Chapter 3 - Business and Enterprise

Introduction

3.1 This chapter profiles Leicester and Leicestershire in terms of its economic size, sector structure and business climate. Since producing the last Economic Assessment, discussions around economic development strategy have focused on the development of the knowledge economy, wealth creation and reducing dependency on public sector employment. This refresh of the chapter provides more detailed evidence on these two topics.

Output and Productivity

3.2 Gross Value Added is the principal measure of the total value of good and services that a geographical area produces. GVA, and particularly GVA growth, are important indicators of the overall health of a local economy. GVA is calculated by summing the incomes generated in the production process. GVA's relationship with Gross Domestic Product (GDP), the measure for a country's net income, is defined as:

GVA + taxes on products – subsidies on products = GDP

3.3 Since aggregates of taxes and subsidies are available only at a national level, GVA is used as the measure of output at local levels.

3.4 The Leicester and Leicestershire sub region has a population of one million people and an estimated GVA of £19.2 billion in 2008 (table 3.1 refers). The sub-region functions as an integrated economic area based on travel to work patterns, retail patterns, housing market areas and transport links.

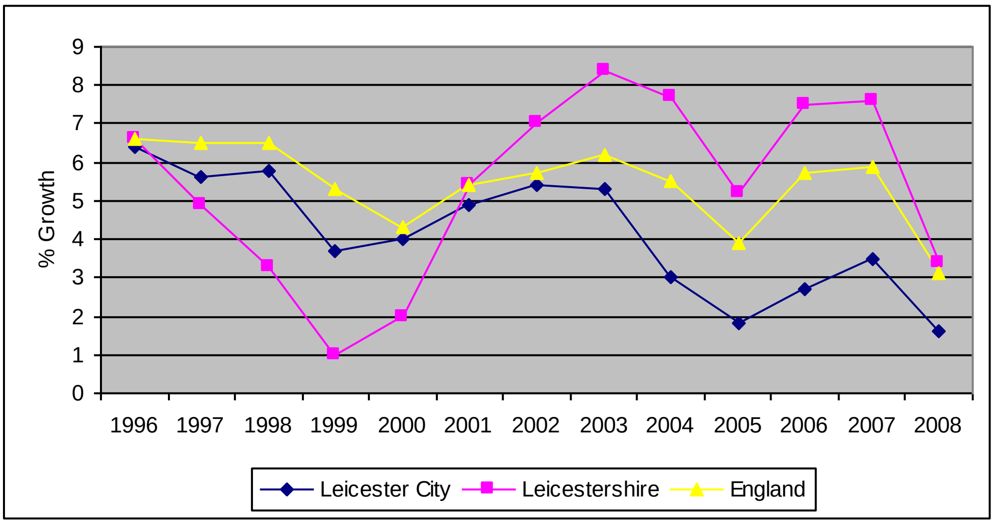
3.5 Between 1995 and 2008, the total GVA increased at an average nominal rate of 5.4% per year in Leicestershire County and 4.1% in Leicester City. This is less than the rate for England of 5.5%. Figure 3.1 shows trends in GVA annual growth rates over the period 1995 to 2008. The graph shows that Leicester City's GVA year-on-year growth rates have consistently fallen below the England figures. The situation in the county has been more volatile with very low growth in the late 1990s followed by a period of more rapid growth in 2003 and 2004 and in 2006. As might be expected GVA growth between 2007 and 2008 was at a lower level both locally and nationally reflecting the impact of the recession.

Table 3.1 Gross Value Added in Leicester and Leicestershire 2008

Area	Total GVA (£m) 2008	GVA per head (£) 2008	Average Annual growth rate 1995 to 2008
Leicester	£6,208	£20,438	4.1%
Leicestershire*	£12,984	£19,104	5.4%
East Midlands	£79,349	17,914	5.0%
England	£1,083,289	21,049	5.5%

Source: ONS Nuts 3 Statistics
* Note: Leicestershire includes Rutland

Figure 3.1 GVA Growth Rates Year on Year

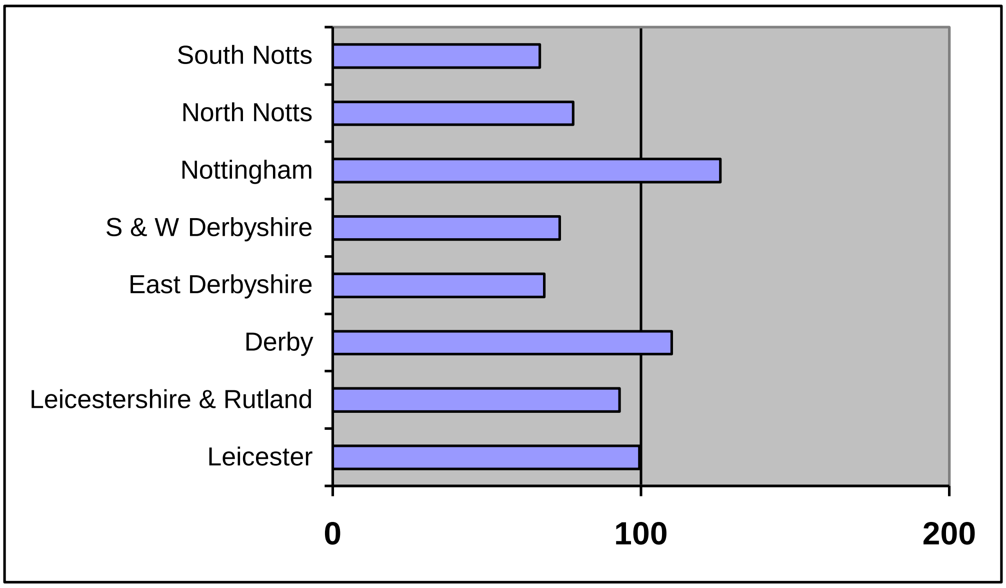


Source: ONS Nuts 3 Statistics
* Note: Leicestershire includes Rutland

3.6 In 2008, the GVA per head for Leicester was £20,483 which is lower than the figure for England (£21,049) and higher than the Leicestershire figure of £19,104. However, cities generally show higher GVA per head than surrounding rural areas as they provide a focus or core for economic activity to take place. Figure 3.2 shows GVA per head indices at current prices (indexed to the UK=100). This shows that Leicester's GVA per head is below that seen in Nottingham and Derby. Also the difference in productivity between Leicester and Leicestershire is less marked than is the case with Nottingham City and Nottinghamshire and Derby City and Derbyshire. This suggests that Leicestershire's market towns and the rural economy, as well as economic activity concentrated within Leicestershire County's science and business parks make a strong contribution to sub-regional productivity. It also indicates that Leicester City is performing below its potential as an economic core at the heart of the sub-region.

3.7 The average annual growth in GVA per head between 1995 and 2008 was just 3.8% in Leicester and 4.7% in Leicestershire compared to the England figure of 5%.

