INITIAL DRAFT
mksm executive team

Appendix 5

South East & South Midlands Enterprise Partnership

(partnership name to be determined)

A Prospectus

This is not a paper for decision. In its draft form the only purpose of this paper is to aid a discussion at the **mksm** Leadership Group meeting on 27 July.

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The **mksm** executive team would like to acknowledge and thank colleagues from the follow organisations for their contribution, advice and support:

Aylesbury Vale DC
Bedford BC
Central Bedfordshire UA
Kettering DC
Luton BC
Milton Keynes UA
Northampton DC
EMDA
SEEDA
HCA

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1 Partnership Vision

1.1 Local authorities working through partnership with business, higher education and the third sector is a sure way of securing economic and business growth, higher skills levels and greater access to jobs.

1.2 Our local authorities been creating jobs above the national rate for years. They have absorbed growth in a sustainable manner, drawing in infrastructure funding to support a polycentric urban-rural community.

1.3 While acknowledging progress made in recent years, a new local enterprise partnership (**LEP**) would deliver the added value of a green, prosperous and ambitious place for the benefit of all. Through genuine private-public collaboration the **LEP** would achieve:

- a globally connected high value economy
- high quality housing and employment growth
- life chances to inspire young people and aspirant professionals
- a sustainable business environment attractive to investors
- the quality of life and leisure opportunities to appeal to all

1.4 A **LEP** would **aim** to complement local plans and programmes adding weight to secure the private and public resources needed to deliver the infrastructure to sustain business, housing and employment growth.

1.5 Collaborative **LEP objectives** include:

1.6 To build the strengths and opportunities of the sub-region through:

- its international reputation as a prime business location
- its international connectivity and excellent road, rail links and air links
- its location within the Oxford-Cambridge high-technology arc
- its own higher education institutions, such as Cranfield University
- its expertise in low carbon housing and infrastructure design, developed through leading-edge approaches to growth

1.7 To support key sectors, including business services, high performance engineering, tourism, logistics, construction and creative industries.

1.8 To encourage commercial and social enterprise through priority interventions in transport, skills & learning and digital infrastructure;

1.9 To manage employment and housing growth through partnership and the development of economic, social and transport infrastructure;

1.10 To develop and support the roles and responsibilities of all parties involved.

2 Executive Summary

2.1 Alignment with the functional economic geography of the area

We welcome the emphasis on functional geography as the key determinant of the territory covered by an individual LEP. A cross-partnership LEP would **resolve the long-standing frustration** of regional boundaries that do not match our local circumstances.

The fit with functional geography is illustrated through:

- Mobile skills and commuting patterns (Annex A)
- Transport connections (Fig. 1)
- Sustainable population growth (Annex B)
- Shared house building agenda (Annex C)
- Strong business sector linkages (Annex: D)

2.2 Critical mass

2.2.1 The mksm local authorities cover a population of over 1.7 million people. Together they account for 3.5% of the English economy. If Cherwell and Dacorum were to join this would bring the partnership's population up to £2 million and the value of its economy to over £40 billion.

Table 1: Specific populations and GVA by **partnership** authority:

Local Authority	Population (000s)	GVA[1]
Aylesbury Vale	173.5	£3.8 billion
Milton Keynes	236.7	£6.7 billion
Bedford	158	£2.7 billion
Central Bedfordshire UA	252.9	£4.3 billion
Luton	194.3	£3.9 billion
Corby	55.2	£1 billion
Daventry	78.9	£1.5 billion
East Northamptonshire	85	£1.6 billion
Kettering	90.1	£1.7 billion
Northampton	210.5	£4 billion
South Northamptonshire	88.5	£1.7 billion
Wellingborough	75.7	£1.4 billion
Sub-total	**1,699.3**	**£34.4 billion**
Cherwell	139.7	£3.3 billion
Dacorum	140.3	£3.2 billion
Total	**1,979.3**	**£40.9 billion**

ONS & Nomis; Cherwell & Dacorum included for illustrative purposes

[1] Gross Value Added, a measure of economic output, calculated using most recent ONS NUT3 GVA per head data (2006)

2.2.2 The areas covered by this proposal have a history of high population growth. This is set to continue. ONS trend based projections show that population is expected to have grown by 22% between 2001 and 2021 to reach 1.91 million. Local “policy led” projections expect the same order of population growth. Numerically this would see the population grow to 1.98 million by 2021 and likely to continue to increase in the future.

