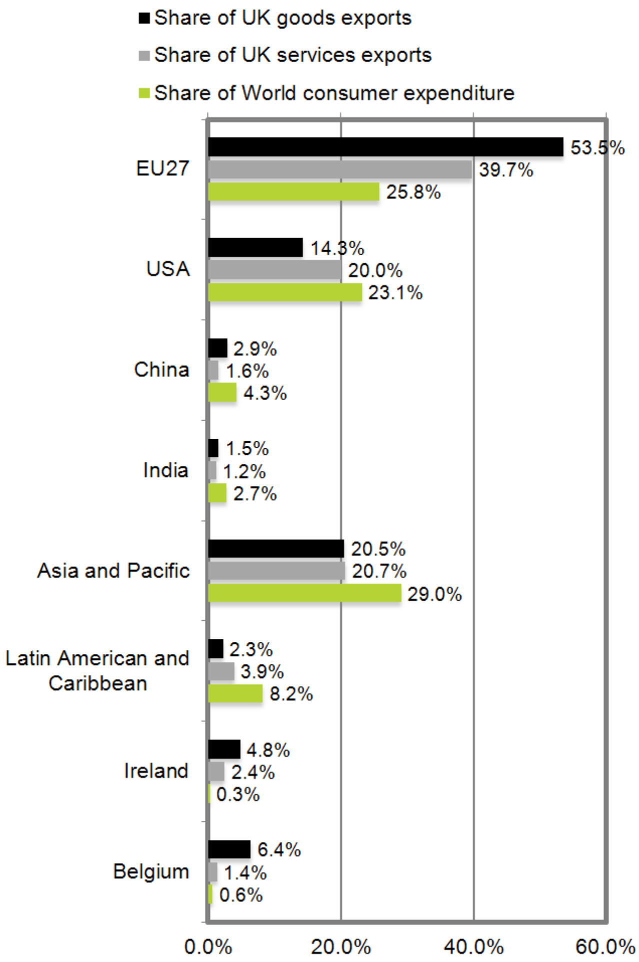
Currently the UK exports more by value to Belgium and Ireland than it does to China. The value of exports to Belgium is almost twice that of exports to China. UK exports to Ireland are valued one-and-a-half times greater than those to China.

The UK is underrepresented in the Asian and Pacific markets. The Asian and Pacific region accounts for 29 per cent of global consumer expenditure, yet only accounts for 20 per cent of UK goods and services exports respectively.

THE UK IS HIGHLY SUCCESSFUL AT ATTRACTING FDI

The 12 months to March 2011 was one of the most successful yet for FDI projects in the UK. Over this 12-month period, the UK received 1,434 FDI projects. More than 94,500 jobs were associated with these investments – an increase on the previous year. The box opposite presents the top 10 reasons why foreign investors were attracted to locating in the UK.

FIGURE 2.5: DESTINATION OF UK EXPORTS AND SHARE OF GLOBAL CONSUMER EXPENDITURE (BY VALUE), 2010



Source: UK Pink Book 2011, Office for National Statistics; World

TOP 10 REASONS - WHY FOREIGN INVESTORS WERE ATTRACTED TO LOCATING IN THE UK

1. Telecommunication, technology infrastructure
2. Leading financial services centre
3. Quality of life, culture and language
4. Education in trade and academic
5. Stable social environment
6. Highly-skilled labour
7. Stable political administrative environment
8. Entrepreneurial culture, entrepreneurship
9. UK domestic market
10. Transport and logistics infrastructure

Ernst &Young (2011) *Destination UK: sustaining success in the new economy*, Ernst & Young's *2011 UK Attractiveness Survey.*

[7] Word Bank (2007), *Global Economic Prospects. Managing the Next Wave of Globalization*. Washington: World Bank; UNCTAD (2007), Handbook of Statistics, UNCTAD, Washington D.C.
[8] HM Treasury (2012) Forecasts for the UK Economy: a comparison of independent forecasters, January 2012 edition, HMSO, London.
[9] Institute for Fiscal Studies and Oxford Economics (2012) The IFS Green Budget: February 2012, IFS, London.

LEP AREAS HAVE SIGNIFICANT ADVANTAGES IN THE GLOBAL ECONOMY

The UK is the best place to do business in the EU and the G8, according to the World Bank report *Doing Business 2011* comparing business regulation in 183 economies[10]. In this annual rating, the UK ranked fourth in the world in 2011, behind Singapore (first); Hong Kong SAR (China) (second); and New Zealand (third).

The UK remains a prime destination for investment and topped the Ernst & Young *European Attractiveness Survey 2011* as the most attractive destination in Europe for FDI. Reasons for this attraction include telecoms infrastructure, financial services, quality of life and education.

Local economies benefit directly from FDI. Looking at the examples of investment projects in the box opposite, it is evident that FDI projects have created new jobs, assets, knowledge and technologies in England's local economies.

Our local economies have assets, infrastructure and institutions that are more advanced than many cities in the developing world. Infrastructure, institutions and well-functioning markets are advanced. The presence of laws, systems of governance, associations, professions and skills for the market economy is a real strength, which some emerging economies are still yet to build - despite their phenomenal growth rates.

Local economies also have strong intangible or soft assets such as specialist tacit knowledge, market knowledge, ideas, creativity, innovation and networks. The existing corporate base of some of our local economies is also well developed for the international commercial marketplace and has high levels of market sophistication, international reach and market knowledge.

FDI BRINGS INVESTMENT AND JOB CREATION

In the year 2010/11, the UK's 1,434 FDI projects safeguarded over 52,000 jobs – and created 42,000 new jobs. FDI came from 54 source countries, increasing the capital stock of FDI by £41 billion. Over this period, 274 headquarters located in the UK generating 21,000 jobs.

The UK has a phenomenal track record in attracting FDI, and has the second highest level total foreign investment (after the USA). In 2009/10 there were 1,619 projects that brought 53,358 new jobs. In 2008/09, 1,744 projects brought 35,111 new jobs.

FDI'S POSITIVE IMPACT ON LOCAL ECONOMIES

FDI projects make a real difference to local economies, creating new jobs and establishing new local assets, knowledge and technologies. The following highlights over the past three years provide some examples of local benefits:

Birmingham and Solihull: German firm Vector opened a UK headquarters in Solihull, with the plan to employ 15 people

Birmingham and Solihull: Rare Ltd, a games studio owned by Microsoft established a new site in Birmingham employing 90 staff with the aim of establishing a world-class usability laboratory.

Cheshire and Warrington: Tennessee-based AttentionIT, established a £4.5 million office in Warrington

Coventry and Warwickshire: Spanish company IFR Automotive established a new electronics arm at the University of Warwick Science Park, employing 15 technology specialists.

D2N2: Californian-owned MBA Polymers, Inc in its joint venture with Warrington-based European Metal Recycling (EMR) created 100 new jobs in it a site in Worksop.

Greater Manchester: Spanish paper and packaging group SAICA has begun construction of a £290 million paper mill in Trafford, which will create 220 new jobs.

Humber: US chemical company Dupond established a joint venture with BP to establish a £25 million technology development centre creating 27 jobs at Saltend, near Kingston-upon-Hull.

London: Leding multinational software engineering and IT consultancy Raona established an doffice in the City of London, creating 50 jobs with a plan to expand to 200 employees.

New Anglia: Nestor Pharmaceuticals expanded its UK headquarters in Suffolk, increasing the number of employees from 30 to 100.

North Eastern: Nissan is investing £420 million in its Wearside Plant to produce 50,000 new Leaf zero-emission cars.

North Eastern: Tech Mahindra, one of India's largest technology companies, established a centre in South Tyneside, generating up to 500 new jobs.

Sheffield City Region: Waste treatment specialist Tradebe invested £2.8 million in new waste and disposal facilities at Dinnington, creating and safeguarding in excess of 40 jobs.

South East: Dubai-based DP World has begun the construction of a new deep-sea container port and logistics park in Thurrock. The £1.5 billion London Gateway project will generate 12,000 new jobs.

Tees Valley: Japanese car component firm Nifco invested £8.5 million in a site expansion to create 128 new jobs and safeguard a further 158.

Thames Valley Berkshire: Talend, a French-owned market leader in open source data integration software opened and office in Maidenhead, initially creating 16 jobs.

West of England: Australia's Macquarie Bank set up an EHQ in Bristol, initially creating 45 jobs.

West of England: French ICT company Eurogiciel established a UK subsidiary in Bristol employing 40 staff.

Source: UKTI

[10] World Bank and International Financial Corporation (2011) *Doing Business 2011 – Making a Difference for Entrepreneurs*, World Bank, Washington DC.

2.4 FACTORS FOR LOCAL SUCCESS IN THE GLOBAL ECONOMY

The quality of 'home' demand determines competitive advantage in the global economy. Local demand that requires high quality and competitiveness helps to build competitive advantage in local enterprises – which can then be used effectively in national and international markets. Some local areas do not have economies of sufficient scale or scope to achieve this. One solution, proposed by the Organisation for Economic Co-operation and Development, is to develop better linkages and economic integration within functional economies (including city regions)[11]. Where local demand is weak, linkages will need to be national or international in their reach. The connections that cities such as Helsinki and Bangalore have made with Silicon Valley are examples of the type of international links that will typify future success.

FIVE KEY FACTORS AFFECTING LOCAL EXPORTING

1. Firms need to be large enough to build the capabilities for exporting. This is the single most important determinant of exporting (Harris and Li, 2008).

2. The ability of the local economy to absorb knowledge, international networks and undertake Research and Development (R&D). Absorptive capacity significantly reduces entry barriers into export markets (Harris and Li, op cit.).

3. Location and clustering effects: if successful exporting leads to geographical clustering of supply chains and competition, this is likely to intensify further local export performance and increase exporting competencies.

4. Intellectual property (IP) usage: a study by Helmers and Rogers (2007) into IP activity across the British regions and its link to enterprise, indicated that the failure rate for IP-active firms is substantially lower than for IP-inactive firms.

5. R&D: A UKTI study by Harris (2008) found that undertaking R&D is a key determinant of exporting. Another study by Harris and Li (2007) found that globally dominant firms are able to break down barriers to exporting through their greater use of knowledge-based processes, as they operate in markets where knowledge-based technology is relatively more important.

(Adapted from: Insight East (2010) *Trade Insight*, Insight East: Cambridge)

Competing on low costs in internationally tradeable sectors is not a viable strategy in the global economy for LEP areas. When the economist Paul Krugman considered the economic development options for local economies undergoing economic restructuring, he considered competition based on low costs an unviable strategy[12]. There are many countries and regions that can offer low costs - cost advantage is only one advantage in the global economy. Increasingly innovation, product design and the effective management of operations are more important in terms of giving a competitive edge in world markets. Product cycles are shortening from design to production and many firms choose to retain many of their suppliers close to their headquarters[13].

Succeeding in the global economy requires local economies to produce leading-edge ideas and innovations and to have the connections and networks to access resources and opportunities. England's LEP areas cannot rely on cost-based competitiveness alone. In her seminal Harvard Business Review article *Thriving Locally in the Global Economy*[14], the leading US management professor Rosabeth Moss Kanter set out three criteria for success as follows:

1. **Concepts** – the ability to produce leading-edge ideas, designs, solutions for problems and services that create value for customers.

2. **Innovations** – the ability to translate ideas into applications for customers to the highest standards and for commercial return.

3. **Connections** – alliances between businesses and individuals to leverage core capabilities, create value or open doors and widen horizons.

For local economies in the UK, inward investment success tends to lead to further investments. According to Ernst & Young, more than 50 per cent of employment generated in the UK from FDI is from the companies that have already established a base in the UK and are either expanding or co-locating further investment at an existing site.

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[11] OECD (2006b) *OECD Territorial Reviews: Newcastle in the North East*, *the United Kingdom*, Paris, OECD.
[12] Krugman P (2003), *Growth on the Periphery: Second Winds for Industrial Regions?*, The Allander Series, Glasgow.
[13] Berger, S. (2005), *How We Compete: What Companies Around the World are Doing to Make it in Today's Global Economy*, Doubleday, New York.
[14] Moss Kanter, R. (1995), *Thriving locally in the global economy*, Harvard Business Review, Vol 73 No 5 Sep/Oct 1995, pp151-160.

BEST PRACTICE IN ATTRACTING AND BENEFITING FROM INWARD INVESTMENT (OR FOREIGN DIRECT INVESTMENT):

Local fit: ask what kind of FDI fits in with your locality's development strategy, assets, competitive strengths and market conditions.

Investors need the right economic fundamentals: local capabilities (R&D, skills, education) and infrastructure are essential to attract FDI.

Ensure sure there are local benefits from FDI projects: FDI projects can have more positive impacts if a local economy is able to absorb supply chain opportunities and spillover effects from skills development and R&D activities in the foreign firm.

Specifically target firms and industries that fit with local assets, capabilities and development strategy.

Coordinate investment promotion with a one-stop-shop, i.e. which can do promotion, negotiation, facilitation and policy advocacy (such as IDA Ireland and EDB Singapore).

Be flexible enough to change the targeting of FDI or upgrade FDI to other, higher value-added activities and opportunities as they emerge.

Encourage the development of multinational affiliates through linkages with local research institutes and firms.

Encourage training of employees within foreign multinationals through linkages with education and training institutions.

Encourage linkages between foreign multinationals and local suppliers through linkage programmes.

Adapted from te Velde (2001) *Policies towards foreign direct investment in developing countries: emerging best-practices and outstanding issues*, Overseas Development Institute: London.

For key documents and tools relating to the promotion of Enterprise Zones to inward investors – see the LEP EZ Comms and Marketing Forum at http://www.lepnetwork.org.uk/enterprise-zones.html

3: LOCAL ENTERPRISE, INNOVATION AND KNOWLEDGE

HIGHLIGHTS

- For private-sector growth and jobs we need successful entrepreneurs
- Many LEP areas have significantly expanded their entrepreneurial base over the past decade
- In 2010 in all LEP areas, the business death rate exceeded the birth rate
- Innovation is strongly linked to business growth and local economic performance
- Over the past 30 years, the UK's knowledge economy has increasingly driven economic performance, jobs generation and export growth
- Those LEP areas with the highest rates of economic growth over the past decade, as well as the greatest degree of resilience during the recession, are all high innovation performers
- Leading innovation and knowledge local economies include Greater Cambridge and Greater Peterborough and Oxfordshire

3.1 ENTREPRENEURSHIP AND LOCAL ECONOMIES

Enterprise is a critical part of fostering private-sector led growth in our local economies. Entrepreneurs can identify opportunities and resources and shift them into higher return activities by establishing new businesses, increasing efficiencies and intensifying competition. Enterprise (the readiness to embark upon new ventures with boldness and enthusiasm) and entrepreneurialism (the ability to seek profits through risk and initiative)[15] are important assets and resources with the potential to contribute to economic growth, income generation and job creation. Self-employment can create vital opportunities in those areas where existing labour market opportunities are limited or of a low quality.

ENTREPRENEURSHIP IN LEP AREAS

Many LEP areas have significantly expanded their entrepreneurial base over the past decade. As indicated in **Figure 3.1** opposite, Buckinghamshire Thames Valley has 52 enterprises per 1,000 residents – the highest enterprise presence of any LEP area. Tees Valley LEP area has the lowest enterprise presence, at 20 enterprises per 1,000 residents.

LEP areas with the highest annual growth rates in their total number of enterprises from 2000 to 2010 include Cumbria and Coventry and Warwickshire (both with 1.8 per cent average annual growth).

Looking at growth over the decade, the Black Country's stock of enterprises was static. Liverpool City Region experienced marginal growth, at 0.3 per cent per annum.

LEP areas also differ in the prevalence of self-employment or business ownership amongst the workforce. The Black Country and North Eastern areas have the lowest share of working age residents in self-employment or owning a business.

FIGURE 3.1: BENCHMARKING THE PRESENCE AND GROWTH OF ENTERPRISES IN LEP AREAS

LEP Area (ranked by no. enterprises per 1,000 residents)	Total no. enterp-rises 2010	Average annual change 2000-2010, per cent	No. Enterp-rises per 1,000 residents in 2010
Buckinghamshire Thames Valley	25,925	0.8	52
Enterprise M3	72,390	0.9	45
Cumbria	21,745	1.8	44
The Marches	27,730	1.3	44
London	331,535	0.6	42
Hertfordshire	46,780	1.0	42
Oxfordshire	27,175	1.4	42
Gloucestershire	24,675	1.2	42
York and North Yorkshire	46,430	1.4	41
Coast to Capital	69,190	0.9	40
Thames Valley Berkshire	34,570	0.6	40
Worcestershire	22,245	1.2	40
Dorset	28,085	1.5	39
Gr. Cambridge and Gr. Peterborough	52,755	1.2	39
Cornwall and the Isles of Scilly	20,815	1.1	39
Cheshire and Warrington	33,510	1.4	38
South East Midlands	68,260	1.3	37
Swindon and Wiltshire	24,370	1.4	37
Northamptonshire	24,780	1.3	36
Heart of the South West	59,820	1.4	36
New Anglia	55,770	1.1	35
Coventry and Warwickshire	29,840	1.8	35
South East	137,595	1.3	35
Solent	51,385	1.1	33
Leicester and Leicestershire	31,865	1.0	33
Lincolnshire	33,585	1.1	33
West of England	35,415	0.9	32
Lancashire	45,735	1.1	32
Stoke-on-Trent and Staffordshire	33,355	1.0	31
D2N2	60,260	1.4	29
Greater Birmingham and Solihull	54,245	0.9	29
Humber	26,270	1.1	29
Leeds City Region	83,510	0.9	28
Greater Manchester	72,640	0.7	28
Black Country	26,925	0.0	25
Sheffield City Region	40,695	1.1	24
North Eastern	42,650	1.3	22
Liverpool City Region	31,360	0.3	21
Tees Valley	13,215	1.3	20
England	1,797,910	1.0	34

Sources: Inter Departmental Business Register, Office for National Statistics; Mid-year population estimates, 2010, Office for National Statistics. Ranked by number of enterprises per 1,000 residents. Annual growth calculated as a compound annual growth rate.

[15] Pike, A. Rodriguez-Pose, A, and Tomaney, J. (2006) *Local and Regional Development*, Routledge, Oxon.

ENTERPRISE BIRTHS AND DEATHS

Enterprise activity – the rate at which enterprises start up and close – is highly variable between LEP areas. Figure 3.2 below maps LEP areas against their rates of business births and deaths, using official records of new VAT and PAYE registrations and de-registrations as proxies for enterprise births and deaths.

It is notable that the rate of business deaths exceeded births in 2010 in every LEP area, perhaps reflecting the current economic and financial circumstances facing businesses.