Figure 3.2 GVA Per Head Indices at Current Prices (UK=100)



Source: Regional Accounts, Office for National Statistics GVA at NUTS3 Level

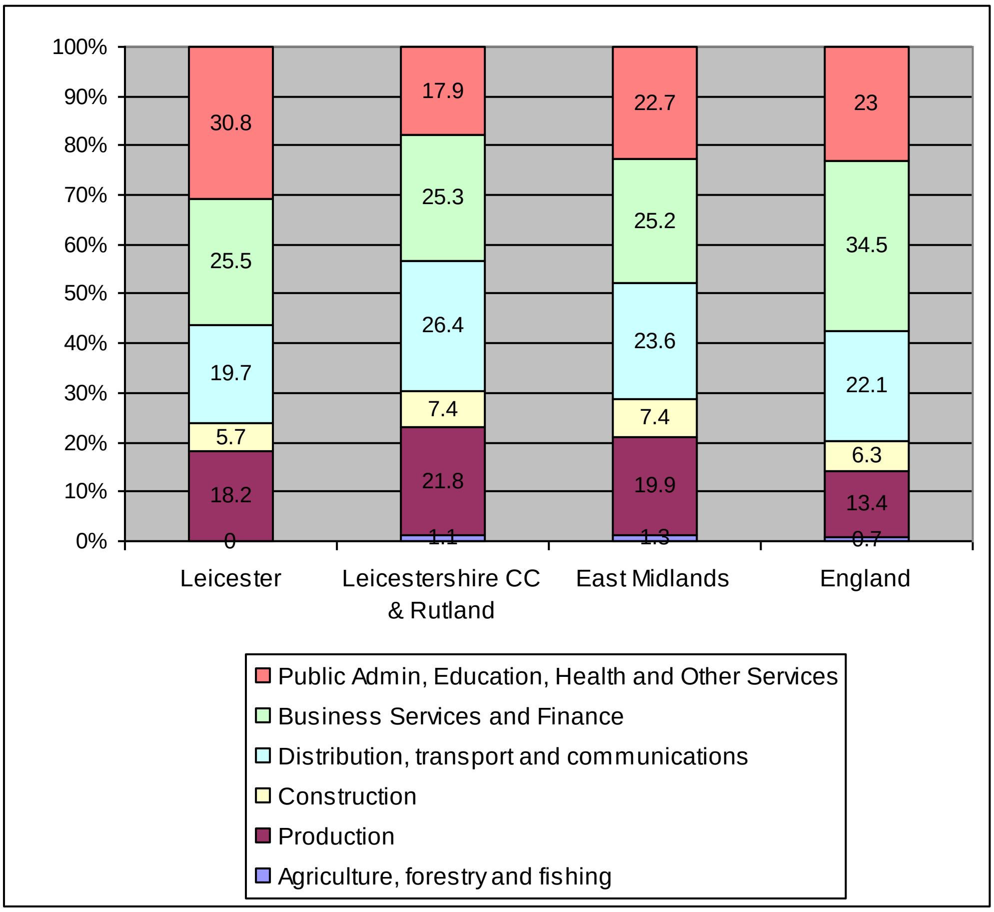
3.8 The GVA statistics suggest that there is a need to stimulate economic growth in the sub-region especially within Leicester City to start to close the growth gap compared with the national position.

Economic Structure

3.9 Economic structure has a significant impact on the performance of local economies and influences their future growth potential. This section considers the share of GVA by sector and then the share of employment by sector.

3.10 Figure 3.3 shows the shares of GVA by broad industry sector in Leicester, Leicestershire, the East Midlands and in England. This demonstrates the continued importance of the production sector to the local economy especially in Leicestershire. However, the relative importance of the production sector has decreased significantly since 1995 (when this sector accounted for 37% of Leicestershire GVA compared to 22% in 2008). The table also shows the significant contribution of the public administration, health, education and other services sector to the Leicester City economy. Linked to the area's locational advantage, the distribution, transport and communications sector accounts for 26% of the County's GVA which is higher than that seen in England (22%). The business services and financial sector accounts for about a quarter of local GVA, however, this is significantly below the 34.5% seen for England as a whole.

Figure 3.3 Shares of GVA by Industry as a Percentage of the Total GVA, 2008



Source: Regional Accounts, Office for National Statistics

3.11 GVA forecasts prepared by Experian suggest that the following ten sectors are likely to show the strongest GVA growth over the period 2010 to 2020 in absolute value terms.

Table 3.2 Top 10 Sectors for Predicted GVA Growth 2010 to 2020

Sector	GVA estimated 2010 £M	Share of estimated GVA in 2010	Growth in GVA 2010 to 2020 £M	Percentage Growth in GVA 2010 to 2020
Business services	£1,930	12.6%	£785	41%
Retail	£1,100	7.2%	£404	37%
Wholesale	£1,200	8.0%	£332	27%
Other services	£667	4.4%	£260	39%
Banking & insurance services	£719	4.7%	£225	31%
Transport	£854	5.6%	£186	22%
Construction	£830	5.4%	£170	21%
Communications	£445	2.9%	£143	32%
Food and drink manufacturing	£565	3.7%	£122	22%
Other financial services	£713	4.6%	£117	17%

Source: emda/Experian Scenario Impact Model 2010
Note: Based on GVA figures in 2005 constant prices

3.12 Table 3.3 shows the share of employment by sector (based on the location of the jobs). This indicates that the area has a relatively high share of manufacturing employment compared to England, although manufacturing jobs have declined significantly over the last thirty years. Manufacturing is an important source of local employment in both Leicester City and Leicestershire County. The logistics and transport sectors are key local employers, especially in Leicestershire, associated with the area's location in the UK and generally good transport links.

3.13 Compared to England, the LEP area has less employment in the 'information and communications' sectors and in the finance/insurance sectors which tend to be associated with higher earnings. This is also the case for Leicester City (table 3.3). As a whole, the LEP area has a similar share of professional/technical services employment to England, however, Leicester City appears to be under-represented in this sector and so initiatives to attract professional employment to the city would be helpful in improving the economy. The knowledge economy is presented in more detail in paragraph 3.24.

3.14 Leicester City has relatively high shares of employment in education, health and public administration compared to England (table 3.3).

3.15 Employment structure by local authority district is presented in table 3.4. This shows that there is considerable variation throughout Leicestershire and in particular it can be seen that:

- Blaby – has a relatively high proportion of jobs in the wholesale/retail sector, the professional, scientific and technical services sector and in the public administration sectors. This is linked to the location of Fosse Park in the district, Next headquarters, Santander at Carlton Park, and the mix of business located in Grove Triangle Park and Meridian Business Park. Also the County Council, Blaby District Council, the PCT and Leicestershire Constabulary's headquarters are important sources of employment in the District.
- Charnwood – has a significant amount of employment in the education sector linked to the location of Loughborough University and Loughborough College. There is also significant employment in the manufacturing, wholesale/retail and in the professional, scientific and technical services sectors. The future loss of Astra Zeneca from the district could have a significant impact in terms of employment in professional research and development jobs which will impact on the proportion of employment in high tech manufacturing and in scientific/technical services.
- Harborough – has a large number of jobs linked with the wholesale, logistics and distribution sectors, associated with the large distribution centre at Magna Park. The District has less dependency on public sector employment than some districts and a range of service sector employment.
- Hinckley and Bosworth has a relatively high number of jobs in manufacturing, linked in part to the location of major employers such as Triumph and Caterpillar. Mira is another important employer in the district and a potential

source of high-level jobs in the future. The district is not overly dependent on public sector employment.

- Melton has the highest proportion of employment in the manufacturing sector of all Leicestershire districts at 22% of total employment. Food and drink manufacturing is an especially important source of local jobs. Large employers include Samworth Brothers and Pedigree Masterfoods.
- North West Leicestershire - 16% of the District's jobs are in the transport sector compared to 5% in England. This is linked to the location of East Midlands Airport in the district and associated transport/ logistics industries. 17% of jobs fall within the manufacturing sector.
- Oadby & Wigston – the district has a relatively high share of employment in the education sector linked to the location of South Leicestershire College. 20% of the district's jobs are in manufacturing which is twice the national average.