2.2.3 The size of the **LEP** economy, measured by gross value added, is expected to grow by 60% between 2001 and 2021. It grew by 22% in 2001-07. It is expected to grow a further 29% in 2012-21. Overall the sub-region is growing 10% more than the rest of the British economy.[2]

2.2.4 Further benchmarking data against other partnerships may be found at Annex E.

2.3 Building on established and successful partnership working

2.3.1 The partners already work together effectively in the Milton Keynes South Midlands Partnership (http://www.**mksm**.org.uk/).

2.3.2 This partnership currently covers 14 local authorities across the boundaries of 3 regions. and is the country’s largest growth area and has delivered over 60,000 homes and outline consent exists for a further 95,000 homes.

2.3.3 Since 2001 employment has grown by 7% and therefore at a rate greater than that achieved by England as a whole at 5%. It is anticipated that the effects of the recession will reduce this by 3%, again better than the national figure that shows a reduction of 4%.

2.3.4 Latest modelling of employment provides an indication of past and future employment growth. According to these figures **the LEP area** as a whole has delivered around 62,000 net new jobs in the period 2001/02 – 2008/9.

2.3.5 The partnership has been keen to ensure effective but light-touch governance arrangements. It is supported by a small staff funded by the HCA, RDAs and a subscription from members of its Inter Regional Board.

2.3.6 The local authority partners also have an informal Collaborative Working Agreement to make key assets work harder and so overcome the barriers to growth. Key areas of focus include inter-urban bus routes, strategic rail and multimodal transport; employability, apprenticeships and skills training; and next generation broadband to connect businesses, homes and rural areas.

2.3.7 An emerging health and social care strategy for the area also reflect the reality of patient flows across administrative boundaries.

[2] SQW, 2009

2.4 Sector assets and growth opportunities

2.4.1 The LEP area has a good concentration of key sector companies such as High Performance Engineering (HPE) and Motor Sports, Creative Industries and Logistics.

2.4.2 Using its sustainable construction expertise, the area is able to deliver new jobs and demonstrate how it can be at the leading edge of new technology.

2.4.3 Local authorities and their delivery partners have the proven capacity to accommodate population and housing growth. Our local delivery vehicles (LDVs) contain a strong range of planning and project management skills and expertise. They provide an important resource that could be better shared to deliver greater value across the LEP area.

2.4.4 Located between London and Birmingham, and between Cambridge and Oxford, the LEP area is a place for the growing business services and creative industries sector.

2.4.5 The partnership is the home of the key international gateway, London Luton Airport, and is close to Heathrow. We have good north/south road and rail links, which are vital to growing business sectors.

2.4.6 There is a high quality rural environment and a wealth of other visitor attractions. Tourism is a key potential growth area and, and rural assets such as Marston Forest Centre, can help balance urban-rural development.

2.4.7 The area also has the following characteristics/sector strengths to support private sector jobs growth:

- High rates of private sector employment
- High rates of business formation
- “Bouyant” economies in Milton Keynes and Northampton, well placed to draw the UK out of recession[3]

2.4.8 The LEP partnership has had a strong business focus, with priorities on transport, communications infrastructure and skills matching business priorities.

2.4.9 The area has good tertiary education and is well-served with access to universities, and other higher education and research institutions (HEIs). HEIs are proactively engaged with the business community and local authorities, providing intellectual and analytical power behind LEP-led business growth.

[3] Centre for Cities, 2010

2.4.10 The partnership also has strong business connections through its networks with developers, utilities, telecommunications companies, bus operators, sector skills councils and employers. Local authorities also have strong relationships with businesses large and small.