CHURN RATE

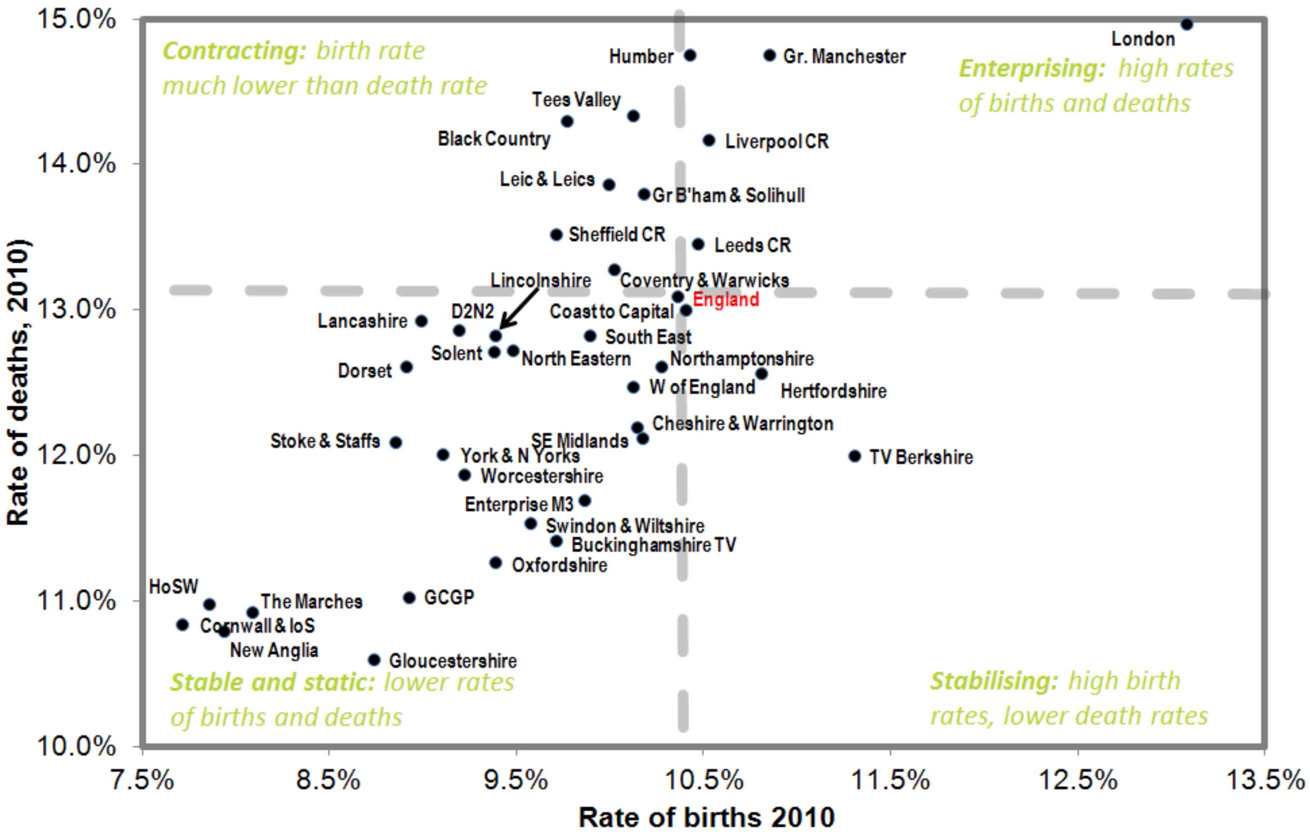
The 'churn rate' refers to the sum of openings (or births) and closures (or deaths) of enterprises. It indicates how frequently new firms are created and how often existing enterprises close down. In fact, the number of openings and closures of enterprises accounts for a sizeable proportion of the total number of firms in most economies. The indicator reflects an area's degree of 'creative destruction', and it is of high interest for analysing, for example, the contribution of firm churning to aggregate productivity growth.

It is obviously advantageous for economic growth and development to have a dynamic, growing business population. Often, it is those areas with the highest levels of economic performance that also have the highest rates of enterprise start-ups and failures. A high 'business churn' rate is a sign that businesses must compete effectively in order to survive. This in turn pushes up the overall performance of the local economy.

LEP areas with high levels of births and deaths have what is called a high 'churn rate' and are highly enterprising. LEP areas such as London, with a high birth rate of 13.1 per cent and a high death rate of 15.0 per cent, have dynamic, entrepreneurial economies with high levels of business creation and destruction. Greater Manchester also displays a similarly enterprising entrepreneurial environment.

A number of LEP areas demonstrate a relatively static enterprise population. LEP areas with low rates in both enterprise start-ups and failures, such as New Anglia, Cornwall and the Isles of Scilly, The Marches, and the Heart of the South West demonstrate relatively lower rates of births and deaths compared with other areas. This is not necessarily negative, providing that the existing business stock remains innovative and competitive, but does suggest that these areas are relatively dependent on industries and activities with a long local history, rather than new and emerging industries.

FIGURE 3.2: LEP AREAS AND THE RATE OF ENTERPRISE BIRTHS AND DEATHS, 2010



Source: Business Demography 2010, Office for National Statistics

Official estimates of survival rates of individual enterprises that started up in 2007 differ among LEP areas. As shown in **Figure 3.3** opposite, a diverse range of LEP areas enjoy high three-year business survival rates, including Oxfordshire, West of England, Worcestershire and Cumbria.

Lower survival rates are as much a signal of high levels of competition and risk-taking, as they are of the potential weaknesses of businesses and their local economies. London has the third lowest three-year survival rate of 59.8 per cent. London is notable for its high business start-up and failure rate. This is due historically to higher levels of entrepreneurship and a more intense competitive and commercial environment.

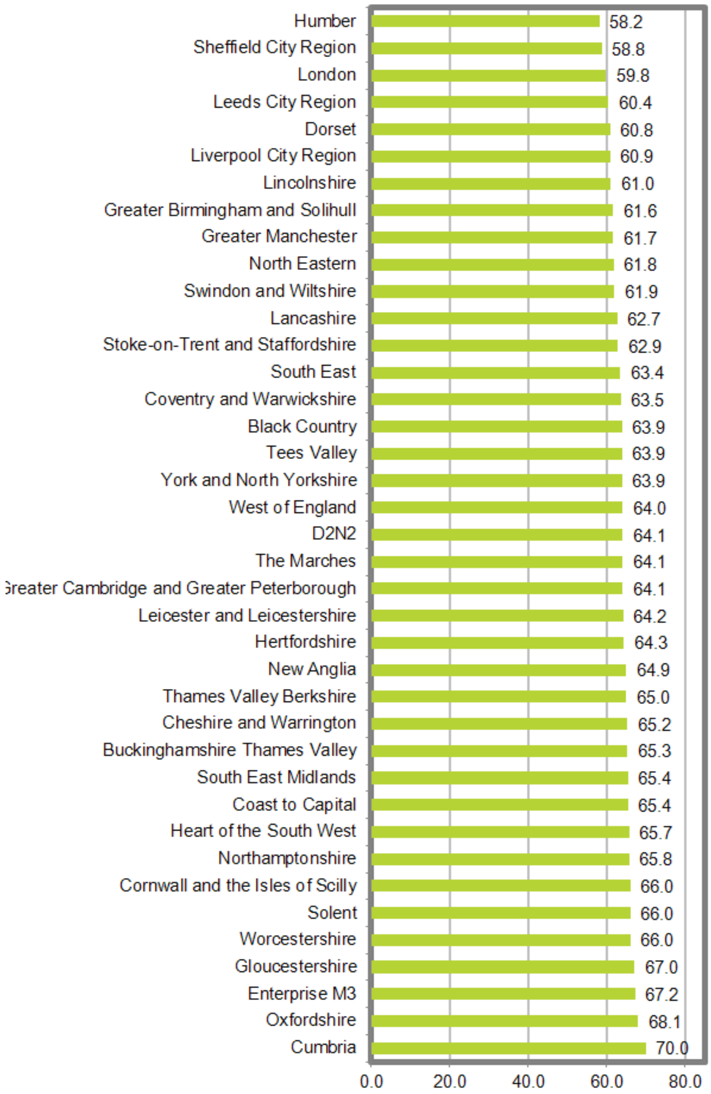
In Cumbria, 70 per cent of enterprises that started up in 2007 had survived by 2010. This is the highest rate of enterprise survival over three years of all LEP areas, which is interesting in light of its relatively low rate of business start-ups. This suggests that either competitive pressure is not as severe, or that a large proportion of start-ups are more effective at being established and then going on to survive. The economic characteristics of the area suggest that in many cases the latter will be the case, as Oxfordshire has a rich history as being a base for start-ups operating in competitive and high-risk, knowledge-based sectors.

EXPLAINING DIFFERENT RATES OF ENTREPRENEURSHIP

Rural economies tend to be characterised by lots of small businesses. This is reflected in **Figure 3.4** on page 36, which illustrates a higher presence of enterprises per capita in rural areas, due mainly to the high level of self-employment in the agricultural and tourism sectors. This is exemplified in the evidence for Cumbria, The Marches, Worcestershire, Dorset and Cornwall and the Isles of Scilly.

When some of these factors, contexts or motivations are absent, or are reduced, local economies can experience lower rates of entrepreneurship. Some specific barriers to entrepreneurship in disadvantaged areas were identified by the Organisation for Economic Co-operation and Development (OECD) in 2003 and are summarised on page 41.

FIGURE 3.3: THREE-YEAR SURVIVAL RATES OF ENTERPRISES BORN IN 2007



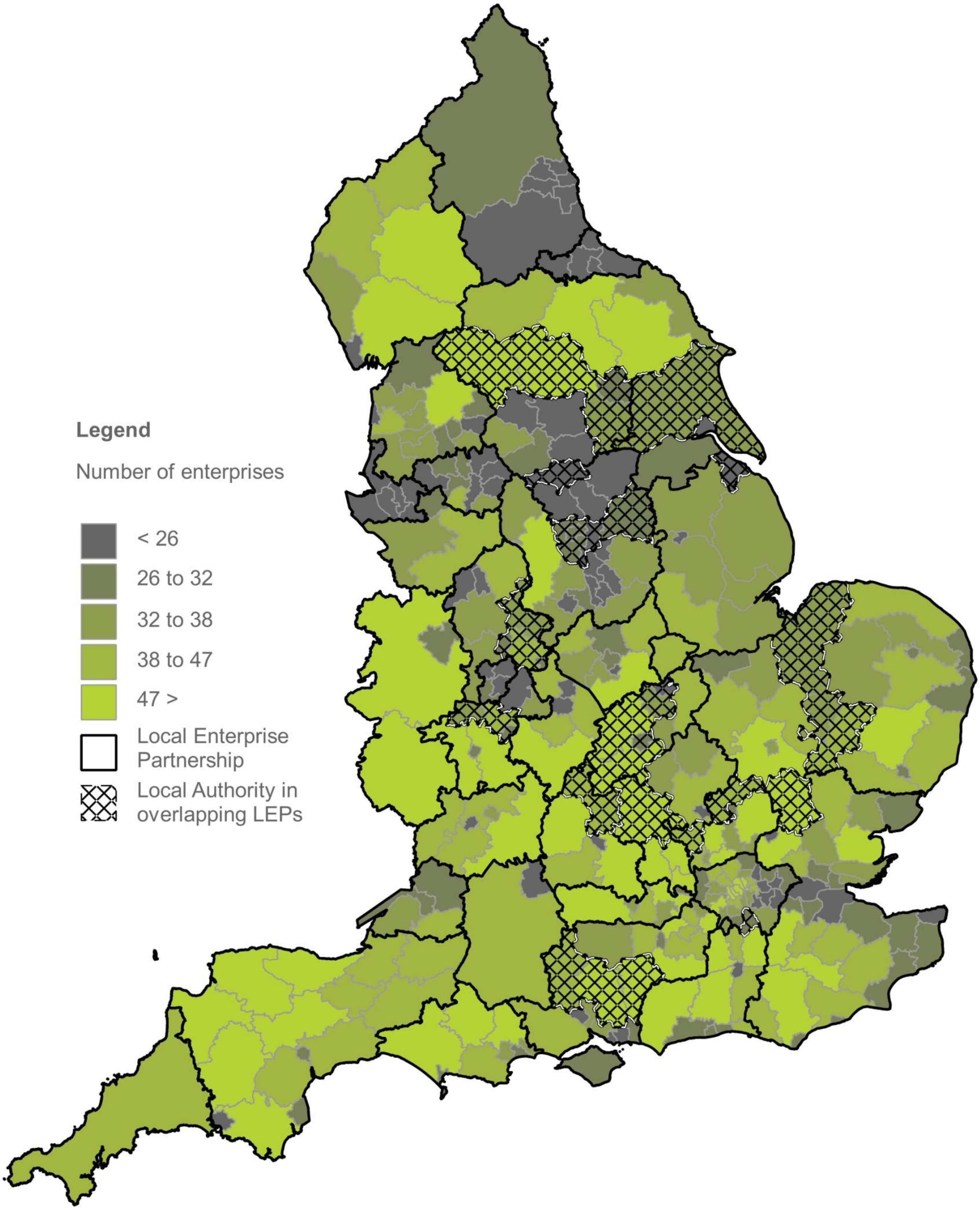
Source: Business Demography 2010, Office for National Statistics

SEVEN REASONS WHY LOCAL ENTREPRENEURSHIP OCCURS

Entrepreneurship needs a certain number of enabling factors, contexts or motivations to be present in a local economy:

1. **An existing or latent demand for goods or services that a prospective new enterprise can exploit**. If the demand is significant, and the prospective returns great, then this will significantly drive entrepreneurship.
2. **The local economy needs the right kind of people** - those who are interested and motivated to start a business with the necessary experience, skills and appetite for risk.
3. **Business and social networks are very useful** in developing contacts and relationships in the marketplace.
4. **Businesses need finance** to start up and to develop.
5. **Favourable welfare factors** - such as home ownership, which can provide collateral for business finance; and the ease by which individuals can transition from welfare benefits into self-employment.
6. **Government regulation** has the potential to make registering a new business a costly process and discourage entrepreneurship.
7. **Numerous environmental and cultural factors** that help to spur entrepreneurship, including role models, cultural views, affinity with institutions and crime rates.

FIGURE 3.4: ENTERPRISES PER 1,000 RESIDENTS IN 2010



Source: ONS, Mid-year population estimates, IDBR

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BARRIERS TO ENTREPRENEURSHIP IN DISADVANTAGED AREAS (OECD)

A set of interrelated conditions can hinder entrepreneurship in disadvantaged areas. These obstacles affect the extent and form of entrepreneurial activity. They also influence the likelihood that such activity will be successful once begun. Key barriers to entrepreneurship include:

Limited social and business networks: In distressed areas, social and business networks are often limited. The unemployed frequently have few social networks. This scarcity of networks is highly significant for business, with various strands of research demonstrating that entrepreneurs who maintain and develop contacts with other entrepreneurs tend to be more successful than those who do not.

Low levels of effective demand in the local economy: This is a symptom of low incomes and savings in the local population. Without effective demand, there is a lack of opportunity for entrepreneurs and new enterprises.

The value and system of tenure of housing: In many deprived areas the value of housing is low and/or potential entrepreneurs live in rented accommodation. This can constrain enterprise creation owing to the fact that housing is an important source of collateral for financing the establishment (and development) of new firms.

Constraints in access to finance: The problem of constraints in access to finance has a number of dimensions. Limited financial assets among poorer groups can restrict the ability to post the collateral required in loan applications. In addition, finance for enterprise creation typically comes from own resources, family members and friends. But in deprived areas many of these persons will have low incomes and limited savings. This could constrain start-up and/or necessitate a greater reliance on bank lending. Poorer individuals may also have a limited history of banking. Lacking a sound relationship with a bank, their credit scoring is unlikely to be favourable.

Lack of work experience and skills amongst residents: Entrepreneurs tend to gather business ideas from previous work history. In many poor localities individuals with the relevant skills and experience are relatively scarce. Past experience in the same industry in which the entrepreneur is starting is also a key factor in business survival.

Lack of role models: The diffusion of entrepreneurship appears to involve an element of imitation. If this is the case, a lack of entrepreneurial role models may have important repercussions in local economies. Therefore, in places where rates of enterprise creation are low – and if imitation is important – low rates of future start-up should be expected and other things considered.

Cultural obstacles: Cultural obstacles can include linguistic barriers and residents' lack of affinity with mainstream institutions.

Lack of personal motivation: Low levels of personal motivation can be a result of extended unemployment or inactivity.

High rates of crime: Crime is often a serious concern for persons living in disadvantaged locations. Crime also forces companies to invest in unproductive assets, such as security systems. And fear of crime can discourage skilled and more mobile workers. Research on successful inner city companies has identified actual and perceived crime and vandalism as a constraint on business.

Problems of transition from reliance on benefits: The complexity of benefits regimes, and problems in making the transition from reliance on benefits, can pose obstacles to entrepreneurial activity. Becoming self-employed can involve the loss of a range of benefits associated with unemployment insurance, housing, local taxation, school meals, maternity leave, dental and other forms of health care. Persons considering the creation of an enterprise might find themselves worse off initially if benefits are terminated prior to receiving income from the firm. Exclusion of the self-employed from a range of in-work benefits may also discourage some of the unemployed from attempting self-employment. Such so-called 'benefits traps' can also encourage businesses to trade illegally.

Government regulation: The costs of registering a new business are negatively related to enterprise creation. Business start-up costs have been tentatively linked to variations in employment levels across a number of major OECD economies.

Source: OECD (2003) *Entrepreneurship and Local Economic Development*, OECD: Paris.

3.2 INNOVATION, KNOWLEDGE AND TECHNOLOGY

INNOVATION IS STRONGLY LINKED TO BUSINESS AND ECONOMIC GROWTH

INNOVATION

Innovation is the successful exploitation of new ideas. Innovation plays a critical role in economic development and growth. Innovation can create new markets, provide new or adapted goods and services and lead to new organisational forms and processes. Innovation can help build market leadership and can improve efficiency and productivity. Many firms adopt innovations rather than create them, yet still realise the advantages in terms of productivity and competitive advantage.

Innovation contributes to economic growth and development, helping to build new specialised market niches or even completely new markets, processes, business models, sources of productivity and sources of competitive advantage. Two-thirds of UK private-sector productivity growth between 2000 and 2007 was as a result of innovation according to NESTA's 2009 *Innovation Index report*[16].

Innovation can help a local economy achieve competitive advantage as it contributes to new and more efficient methods of generating products and services. By doing this, firms can gain market share and possibly hire more employees. This creates a cycle of growth, prompting further innovation, competition, enterprise formation and employment creation.

Innovation is strongly linked to business growth. NESTA also found that this applied across a range of sectors. For example, innovative software firms enjoy a 13 per cent average revenue growth per year compared to just over zero per cent in non-innovative firms. NESTA found that this relationship was valid across a range of sectors – for example, such as legal services, where innovative firms yielded a 10 per cent growth premium over non-innovative firms.