Table 3.3 Share of Employment by Sector, 2009

Industry	Leicester City	Leicestershire County	Leicester & Leicestershire LEP Area	England
Manufacturing	13%	14%	14%	9%
Electricity, gas, water	3%	2%	2%	1%
Construction	3%	5%	4%	5%
Wholesale & Retail	15%	19%	17%	16%
Transport & Storage	2%	7%	5%	5%
Accommodation & food	4%	6%	5%	7%
Information & communication	2%	2%	2%	4%
Financial & insurance	3%	2%	2%	4%
Real estate	2%	2%	2%	2%
Professional, scientific and technical services	5%	7%	7%	7%
Business admin/ support services	9%	7%	8%	8%
Public admin & defence	7%	4%	5%	5%
Education	12%	10%	10%	10%
Human health & social work	17%	7%	11%	13%
Arts, entertainment & recreation	2%	3%	2%	2%
Other services	2%	2%	2%	2%

Source: BRES, ONS Crown Copyright Reserved (from nomis on 5th January2011)

Table 3.4 Share of Employment by Sector, 2009

Industry	Blaby	Charnwood	Harborough	Hinckley & Bosworth	Melton	NW Leics	Oadby & Wigston
Manufacturing	8%	15%	8%	19%	22%	17%	20%
Electricity, gas, water	4%	1%	0%	4%	1%	1%	0%
Construction	7%	5%	4%	5%	5%	6%	5%
Wholesale & Retail	19%	18%	28%	18%	18%	17%	19%
Transport & Storage	7%	3%	10%	4%	5%	16%	3%
Accommodation & food	5%	5%	7%	8%	6%	6%	4%
Information & communication	2%	2%	2%	2%	3%	1%	1%
Financial & insurance	6%	1%	1%	2%	1%	1%	1%
Real estate	1%	2%	1%	1%	2%	1%	2%
Professional, scientific and technical services	10%	8%	7%	7%	5%	8%	4%
Business admin/ support services	5%	6%	9%	7%	5%	9%	6%
Public admin & defence	10%	4%	3%	2%	2%	2%	6%
Education	5%	16%	8%	9%	10%	7%	12%
Human health & social work	7%	8%	7%	7%	9%	4%	12%
Arts, entertainment & recreation	2%	3%	2%	3%	2%	2%	4%
Other services	2%	2%	2%	2%	4%	1%	1%

Source: BRES, ONS Crown Copyright Reserved (from Nomis on 5th January2011)

Public Sector Dependency & Private Sector Job Growth

3.16 In the current climate with significant cuts in public expenditure announced in the Autumn 2010 Comprehensive Spending Review, there has been considerable debate about the extent to which the proposed cuts will impact on local economies. New statistics have been prepared by ONS to give estimates of private and public sector employment in each local authority area in the country. In these statistics organisations such as universities and further education colleges have been classed as ‘private’ rather than ‘public sector’. These statistics have also measured private sector job growth over the period 2003 to 2008. The figures were compiled by ONS to help assess an area’s dependency on public sector employment and the need to rebalance the local economy through stimulating private sector job growth.

3.17 Table 3.5 shows that Leicester City has experienced a small net loss of 500 private sector jobs over the five year time period (representing a -0.4% decrease) and as such is in the worst performing quintile in Great Britain in terms of private sector job growth. Over the same time period, the City had an increase of around 2,000 public sector jobs. Using this new definition of public sector employment, 24.3% of Leicester’s jobs are in the public sector and the city is ranked 115th out of 408 local authority areas in terms of public sector employment dependency. Taking these two factors together, a relatively strong case can be made for the need to rebalance the Leicester City economy. However, it should be noted that many other areas of the country appear more dependent on the public sector. If one looks at the wider Leicester Travel to Work Area, the share of public sector employment drops and private sector job growth improves significantly.

3.18 In terms of the districts within Leicestershire, it is worth noting that Blaby has a relatively high share of public sector employment at 21.3%, but on the other hand Blaby District has seen the strongest percentage growth in private sector employment in the country at 39.9%.

3.19 Hinckley & Bosworth has a relatively low share of public sector employment at 12.0%. However, private sector job growth has been modest at 0.9% and the area ranks 104th out of 408 in terms of poor private sector job growth (where a rank of 1 denotes the lowest private sector job growth in the country). This suggests a need to stimulate job growth in the district and the planned expansion of MIRA with associated high-technology jobs will provide a welcome boost to the local economy.

3.20 Charnwood does not appear to have a particularly strong case for rebalancing the economy based on the statistics in table 3.5, however, the area has high dependency on education employment and is also set to lose up to 1,300 private sector jobs with the closure of Astra Zeneca.

Table 3.5 Public Sector Employee Job Share & Private Sector Job Growth, 2003 to 2008

	2003 Jobs			2008 Jobs			Public Sector Share 2008 Rank out of 408[1]	Public Sector Share 2008	Private sector job growth 03 to 08 Rank out of 408[2]	Private sector job growth
District Name	Private	Public	Total	Private	Public	Total				03 to 08
Leicester City	118,800	36,000	154,800	118,300	38,000	156,300	**115**	**24.3%**	**76**	**-0.4%**
Blaby	27,300	8,300	35,600	38,200	10,300	48,400	165	21.3%	408	39.9%
Charnwood	48,400	7,500	56,000	53,400	7,800	61,200	363	12.7%	295	10.3%
Harborough	27,200	3,600	30,800	31,000	3,600	34,700	397	10.4%	350	14.0%
Hinckley & Bosworth	33,300	4,400	37,700	33,600	4,600	38,200	374	12.0%	104	0.9%
Melton	15,300	2,300	17,800	17,800	2,400	20,300	376	11.8%	369	16.3%
North West Leicestershire	38,500	4,900	43,500	44,800	5,300	50,100	395	10.6%	370	16.4%
Oadby & Wigston	13,700	2,400	16,100	14,900	3,600	18,600	214	19.4%	264	8.8%
Leicester Travel to Work Area	275,100	64,300	339,400	299,100	70,500	369,700	154[3]	19.1%	150[4]	8.7%

Source: ONS/ABI Employee Jobs. Extracted fromNomis 5th January 2011. Note figures adjusted to take into account discontinuity in data series in 2006.

[1] Rank based on 1 having highest share of public sector employment, hence more in need of intervention to rebalance the economy
[2] Rank based on 1 having lowest private sector job growth – hence more in need of intervention to rebalance the economy
[3] Ranking is out of 232 Travel to Work Areas
[4] Ranking is out of 232 Travel to Work Areas

3.21 Private sector job growth has been relatively strong in Melton at 16.3%, North West Leicestershire at 16.4% and Harborough at 14%.

Dependency on Public Sector Related Employment

3.22 Another way to estimate public sector employment dependency is to consider the amount and proportion of employment in the public administration, education and health sectors[5]. Although there are some private sector businesses in these sectors, as a whole they are very dependent on government policy and spending. For example the education sector includes primary, secondary, FE Colleges and Universities. Although universities can be categorised as private businesses, the extent to which they expand or contract in terms of employment could be influenced by factors such as the availability of research grants and government policy on tuition fees. The figures in the tables suggest our local area has a higher dependency on public sector related employment than indicated in table 3.5 (which used ONS figures generated to support the Regional Growth Fund (RGF) assessment process). The green highlighted cells indicate where the share of employment in a sector is above the England figure.

Table 3.6 Number of Jobs in Each Geographical Area in Public Sector Related Area and Share of Total Employment (2009)

Industry	Leicester City		Leicestershire County		Leicester & Leicestershire		England
	Number	%	Number	%	Number	%	%
Public Administration & defence	11,000	**7**	11,000	**4**	22,000	**5**	**5**
Education	18,500	**12**	25,300	**10**	43,800	**10**	**10**
Human Health & Social Work	25,800	**17**	19,400	**7**	45,200	**11**	**13**
TOTAL	**55,300**	**35**	**55,700**	**21**	**111,000**	**26**	**28**

Industry	Blaby		Charnwood		Harborough		Hinckley & Bosworth	
	No.	%	No.	%	No.	%	No.	%
Public Administration & defence	4,800	**10**	2,200	**4**	1,000	**3**	700	**2**
Education	2,300	**5**	9,700	**16**	2,700	**8**	3,200	**9**
Human Health & Social Work	3,600	**7**	4,900	**8**	2,300	**7**	2,700	**7**
TOTAL	**10,700**	**22**	**16,800**	**28**	**6,000**	**17**	**6,600**	**18**

Industry	Melton		NW Leics		Oadby & Wigston	
	No.	%	No.	%	No.	%
Public Administration & defence	300	2	1,000	**2**	1,000	**6**
Education	1,900	**10**	3,300	**7**	2,200	**12**
Human Health & Social Work	1,800	**9**	2,100	**4**	2,100	**12**
TOTAL	**4,000**	**21**	**6,400**	**13**	**5,300**	**29**

Source: BRES, ONS Crown Copyright Reserved (from nomis on 5th January2011)
Note: figures rounded to nearest 100 jobs and nearest whole percentage. Columns may not add up due to rounding.