2.4.11 A LEP including high growth cities, making best use of its advantageous location, can work with businesses and education institutions, to stretch the location benefits of the south east into the South Midlands.

2.5 Key regeneration challenges for the area

2.5.1 Housing delivery has slowed due to the current economic climate with the impact being more pronounced in some parts of the LEP area. However, according to recent performance reports[4] a number of projects have moved to a lower risk status and there are early indications that developers are returning to sites.

2.5.2 An enterprise partnership for the area is essential to bring together the expertise and private and public funding partners to develop imaginative funding packages to deliver sustainable housing profiles with requisite infrastructure.

2.5.3 Partners need to address the lack of state of the art ICT infrastructure across the area. The lack of broadband particularly in rural areas is a barrier to new business formation. Outdated infrastructure in urban areas also hampers competitiveness.

2.5.4 Skills levels across the LEP area are lower than is needed to support a growing knowledge economy. The skills profile is slightly behind that of the country as a whole. Across the partnership there is a correlation between high skills levels and high levels of employment. Actions to address worklessness through skills will boost employment, strengthen business competitiveness and profitability and increase job security and career progression.

2.5.5 Although north south links are excellent, transport issues remain around congestion and the capacity of some roads to accommodate growth, and the need to develop East West rail links. Given the squeeze on transport infrastructure funding, the partnership will need to mobilise its evidence, information and influence to support key transport priorities, such as the A5/M1 bypass, the Northamptonshire Arc and East West Rail.

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[4] SQW, April 2010

3 Added Value

3.1 Possible roles and remits

3.1.1 The coalition agreement set out by the Government describes LEPs as joint local authority-business bodies, brought forward to promote local economic development and replace regional development agencies.

3.1.2 LEPs are therefore expected to tackle planning, housing, enterprise, local transport, infrastructure and employment. However, to demonstrate the added value that a LEP would bring, potential roles and responsibilities should be clear and complement those of local and national partners.

3.1.3 The following outline is **tentative** and is made on the assumption that a LEP will have a significant size, and will draw on activities currently delivered regionally.

3.2 Business support: building on what we know works

3.2.1 A strategic framework for business support, including:
- signposting and coordinating advice;
- accessing business development funding;
- co-ordinating redundancy support and lobbying government to help firms at risk;
- identifying opportunities to join-up council delivered business services, such as trading standards.

3.2.2 Enterprise development, including:
- contracting and stimulating private sector support for new businesses;
- proactive support for new business formation.

3.2.3 Business growth, including:
- secure innovation grants and support knowledge transfer;
- working with Higher Education in service delivery.

3.2.4 Sector development, including:
- researching & identifying sectors for development, eg. tourism & low carbon (see below);
- supply chain development;
- working with Sector Skills Councils (SSCs) and training academies;
- contracting development support.

3.2.5 Tourism, including:
- role in marketing visitor economy, cultural assets, venues & events;
- promoting the sub-region's hospitality industry to accommodate visitors;
- coordinating response to the Olympics and, possibly, World Cup.

3.2.6 Low Carbon, including:
- researching and developing low carbon initiatives;
- bidding for funding.

3.2.7 Inward Investment, including:
- coordinating sub-regional marketing;
- point of contact for government;
- utilising sector specialists;
- compiling LEP responses in consultation with business & local authorities.

3.2.8 Trade & Investment, including:
- sub-regional promotion;
- signposting UKTI services.

3.3 Supporting People

3.3.1 Skills development, including:
- coordinating the regional skills statement;
- developing a LEP-wide skills strategy;
- lobbying for resources.

3.3.2 Economic participation, including:
- securing funding for local economic inclusion, training and employment.

3.3.3 European Social Fund, including:
- expanding the role of local co-finance organisations (CFOs);
- influencing EU funding priorities for 2014-20;
- delivering LEP-wide projects;
- attracting match-funding from business;
- retaining EU resource locally.