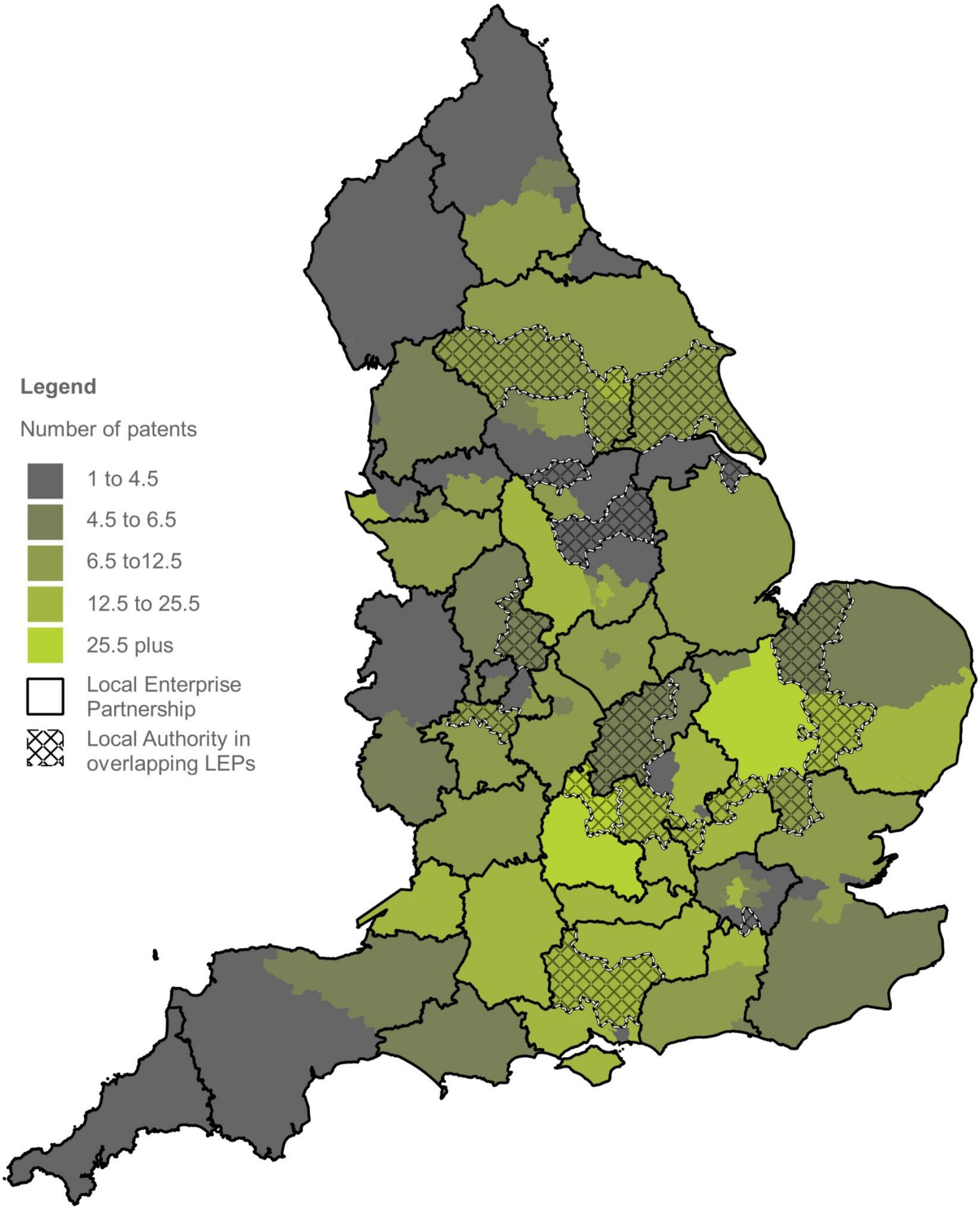
The LEP areas with the highest rates of economic growth over the past decade and the greatest degree of resilience during the recession are all high innovation performers – such as London, Thames Valley Berkshire, Enterprise M3, Oxfordshire and Greater Cambridge and Greater Peterborough.

The leading innovation and knowledge local economies include Greater Cambridge and Greater Peterborough. With its significant presence of scientific, engineering, technology and software activities, this local area demonstrates significant levels of innovation. As detailed in **Figure 3.5** this LEP area has some 43.1 patents per 100,000 residents in 2007, the highest of all LEP areas and over four times higher than the national (England) average. This technological specialism is further illustrated in **Figure 3.6**, which plots high-technology production and knowledge-intensive services.

Oxfordshire has the second highest level of patents, at 33.4 per 100,000 residents, followed by Thames Valley Berkshire at 24.6.

[16] NESTA (2009) *The Innovation Index - Measuring the UK's investment in innovation and its effects*, NESTA, London.

FIGURE 3.5: PATENTS PER 100,000 RESIDENTS BY NUTS 3 AREA, 2007



Source: OECD, Mid Year population estimates, ONS

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The LEP areas with high-technology, knowledge-intensive economies also have high levels of employment in scientific Research and Development (R&D) activities. The highest concentrations of employment in these industries are found in Greater Cambridge and Greater Peterborough, Oxfordshire, Thames Valley Berkshire, Swindon and Wiltshire and Hertfordshire.

London further demonstrates its position as a major knowledge-based economy in **Figure 3.6** on page 45, having a significantly higher than average share of employment in high and medium technology manufacturing and knowledge-intensive services.

The three LEP areas with the lowest rate of patenting per 100,000 residents are all significantly rural in character – The Marches (3.1), Cumbria (3.3) and Heart of the South West (3.7).

PATENTS

A patent is a form of intellectual property. It consists of a set of exclusive rights granted by a sovereign state to an inventor or their assignee for a limited period of time in exchange for the public disclosure of an invention. For a patent application to be granted, it must be capable of being made or used in some kind of industry. Therefore rates of patenting are a good measure of the levels of innovation in local areas. Patents tend to be taken out for scientific, engineering, physical and process technologies and software. They are much less likely to be taken out for business models and creative design. There is also a number of other legal mechanisms to protect intellectual property, such as trademarks, designs and university licences. Therefore, it is often the case that local areas with a high level of employment and activity in engineering, manufacturing, technology, life sciences and software tend to have higher rates of patenting, but that patent data will not always reflect innovation in services, business models and creative industries.

There is a strong link between innovation, knowledge and technology and a large R&D base. The highest concentrations of employment in scientific research and development industries are found in Greater Cambridge and Greater Peterborough, Oxfordshire, Thames Valley Berkshire, Swindon and Wiltshire and Hertfordshire.

THE KNOWLEDGE AND TECHNOLOGY-BASED ECONOMY HAS BEEN DRIVING GROWTH FOR 30 YEARS

KNOWLEDGE WORK AND KNOWLEDGE WORKERS:

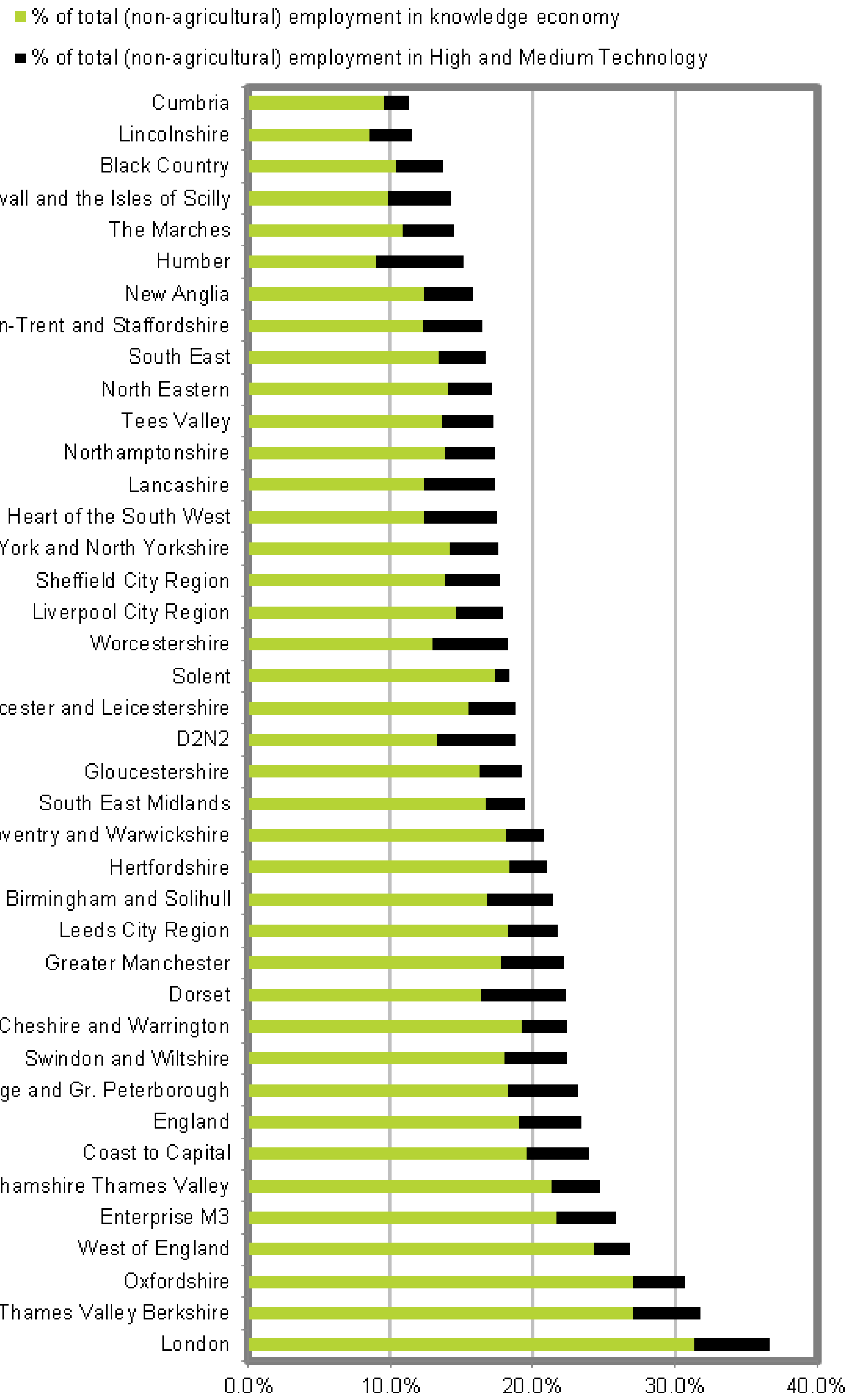
Knowledge-intensive work can be most easily thought of as activities which depend on the use of the high-level, 'tacit' knowledge that resides in people's minds. This tacit knowledge takes the form of expertise and/or experience, rather than being written down (or codified) in manuals, guides, lists and procedures. Examples of knowledge-intensive tasks include bespoke statistical analysis, system maintenance, graphic design or software design (sourced from The Work Foundation).

Over the past 30 years, the UK's knowledge economy has increasingly driven economic performance, jobs generation and export growth. Between 1987 and 2006, the value of the UK's knowledge-based service exports grew from less than £13 billion to just under £90 billion according to The Work Foundation[17]. The knowledge economy has created more than seven million net new jobs in the past 30 years in the UK.

Knowledge-intensive business services contribute significantly to the UK economy. As another recent report by the Work Foundation stated[18], the UK's diverse business services sector (which includes services such as legal, architectural, consulting and engineering activities, but excludes financial services) is one of the most competitive in the world, accounting for over a fifth of UK economic output, one in eight jobs and large export revenues. This sector has created 1.8 million jobs since 1970.

[17] Levy, C. ,Sissons, A. and Holloway, C. (2011*) A plan for growth in the knowledge economy*, The Work Foundation, London.
[18] Sissons, A (2011) *Britain's Quiet Success Story - Business services in the knowledge economy*, The Work Foundation, London.

FIGURE 3.6: MAPPING EACH LEP TO THE INTENSITY OF EMPLOYMENT IN HIGH AND MEDIUM TECHNOLOGY PRODUCTION AND THE KNOWLEDGE ECONOMY (2010)



Source: Business Register and Employment Survey, Office for National Statistics; Please note: See Appendix B for definitions of high and medium technology and knowledge economy.

4: COMPETITIVE LOCAL PLACES

HIGHLIGHTS

Access, availability of qualified staff, quality of telecommunications, transport links and value for money office space are the top five factors that influence business location decisions

Skills contribute significantly to economic output and are a dynamic driver of enterprise, investment, value and new industries

Levels of skills attainments amongst adults vary in LEP areas, partly reflecting local industrial structures

Skills also matter for individuals, having considerable impact on whether they are in or out of work and the wages they are paid

Transport and communications infrastructure is important for local economies, as it facilitates the integration of the local area into regional, national and international markets

Analysis of road congestion in LEP areas reveals acute problems in urban centres and inner London

There are a significant number of broadband blackspots in many LEP areas, especially in rural localities, where download speeds at 2mbps or higher are not available

Between 1998 and 2008, an additional 17.8 million square metres of rateable commercial office space was created in England

Areas that have been historically underserved by commercial office floor space, such as the North Eastern LEP area, have seen increases of almost 80 per cent in the decade between 1998 and 2008

4.1 BUILDING COMPETITIVE LOCATIONS

THE ABILITY OF A LOCAL AREA TO EXPLOIT OR CREATE COMPETITIVE ADVANTAGE

Local economies compete as locations for firms. They act as nodes for the exchange and processing of information and capital flows, as well as places where people want to live, learn, consume, work, start up and run enterprises.

Historically, strategies for competitive locations were based on physical assets such as land and commercial and industrial property. However, the last 20 years have witnessed a focus on human capital and soft assets such as knowledge, networks and research.

This chapter considers the human and physical assets underpinning competitive locations, beginning with an assessment of the role of skills in the local economy and comparing the skills and qualifications of each LEP areas' working-age population.

THE MOST IMPORTANT LOCATION FACTORS FOR BUSINESS LEADERS

Access, availability of qualified staff, quality of telecommunications, transport links and value for money office space are the top five factors that influence business location decisions according to 500 business leaders surveyed as part of the 2011 European Cities Monitor (Cushman and Wakefield[19]).

As mentioned in chapter two, the most important features for location decisions amongst foreign investors included telecommunication, technology infrastructure; education; highly-skilled labour; and transport and logistics infrastructure.

FIGURE 4.1: THE MOST IMPORTANT FACTORS INFLUENCING BUSINESS LOCATION DECISIONS FOR EUROPEAN CITIES

Factors considered as essential	2011 Per cent	2010 Per cent
Easy access to markets, customers or clients	60	61
Availability of qualified staff	53	58
The quality of telecommunications	52	55
Transport links with other cities and internationally	42	51
Value for money of office space	33	36
Cost of staff	32	33
Availability of office space	25	31
Languages spoken	21	27
Ease of travelling around within the city	20	26
The climate governments create for business through tax policies or financial incentives	20	27
The quality of life for employees	16	20
Freedom from pollution	16	19

Sources: Cushman and Wakefield (2011) *European Cities Monitor 2011*, http://tinyurl.com/85tdk6r

4.2 BUILDING AND MAINTAINING A COMPETITIVE SKILLS BASE[20]

SKILLS CONTRIBUTE SIGNIFICANTLY TO ECONOMIC OUTPUT AND ARE A DYNAMIC DRIVER FOR ENTERPRISE, INVESTMENT, VALUE AND NEW INDUSTRIES

Skills can make a fundamental contribution to increasing economic output in two ways – by influencing productivity and employability. Skills can influence productivity by improving the effectiveness of existing employees (the workforce development approach) as well as new recruits. Skills can also help improve the employment rate by reducing skills shortages and by generally raising the employability of potential recruits. This is the basic economic roles of skills, but there are also other, more dynamic roles, which are very important for local economic development.

Skills also have a more dynamic role where they help to:

- develop enterprising behaviours leading to more business starts
- create a higher quality workforce, attracting mobile investments and retaining existing employers
- develop leadership and management skills that will drive up the use of skills in the workplace, increase productivity and develop new product market strategies to increase the share of higher value activities in the economy
- generate a foundation for developing new industries by providing key specialist skills at the right stage of development.

[19] Cushman and Wakefield (2011) *European Cities Monitor* 2011, http://tinyurl.com/85tdk6r
[20] This section is significantly based on a paper by Professor Alan McGregor at the University of Glasgow – McGregor, A (2010) *Investing in skills for local economic development*, Insight East, Cambridge.

Skills also matter for individuals, having considerable impact on whether they are in or out of work and the wages they are paid. There is a very strong and positive correlation between possession of formal qualifications, earnings, unemployment and labour market participation rates.

THE SKILLS DEVELOPMENT CHALLENGE

Identifying priorities and allocating public-sector resources to investments in different skills is challenging. Even at the national level (let alone local) there is no test of the value that accrues to expenditure on different types of education and training activity. For example, we do not know the economic and social benefits of spending more (or less) on universities versus further education colleges, or on apprenticeships versus programmes for the unemployed.

One solution is to have more locally based priority setting, decision-making and resource control. However attractive and sensible this may be, there are a number of common challenges that are particularly important at the local level:

- the information to inform evidence-based approaches to skills planning becomes much less reliable at smaller geographies
- labour markets are wide-ranging and dynamic and human capital resides with the individual - who exercises choice over the nature of their employment
- getting the wrong match between the supply of, and demand for, skills can be very damaging at the local level in the short to medium term. Upskilled people may simply leave to work in other areas if they cannot deploy their enhanced skills in their own travel to work areas, leaving behind little local economic development benefit.