[5] As defined by SIC codes O, P, Q

3.23 In particular:

- Leicester City has a higher proportion of jobs in the public administration, education and human health and social work sectors than is the case in England. 35% of local employment is in these sectors. This is linked to the presence of two universities and large hospitals in the city which employ significant numbers. These sectors also constitute a significant source of employment for females residing in the City.
- Blaby has a relatively high proportion of jobs in public administration compared to England, linked to the location of County Hall and PCT employment as well as the District Council and police HQ.
- Charnwood has a higher proportion of jobs in the education sector than is the case in England. This is heavily influenced by the presence of Loughborough University and Loughborough FE College.
- Oadby & Wigston has a relatively high proportion of jobs in the education sector linked to the location of South Leicestershire College in the district.

Knowledge Economy

3.24 In recent years, there has been a recognition that economic success increasingly relies on skills, knowledge and innovation. Rather than competing on cost alone, businesses that are able to adapt quickly to technological change, understand their markets and see and exploit new market opportunities tend to be highly successful. The ‘knowledge economy’ is a term used to label such businesses; it encompasses any economic activity which relies on the creation, evaluation and trading of knowledge. The local presence of a knowledge economy is important since it is a means of improving local competitiveness and generating wealth.

3.25 The main business sectors categorised as part of the knowledge economy are set out in table 3.7 Employment in education and health activities is also considered part of the knowledge economy.

3.26 Figure 3.4a shows the share of knowledge based employment in Leicester compared to a number of other cities (aggregating all the categories in table 3.7). These statistics are based on local authority boundaries and it should be noted that some cities such as Leicester have very tight boundaries, whereas cities such as Sheffield and Leeds incorporate a wider city region. Figure 3.4b compares the share of knowledge based employment in the Leicester and Leicestershire LEP areas with some selected LEP areas. These LEP areas were selected on the basis that they are similar in structure (e.g. Nottinghamshire/Derbyshire LEP) or that they have an economic structure that our LEP area might wish to ‘aspire’ to.

3.27 It was also considered beneficial to further segment the knowledge economy into sub-sectors. Figures 3.4c and 3.4d present data on the high and medium technology manufacturing sectors and figures 3.4e and 3.4f show employment in the knowledge-based service sectors.

3.28 In overall terms, Leicester City has a lower share of knowledge-based employment compared to many of the comparator cities shown, although it is just above the England average. Similarly the Leicester and Leicestershire LEP area has a lower share of knowledge economy employment compared to the selected LEP areas shown in figure 3.4b, albeit recognising that some of the more prosperous economic areas were selected for comparison.

Figure 3.4a Proportion of Knowledge Based Employment in Leicester and Comparator Cities (as % of Total Jobs)

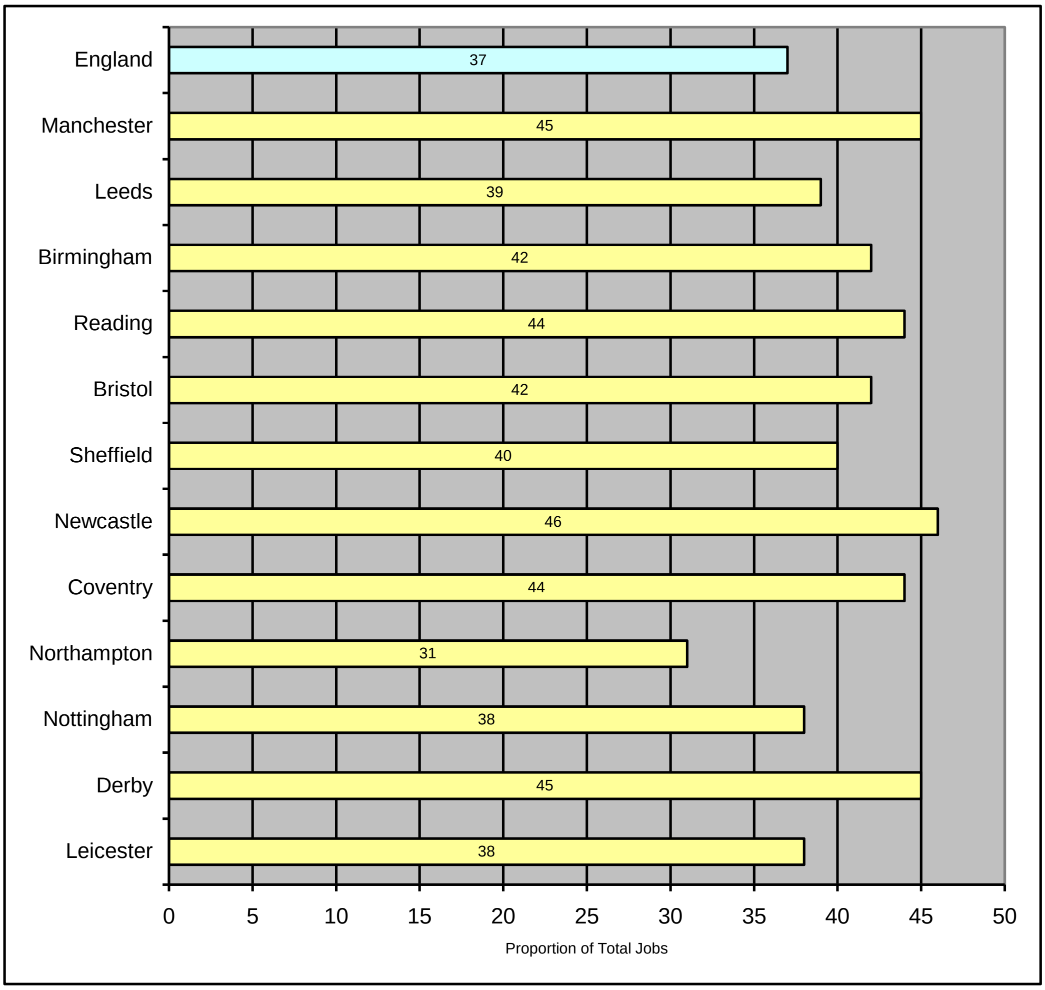
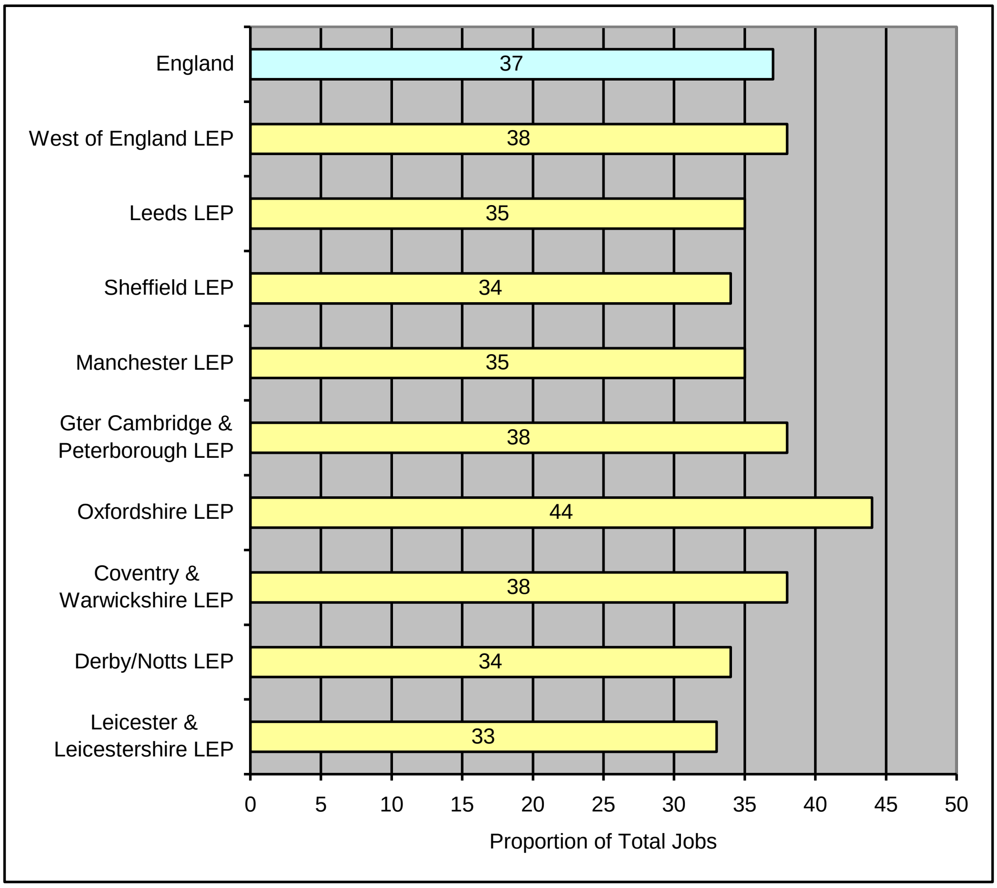