3.3.4 Worklessness, including:
- linking with SSCs and employment & skills boards;
- working with the Skills Funding Agency on procurement;
- managing adult skills budgets to help get people into work and address pockets of local economic disadvantage and labour market exclusion.

3.3.5 Engaging Higher Education and Research Institutes:
- working with institutions across borders to coordinate actions to develop higher level skills sets, business innovation and know-how.

3.4 Strategic Planning and Infrastructure

3.4.1 Sub-regional infrastructure, including:

- collating local growth targets;
- securing funding to support an LEP local investment plan;
- administration of Regional Growth Fund;
- development of schemes to finance infrastructure and models of delivery;
- performance management & reporting delivery to partners and government.

3.4.2 Developing shared priorities, including:
- prioritising, championing and lobbying for LEP-wide strategic infrastructure, eg. broadband, East West Rail, transport routes & hubs;
- A single conversation with HCA;
- programme management of regional infrastructure tariffs;
- new public-private partnerships;
- possible strategic land holdings.

3.4.3 European Regional Development Fund (ERDF), including:
- Influencing EU funding priorities;
- programme management and administration of ERDF;
- programme and project support;
- deliver LEP-wide European projects.

3.5 Intelligence & Information

3.5.1 Information, including:
- working with HEIs and local authorities to collect and compile economic data, analysis and forecasting across the LEP;
- coordinating and advising on refresh of LEAs;
- providing LEP-wide summary of LEAs.

3.5.2 Policy support, including:
- policy research and development;
- evidence-based policy advice to inform decision-making;
- horizon-scanning to identify policy issues and opportunities for improved service delivery;

3.5.3 Influence, including:
- informing debate;
- lobbying;
- attracting resources & inward secondments.

3.6 Engaging with Business

3.6.1 Business ambassadors:
- LEP programme of working with businesses to shape and develop personal networks and organisational links.

3.6.2 Leader-level meetings and consultations, including:

- Business breakfast, consultations and workshops.

3.6.3 Upward framework of meetings:

- Responses and messages from local engagement across the LEP, fed upwards in a coordinated way to collate intelligence, develop advice and inform decisions.

3.6.3 Coordinated working, including:

- through the Chambers of Commerce, Institute of Directors and other business communities to track business needs and wants

3.6.4 Deploy resources and influence to maintain momentum and engagement.

4 Why use the partenrship footprint for an LEP?

4.1 Communications and connectivity

4.1.1 The geography of the partnership represents polycentric model of interconnected urban settlements across which people work and travel (Annex A). Its footprint therefore approximates to a functional economic market area (FEMA) and provides a starting point in discussions about the appropriate size and geography of a LEP.

4.1.2 Although not large by international standards, FEMAs in England may still have a significant degree of scale. Greater Manchester, for example, is home to more than two million people. The LEP area has 1.7 million. Although economic footprints can provide evidence as to which local authorities should work together, political tensions can present a challenge to collaboration.