SKILLS

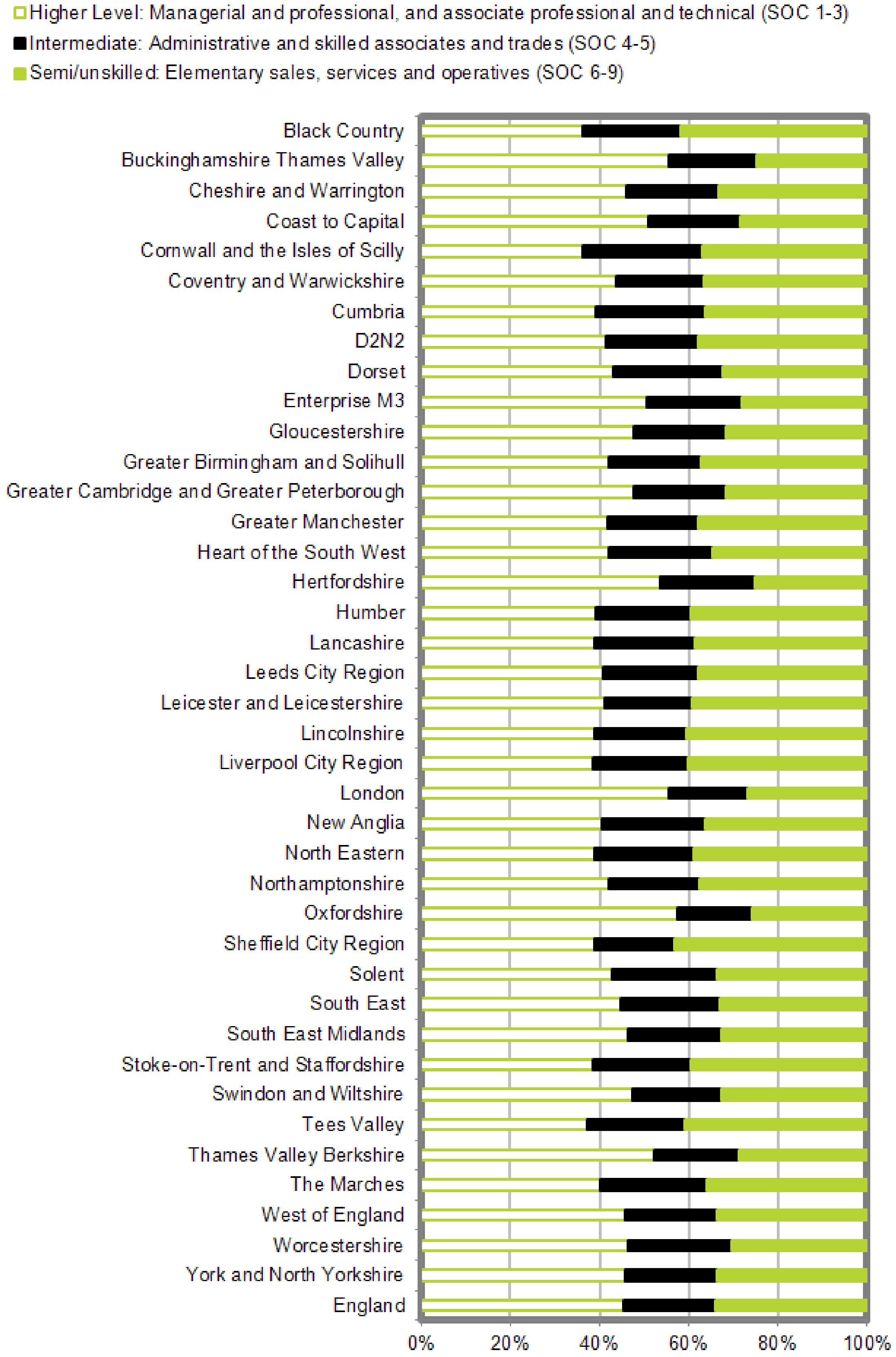
Skill(s) is a broad concept that covers the wide range of aptitudes and abilities that are necessary to make a worker competent to undertake their job. Skills can be obtained through a formal course of study leading to qualifications, work experience or simply be a function of personal characteristics. In the UK government's Standard Occupational Classification, they define the concept of skill in two ways: 1) skill level - the complexity of the tasks and duties to be performed; and 2) skill specialisation – the field of knowledge required for competent, thorough and efficient conduct of the tasks. Skills can be difficult to measure – qualifications are sometimes used to indicate types and levels of skill, but the two concepts are not the same. An individual can have a skill without it being represented by a qualification. Some skills are hard to accredit to qualifications, especially personal characteristics or attributes.

Ensuring that the appropriate skills provision is in place is challenging and localities need to put in place two key processes. Firstly, skills provision needs to be driven by a much clearer understanding of employer requirements currently and in the near future, using longer term forecasts more cautiously. Secondly, the systems for determining provision must be extremely responsive to changing local requirements in order not to keep on producing skills when the need for them has declined.

For many local areas workforce development has offered a more appropriate way of using locally-controlled skills resources. This approach builds up the capacity of the existing employed workforce. It means employees are less likely to move on as they already have a job and also enhances the competitiveness of local businesses by raising the productivity levels of their workforce.

Another challenge is the extent to which the public-sector works simply to fund an increased and/or a more appropriate **supply of skills** rather than trying to stimulate the **demand for skills**, and within this, higher-level skills, at the scale of the employing unit. The risk of policies and approaches emphasising the supply of skills is that they provide an excess of supply compared to demand, or that publicly funded supply does not match employer demand. To attempt to increase the demand for skills by employers, various mechanisms have been tried to date that 'market' the idea that skills are important for business performance. However, there is very little evidence that this approach has worked. Alternative methods include as public-sector procurement and leadership and management development. Conversely, there is a range of evidence suggesting that workforce-development initiatives (focused on those already in employment) have a positive effect on upskilling the current local workforce and upgrading the productivity of their employers.

FIGURE 4.2: THE SKILLS PROFILE OF EMPLOYED RESIDENTS IN LEP AREAS, APRIL 2010 – MARCH 2011



Sources: Annual Population Survey (occupational data), Office for National Statistics.

SKILLS LEVELS VARY, AND REFLECT LOCAL INDUSTRIAL STRUCTURES

LEP areas vary significantly in the skill levels of the jobs undertaken by local residents. As indicated in **Figure 4.2** on page 49, a higher proportion of residents are employed in managerial and professional and associate professional and technical occupations in London (52.7 per cent), Thames Valley Berkshire (51.3 per cent) and Hertfordshire (50.6 per cent). This reflects the importance of knowledge-based activities in these areas.

The skills levels of jobs undertaken by local residents strongly reflect the industrial structure in and around each local area. For example, Northamptonshire, with a higher than average presence of manufacturing employment, has higher than average shares of residents employed in skilled trades (12.1 per cent); process, plant and machinery operatives (8.3 per cent); and elementary occupations (14.6 per cent). The skills profile of employees in LEP areas such as the Black Country, Coventry and Warwickshire, Greater Birmingham and Solihull and Humber similarly reflect that manufacturing has a more significant presence in these local economies.

The skills profile of each LEP area is likely to reflect strongly future economic growth trajectories – particularly if we accept that economic growth is a function of human capital.

THE DEGREE-LEVEL QUALIFICATIONS OF EACH LOCAL WORKFORCE VARY SIGNIFICANTLY BETWEEN LEP AREAS

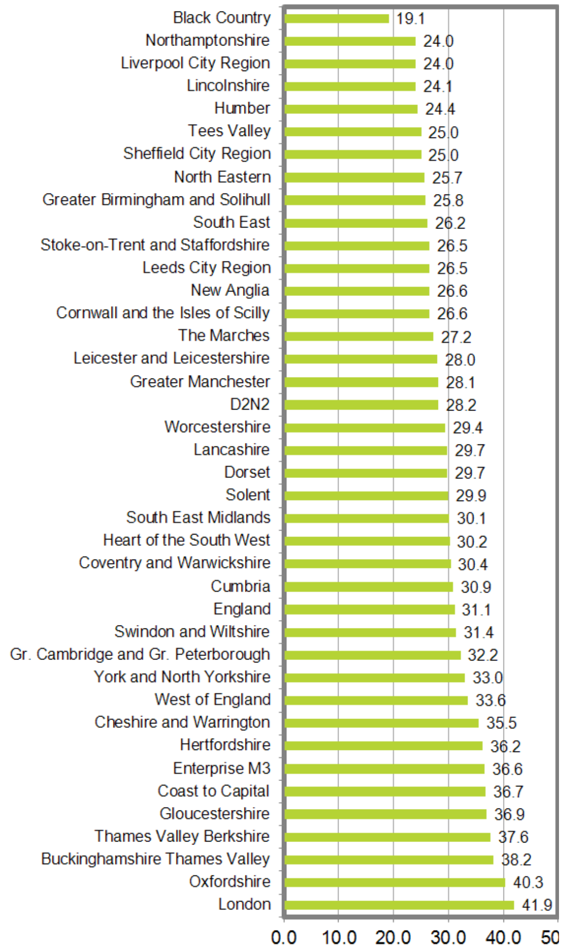
Higher-level (degree equivalent or above) qualifications are not uniformly present in LEP areas. As indicated in **Figure 4.3**, in 2010, 41.9 per cent of London's workforce had qualifications at degree level (or equivalent) or above, compared with 19.1 per cent in the Black Country.

All but one LEP area increased the presence of degree-level qualifications (or above) in their adult population between 2005 and 2010. LEP areas with the greatest increases included Oxfordshire (+8.7 per cent), London (+8.1 per cent), Cumbria (+8.1 per cent), Gloucestershire (+7.9 per cent) and Heart of the South West (+6.3 per cent). In Northamptonshire, there were negligible gains in degree-level qualifications (or above) held by the adult population.

GRADUATE RETENTION

Figure 4.4 on page 51 demonstrates a measure of graduate retention in LEP areas. Clearly, many graduates whose permanent residence is in London decided to work there immediately after completing their courses of study (76.9 per cent). This contrasts with Thames Valley Berkshire, where only 21.8 per cent of resident graduates work in this LEP area. In this case, the presence of labour market opportunities in London may be playing a role.

FIGURE 4.3: SHARE OF THE WORKING AGE POPULATION WITH THE EQUIVALENT OF DEGREE-LEVEL QUALIFICATIONS OR ABOVE, APRIL 2010 – MARCH 2011



Source: Annual Population Survey, Office for National Statistics

QUALIFICATIONS

Qualifications are endowments or achievements (often formally certified) that demonstrate an individual's competence and proficiency in a specified area of activity. Vocational Qualification Levels or VQs refer to a categorisation of broad levels of qualification equivalency as follows:

NVQ 1 = foundation GNVQ, three to four GCSEs at grades D–E, Business & Technology Education Council (BTEC) first certificate

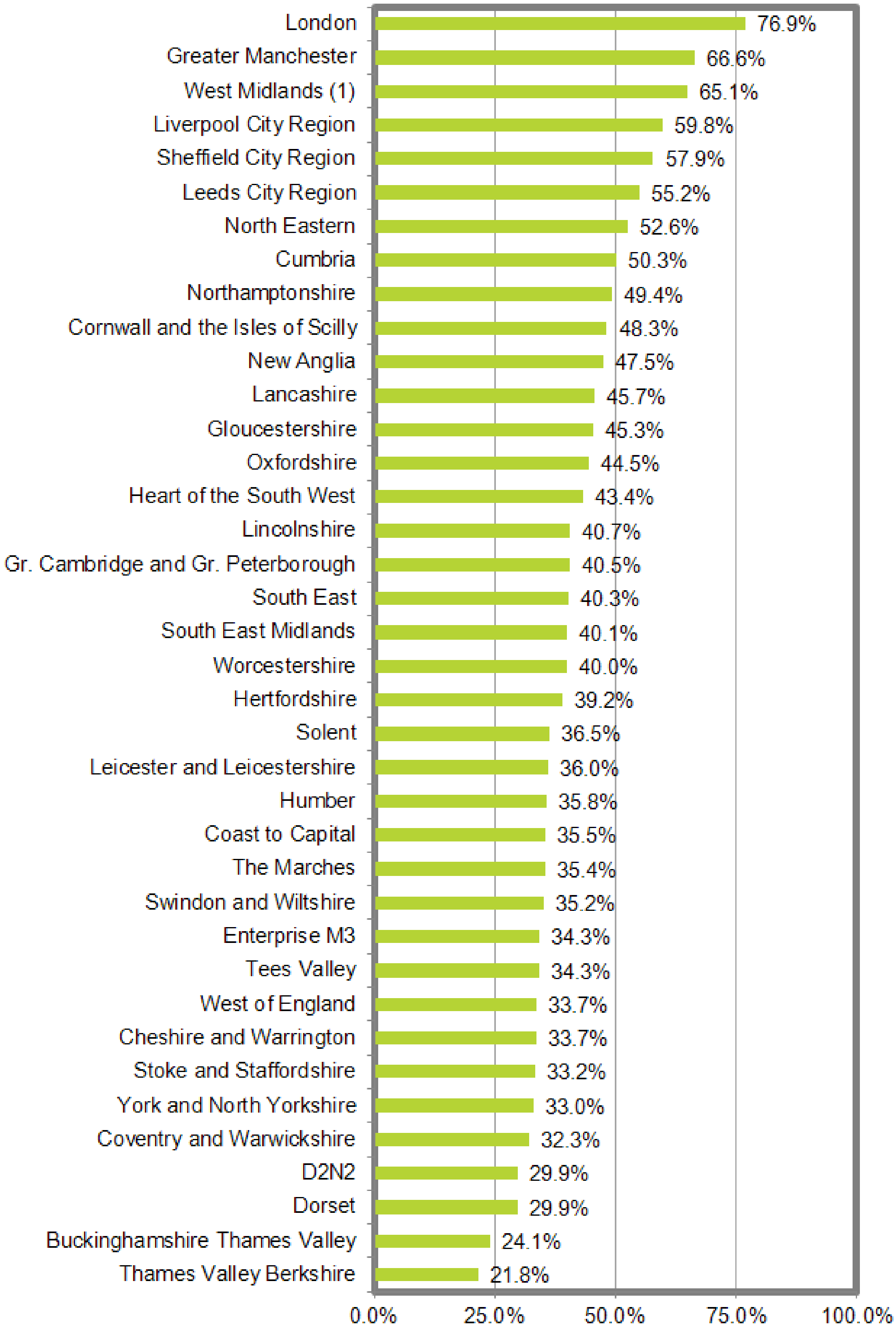
NVQ 2 = five GCSEs at grades A*–C, BTEC first diploma

NVQ 3 = two or more A levels, BTEC Ordinary National Diploma (OND), City & Guilds Advanced Craft

NVQ 4 = Degree and sub–degree qualifications, including honours and ordinary degrees, BTEC Higher National Certificate (HNC) or Higher National Diploma (HND), or City & Guilds Full Technological Certificate / Diploma

NVQ 5 = Higher degree (postgraduate degree or doctorate).

FIGURE 4.4: GRADUATE RETENTION IN 2009/10



Source: HESA, full-time students only. Notes: (1) data is not available to allow estimation for the Black Country, Greater Birmingham and Solihull, Staffordshire, and Coventry and Warwickshire LEP areas; (2) figures represent share of graduate leavers that returned to their permanent home address to work (i.e. are now working in the same location as permanent home address); (3). Sheffield City Region LEP area was approximated to the South Yorkshire HESA local unit.

4.3 PROVIDING THE INFRASTRUCTURE AND PROPERTY TO FACILITATE ECONOMIC GROWTH

THE ROLE OF INFRASTRUCTURE IN ECONOMIC DEVELOPMENT

Transport and communications infrastructure are important for local economies as they facilitate the integration of the local area into regional, national and international markets, allowing greater potential to exploit local comparative advantage. They facilitate the transport of people, goods, services and information. In the UK, infrastructure has well known capacity problems, both for broadband and for transport. It will be challenging to address these whilst public spending is restrained. Clearly, the key economic role of local infrastructure is to provide an efficient and cost effective physical base for the resources underpinning the activities of businesses, as well as enabling the connection of these resources – especially human capital and knowledge – within and across local economies.

There is often market failure in the provision of adequate connecting infrastructure such as rail, road and broadband. Given that the requirement for increased connectivity to national and international markets and resources is likely to represent a key means by which LEP areas can improve their long term economic performance, there is a need to ensure that these areas have in place both the physical and virtual infrastructure to enhance the capability of businesses in the area to connect externally (i.e. outside the local economy). In more successful LEP areas, whilst the capability to connect externally is usually relatively well developed, negative spillovers resulting from relatively high levels of economic development have had a negative impact on the capability for internal connection, as manifested by high levels of congestion and long journey times.

TRANSPORT INFRASTRUCTURE

The Eddington Report[21] **concluded that there is clear evidence that a comprehensive and high-performing transport system is an important enabler of sustained economic prosperity**. However, Eddington also concluded that transport alone cannot create growth. It is rather an enabler that can improve productivity when other conditions are right. Eddington identified seven main linkages by which transport improvements have an impact on economic growth:

1. **Improved business efficiency**, notably by travel time savings, improving journey time reliability and travel quality.
2. **Stimulating business investment and innovation** by supporting economies of scale and new ways of working.
3. **Agglomeration economies,** which bring firms closer (in space or time) to other firms or workers in the same sector.
4. **Improved labour market efficiency**, enabling firms to access a larger labour supply and wider employment opportunities for workers and those seeking work.
5. **Increasing competition** by opening access to new markets**,** principally by integrating world markets
6. **Increasing domestic and international trade** by reducing trading costs.
7. **Attracting globally mobile activity** to the UK, by providing an attractive business environment and good quality of life.

Eddington estimated that, if left unchecked, the rising cost of congestion would cost the UK economy an extra £22 billion per annum by 2025.

ROAD TRANSPORT CAPACITY

Road transport is the predominant mode of transport in Great Britain, accounting for 91 per cent of all passenger distance travelled in 2010.

High-speed road capacity is unevenly distributed amongst LEP areas, due to the layout of the national system of motorways and dual carriageways – demonstrated in **Figure 4.5**. A number of LEP areas are the location for major motorways – such as the M3 motorway in the Enterprise M3 LEP area and the M6 motorway in Cumbria.

An examination of traffic speeds at peak morning times, as mapped in Figure 4.6 on page 54, reveals that road congestion is an acute problem in urban centres and inner London. Traffic speeds are more than 25 per

[21] Eddington, R. (2006) *The Eddington Transport Study: The case for action*: *Sir Rod Eddington's advice to Government*, Summary Report, HMSO, London.

cent less in these areas compared with the national average. In central London boroughs, vehicle speeds can be 50 per cent or less than the national average.

Congestion is a significant issue in urban centres and a number of LEP areas have particular problems. Localities in LEP areas that experience significantly lower morning peak-time vehicle speeds than average include:

- **Coast to Capital**: Brighton and Hove
- **D2N2**: Nottingham
- **Greater Birmingham and Solihull**: Birmingham (26 per cent lower than national average)
- **Greater Manchester**: In six out of the 10 local authorities that comprise the LEP area, average vehicle speeds during peak time are 25 per cent or lower than the national average
- **Humber**: Average vehicle speeds are 33 per cent lower than the national average
- **Leicester and Leicestershire**: Average vehicle speeds are 34 per cent lower than the national average
- **Liverpool City Region**: Liverpool (31 per cent below the national average)
- **Solent**: Portsmouth and Southampton (both 32 per cent lower than the national average)
- **Thames Valley Berkshire**: Reading (40 per cent below the national average); Slough (38 per cent below the national average)
- **West of England**: Bristol (38 per cent below the national average).