Table 3.7 Definition of Knowledge Economy

Type of Knowledge Sector Employment	SIC Codes
High tech manufacturing	303 : Manufacture of air and spacecraft and related machinery
	325 : Manufacture of medical and dental instruments and supplies
	21 : Manufacture of basic pharmaceutical products and pharmaceutical preparations
	26 : Manufacture of computer, electronic and optical products
Medium to high tech manufacturing	20 : Manufacture of chemicals and chemical products
	27 : Manufacture of electrical equipment
	28 : Manufacture of machinery and equipment n.e.c.
	29 : Manufacture of motor vehicles, trailers and semi-trailers
	30 : Manufacture of other transport equipment
Transport related	50 : Water transport
	51 : Air transport
Communications and information	582 : Software publishing
	591 : Motion picture, video and television programme activities
	6391 : News agency activities
	6399 : Other information service activities n.e.c.
	18 : Printing and reproduction of recorded media
	582 : Software publishing
	591 : Motion picture, video and television programme activities
	6391 : News agency activities
	6399 : Other information service activities n.e.c.
	18 : Printing and reproduction of recorded media
Banking, finance and insurance	64 & 65: Financial service activities & insurance
	66 : Activities auxiliary to financial services and insurance activities
Professional, scientific and technical activities	69 : Legal and accounting activities
	70 : Activities of head offices; management consultancy activities
	71 : Architectural and engineering activities; technical testing and analysis
	72 : Scientific research and development
	73 : Advertising and market research
	74 : Other professional, scientific and technical activities
	75 : Veterinary activities
	94 : Activities of membership organisations
Performing arts	90 : Creative, arts and entertainment activities
	91 : Libraries, archives, museums and other cultural activities
Education	85 : Education
Human health	86 : Human health activities – doctors, dentists, hospitals

Figure 3.4b Proportion of Knowledge Based Employment in Leicester & Leicestershire LEP Area and Selected Comparator LEP Areas (as % of total employment)



3.29 Looking at the employment in high and medium technology manufacturing (figures 3.4c and 3.4d, Leicester City and the Leicestershire LEP area have reasonably good representation compared to other areas and England. However, LEP areas such as Oxfordshire and Greater Cambridge & Peterborough are especially strong in terms of employment shares, linked to the prominence and prestige of the universities. The impact of the aerospace and motor vehicle sector has a marked impact in the high and medium technology manufacturing sectors in Derby and Coventry.

3.30 Figure 3.4e shows employment in the knowledge-based service sectors for a selection of comparator cities. The graph clearly demonstrates the relatively low proportion of knowledge-based service sector employment in Leicester City compared to the England figure and also other cities such as Newcastle, Reading and Bristol, along with the larger cities such as Leeds and Manchester. In particular, as a city, Leicester has relatively low shares of employment in the banking/insurance sectors and in the professional business services sector.

3.31 Figure 3.4f compares the structure of the knowledge-based service sectors in the Leicester and Leicestershire LEP area with a selection of other LEP areas. This shows that the LLEP area has less employment in these sectors than

England, but a higher proportion than the Derbyshire/Nottinghamshire LEP and Sheffield LEP areas. The inclusion of Leicestershire County boosts the proportion of knowledge based employment in the professional, scientific and technical services sectors, influenced by the presence of employers such as Astra Zeneca in Charnwood and businesses located in the Loughborough Science Park. The closure of Astra Zeneca could potentially reduce this type of employment in the sub-region and so it will be important to try to secure new knowledge based employment to replace jobs that will be lost through the closure of Astra Zeneca. The planned expansion of Mira in Hinckley and Bosworth district will have a positive impact on knowledge based employment in the future. It is interesting to note that areas such as Oxfordshire, the Greater Cambridge & Peterborough LEP and Coventry and Warwickshire LEP all have better developed knowledge-based service sector economies.

Figure 3.4c Proportion of Knowledge Based Manufacturing Employment in Leicester and Comparator Cities (as % of total Employment)

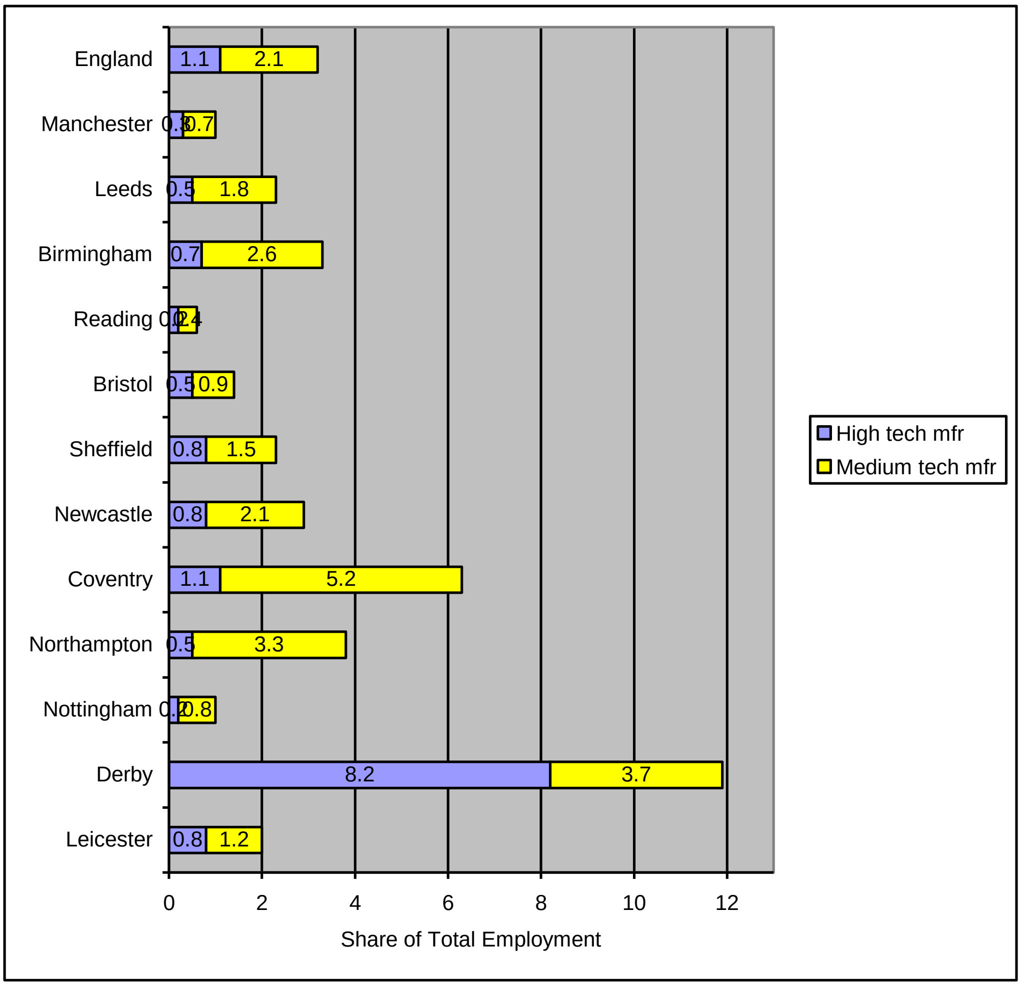


Figure 3.4d Proportion of Knowledge Based Manufacturing Employment in Leicester and Leicestershire LEP Area and Comparator LEP Areas (as % of total Employment)