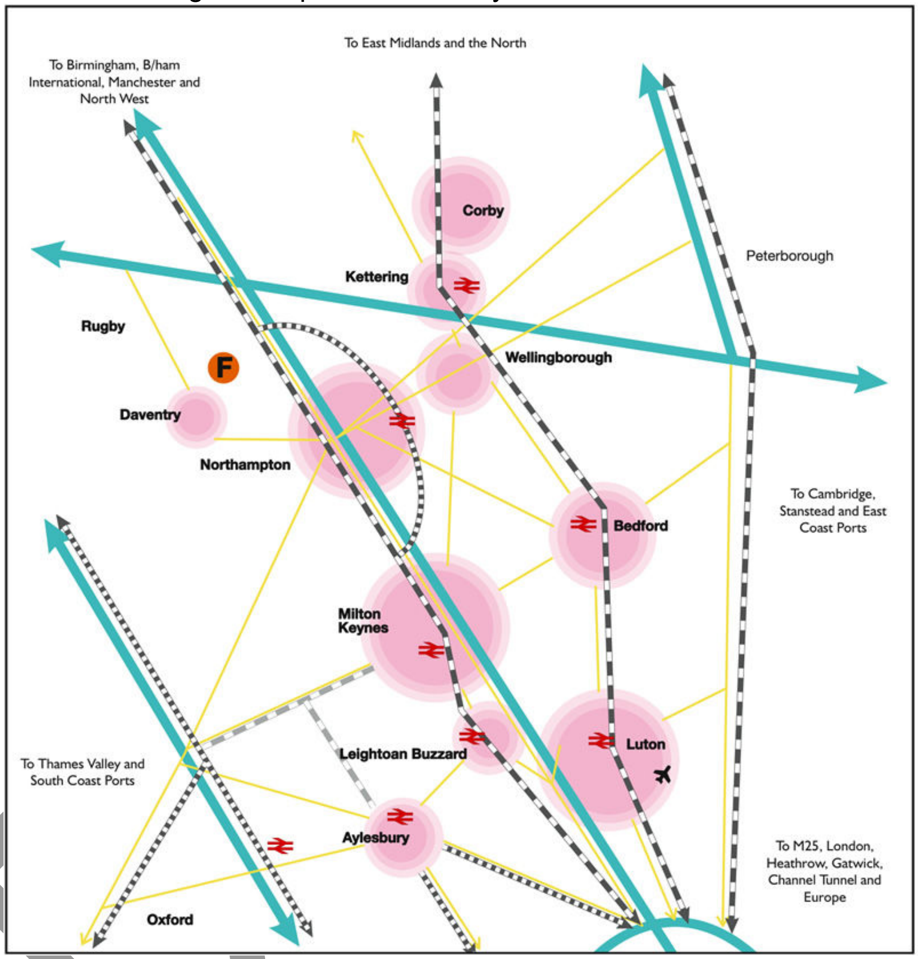
4.1.3 The area's economic success is linked to its strategic location close to London and the South East. However, within the LEP there are also good connections between Northampton and Milton Keynes, and from Luton to Kettering. Luton has important economic linkages with other business and market conglomerations, particularly London but also Milton Keynes.

4.1.4 In 2009 the partnership completed its Inter Urban Transport Strategy supported by the Department for Transport, the first sub-regional transport strategy of its kind.5 Further work has since been undertaken on trans-modal transport corridors, developing packages of projects for Government to support, such as improved inter-urban bus routes and East West Rail (EWR).

[5] CLG, 2010

4.1.5 Key transport infrastructure priorities include: improvements to the M1 at J10-13, the A14, A5-M1 Link Road, A421, A509 Isham bypass and the A43 Corby Link Road. The partnership also promotes sustainable transport options, such as the development of the Northampton Bus Interchange, cycle routes and promotion of sustainable travel.

Fig.1 transport connectivity and East West Rail



4.9 Retail Footprints and the leisure economy

4.9.1 Retail catchment areas are also a key indicator of functional markets and economic interdependence.

- Milton Keynes captures 22% of Bedford's total retail market[6] and an 11% market share from Northampton's major catchment area.[7] 74% of retail

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[6] Bedford BC, 2010
[7] CACI, 2008

spend leaks out of Central Bedfordshire, mostly to Milton Keynes, Luton and Bedford. 8% goes to central London.

- Alongside the retail economy, the LEP has a significant visitor economy and cultural geography, with a wide range of visitor attractions, sports facilities and a rich environmental and architectural heritage.[8]

4.10 Housing

4.10.1 Partner authorities have effectively delivered housing growth. Cumulative housing completions since 2001 reached well over 60,000 meaning we remain the economic area with the highest level of housing completions to date.

4.10.2 Housing growth and the need for supporting infrastructure is a strong theme that cements partner authorities together. Many areas – particularly Aylesbury Vale, Bedford and North Northants – have many major sites with planning permission/s106 agreed, which offers very good prospects for housing delivery over the next 5-10 years (see Annex C for further information).