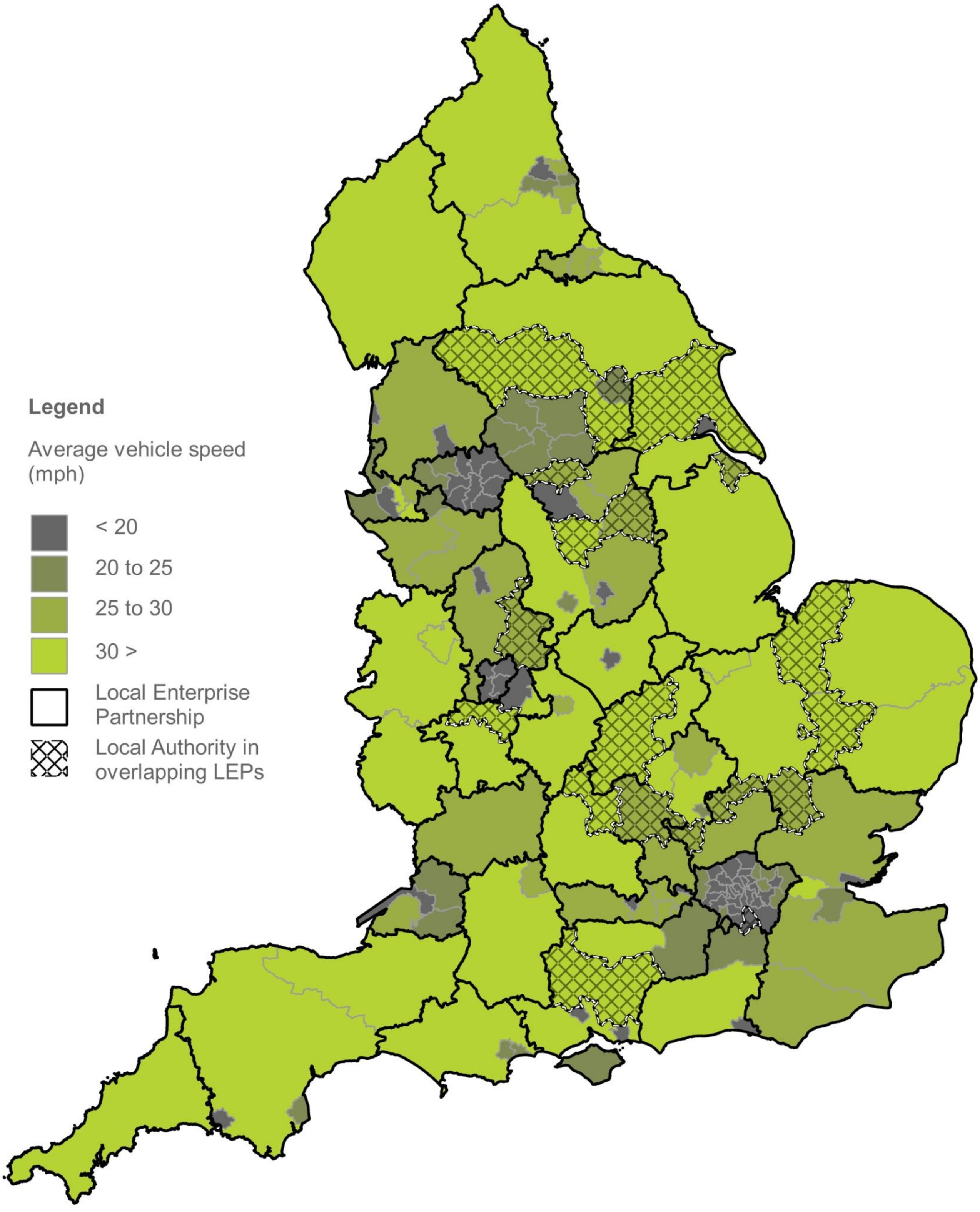
The majority of London's borough council areas have average vehicle speeds well below the national average. Vehicle speeds are particularly low in Camden (62 per cent below the national average), the City of London (63 per cent below), Islington (60 per cent below), Lambeth (55 per cent below), Lewisham (64 per cent below) and Westminster (59 per cent below).

FIGURE 4.5: MOTORWAYS AND DUAL CARRIAGEWAY CAPACITY IN LEP AREAS, 2010

LEP AREA	Total length (miles)	Length (miles) per 100,000 residents	Length (miles) per 100 square miles
Black Country	90.6	8.3	65.7
Buckinghamshire Thames Valley	67.3	13.5	11.1
Cheshire and Warrington	150.7	16.9	17.2
Coast to Capital	288.6	13.2	20.0
Cornwall and the Isles of Scilly	66.6	12.4	4.8
Coventry and Warwickshire	168.6	19.8	21.1
Cumbria	117.8	23.8	4.5
D2N2	217.3	10.4	11.8
Dorset	53.5	7.5	5.2
Enterprise M3	403.8	16.7	19.6
Gloucestershire	93.0	15.7	9.1
Greater Birmingham and Solihull	108.7	8.7	63.1
Gr. Cambridge and Gr. Peterborough	170.9	20.6	11.7
Greater Manchester	215.8	8.2	43.8
Heart of the South West	168.4	14.7	6.5
Hertfordshire	175.5	15.8	27.7
Humber	122.6	13.3	9.0
Lancashire	182.6	12.6	15.4
Leeds City Region	359.2	11.0	8.7
Leicester and Leicestershire	144.4	15.1	17.3
Lincolnshire	102.3	10.0	3.8
Liverpool City Region	176.0	12.0	63.0
London	313.8	3.8	49.0
New Anglia	170.9	10.8	4.8
North Eastern	246.8	12.7	8.2
Northamptonshire	131.7	19.2	14.4
Oxfordshire	102.5	15.8	10.2
Sheffield City Region	145.2	10.9	24.2
Solent	269.8	14.3	16.8
South East	522.7	13.3	14.9
South East Midlands	236.5	15.3	15.7
Stoke and Staffordshire	166.2	15.5	15.9
Swindon and Wiltshire	84.6	12.8	6.3
Tees Valley	87.6	13.2	28.6
Thames Valley Berkshire	125.5	14.5	25.8
The Marches	60.9	9.6	2.8
West of England	188.8	11.6	10.2
Worcestershire	109.3	19.6	16.3
York and North Yorkshire	169.7	14.9	4.1
England	5,982.5	11.5	11.9

Sources: Department for Transport (roads); Office for National Statistics (land areas).
Note: LEP areas have been approximated to unitary and county areas as this data is not available at district level. See Appendix B for definitions.

FIGURE 4.6: CONGESTION IN LOCAL AUTHORITY AREAS – AVERAGE VEHICLE SPEEDS DURING WEEKDAY MORNING PEAK TIMES ON LOCAL 'A' ROADS, 2010



Source: DfT:
Morning peak defined as 7am to 10am.
Weekdays within school holiday periods excluded.
Average speeds are measured in both directions.
Academic years - September to July.

Contains Ordnance Survey data © Crown copyright and database right 2011.

AIR TRANSPORT CAPACITY

The UK has the largest air transport system in Europe, accounting for approximately 190 million passengers each year. The leading airports in the UK are: London Heathrow - the largest and busiest international airport in Europe and the third largest globally; London Gatwick - the busiest single-runway airport in the world; and Manchester Airport - the third largest airport in the UK, handling 22 million passengers each year. Other major international airports in England include Birmingham International, London Stansted, London Luton, Nottingham East Midlands, Bristol, Liverpool John Lennon Airport, Newcastle and Robin Hood Airport (Sheffield).

All LEP areas have seen a decline in passenger numbers since the onset of the recession in 2008. The recession occurred after total UK air passengers had peaked at 240 million in 2007. The latest air passenger intelligence from the Civil Aviation Authority shows that, in the second quarter of 2011, there was a strong recovery of passenger numbers (12 per cent) compared with the same quarter of 2010. This is significant following three years of falling passenger numbers between 2008 and 2010. Although the recession led to a fall in passenger numbers, further disruptions occurred in 2009 and 2010 - partly driven by non-economic events such as weather disruptions, strikes, political unrest and the volcanic eruptions.

London has the highest air passenger capacity, as can be seen in **Figure 4.7**, peaking at 70,978,200 passengers in 2007, followed by Coast to Capital's 35,224,100 passengers. In 2007, the South East had 23,847,900 air passengers and in 2006, Greater Manchester had 22,422,900.

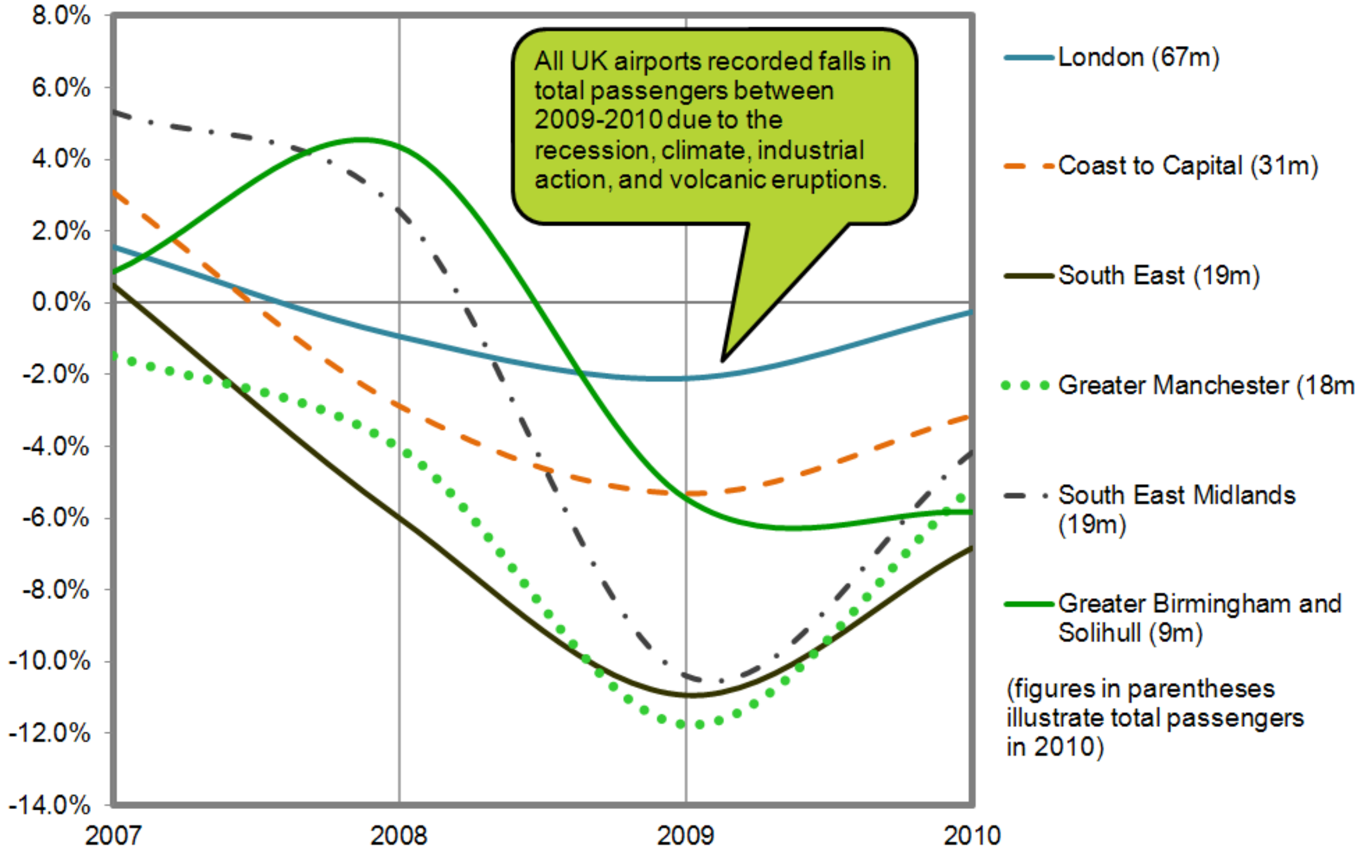
All major airports have experienced annual decreases in passengers in 2008 and 2009, with some recovery in 2010. Figure 4.8 shows how the six LEP areas with the highest numbers of air passengers in 2010 reflect this. All major airports have experienced annual decreases in passengers in 2008 and 2009, with some recovery in 2010 – although not to pre-recession levels.

FIGURE 4.7: AIRPORT PASSENGER CAPACITY IN EACH LEP AREA

	LEP area	Highest volume of passengers in any one year 2001-2010	Year
1	London	70,978,200	2007
2	Coast to Capital	35,224,100	2007
3	South East	23,847,900	2007
4	Gr. Cambridge and Gr. Peterborough	23,781,800	2007
5	Greater Manchester	22,442,900	2006
6	South East Midlands	10,180,700	2008
7	Greater Birmingham and Solihull	9,627,600	2008
8	West of England	6,267,100	2008
9	North Eastern	5,650,700	2007
10	Leicester and Leicestershire	5,620,700	2008
11	Liverpool City Region	5,468,500	2007
12	Leeds City Region	2,881,500	2007
13	Solent	1,965,700	2007
14	Heart of the South West	1,125,400	2007
15	Dorset	1,086,900	2007
16	Sheffield City Region	1,078,400	2007
17	Tees Valley	906,100	2006
18	New Anglia	746,700	2006
19	Coventry and Warwickshire	719,500	2005
20	Cornwall and the Isles of Scilly	591,900	2008
21	Lancashire	558,300	2007
22	Humber	531,300	2004
23	Gloucestershire	20,500	2004
	UK total	239,969,500	2007

Source: Source: Civil Aviation Authority. Note: passenger numbers include terminal and transit passengers; The peak value of passenger numbers in any year over the past decade is given as an indication of air passenger capacity.

FIGURE 4.8: ANNUAL AIRPORT PASSENGER GROWTH 2001/02 TO 2009/10 IN SIX LEP AREAS



Source: Civil Aviation Authority.

BROADBAND ACCESS

Broadband internet services are becoming increasingly needed as a mainstay for business, learning and leisure. There is significant demand for broadband data from UK consumers. In 2010, residential fixed broadband customers were using on average 17 gigabytes of data per month. This is equivalent to downloading more than 11 films per month, streaming 12 hours of BBC iPlayer HD video or more than 12 days of streaming audio content.

2 megabits per second (mbps) connections allow the use of multimedia services, such as BBC iPlayer, internet telephony and importantly, multimedia educational resources. The UK government set out its aim to deliver 2 mbps to the whole of Britain by the end of the current parliament in 2015. Approximately 99 per cent of the UK has access to broadband at a speed of at least at 512 kilobytes per second (kbps). Although 57 per cent of UK households had access to super-fast services (fibre optic cable networks) by end June 2011, which allow download speeds greater than 50 mbps, 14 per cent of households remained unable to get broadband access at 2 mbps or greater. This particularly affects rural areas.

EXPLAINING LOWER BROADBAND SPEEDS AND ACCESS IN RURAL AREAS

According to Ofcom, there is a number of reasons for reduced broadband access in rural areas:

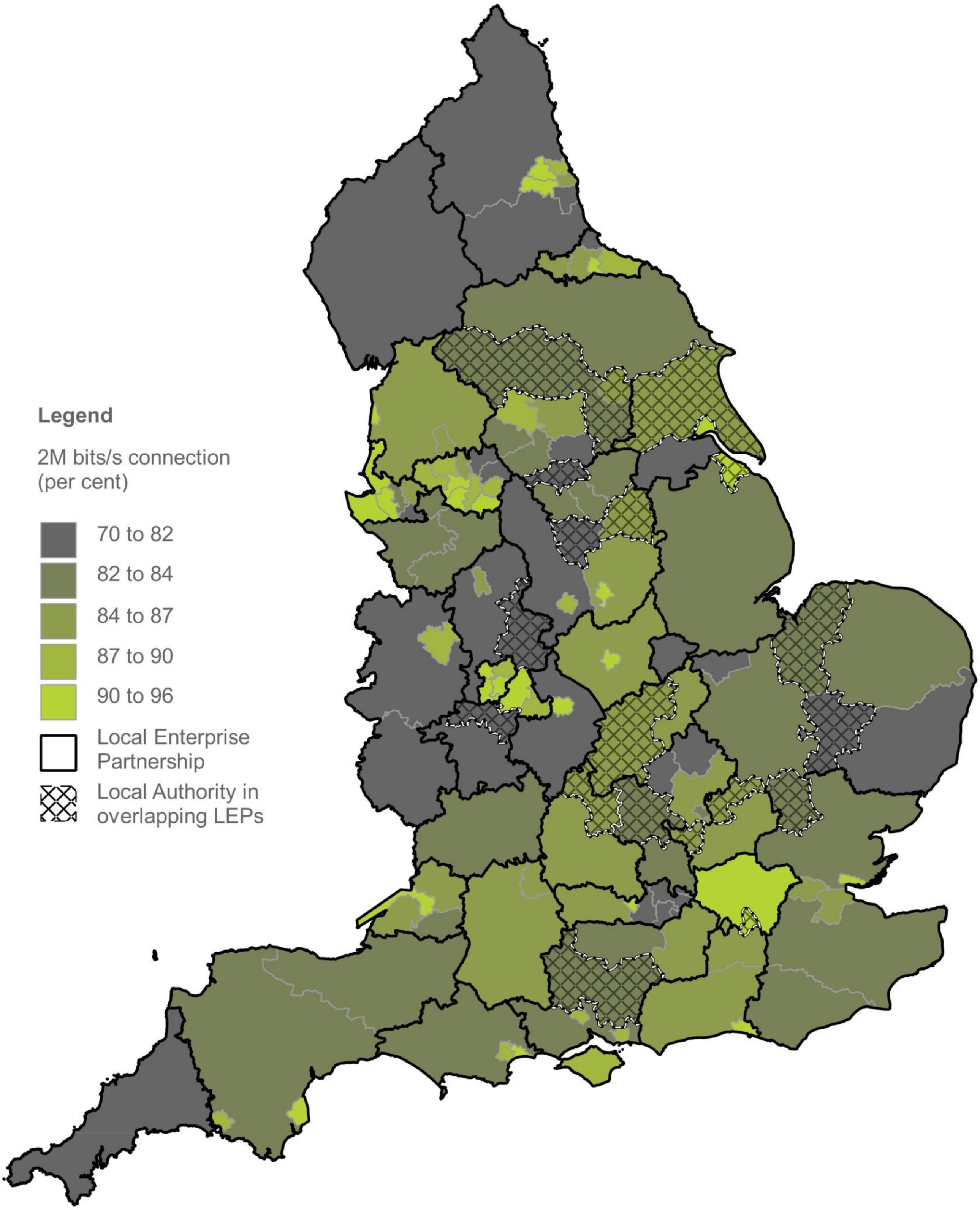
1) There is limited availability of (fibre optic) cable networks in rural areas due to the high cost of building new networks in areas where there is a large distance between premises.

2) In many rural areas BT Wholesale (part of the BT Group) is the only operator that has chosen to install broadband equipment in the local telephone exchange, and in many exchanges this is ADSL technology which supports a maximum speed of 8 mbps. In more urban areas multiple operators have deployed ADSL2+ equipment which is capable of delivering modem sync speeds of up to 24 mbps.