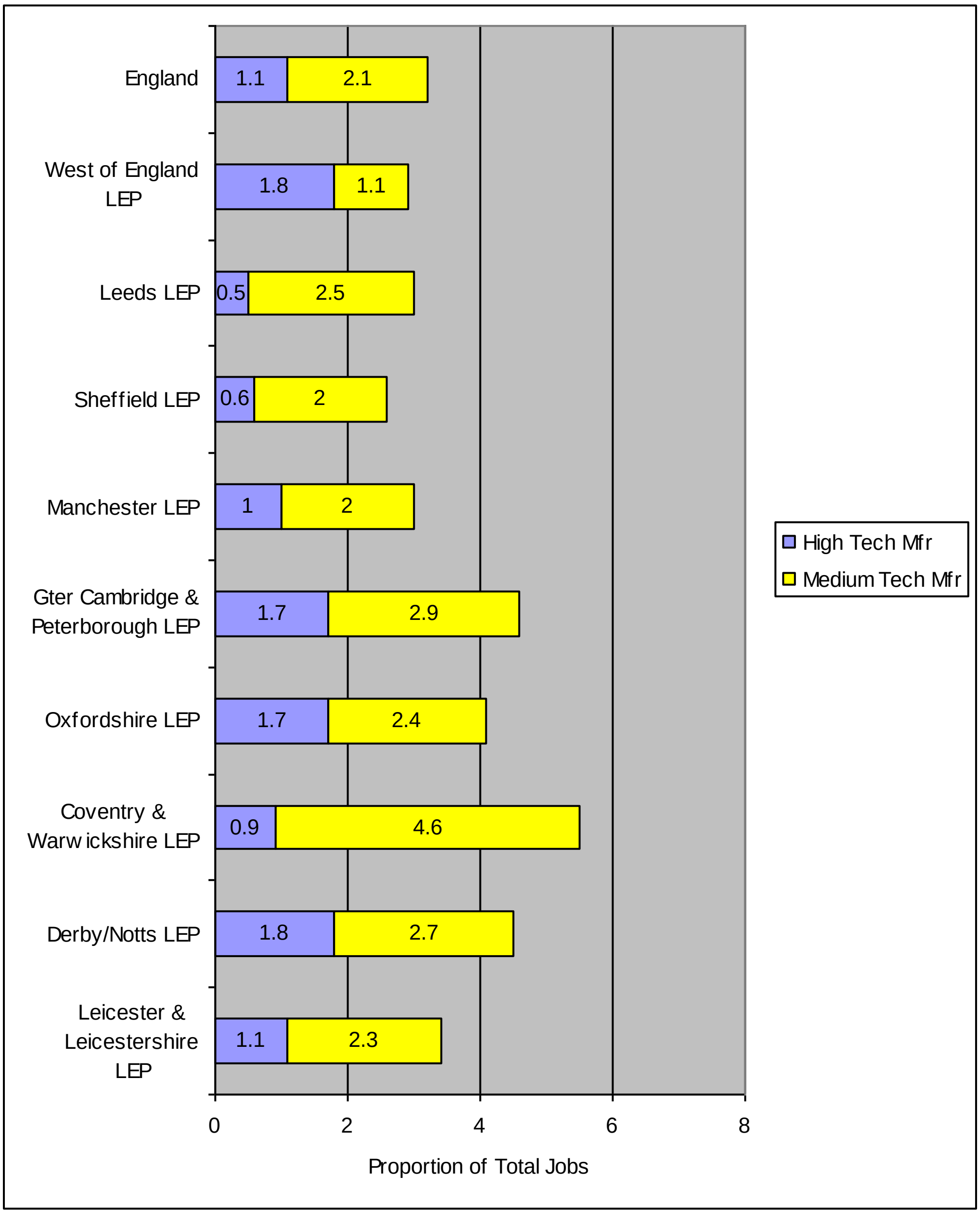


Figure 3.4e Knowledge Based Service Sector Employment in Leicester and Comparator Cities (as % of Total Jobs)