4.2 Health, Social Care and Emergency Planning

4.10.3 MKSM isn't just about housing growth. The area forms a natural community with a lot of population-based interaction. The interactivity across the area is also reflected in use of health services. **The LEP area** has been described as a "natural community" for health service provision.[9] As the trend in commuting continues people use health services where they work, not just where they live, reinforcing the area nature of health service provision.

4.10.4 Emergency planning and acute services are key shared responsibilities, with hospitals, local authorities and emergency services on alert across the administrative boundaries during big events, such as concerts in the MK Bowl and Motor Sports. Working with businesses on continuity planning in civil emergencies is essential, particularly those providing public services.

4.10.5 Increasing consultant engagement in health service delivery, new roles for primary care and moving to more joined-up social and health services will require real planning and forethought across the LEP area to ensure we have the appropriately skilled people in the right place at the right time.

4.11 Higher Education and Research Institutes

4.11.1 There is a close functional link between higher education and industry sectors, such as high performance engineering and motor sports.

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[8] **mksm**, 2010
[9] **mksm** Leaders' Group meeting, 11 May 2010

Cranfield University is a centre for excellence in precision engineering. The HEIs also provide higher level skills needed in logistics and sustainable communities (universities of Bedfordshire and Northampton) and creative industries (University Centre Milton Keynes and Open University).

4.11.2 The **added value** that a LEP would contribute would be the capacity to identify, through a partnership-wide economic assessment, where the interface between research, learning and business could be stronger and to facilitate such collaboration.

4.12 Sector linkages

4.12.1 Business Services

- The sector principally relates to those professional services provided to commercial businesses, and include finance, legal, management consultancy, property, IT, data and database management.

- There has been significant sector growth with the emergence of many small or micro-enterprises.[10] This sector generates value in local economies, employing people with above average skills and earnings and accounts for 18% of all businesses (up 14% over four years).

- The **added value** that a LEP could bring to Business Services is that as vehicle to promote enterprise, the LEP could contract and engage with private sector providers of business support to stimulate new business formation.

4.12.2 Sustainable Construction

- Construction is a medium size industry in representing over 4% of employment in the proposed LEP area. The sector is widely spread across however the largest shares of employment are found in Central Bedfordshire (13%), Northampton (12%), Luton (12%) and Milton Keynes (10%). Employment in the sector is forecast to rise by 10% in 2011-21.

- The **added value** that the LEP could bring to the sector is through the coordination of further and higher education expertise, drawing together resources from University of Northampton, University Centre Milton Keynes, the University of Bedfordshire and Cranfield University.

4.12.3 Creative Industries

[10] ten persons or fewer with a turnover of less than 2 million euro.

- Creative industries include a wide range of craft, manufacturing, media, publishing, design and technology based activities. Compared to the British economy, creative industries are well-represented in Kettering, South Northants, Central Bedfordshire, Aylesbury and Milton Keynes.

- The Creative Industries consists of 4,675 creative enterprises in **mksm**, with the design sector accounting for 22%. In 2011-21 the contribution of creative industries to the sub-regional economy is expected to grow by 52% while employment in the sector will increase by 11% indicating its very high value and productivity.

- The **added value** that the LEP will afford to creative industries will be to address the historic lack of engagement with the public sector and help improve access to business finance and start-up funding.

4.12.4 High Performance Engineering and Motor Sports

- A history of engineering and innovation lends the LEP area a significant international profile. Research in 2009 suggests that this sector wins the UK £3.6 billion of exports.

- The supporting infrastructure in the sub-region is second to none. Cranfield University partners with Boeing, Jaguar, Lotus and Nissan. International circuits are found at Silverstone, Rockingham, Santa Pod and the General Motors-owned Millbrook Proving Ground.

- Tree locations dominate employment in the sector: Luton (24%), Milton Keynes (15%) and Daventry (12%). Central Bedfordshire has the largest proportion of workplace units (19%).[11]

- The **added value** that a LEP would bring to HPE and Motor Sports is ensuring that although employment is declining within the industry, this is mitigated by growth in other areas of high technology, such as low carbon and high precision engineering. A focused marketing strategy would deliver greater opportunities for the hospitality and tourism sector during numerous high profile motor sport events.