3) For broadband services delivered over telephone lines, achievable modem sync speeds are dependent on the length and quality of the line. In rural areas average line lengths tend to be longer and hence lower speeds are achieved.

The ambition for 2 mbps minimum service throughout Britain is unlikely to be adequate for the next generation of high definition services such as BBC iPlayer HD (requiring 3.2 mbps); iTunes Streaming (4mbps); or on-demand high definition television such as Sky HD (12 mbps).

FIGURE 4.9: PERCENTAGE OF EXISTING BROADBAND CONNECTIONS ACHIEVING 2 MBPS DOWNSTREAM SPEEDS IN COUNTY AND UNITARY AREAS



Source: OFCOM: http://maps.ofcom.org.uk/broadband/downloads/ofcom-uk-broadband-speed-data-2011.csv

There is a significant number of broadband blackspots in many LEP areas, as mapped out in Figure 4.9 on the previous page**.** This highlights that overall broadband performance is lower in areas of low population density, such as rural counties. As well has having a lower percentage of households unable to achieve 2 mbps per second, these areas have lower availability of superfast broadband.

The South East Midlands area contains Milton Keynes Council area - the local authority area with the lowest share in England of households with broadband download speeds of 2 mbps or greater. West of England LEP includes Bristol City Council – the local authority area with the highest proportion of households in England with fast broadband download speeds. Bristol also has the highest sync speed, which is a measure of the quality of lines and telecoms equipment and therefore the highest capacity for broadband.

WHY LOCAL BROADBAND ACCESS MATTERS

There is good evidence that broadband considerably boosts economic growth. Recent World Bank research[22], suggests that the contribution of broadband to economic growth is substantial, and may be more profound than comparable narrowband or voice-based information and communication technologies - providing a boost of 1.38 percentage points on GDP growth in developing countries for every ten percentage points increase in broadband penetration. Broadband provides access to new technologies, allow companies to explore new business opportunities, access customers and obtain information about market prices. Better access to information makes markets work more efficiently and raises producer incomes

The market can fail to provide adequate broadband services in certain local areas. This can occur where the costs of fixed-line network construction are deemed to be too expensive by commercial providers, who base their decisions on factors such as population density. Commercial providers can also be risk averse in terms of making investments, or have inadequate information on which to assess real or likely demand for services. In many countries, the dominance of incumbent public telecommunications operators arising from their historical monopoly position has been one of the key obstacles to the development of effective competition in the broadband market[23]. But other market failures may be associated with lack of economies of scale. Difficulties in obtaining legal permission to operate, inefficient allocation of radio-spectrum, poor information and limited capital markets are all further examples of these market failures.

There are constraints on enterprise and business performance caused by a lack of broadband provision. Business locations and premises will often not attract tenants unless adequate broadband infrastructure and capacity is available. Opportunities for home-based self-employment or remote working are restricted by a lack of broadband access. Lack of broadband can mean that a business lacks a website or a means of maintaining one properly. Most businesses these days require to do business on the internet and to send data – for example it is self-assessment tax forms and quarterly VAT returns are increasingly being completed online rather than on paper. Employers without broadband are potentially missing out on recruiting the best staff. Business job vacancy adverts are less likely to be posted on the internet and reach the most suitable candidates in the jobs market.

Broadband affects perceptions about place attractiveness. People increasingly consider broadband availability as they look at places to live. The local housing market is more at risk of declining property values as people reject properties in digitally excluded areas.

Broadband access is important to maintain a local tourism industry. A significant proportion of tourists now research, plan & book their holidays online. Tourism businesses, therefore must be prepared to have an online route to their markets.

There are wider benefits from provision of high-speed broadband in rural areas according to Newcastle University's Centre for Rural Economy[24]. Provision of high speed broadband to rural areas is not just about equitable distribution of services, but also about enabling rural businesses, households and communities to realise their potential and thereby bring wider benefits to society. The Centre argues that the transformational potential of information and communications technology could make a substantial contribution to improvements in service provision (such as health, distance learning, home-working and tele-marketing); the competitiveness of many rural businesses; and by improving sustainability by reducing the need for people to travel.

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[22] World Bank (2009) *Information and Communication for Development; Extending reach and increasing impact*.
[23] Kelly, T, Mulas, V., Raja S., Zhen-Wei Qiang, C. and Williams, M (2009), *What role should governments play in broadband development?*, Paper prepared for infoDev/OECD workshop on "Policy Coherence in ICT for Development", Paris, 10-11 September 2009
[24] Talbot, H. (2010) *Briefing Paper: Rural Broadband*, Centre for Rural Broadband, Newcastle University.

LAND AND PROPERTY AVAILABILITY AND COST

Land and property availability remains a key factor in business location decisions. Businesses need affordable office space and commercial premises to operate from. Perceptions about business locations are also important. Localities that have regenerated areas into new commercial and business districts have in the past benefited from investment and new job creation.

There have been significant changes in the availability and type of property in LEP areas over the past 10 years. There has been a significant expansion in commercial office floor space in England over the decade preceding the recession, as evidenced by **Figure 4.10**. Between 1998 and 2008, an additional 17.8 million square metres of rateable commercial office space was created. Areas that have been historically underserved by commercial office floor space, such as the North Eastern LEP area, have seen increases of almost 80 per cent in the decade between 1998 and 2008. Almost an equivalent amount of factory floor space was lost over this period too. 19.2 million square metres were lost, representing a loss of 9.1 per cent.

Property availability and cost of commercial office and factory floor space in LEP areas strongly reflects the industrial structure of each area. As illustrated in **Figure 4.11**, factory floor space availability is high in LEP areas with a significant manufacturing presence, and is the highest in Northamptonshire which has 9.22 square metres of factory floor space per capita (compared to the national average of 3.74 square metres per capita). This is followed by Tees Valley with 7.19 square metres. Tees Valley has also experienced the largest increase in industrial floor space of all LEP areas, with an increase of 20.5 per cent over the decade from 1998 to 2008 (from 3,928,000 to 4,733,000 square metres). Oxfordshire also experienced large increases in industrial floor space at 15.2 per cent.

All LEP areas grew their commercial office floor space, but 25 LEP areas experienced falls in industrial floor space. At 20.7 per cent, Greater Manchester experienced one of the highest falls in industrial floor space over the decade, from 15,31,000 square metres in 1998 to 12,153,000 in 2008. At 77.7 per cent, The North Eastern LEP area showed the largest growth in its commercial office floor space of all LEP areas over the decade from 1,326,000 square metres in 1998 to 2,356,000 in 2008. Lancashire also experienced high growth – by 72.2 per cent over the decade.

At 3.25 square metres per capita, London has the most commercial office floor space of all LEP areas. Thames Valley Berkshire, with 3.05 square metres per capita, is not far behind. Cornwall and the Isles of Scilly has the lowest presence of commercial office space, at 0.52 square metres per capita.

Rateable values of commercial office space and factory space differ markedly between LEP areas. Many LEP areas now appear to offer increased office floor space and lower rateable values, making premises cheaper for business. Humber LEP area has the cheapest commercial office space at a rateable value of £51 per square metre. This compares with the most expensive commercial office space found in London, with a rateable value of £203 per square metre. Cumbria LEP area has the cheapest factory floor space, at a rateable value of £17 per square metre. This compares with the most expensive factory floor space found in Thames Valley Berkshire, with a rateable value of £56 per square metre.

RATEABLE VALUE

Rateable value - the Valuation Office Agency's (part of HM Revenue and Customs) legal definition of rateable value is 'the amount equal to the rent at which the property might reasonably be expected to be let from year to year if the tenant undertook to pay all the usual tenant rates and taxes and bear the cost of repairs and insurance and other expenses (if any) necessary to maintain the property in a state to command that rent.'

FIGURE 4.10: COMMERCIAL OFFICE FLOOR SPACE IN LEP AREAS, RANKED BY CHANGE IN TOTAL FLOORSPACE 1998 TO 2008

LEP Area	Commercial office floorspace 2008 - sq metres per capita	commercial office floorspace change 1998-2008	Commercial offices: Estimated rateable value £ per metre squared
North Eastern	1.23	77.7%	83
Lancashire	1.03	72.2%	59
D2N2	1.01	64.3%	74
Sheffield City Region	0.99	59.8%	79
Cornwall and the Isles of Scilly (1)	0.52	57.5%	56
York and North Yorkshire	0.88	54.7%	85
Worcestershire	0.99	53.7%	81
Tees Valley	1.19	52.6%	61
Leicester and Leicestershire	1.20	50.9%	67
Lincolnshire	0.65	50.8%	58
The Marches	0.81	49.7%	65
Stoke-on-Trent and Staffordshire	0.80	48.1%	72
Oxfordshire	1.83	47.8%	116
Gloucestershire	1.65	44.2%	76
Liverpool City Region	1.37	43.7%	76
Heart of the South West	0.77	42.3%	69
Greater Cambridge and Greater Peterborough	1.48	42.0%	111
Coventry and Warwickshire	1.39	37.7%	97
Leeds City Region	1.45	37.5%	92
Humber	0.72	33.8%	51
Cumbria	0.84	33.2%	56
Solent	1.18	33.1%	89
Dorset	1.00	33.0%	86
New Anglia	0.91	32.4%	73
Greater Manchester	1.60	28.8%	102
Enterprise M3	2.03	28.8%	114
Northamptonshire	1.01	27.8%	86
Cheshire and Warrington	1.65	27.7%	97
South East	0.87	25.8%	169
Greater Birmingham and Solihull	1.59	24.8%	115
Thames Valley Berkshire	3.05	20.7%	119
South East Midlands	1.44	19.4%	94
Swindon and Wiltshire	1.38	19.2%	91
London (2)	3.25	18.4%	203
West of England	1.75	18.0%	116
Buckinghamshire Thames Valley	1.68	13.4%	115
Black Country	0.82	9.9%	66
Coast to Capital	1.63	8.4%	121
Hertfordshire	1.77	0.0%	127
England	1.58	28.1%	128

Source: Commercial and Industrial Floorspace and Rateable Value Statistics, Neighbourhood Statistics, Office for National Statistics; Mid-Year Population Estimates, Office for National Statistics. (1) This omits data from the Isles of Scilly - there is no data available for commercial or factory floorspace for this area. (2) There was no data for industrial floorspace for the City of London 2008 - it is assumed that this is zero (there were 4,000 square metres in 1998).

FIGURE 4.11: FACTORY FLOOR SPACE IN LEP AREAS, RANKED BY CHANGE IN TOTAL FLOORSPACE 1998 TO 2008

LEP Area	Factory floorspace 2008 - sq metres per capita	Factory floorspace change 1998-2008	Factories: Estimated rateable value £ per metre squared
Tees Valley	7.19	20.5%	22
York and North Yorkshire	4.33	16.2%	24
Oxfordshire	3.05	15.2%	39
Humber	6.92	8.6%	22
Dorset	3.15	5.6%	37
Greater Cambridge and Greater Peterborough	4.13	4.4%	32
North Eastern	5.00	3.9%	22
Sheffield City Region	5.20	3.7%	24
Northamptonshire	5.64	3.3%	29
Lincolnshire	6.25	2.5%	23
The Marches	5.69	0.8%	25
Cornwall and the Isles of Scilly (1)	2.52	0.5%	24
Cumbria	4.80	0.0%	17
Heart of the South West	3.09	-1.3%	25
Leicester and Leicestershire	5.95	-1.5%	29
New Anglia	4.06	-2.5%	25
Solent	2.88	-3.2%	34
Gloucestershire	4.70	-4.0%	29
South East Midlands	4.03	-4.0%	39
Enterprise M3	2.03	-4.6%	46
D2N2	5.17	-5.0%	26
Swindon and Wiltshire	3.69	-5.1%	34
South East	2.80	-6.6%	32
Cheshire and Warrington	5.00	-7.9%	27
Liverpool City Region	3.74	-9.2%	25
Worcestershire	4.59	-9.4%	30
Coast to Capital	1.80	-10.4%	46
West of England	2.55	-12.3%	27
Coventry and Warwickshire	4.87	-12.7%	32
Stoke-on-Trent and Staffordshire	5.65	-13.0%	25
Leeds City Region	5.20	-13.0%	24
Lancashire	5.17	-14.6%	21
Buckinghamshire Thames Valley	2.50	-16.8%	38
Greater Birmingham and Solihull	4.54	-17.3%	27
Thames Valley Berkshire	1.99	-18.3%	56
Black Country	7.10	-19.3%	24
Hertfordshire	2.16	-19.4%	50
Greater Manchester	4.71	-20.7%	25
London (2)	1.21	-36.7%	51
England	4.11	-9.1%	29

Source: Commercial and Industrial Floorspace and Rateable Value Statistics, Neighbourhood Statistics, Office for National Statistics; Mid-Year Population Estimates, Office for National Statistics. (1) This omits data from the Isles of Scilly - there is no data available for commercial or factory floorspace for this area. (2) There was no data for industrial floorspace for the City of London 2008 - it is assumed that this is zero (there were 4,000 square metres in 1998).

APPENDIX A: BENCHMARKING LEP AREAS

FIGURE A1: CHARACTERISTICS OF LEP AREAS

LEP area	Private and other services employment: share of total (per cent), 2010	Manufacturing employment: share of total (per cent), 2010	Share of population classed as rural (per cent), 2009	Share of total employment in the public sector (per cent), 2010
Black Country	47.0	15.4	0.2	22.4
Buckinghamshire Thames Valley	58.4	7.7	47.9	13.6
Cheshire and Warrington	57.4	9.6	39.5	18.9
Coast to Capital	57.2	5.4	27.4	18.7
Cornwall and the Isles of Scilly	53.3	8.8	92.1	21.9
Coventry and Warwickshire	54.7	10.4	27.8	19.2
Cumbria	47.3	16.4	73.6	22.9
D2N2	45.6	14.3	28.9	24.1
Dorset	51.4	9.2	38.7	15.1
Enterprise M3	58.4	7.6	33.0	15.4
Gloucestershire	49.9	12.4	45.2	22.1
Greater Birmingham and Solihull	53.7	11.5	11.9	23.4
Greater Cambridge & Greater Peterborough	51.0	10.7	64.0	18.1
Greater Manchester	54.7	8.7	4.4	22.3
Heart of the South West	50.6	10.2	57.3	20.4
Hertfordshire	62.9	6.9	22.1	17.1
Humber	43.4	15.5	37.1	24.2
Lancashire	45.3	14.5	22.4	23.8
Leeds City Region	51.0	10.9	22.2	23.4
Leicester and Leicestershire	49.6	14.5	28.8	19.3
Lincolnshire	46.5	14.7	59.1	20.4
Liverpool City Region	47.7	7.8	9.5	26.9
London	67.6	2.7	0.2	18.7
New Anglia	51.5	10.8	62.5	20.4
North Eastern	45.8	11.3	34.9	27.6
Northamptonshire	56.4	12.8	54.2	15.3
Oxfordshire	51.8	7.9	55.9	18.0
Sheffield City Region	46.3	11.6	18.7	25.5
Solent	52.3	8.9	31.1	21.0
South East	52.0	7.9	28.4	20.9
South East Midlands	57.4	9.5	34.8	18.2
Stoke-on-Trent and Staffordshire	48.5	13.2	29.2	20.8
Swindon and Wiltshire	56.6	10.2	52.5	19.4
Tees Valley	45.6	10.6	15.9	27.3
Thames Valley Berkshire	64.8	6.4	15.1	14.9
The Marches	46.2	15.3	57.2	20.9
West of England	56.4	7.5	23.1	22.1
Worcestershire	49.0	14.8	40.8	19.3
York and North Yorkshire	49.6	9.8	63.2	22.6
England	54.8	8.9	26.9	20.8

DATA SOURCES AND INFORMATION

Dataset	Source
Private and other services employment: share of total (per cent), 2010	Business Register Employment Survey, Office for National Statistics
Manufacturing employment: share of total (per cent), 2010	Business Register Employment Survey, Office for National Statistics
Share of population classed as rural (per cent), 2009	Department for Environment Agriculture and Rural Affairs
Share of total employment in the public sector (per cent), 2010	BRES, Office for National Statistics

FIGURE A2: ECONOMIC PERFORMACE OF LEP AREAS

LEP area	Percentage total employment change 2008-2010	Economic output per head (current prices) 1998	Rank 1998	2008	Rank 2008	2009	Rank 2009
Black Country	-4.6	11,600	22	15,400	36	14,800	36
Buckinghamshire Thames Valley	-2.1	15,300	5	22,900	8	22,100	6
Cheshire and Warrington	-3.0	15,000	7	21,600	10	20,900	10
Coast to Capital	-2.8	14,900	8	23,300	5	22,300	5
Cornwall and the Isles of Scilly	-0.7	7,900	39	13,500	39	13,000	39
Coventry and Warwickshire	-2.3	13,800	14	19,500	17	18,800	17
Cumbria	-2.4	11,200	28	16,400	26	16,000	24
D2N2	-2.6	11,900	20	17,600	21	17,000	21
Dorset	-1.2	11,300	26	18,000	20	17,700	18
Enterprise M3	-0.4	16,300	3	25,200	3	24,200	3
Gloucestershire	3.9	13,700	15	19,900	15	19,300	15
Greater Birmingham and Solihull	-6.5	11,800	21	17,500	22	16,900	22
Greater Cambridge & Greater Peterborough	-2.5	14,300	11	22,900	6	21,700	9
Greater Manchester	-3.0	12,200	19	18,200	18	17,400	19
Heart of the South West	-1.0	10,200	35	16,100	28	15,600	28
Hertfordshire	-4.3	16,300	4	24,100	4	22,800	4
Humber	-2.6	11,400	25	15,700	31	15,200	30
Lancashire	-3.2	10,700	32	15,600	32	15,200	30
Leeds City Region	-3.5	12,600	18	18,000	19	17,300	20
Leicester and Leicestershire	-3.3	13,000	16	19,500	16	19,000	16
Lincolnshire	-2.9	11,200	29	15,600	33	15,000	38
Liverpool City Region	-2.9	9,500	38	14,800	38	14,500	37
London	-3.8	20,900	1	35,000	1	34,500	1
New Anglia	-3.1	11,400	24	16,900	23	16,100	23
North Eastern	-5.9	10,000	37	15,600	34	15,000	33
Northamptonshire	-3.3	13,900	13	20,200	14	19,700	14
Oxfordshire	-1.0	14,700	9	22,700	9	21,900	8
Sheffield City Region	-3.9	10,100	36	15,600	35	15,000	33
Solent	-1.2	12,800	17	20,400	13	19,800	13
South East	-2.9	10,700	31	16,700	24	16,000	24
South East Midlands	-3.7	14,000	12	21,000	12	20,100	12
Stoke-on-Trent and Staffordshire	-3.7	10,700	33	15,400	37	14,900	35
Swindon and Wiltshire	-2.1	14,600	10	21,100	11	20,400	11
Tees Valley	-4.3	11,200	27	16,000	29	15,600	28
Thames Valley Berkshire	-2.7	20,500	2	32,300	2	30,700	2
The Marches	-2.7	10,700	30	16,300	27	15,700	27
West of England	0.5	15,300	6	22,900	7	22,000	7
Worcestershire	-5.5	10,600	34	15,800	30	15,200	30
York and North Yorkshire	-0.8	11,600	23	16,500	25	15,900	26
England	-3.0	12,700		20,400		20,700	