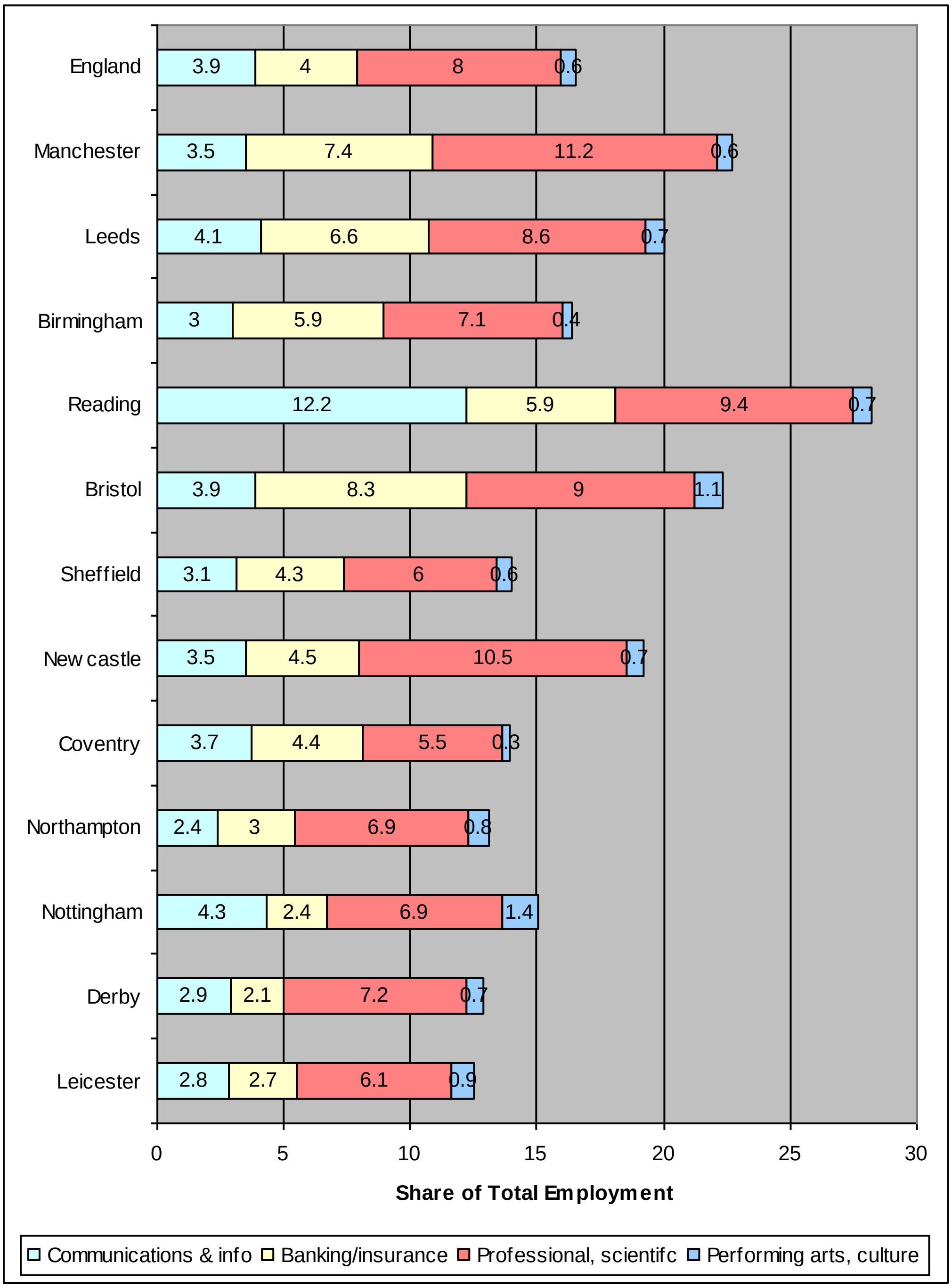
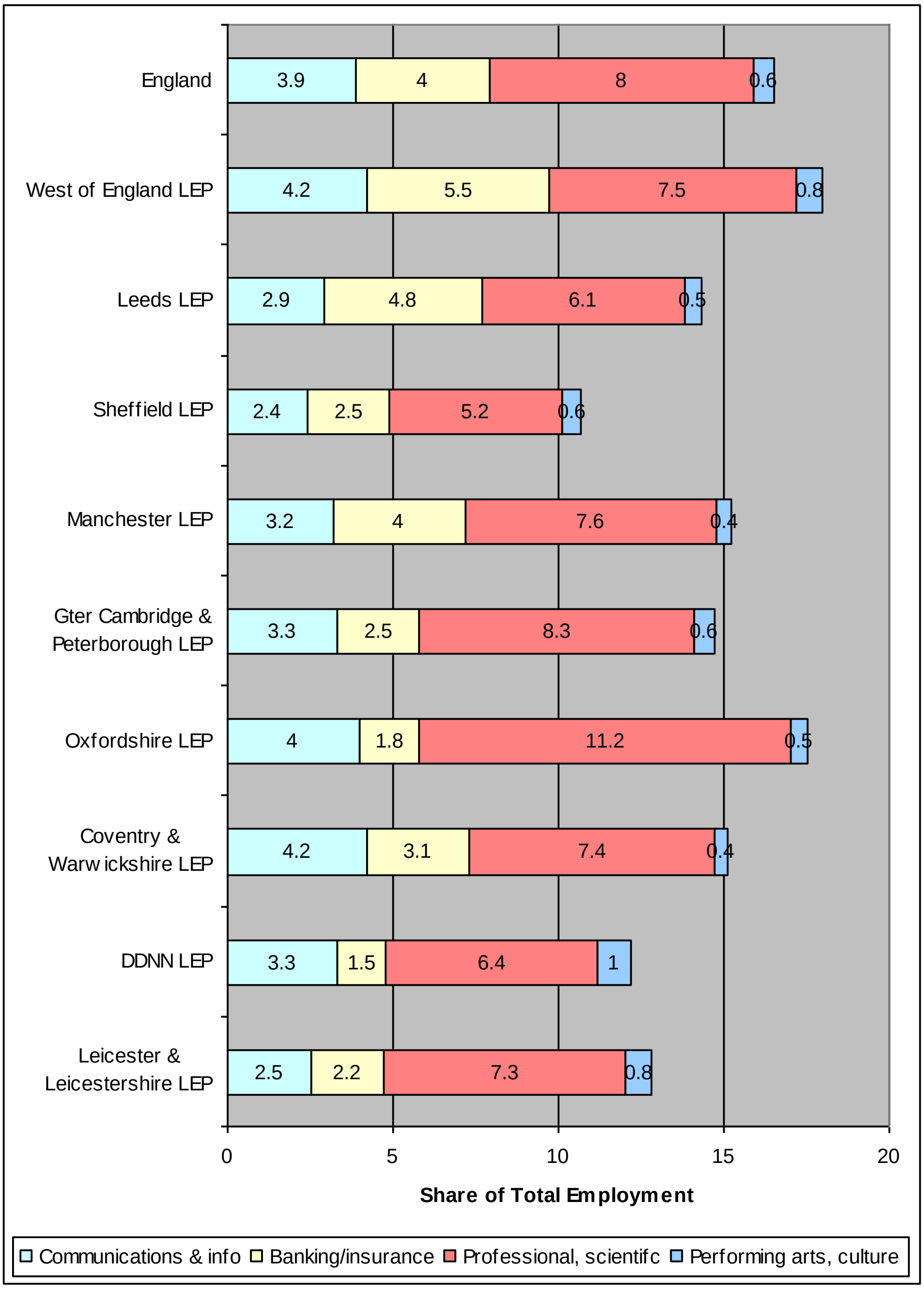


Figure 3.4f Knowledge Based Service Sector Employment in Leicester and Leicestershire LEP Area and Selected Comparator LEPs (as % of Total Jobs)



Tourism

3.32 In 2009, Leicester Shire Promotions estimated the sub-regional tourist industry to be worth £1.31 billion and that annual tourist numbers to the City and County now stand at over 31.8 million.[6] There had been modest growth in 2009 in terms of revenue, up 2% compared to the previous year, with the level of spend by staying visitors up by 12%. This indicates that despite the slight decline in visitor numbers compared to 2008, visitors to the sub-region stayed and contributed more to the local economy. There has been quite consistent growth in tourism since 2005, with an impressive 11% growth in terms of contribution to the local economy and 5.5% employment growth. Direct employment estimates for 2009 are shown in table 3.10. Tourism accounted for 7% of all employment in the sub-region, compared to an East Midlands figure of 7% and a GB average of 8%.

Table 3.8 Contribution of Tourism to Local Economy by District, 2009

Total Revenue by District	2009 (£ millions)
Leicester City	440.4
Blaby	119.7
Charnwood	221.6
Harborough	100.6
Hinckley & Bosworth	147.9
Melton	69.1
North West Leicestershire	147.3
Oadby & Wigston	63.2
TOTAL	1309.9

Source: Leicestershire STEAM 2009

Table 3.9 Value and Volume of the Tourism Industry by sub-sector, 2009

Analysis by Sector of Expenditure	
(£ millions)	2009
Accommodation	88.54
Food & Drink	236.50
Recreation	96.10
Shopping	316.20
Transport	118.71
Indirect Expenditure	325.42
VAT	128.41
TOTAL	1309.87

Source: Leicestershire STEAM 2009

[6] Source: Leicestershire STEAM 2009, STEAM = Scarborough Tourism Economic Activity Monitor

Table 3.10 Employment Supported in the Tourism Sector, 2009

Sectors in which Employment is supported	
(FTEs)	2009
Direct Employment	
Accommodation	2,300
Food & Drink	4,600
Recreation	2,300
Shopping	5,700
Transport	1,000
Total Direct Employment	15,900
Indirect Employment	4,300
TOTAL	20,200

Source: Leicestershire STEAM 2009

3.33 At a district level, Charnwood stands out as having relatively high proportions of employment (17%) in tourist-related industries. In Charnwood key sites include the Great Central Railway and Bradgate Park and a high number of restaurants, and serviced accommodation which also included campus and campus based accommodation in Loughborough University. North West Leicestershire is also important with growth around the National Forest and the airport continuing. Twycross Zoo and Bosworth Battlefield are important in Hinckley & Bosworth and attractions such as Foxton Locks in Harborough. Tourism is especially important within the rural economy and there is further potential for this sector to grow.

3.34 Tourist numbers have shown a steady increase since 2005, peaking in 2008 and totalling 31.8 million in 2009. The number of tourist days has steadily increased in line with tourist numbers. The average stay per visitor is 1.17 days for the total number of visitors to the sub-region. This average stay figure increases to 2.27 days when only those visitors staying at least one night are taken into account.

3.35 A recent report, published by Deloitte, draws on statistical and qualitative information to identify the impact of tourism on retail, manufacturing and even health and life sciences industries in the UK. The report sees the visitor economy as strongly associated with entrepreneurial activity and new business formation, as well as bringing clear social and environmental benefits to rural areas.