4.12.5 Logistics

- Logistics includes wholesaling, warehousing, road and air transportation, and management systems. The sector employs accounts for 12% of employment (compared to 5% nationally), a large part of which is located adjacent to the M1 corridor. The West Coast Mainline rail route also provide excellent opportunities and good East West road links facilitate transportation to coastal ports and the West Midlands. Employment growth

[11] ONS ABI & SQW

in logistics will particularly benefit Daventry, Northampton and South Northamptonshire.

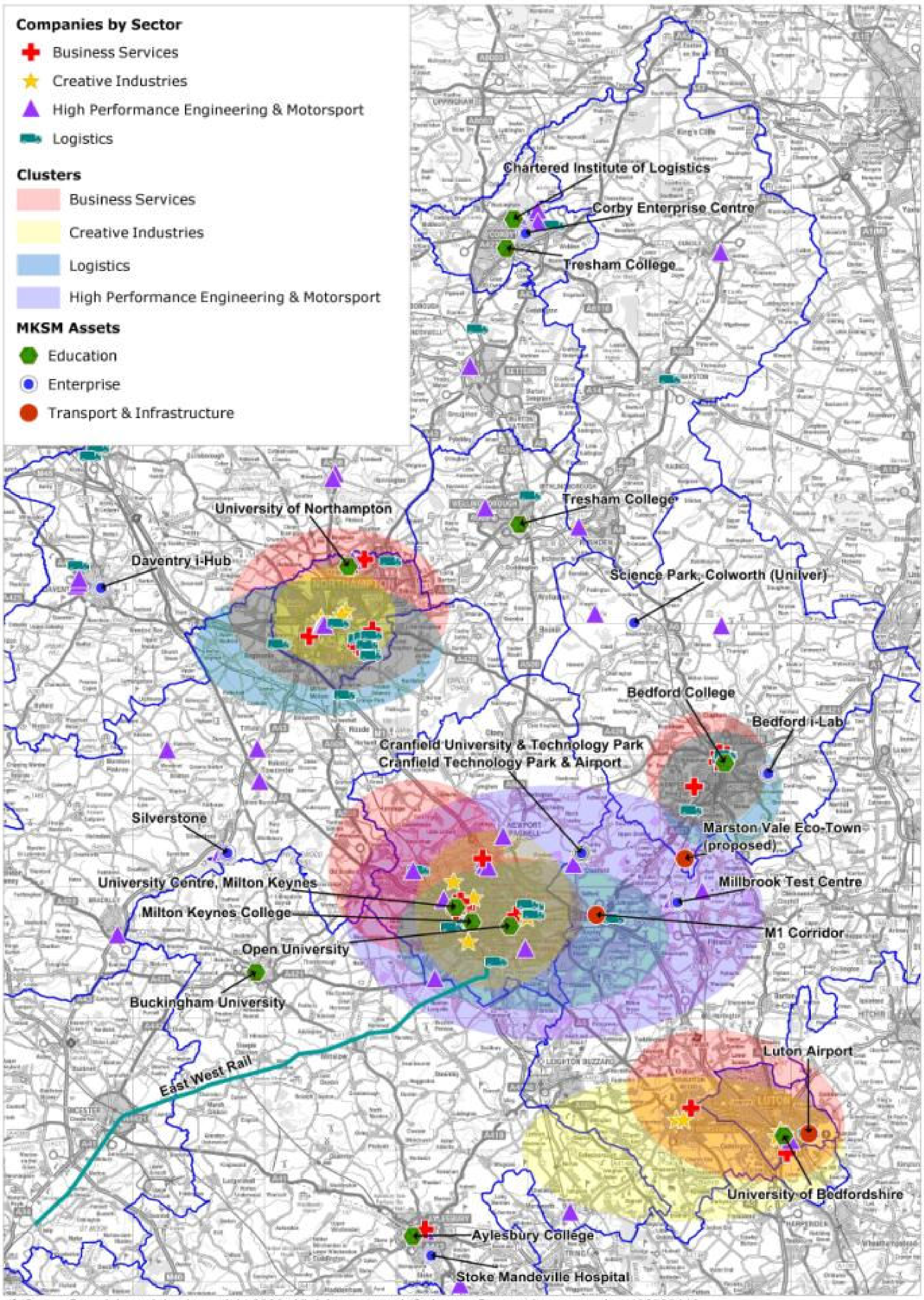
- The **added value** of a LEP would be to coordinate a supporting infrastructure for logistics delivering the higher level skills needed to manage large scale just-in-time delivery and sophisticated software, tracking systems, route finders and automated warehousing.