DATA SOURCES AND INFORMATION

Dataset	Source
Percentage total employment change 2008-2010	Business Register Employment Survey, Office for National Statistics
Economic output per head	Regional Gross Value Added, Office for National Statistics
Total population growth 1990-2010 (per cent)	Mid Year Population Estimates, Office for National Statistics

FIGURE A3: LABOUR MARKET PERFORMACE OF LEP AREAS

LEP area	Official unemployment rate (per cent, April 2010 - March 2011)	Youth unemployment - share of claimants that are aged 18-24, per cent, November 2011	Long-term unemployment - share of claimants claiming for over 12 months, per cent, November 2011	Ratio of unemployment claimants to jobcentre plus vacancies, November 2011
Black Country	11.3	32.2	27.0	6.6
Buckinghamshire Thames Valley	5.7	27.6	14.0	2.5
Cheshire and Warrington	6.0	29.8	13.7	2.3
Coast to Capital	5.2	27.6	15.5	3.7
Cornwall and the Isles of Scilly	8.8	33.5	12.6	5.2
Coventry and Warwickshire	7.1	29.3	17.1	2.6
Cumbria	6.6	33.6	12.9	5.1
D2N2	8.4	33.1	18.1	4.7
Dorset	5.5	28.2	10.6	3.0
Enterprise M3	4.0	27.5	13.5	2.0
Gloucestershire	5.8	29.2	11.3	3.7
Greater Birmingham and Solihull	10.3	31.6	19.9	5.4
Greater Cambridge & Greater Peterborough	7.0	28.8	16.1	2.4
Greater Manchester	8.6	32.1	18.3	5.6
Heart of the South West	6.3	32.9	11.7	3.8
Hertfordshire	5.8	27.4	16.0	3.1
Humber	9.3	31.9	20.4	9.2
Lancashire	5.6	31.8	13.2	4.6
Leeds City Region	8.6	31.4	16.8	4.8
Leicester and Leicestershire	7.6	30.4	17.5	3.2
Lincolnshire	6.6	34.1	14.6	5.5
Liverpool City Region	9.9	32.7	19.7	6.9
London	8.6	24.5	19.4	6.3
New Anglia	6.4	32.0	17.1	4.1
North Eastern	9.7	33.5	14.3	6.8
Northamptonshire	6.2	29.1	14.3	2.0
Oxfordshire	4.1	25.7	13.7	1.4
Sheffield City Region	9.1	34.1	18.7	6.1
Solent	6.3	30.7	13.1	3.7
South East	7.3	30.3	17.9	5.0
South East Midlands	6.3	27.0	16.1	2.7
Stoke-on-Trent and Staffordshire	7.6	32.5	15.1	2.9
Swindon and Wiltshire	4.7	31.5	10.9	2.4
Tees Valley	11.3	33.2	20.3	10.0
Thames Valley Berkshire	5.4	25.5	15.2	2.9
The Marches	6.4	32.2	13.9	3.6
West of England	5.6	30.0	14.8	3.2
Worcestershire	5.7	30.2	14.7	2.6
York and North Yorkshire	5.7	29.5	17.3	3.5
England	7.5	30.0	17.5	4.6

DATA SOURCES AND INFORMATION

Dataset	Source
Official (ILO) rate of unemployment, April 2010-March 2011	Office for National Statistics
Claimant Count and Job Centre Plus Vacancies, November 2011	Office for National Statistics

FIGURE A4: DRIVERS OF GROWTH – OUTPUT, POPULATION AND EMPLOYMENT

LEP area	GVA per head 2009	Total change in adult population (16-64) 2000 to 2010, per cent	Employment rate April 2010 – March 2011, per cent
Black Country	14,800	1.5	63.8
Buckinghamshire Thames Valley	22,100	1.5	75.9
Cheshire and Warrington	20,900	2.2	74.2
Coast to Capital	22,300	6.7	75.4
Cornwall and the Isles of Scilly	13,000	8.1	69.5
Coventry and Warwickshire	18,800	6.7	70.6
Cumbria	16,000	0.9	72.3
Derby, Derbyshire, Nottingham and Nottinghamshire	17,000	8.3	68.7
Dorset	17,700	3.5	72.8
Enterprise M3	24,200	4.3	76.4
Gloucestershire	19,300	5.0	75.5
Greater Birmingham and Solihull	16,900	6.5	64.7
Greater Cambridge and Greater Peterborough	21,700	9.2	73.8
Greater Manchester	17,400	7.7	66.6
Heart of the South West	15,600	7.7	71.9
Hertfordshire	22,800	7.2	74.6
Humber	15,200	8.3	69.8
Lancashire	15,200	8.0	71.5
Leeds City Region	17,300	3.9	67.9
Leicester and Leicestershire	19,000	12.1	69.4
Lincolnshire	14,200	8.8	73.3
Liverpool City Region	14,500	2.0	64.9
London	34,500	10.6	68.2
New Anglia	16,100	7.9	73.3
North Eastern	15,000	5.4	66.3
Northamptonshire	19,700	10.1	76.7
Oxfordshire	21,900	6.1	76.9
Sheffield City Region	15,000	6.9	67.3
Solent	19,800	7.5	73.2
South East	16,000	7.9	72.7
South East Midlands	20,100	9.4	75.1
Stoke-on-Trent and Staffordshire	14,900	1.4	70.3
Swindon and Wiltshire	20,400	8.2	76.0
Tees Valley	15,600	3.9	64.8
Thames Valley Berkshire	30,700	8.0	75.8
The Marches	15,700	2.1	73.0
West of England	22,000	14.7	75.7
Worcestershire	15,200	1.2	72.9
York and North Yorkshire	15,900	8.7	73.7
England	21,000	7.6	70.4

DATA SOURCES AND INFORMATION

Dataset	Source
GVA per head 2009	Regional Gross Value Added, Office for National Statistics
Total change in adult population (16-64) 2000 to 2010	Mid-Year Population Estimates, Office for National Statistics
Employment rate 2011	Annual Population Survey, Office for National Statistics

FIGURE A5: DRIVERS OF LOCAL ECONOMIC GROWTH – PRODUCTIVITY

LEP area	Patents per 100,000 residents 2007	Share of employment in Knowledge Economy and High and Medium Tech Manufacturing (per cent), 2010	Share of employees that are highly-skilled, April 2010 - March 2011	Share of adults residents with degree level qualifications or above, April 2010 - March 2011	No. enterprises per 1,000 population in 2010	Churn rate 2007	Employment in top output growth sectors (excl pub services) 1999-2009
Black Country	3.8	14.8	35.8	19.1	25	24.1	42.4
Buckinghamshire Thames Valley	16.3	24.7	55.6	38.2	52	21.1	46.7
Cheshire and Warrington	9.9	23.6	45.8	35.5	38	22.3	52.8
Coast to Capital	15.4	22.1	50.7	36.7	40	23.4	50.8
Cornwall and the Isles of Scilly	3.9	11.7	36.2	26.6	39	18.6	43.4
Coventry and Warwickshire	8.8	23.6	43.5	30.4	35	23.3	47.0
Cumbria	3.3	11.5	39.0	30.9	44	17.9	45.9
Derby, Derbyshire, Nottingham and Nottinghamshire	9.2	17.8	41.1	28.2	29	22.1	50.6
Dorset	6.4	19.7	43.3	29.7	39	21.5	47.7
Enterprise M3	19.1	25.7	50.4	36.6	45	21.5	49.6
Gloucestershire	10.2	21.9	47.6	36.9	42	19.3	48.2
Greater Birmingham and Solihull	5.1	21.0	41.8	25.8	29	24.0	49.2
Greater Cambridge and Greater Peterborough	43.1	23.0	47.7	32.2	39	19.9	44.8
Greater Manchester	4.6	20.5	41.6	28.1	28	25.6	50.7
Heart of the South West	3.7	15.6	41.9	30.2	36	18.8	47.9
Hertfordshire	12.6	21.7	53.4	36.2	42	23.4	47.0
Humber	8.1	13.4	39.0	24.4	29	25.2	48.0
Lancashire	4.3	18.4	38.7	29.7	32	21.9	48.7
Leeds City Region	6.6	21.1	40.6	26.5	28	23.9	49.2
Leicester and Leicestershire	9.4	18.6	41.0	28.0	33	23.9	47.9
Lincolnshire	7.9	11.9	38.8	24.1	33	22.2	49.2
Liverpool City Region	5.9	17.7	38.4	24.0	21	24.7	51.3
London	6.5	32.3	55.2	41.9	42	28.0	54.9
New Anglia	9.6	16.0	40.3	26.6	35	18.7	44.9
North Eastern	5.3	19.3	38.7	25.7	22	22.2	49.8
Northamptonshire	5.4	17.3	41.9	24.0	36	22.9	47.0
Oxfordshire	33.4	30.3	57.3	40.3	42	20.6	47.2
Sheffield City Region	3.8	16.5	38.6	25.0	24	23.2	48.1
Solent	15.8	21.3	42.5	29.9	33	22.1	48.8
South East	7.4	16.6	44.7	26.2	35	22.7	46.0
South East Midlands	7.8	20.2	46.4	30.1	37	22.3	47.2
Stoke-on-Trent and Staffordshire	4.3	16.8	38.6	26.5	31	20.9	45.4
Swindon and Wiltshire	16.5	22.3	46.7	31.4	37	21.1	47.9
Tees Valley	4.7	17.2	36.9	25.0	20	24.5	55.0
Thames Valley Berkshire	24.6	29.5	52.3	37.6	40	23.3	51.1
The Marches	3.1	16.0	39.9	27.2	44	19.0	44.7
West of England	19.6	27.5	45.7	33.6	32	22.6	53.8
Worcestershire	7.0	17.8	46.2	29.4	40	21.1	44.9
York and North Yorkshire	11.5	17.1	45.4	33.0	41	21.1	48.1
England	10.6	22.2	45.2	31.1	34	23.4	49.8

DATA SOURCES AND INFORMATION

Dataset	Source
Patents per 100,000 residents, 2007	OECD
Share of employment in Knowledge Economy and High and Medium Tech Manufacturing (per cent), 2010	BRES, Office for National Statistics
Share of employees that are highly-skilled ,April 2010 – March 2011	Annual Population Survey, Office for National Statistics
Share of adults residents with degree level qualifications or above	Annual Population Survey, Office for National Statistics
No. Enterprises per 1,000 population in 2010	IDBR and Mid Year Population Estimates
Churn rate 2007	VAT registrations, Office for National Statistics
Employment in top output growth sectors (excl pub services) 1999-2009	Input-Output tables and BRES, Office for National Statistics

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FIGURE A6: LOCAL ACTIVITY IN THE GLOBAL ECONOMY

LEP area	Share of total enterprises in foreign ownership, 2010, per cent	Share of total employment in foreign owned enterprises, 2010, per cent	Share of total turnover in foreign owned enterprises, 2010, per cent	Share of total employment in export intensive industries, 2010, (per cent)
Black Country	1.1	11.2	16.2	19.5
Buckinghamshire Thames Valley	1.4	20.0	35.3	16.3
Cheshire and Warrington	1.0	9.6	15.6	20.1
Coast to Capital	1.1	17.2	43.9	16.2
Cornwall and the Isles of Scilly	0.2	2.9	9.8	13.5
Coventry and Warwickshire	1.3	27.8	56.2	17.7
Cumbria	0.3	5.7	11.8	20.0
D2N2	0.8	13.6	20.7	19.0
Dorset	0.5	2.6	8.7	15.9
Enterprise M3	1.7	24.0	46.5	16.6
Gloucestershire	0.9	9.5	19.4	20.4
Greater Birmingham and Solihull	1.2	10.5	20.1	17.7
Greater Cambridge & Greater Peterborough	1.2	12.8	25.3	18.6
Greater Manchester	1.0	9.8	14.9	17.0
Heart of the South West	0.4	2.8	10.3	15.2
Hertfordshire	1.5	17.2	27.9	14.8
Humber	0.7	5.7	14.4	17.5
Lancashire	0.6	9.5	18.0	19.2
Leeds City Region	0.9	21.1	30.4	18.2
Leicester and Leicestershire	1.0	13.3	28.9	19.7
Lincolnshire	0.6	5.0	13.4	17.3
Liverpool City Region	0.8	10.3	23.6	15.0
London	2.5	17.0	48.2	19.3
New Anglia	0.7	9.2	52.7	17.2
North Eastern	0.7	5.4	18.6	17.2
Northamptonshire	1.2	10.3	13.5	20.3
Oxfordshire	1.5	13.2	31.8	16.9
Sheffield City Region	1.0	5.4	6.4	17.1
Solent	1.0	12.5	28.5	16.5
South East	0.7	9.0	23.7	14.7
South East Midlands	1.5	20.2	33.9	16.8
Stoke-on-Trent and Staffordshire	0.9	14.5	30.1	17.1
Swindon and Wiltshire	1.0	16.6	55.9	19.4
Tees Valley	0.8	18.5	21.4	16.9
Thames Valley Berkshire	2.7	25.4	44.2	19.4
The Marches	0.6	7.9	20.1	18.1
West of England	0.9	8.3	8.2	17.4
Worcestershire	1.0	8.6	8.9	19.0
York and North Yorkshire	0.5	4.1	9.9	15.7
England	1.3	14.3	37.4	-

DATA SOURCES AND INFORMATION

Dataset	Source
Share of total enterprises in foreign ownership, per cent, 2010	Inter Departmental Business Register analysis, Office for National Statistics
Share of total employment in foreign owned enterprises, per cent, 2010	As above
Share of total turnover in foreign owned enterprises, per cent, 2010	As above
Share of total employment in export intensive industries (per cent), 2010	Input-Output tables and Business Register Employment Survey, Office for National Statistics

FIGURE A7: ENTREPRENEURSHIP (1)

LEP area	No. enterprises 2000	No. enterprises 2010	Average annual change in no. enterprises 2000-2010, per cent	No. enterprises per 1,000 population in 2010
Black Country	27,035	26,925	0.0	25
Buckinghamshire Thames Valley	23,990	25,925	0.8	52
Cheshire and Warrington	29,025	33,510	1.4	38
Coast to Capital	62,980	69,190	0.9	40
Cornwall and the Isles of Scilly	18,585	20,815	1.1	39
Coventry and Warwickshire	25,055	29,840	1.8	35
Cumbria	18,145	21,745	1.8	44
D2N2	52,660	60,260	1.4	29
Dorset	24,285	28,085	1.5	39
Enterprise M3	65,965	72,390	0.9	45
Gloucestershire	21,840	24,675	1.2	42
Greater Birmingham and Solihull	49,430	54,245	0.9	29
Greater Cambridge & Greater Peterborough	46,595	52,755	1.2	39
Greater Manchester	67,645	72,640	0.7	28
Heart of the South West	51,880	59,820	1.4	36
Hertfordshire	42,175	46,780	1.0	42
Humber	23,625	26,270	1.1	29
Lancashire	40,980	45,735	1.1	32
Leeds City Region	75,995	83,510	0.9	28
Leicester and Leicestershire	28,930	31,865	1.0	33
Lincolnshire	30,020	33,585	1.1	33
Liverpool City Region	30,385	31,360	0.3	21
London	312,870	331,535	0.6	42
New Anglia	49,840	55,770	1.1	35
North Eastern	37,420	42,650	1.3	22
Northamptonshire	21,850	24,780	1.3	36
Oxfordshire	23,560	27,175	1.4	42
Sheffield City Region	36,310	40,695	1.1	24
Solent	46,130	51,385	1.1	33
South East	120,470	137,595	1.3	35
South East Midlands	59,965	68,260	1.3	37
Stoke-on-Trent and Staffordshire	30,115	33,355	1.0	31
Swindon and Wiltshire	21,135	24,370	1.4	37
Tees Valley	11,580	13,215	1.3	20
Thames Valley Berkshire	32,690	34,570	0.6	40
The Marches	24,410	27,730	1.3	44
West of England	32,220	35,415	0.9	32
Worcestershire	19,740	22,245	1.2	40
York and North Yorkshire	40,345	46,430	1.4	41
England	1,628,065	1,797,910	1.0	34

DATA SOURCES AND INFORMATION

Dataset	Source
No. enterprises, 2010	Inter Departmental Business Register, Office for National Statistics
Population, 2010	Mid-Year Population Estimates, Office for National Statistics

FIGURE A7: ENTREPRENEURSHIP (2)

LEP area	Birth rate, 2010	Death rate, 2010	Churn rate, 2010	Self-employment (proportion of 16-64 year olds that are self-employed), April 10 to March 2011
Black Country	9.8	14.3	24.1	6.2
Buckinghamshire Thames Valley	9.7	11.4	21.1	10.7
Cheshire and Warrington	10.1	12.2	22.3	9.6
Coast to Capital	10.4	13.0	23.4	11.5
Cornwall and the Isles of Scilly	7.7	10.8	18.6	13.8
Coventry and Warwickshire	10.0	13.3	23.3	7.6
Cumbria	6.9	11.0	17.9	10.8
D2N2	9.2	12.9	22.1	7.7
Dorset	8.9	12.6	21.5	11.4
Enterprise M3	9.9	11.7	21.5	10.5
Gloucestershire	8.7	10.6	19.3	11.2
Greater Birmingham and Solihull	10.2	13.8	24.0	7.0
Greater Cambridge & Greater Peterborough	8.9	11.0	19.9	9.7
Greater Manchester	10.9	14.7	25.6	7.7
Heart of the South West	7.9	11.0	18.8	10.8
Hertfordshire	10.8	12.6	23.4	10.6
Humber	10.4	14.8	25.2	7.5
Lancashire	9.0	12.9	21.9	8.6
Leeds City Region	10.5	13.4	23.9	8.5
Leicester and Leicestershire	10.0	13.9	23.9	9.2
Lincolnshire	9.4	12.8	22.2	9.0
Liverpool City Region	10.5	14.2	24.7	6.4
London	13.1	15.0	28.0	10.6
New Anglia	7.9	10.8	18.7	10.1
North Eastern	9.5	12.7	22.2	6.2
Northamptonshire	10.3	12.6	22.9	8.9
Oxfordshire	9.4	11.3	20.6	8.7
Sheffield City Region	9.7	13.5	23.2	6.8
Solent	9.4	12.7	22.1	9.3
South East	9.9	12.8	22.7	10.6
South East Midlands	10.2	12.1	22.3	9.4
Stoke-on-Trent and Staffordshire	8.9	12.1	20.9	9.1
Swindon and Wiltshire	9.6	11.5	21.1	9.4
Tees Valley	10.1	14.3	24.5	5.6
Thames Valley Berkshire	11.3	12.0	23.3	9.0
The Marches	8.1	10.9	19.0	12.0
West of England	10.1	12.5	22.6	8.4
Worcestershire	9.2	11.9	21.1	10.2
York and North Yorkshire	9.1	12.0	21.1	10.7
England	10.4	13.1	23.4	9.2

DATA SOURCES AND INFORMATION

Dataset	Source
Births, Deaths, Churn (PAYE and VAT registrations and deregistrations as a proportion of total active enterprises)	Business Demography 2010, Office for National Statistics
Self-employment (proportion of 16-64 year olds that are self-employed), April 10 to March 2011	Annual Population Survey, Office for National Statistics

FIGURE A8: ENTERPRISE SURVIVAL

LEP area	Share of enterprises born in 2007 that survived for one year (per cent)	Share of enterprises born in 2007 that survived for two years (per cent)	Share of enterprises born in 2007 that survived for three years (per cent)
Black Country	95.6	83.0	63.9
Buckinghamshire Thames Valley	92.8	81.9	65.3
Cheshire and Warrington	96.6	83.7	65.2
Coast to Capital	96.3	83.0	65.4
Cornwall and the Isles of Scilly	95.6	82.5	66.0
Coventry and Warwickshire	96.3	82.9	63.5
Cumbria	96.6	84.5	70.0
D2N2	96.0	81.4	64.1
Dorset	93.1	78.7	60.8
Enterprise M3	96.0	84.5	67.2
Gloucestershire	95.9	83.2	67.0
Greater Birmingham and Solihull	96.1	81.6	61.6
Greater Cambridge & Greater Peterborough	95.5	82.6	64.1
Greater Manchester	96.4	81.6	61.7
Heart of the South West	95.2	82.3	65.7
Hertfordshire	96.2	82.2	64.3
Humber	90.2	76.0	58.2
Lancashire	95.3	81.4	62.7
Leeds City Region	95.7	78.8	60.4
Leicester and Leicestershire	96.4	82.5	64.2
Lincolnshire	92.1	78.3	61.0
Liverpool City Region	95.0	82.6	60.9
London	95.3	79.5	59.8
New Anglia	95.6	81.8	64.9
North Eastern	94.8	80.0	61.8
Northamptonshire	96.1	83.1	65.8
Oxfordshire	96.2	83.5	68.1
Sheffield City Region	95.0	77.9	58.8
Solent	95.6	83.5	66.0
South East	95.4	81.3	63.4
South East Midlands	97.2	84.0	65.4
Stoke-on-Trent and Staffordshire	95.2	81.4	62.9
Swindon and Wiltshire	94.4	81.2	61.9
Tees Valley	93.9	80.2	63.9
Thames Valley Berkshire	95.7	83.3	65.0
The Marches	94.0	81.9	64.1
West of England	94.9	81.5	64.0
Worcestershire	96.2	82.7	66.0
York and North Yorkshire	94.9	81.1	63.9
England	95.4	81.3	62.9

DATA SOURCES AND INFORMATION

Dataset	Source
Enterprise survival	Business Demography 2010, Office for National Statistics

FIGURE A9: INNOVATION

LEP area	EPO patents per 100,000 residents, 2007	Share of total (non-agricultural) employment in knowledge economy (per cent), 2010	Share of total (non-agricultural) employment in high and medium technology industries (per cent), 2010
Black Country	3.8	10.4	3.3
Buckinghamshire Thames Valley	16.3	21.3	3.4
Cheshire and Warrington	9.9	19.2	3.2
Coast to Capital	15.4	19.6	4.4
Cornwall and the Isles of Scilly	3.9	9.9	4.4
Coventry and Warwickshire	8.8	18.1	2.7
Cumbria	3.3	9.5	1.8
D2N2	9.2	13.3	5.6
Dorset	6.4	16.4	5.9
Enterprise M3	19.1	21.7	4.2
Gloucestershire	10.2	16.2	3.1
Greater Birmingham and Solihull	5.1	16.8	4.6
Greater Cambridge & Greater Peterborough	43.1	18.2	4.9
Greater Manchester	4.6	17.8	4.3
Heart of the South West	3.7	12.4	5.1
Hertfordshire	12.6	18.3	2.7
Humber	8.1	8.9	6.2
Lancashire	4.3	12.4	5.0
Leeds City Region	6.6	18.2	3.6
Leicester and Leicestershire	9.4	15.5	3.3
Lincolnshire	7.9	8.6	3.0
Liverpool City Region	5.9	14.6	3.2
London	6.5	31.4	5.3
New Anglia	9.6	12.4	3.4
North Eastern	5.3	14.1	3.1
Northamptonshire	5.4	13.9	3.5
Oxfordshire	33.4	27.1	3.6
Sheffield City Region	3.8	13.8	3.9
Solent	15.8	17.4	0.9
South East	7.4	13.4	3.2
South East Midlands	7.8	16.7	2.7
Stoke-on-Trent and Staffordshire	4.3	12.3	4.2
Swindon and Wiltshire	16.5	18.0	4.5
Tees Valley	4.7	13.6	3.6
Thames Valley Berkshire	24.6	27.1	4.8
The Marches	3.1	10.9	3.6
West of England	19.6	24.3	2.6
Worcestershire	7.0	13.0	5.2
York and North Yorkshire	11.5	14.2	3.4
England	10.6	19.0	4.4

DATA SOURCES AND INFORMATION

Dataset	Source
EPO patents per 100,000 residents, 2007	OECD Patents Database; Mid- Year Population Estimates, Office for National Statistics
Share of total (non-agricultural) employment in knowledge economy (per cent), 2010	Business Register Employment Survey, Office for National Statistics
Share of total (non-agricultural) employment in high and medium technology industries (per cent), 2010	As above

FIGURE A10: SKILLS - OCCUPATIONS

LEP area	HIGHLY SKILLED: Managerial and professional, and associate professional and technical (SOC 1-3), April 2010 - March 2011	MEDIUM SKILLED: Administrative and skilled associates and trades (SOC 4-5), April 2010 - March 2011	LOW SKILLED: Elementary sales, services and operatives (SOC 6-9), April 2010 - March 2011
Black Country	35.8	22.0	41.4
Buckinghamshire Thames Valley	55.6	19.5	24.8
Cheshire and Warrington	45.8	20.9	33.1
Coast to Capital	50.7	20.9	28.2
Cornwall and the Isles of Scilly	36.2	26.7	36.9
Coventry and Warwickshire	43.5	19.6	36.2
Cumbria	39.0	24.6	36.1
D2N2	41.1	20.8	37.6
Dorset	43.3	24.4	32.4
Enterprise M3	50.4	21.3	28.0
Gloucestershire	47.6	20.6	31.6
Greater Birmingham and Solihull	41.8	20.6	36.8
Greater Cambridge & Greater Peterborough	47.7	20.6	31.5
Greater Manchester	41.6	20.1	37.7
Heart of the South West	41.9	23.2	34.6
Hertfordshire	53.4	21.3	25.1
Humber	39.0	21.1	39.4
Lancashire	38.7	22.5	38.4
Leeds City Region	40.6	21.2	37.7
Leicester and Leicestershire	41.0	19.7	38.9
Lincolnshire	38.8	20.7	40.2
Liverpool City Region	38.4	21.3	39.9
London	55.2	17.5	26.5
New Anglia	40.3	23.4	36.1
North Eastern	38.7	22.1	38.7
Northamptonshire	41.9	20.3	37.6
Oxfordshire	57.3	16.7	25.8
Sheffield City Region	38.6	18.1	42.8
Solent	42.5	23.4	33.6
South East	44.7	22.1	33.0
South East Midlands	46.4	20.8	32.7
Stoke-on-Trent and Staffordshire	38.6	21.8	39.4
Swindon and Wiltshire	46.7	19.7	32.3
Tees Valley	36.9	22.0	40.4
Thames Valley Berkshire	52.3	18.9	28.6
The Marches	39.9	24.1	35.6
West of England	45.7	20.3	33.6
Worcestershire	46.2	23.1	30.1
York and North Yorkshire	45.4	20.6	33.4
England	45.2	20.7	33.7

DATA SOURCES AND INFORMATION

Dataset	Source
Employment by occupation, April 2010 – March 2011	Annual Population Survey, Office for National Statistics

FIGURE A11: SKILLS - QUALIFICATIONS

LEP area	Highest qualifications attainment by share of of adult residents (aged 16-64) per cent, April 2010 – March 2011						
	NVQ4+	NVQ 3	Trade apprent-iceship only	NVQ2	NVQ1	Other qualifi-cations	No qualif-ications
Black Country	19.1	16.3	3.0	18.8	15.4	8.8	18.6
Buckinghamshire Thames Valley	38.2	16.8	4.3	15.9	10.6	8.5	5.6
Cheshire and Warrington	35.5	16.8	3.9	16.9	13.6	5.7	7.7
Coast to Capital	36.7	16.0	3.4	16.6	13.2	7.2	7.0
Cornwall and the Isles of Scilly	26.6	17.9	5.4	18.6	13.4	5.8	12.3
Coventry and Warwickshire	30.4	16.1	3.4	17.0	12.7	6.8	13.5
Cumbria	30.9	15.2	6.0	14.9	16.3	7.0	9.7
D2N2	28.2	16.7	4.2	17.0	13.5	7.5	12.8
Dorset	29.7	18.1	5.3	17.6	13.7	8.2	7.4
Enterprise M3	36.6	15.9	3.8	16.6	13.0	7.5	6.6
Gloucestershire	36.9	16.0	3.6	16.2	11.9	7.8	7.5
Greater Birmingham and Solihull	25.8	15.6	3.7	16.2	14.7	8.1	15.9
Greater Cambridge & Greater Peterborough	32.2	13.7	4.3	16.0	14.8	9.9	9.1
Greater Manchester	28.1	16.3	4.2	16.1	13.7	8.7	12.8
Heart of the South West	30.2	17.1	5.4	18.5	14.2	6.4	8.1
Hertfordshire	36.2	15.2	3.6	15.9	13.4	8.3	7.3
Humber	24.4	16.9	4.6	17.7	16.0	8.0	12.3
Lancashire	29.7	16.2	4.6	17.7	12.7	7.1	12.0
Leeds City Region	26.5	16.6	3.9	16.8	14.6	8.8	12.7
Leicester and Leicestershire	28.0	18.6	3.9	15.4	11.8	8.2	14.1
Lincolnshire	24.1	18.3	4.3	17.9	15.6	8.9	10.8
Liverpool City Region	24.0	18.0	3.5	19.7	14.7	6.0	14.1
London	41.9	12.1	1.7	11.6	9.0	13.8	9.9
New Anglia	26.6	15.6	5.1	17.3	15.9	7.5	12.0
North Eastern	25.7	17.1	5.3	18.1	14.4	6.8	12.7
Northamptonshire	24.0	15.6	5.6	19.4	12.9	8.6	13.9
Oxfordshire	40.3	16.4	4.1	13.2	10.7	6.7	8.7
Sheffield City Region	25.0	16.9	4.1	17.8	15.2	7.3	13.7
Solent	29.9	17.3	4.4	17.8	15.4	7.3	8.0
South East	26.2	15.9	3.9	19.6	16.2	6.7	11.5
South East Midlands	30.1	16.7	4.3	17.1	13.2	8.2	10.4
Stoke-on-Trent and Staffordshire	26.5	16.3	4.7	17.3	14.9	7.4	12.8
Swindon and Wiltshire	31.4	16.3	4.8	18.1	14.3	7.2	8.0
Tees Valley	25.0	17.7	4.8	18.7	13.4	6.4	13.9
Thames Valley Berkshire	37.6	15.9	2.9	14.4	11.8	10.1	7.3
The Marches	27.2	14.6	3.9	19.0	15.9	7.4	11.9
West of England	33.6	17.5	3.7	16.7	12.6	7.8	8.2
Worcestershire	29.4	14.7	4.6	16.6	15.3	6.9	12.5
York and North Yorkshire	33.0	17.8	4.2	15.7	13.0	6.7	9.7
England	31.1	15.8	3.8	16.3	13.3	8.6	11.1

DATA SOURCES AND INFORMATION

Dataset	Source
Adult qualifications, April 2010 – March 2011	Annual Population Survey, Office for National Statistics

FIGURE A12: PLACE - INFRASTRUCTURE

LEP area	Length of motorway and dual carriageways, miles (2010)	Length of motorways and dual carriageways, miles per 100,000 residents, 2010	Length of motorways and dual carriageways, miles per sq 100 miles of land area, 2010
Black Country	90.6	8.3	65.7
Buckinghamshire Thames Valley	67.3	13.5	11.1
Cheshire and Warrington	150.7	16.9	17.2
Coast to Capital	288.6	13.2	20.0
Cornwall and the Isles of Scilly	66.6	12.4	4.8
Coventry and Warwickshire	168.6	19.8	21.1
Cumbria	117.8	23.8	4.5
D2N2	217.3	10.4	11.8
Dorset	53.5	7.5	5.2
Enterprise M3	403.8	16.7	19.6
Gloucestershire	93.0	15.7	9.1
Greater Birmingham and Solihull	108.7	8.7	63.1
Greater Cambridge & Greater Peterborough	170.9	20.6	11.7
Greater Manchester	215.8	8.2	43.8
Heart of the South West	168.4	14.7	6.5
Hertfordshire	175.5	15.8	27.7
Humber	122.6	13.3	9.0
Lancashire	182.6	12.6	15.4
Leeds City Region	359.2	11.0	8.7
Leicester and Leicestershire	144.4	15.1	17.3
Lincolnshire	102.3	10.0	3.8
Liverpool City Region	176.0	12.0	63.0
London	313.8	3.8	49.0
New Anglia	170.9	10.8	4.8
North Eastern	246.8	12.7	8.2
Northamptonshire	131.7	19.2	14.4
Oxfordshire	102.5	15.8	10.2
Sheffield City Region	145.2	10.9	24.2
Solent	269.8	14.3	16.8
South East	522.7	13.3	14.9
South East Midlands	236.5	15.3	15.7
Stoke-on-Trent and Staffordshire	166.2	15.5	15.9
Swindon and Wiltshire	84.6	12.8	6.3
Tees Valley	87.6	13.2	28.6
Thames Valley Berkshire	125.5	14.5	25.8
The Marches	60.9	9.6	2.8
West of England	188.8	11.6	10.2
Worcestershire	109.3	19.6	16.3
York and North Yorkshire	169.7	14.9	4.1
England	5,982.5	11.5	11.9

DATA SOURCES AND INFORMATION

Dataset	Source
Length of motorway and dual carriageways, miles (2010)	Department for Transport
Length of motorways and dual carriageways per 100,000 residents	Department for Transport; Mid-year Population Estimates
Length of motorways and dual carriageways per sq 100 miles	Department for Transport; Office for National Statistics local profiles

FIGURE A13: PLACE - PROPERTY

LEP area	Commercial office floorspace 2008 - sq metres per capita	Commercial office floorspace change 1998-2008, per cent	Commercial offices: estimated rateable value £ per metre squared	Factory floorspace 2008 - sq metres per capita	Factory floorspace change 1998-2008, per cent	Factories: estimated rateable value £ per metre squared
Black Country	0.82	9.9	66	7.10	-19.3	24
Buckinghamshire Thames Valley	1.68	13.4	115	2.50	-16.8	38
Cheshire and Warrington	1.65	27.7	97	5.00	-7.9	27
Coast to Capital	1.63	8.4	121	1.80	-10.4	46
Cornwall and the Isles of Scilly (1)	0.52	57.5	56	2.52	0.5	24
Coventry and Warwickshire	1.39	37.7	97	4.87	-12.7	32
Cumbria	0.84	33.2	56	4.80	0.0	17
D2N2	1.01	64.3	74	5.17	-5.0	26
Dorset	1.00	33.0	86	3.15	5.6	37
Enterprise M3	2.03	28.8	114	2.03	-4.6	46
Gloucestershire	1.65	44.2	76	4.70	-4.0	29
Greater Birmingham and Solihull	1.59	24.8	115	4.54	-17.3	27
Greater Cambridge & Greater Peterborough	1.48	42.0	111	4.13	4.4	32
Greater Manchester	1.60	28.8	102	4.71	-20.7	25
Heart of the South West	0.77	42.3	69	3.09	-1.3	25
Hertfordshire	1.77	0.0	127	2.16	-19.4	50
Humber	0.72	33.8	51	6.92	8.6	22
Lancashire	1.03	72.2	59	5.17	-14.6	21
Leeds City Region	1.45	37.5	92	5.20	-13.0	24
Leicester and Leicestershire	1.20	50.9	67	5.95	-1.5	29
Lincolnshire	0.65	50.8	58	6.25	2.5	23
Liverpool City Region	1.37	43.7	76	3.74	-9.2	25
London (2)	3.25	18.4	203	1.21	-36.7	51
New Anglia	0.91	32.4	73	4.06	-2.5	25
North Eastern	1.23	77.7	83	5.00	3.9	22
Northamptonshire	1.01	27.8	86	5.64	3.3	29
Oxfordshire	1.83	47.8	116	3.05	15.2	39
Sheffield City Region	0.99	59.8	79	5.20	3.7	24
Solent	1.18	33.1	89	2.88	-3.2	34
South East	0.87	25.8	169	2.80	-6.6	32
South East Midlands	1.44	19.4	94	4.03	-4.0	39
Stoke-on-Trent and Staffordshire	0.80	48.1	72	5.65	-13.0	25
Swindon and Wiltshire	1.38	19.2	91	3.69	-5.1	34
Tees Valley	1.19	52.6	61	7.19	20.5	22
Thames Valley Berkshire	3.05	20.7	119	1.99	-18.3	56
The Marches	0.81	49.7	65	5.69	0.8	25
West of England	1.75	18.0	116	2.55	-12.3	27
Worcestershire	0.99	53.7	81	4.59	-9.4	30
York and North Yorkshire	0.88	54.7	85	4.33	16.2	24
England	1.58	28.1	128	4.11	-9.1	29

DATA SOURCES AND INFORMATION

Dataset	Source
Rateable floorspace, 1998 and 2008	Department for Communities and Local Government. Per capita calculations from Mid-Year Population Estimates at www.nomisewb.co.uk. (1) This omits data from the Isles of Scilly - there is no data available for

commercial or factory floorspace for this area. (2) There was no data for industrial floorspace for the City of London 2008 - it is assumed that this is zero (there were 4,000 square metres in 1998).s