4.12.6 Tourism, hospitality and the visitor economy

- Tourism is has strong links the creative sector and motor sports. For example, in 2009 there were 309 motor sport related events at 26 venues in the country attracting hundreds of thousands of visitors. At least 35 car club events were held in Northamptonshire, attracting hundreds of car clubs from across the world. Over 2 million people attend Northamptonshire motor sport events and venues each year.

- The **added value** that the LEP would bring to tourism would be to assume the regional responsibility for marketing the visitor and leisure economy both at home and abroad and using that to lever in more inward investment both in the sector and in growth industries.

4.13 Sector linkages map



5 Conclusions and Options

5.1 Partnership parameters

5.1.1 A new local enterprise partnership should have:

- a firm connection with business at the outset so that a public/private clear voice is recorded of our joint priorities;
- flexibility on the terms membership;
- clarity, simplicity and a delivery focus;
- critical mass

5.1.2 Although most firms are small, most people are employed in a relatively few large organisations.[12]

5.1.3 With smaller and fewer regional agencies, and reductions in departmental staffing, the capacity of Government to develop an individual relationship with places also is stretched.

5.1.4 The geographic scale that is efficient in attracting collaboration with key business partners and with Government would be relatively large.

5.1.5 Too many small and or overlapping LEPs could also appear bureaucratic and cumbersome to local employers and businesses that operate across larger areas.

5.1.6 Businesses that operate internationally and look for UK locations to invest appreciate scale.

5.1.7 **mksm** authorities have a set of shared priorities set out in the Economic Development Implementation Plan and the Collaborative Working Agreement, which will should be pursued either within or outside a LEP.

5.2 A range of options

5.2.1 Given the constraints on what authorities can do while resources are scarce, options for LEPs are limited. Larger areas are possible. Smaller areas less viable.

5.2.2 Similarly many overlapping themed LEPs would risk draining resources, adding red-tape, and creating complicated governance structures that discourage business participation.

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[12] LBC, 2010

5.2.3 However, LEP partner authorities find themselves among multiple and variable economic geographies. A rigid adherence to the **mksm** geography may not suit all partners.

5.2.4 There are a variety of housing markets, labour markets, commuting patterns, industry and supply chains, virtual and real markets, all of which makes defining economic areas complicated. Therefore some local authorities will want to look in different directions at different times, which LEP membership should not preclude.

5.2.5 Therefore partner authorities might consider the following options:

I. build on the ready-made partnership of **mksm** to launch an LEP (possibly with one or more new members);

II. establish an LEP with a **new name**, possibly with one or more new member authorities with close links to the sub-region, and work with neighbouring LEPs to share information and best practice;

III. to work together strategically and informally across the sub-region as **mksm** with no cross-regional LEP.

5.2.6 There is no hierarchy to the above options, but options I and II offer the scale necessary to have an impact on regional strategic issues, such as:

- Development of Regional Transport networks
- Employment zones
- Planning issues and housing expansion
- Promotion of shared economic goals
- Development key sectors, such as business services, sustainable construction and precision engineering
- Support new business formation

5.2.7 Option II recognises that partner authorities may be involved with other partnerships, for example, where districts have neighbours that belong to county LEPs, or where counties have broader regional relationships to maintain.

5.2.8 Option III is a default option of making no changes to **mksm**'s current arrangements.