3.36 In the short-to-medium term, the London 2012 Olympics and Paralympics will bring significant opportunities to Leicester and Leicestershire's hotel, leisure and sports sectors especially via media coverage. Loughborough University, for example, will be a training camp for the Japanese and team GB.

Creative Industries

3.37 The creative industries sector is a sub-sector of the knowledge economy described earlier in this chapter. There has been considerable interest in developing the creative industries sector in the local economy, linked to the expertise in local universities and FE colleges and the provision of bespoke workspace such as the LCB Depot in Leicester City. This sector is difficult to define and the Department for Culture Media and Sport (DCMS) has produced experimental statistics in December 2010.

3.38 At the UK level, the creative industries, excluding crafts, accounted for 5.6% of GVA in 2008. Software and electronic publishing accounts for the most GVA out of all the creative industries (2.5% of total GVA in 2008).[7]

3.39 In terms of employment, in Great Britain there were 1.3 million people working in creative businesses (including those that are self-employed) which equates to 4.4% of national employment. In addition, there were just under one million creative jobs in businesses outside these industries (e.g. a graphic designer working in a manufacturing business). Taking these two figures together suggests that those working in creative occupations accounts for 7.8% of national employment.

3.40 Using these same definitions, we have estimated local employment levels in creative industry businesses.[8] This suggests that Leicester City has 4,300 jobs in creative businesses and Leicestershire County has 7,400 jobs. At the LEP level this equates to 11,700 jobs (2.8% of local employment). However, the creative industries is characterised by high levels of self employment, with many choosing to work on a freelance basis. Using research conducted by Trends Business Research for Creative Leicestershire[9], there are an estimated 3,500 people working in the creative industries on a self employed basis in the sub-region. Adding self employment to those working for creative businesses suggests 15,100 local jobs in creative businesses, equating to 3.6% of local employment (compared to 4.4% nationally). Other LEP areas such as the West of England (Bristol), Oxford City Region, Greater Cambridge & Peterborough and Birmingham have larger creative sectors. This suggests that there is further potential to grow the creative industries sector locally.

[7] DCMS Creative Industries Economic Estimates Experimental Statistics, Full Statistical Release, 9 December 2010

[8] The DCMS consider the following areas to constitute creative industries: advertising; architecture; art & antiques; design; fashion design; film, video and photography; music, visual and performing arts; publishing; software and electronic publishing; digital and entertainment media, TV and radio.

[9] Trends Business Research for Creative Leicestershire

Retail Sector

3.41 The Leicester and Leicestershire sub-region has a healthy retail offer that experiences relatively little loss of expenditure to shopping centres located outside of the area. Leicester City's ranking as a retail centre is currently 14th in Great Britain[10] and Fosse Park is the third ranked retail park, in terms of consumer expenditure. Within Leicester, the market provides a distinctive element to the retail offer, differentiating the city from other retail centres and attracting two million visitors annually. The retail sector is a key source of local employment and offers a range of part-time opportunities.

3.42 Leicestershire has a wealth of market towns, which act as the hub for shops and services – from the traditional style of Ashby de la Zouch & Market Harborough to the larger industrial centres of Coalville & Hinckley. Leicestershire Market Towns have, like many in the UK, suffered from competition from large out-of-town shopping centres and the increased use of the internet. With £5.1 billion spent online in January 2011 by UK shoppers, the traditional retailer has never experienced more competition. This combined with the effects of the recession means that retailers and the Town Centre Partnerships are looking for new initiatives to increase footfall and the prosperity of the towns.

3.43 Through the Inspire Leicestershire programme, a town centre benchmarking project is underway to measure key performance indicators, which then can compare towns on a year by year basis and in comparison with other towns. Indicators will include footfall; car parking usage; vacancy rates and a detailed visitor & business survey. There is much debate around vacancy rates as different sources record this statistic differently. The Local Data Company states that 14.5% of all retail premises are vacant in the UK as a whole. From the local benchmarking exercise rates varied from 1% in Market Harborough and Ashby-de-la-Zouch to 15% in Coalville. The smaller settlements have a much higher proportion of shops selling convenience goods (goods which are purchased on a very frequent basis) rather than comparison products (purchased more infrequently and with a higher value). For example retailers selling comparison products represent 79% of Loughborough's retail outlets, whereas Broughton Astley only has 32% in this category.

3.44 Town Centres are the heart of local communities and economies, providing jobs and essential services and act as a hub for rural communities. Their survival is dependent on the desire for the towns to work together to offer a specialised and positive experience and to encourage new investment to attract visitors from near and far.

[10] Based on CACI Retail Footprint 2010

Economic Resilience Index

3.45 In September 2010, the BBC commissioned Experian to calculate an economic resilience index. Resilience is a concept used to describe the ability of an area to withstand and respond to shocks in the external environment. Local areas were ranked in terms of their resilience, using an index derived from 33 different variables across four key themes: Business, Community, People and Place. The research took a holistic view of local areas and ranked them in terms of their ability to respond to economic shocks, such as public sector cuts. The research was not intended to report on the local areas that will suffer the greatest amounts of public sector cuts. Nevertheless the research is useful in understanding how well areas will respond to cuts and can be used to highlight the positive and negative factors that underpin performance across different local areas.

3.46 Table 3.11 shows how each local authority area in the sub-region ranks on this index. The most economically resilient area is ranked 1 and the most vulnerable area in the analysis is ranked 324.

Table 3.11 Economic Resilience Rating

Area	Headline Index Ranking	Business Index Ranking	Community Index Ranking	People Index Ranking	Place Index Ranking
Leicester City	302	249	311	300	322
Blaby	110	119	37	174	136
Charnwood	200	219	180	112	257
Harborough	16	14	48	91	7
Hinckley and Bosworth	146	191	92	103	135
Melton	95	97	82	106	171
North West Leicestershire	185	166	129	247	258
Oadby and Wigston	229	273	121	218	210

Source: BBC, Experian September 2010 - Rank 1= most resilient, rank 324=most vulnerable

3.47 Based on this information, Leicester City appears **very vulnerable** to economic shocks and is hence less economically resilient than many other areas of the country. In addition, both Oadby and Wigston and Charnwood appear **quite vulnerable** to economic shocks. Harborough and Melton both appear relatively resilient based on this index. There is a greater need to re-balance the local economy in those areas that appear least resistant to economic shocks.

Predicted Public Sector Job Losses

3.48 It is difficult to assess public sector job losses at this point in time as many organisations are seeking to make efficiencies and minimise redundancies. Furthermore many organisations are reluctant to release figures about types of jobs that will be lost when consultations have yet to be held with members of staff. As yet, no reliable figures have been published.

3.49 Some published figures appeared in the East Midlands Councils' report "Fit for the Future" which estimated public sector job losses in each local authority district in the East Midlands. This analysis concluded that the two areas with the greatest total potential job losses within the Leicester and Leicestershire LEP area would be Leicester City and Charnwood. However, these figures were calculated before the Comprehensive Spending Review and should be regarded as indicative only.

Table 3.12 Predicted Public Sector Job Losses (rounded) 2011/12 to 2015/16

Area	Estimated Number of Public Sector Job Losses (rounded)	Estimated Share of Employment (rounded)
Leicester City	3,500	2.3%
Blaby	800	1.8%
Charnwood	1,050	1.7%
Harborough	400	1.1%
Hinckley and Bosworth	500	1.4%
Melton	300	1.5%
North West Leicestershire	500	1.1%
Oadby and Wigston	300	2%

Source: East Midlands Councils, Fit for the Future, Figures rounded to nearest 100 (where <1,000 jobs involved)

Projected Employment Growth by Sector

3.50 In the current economic climate, with unprecedented reductions in public expenditure, falling consumer confidence and economic instability in many economies, it is particularly difficult to produce robust economic forecasts. The most recent Scenario Impact Model (SIM) we can access has been developed by Experian working with the East Midlands Development Agency. The SIM suggests that the following sectors are most likely to experience GVA growth in the next 10 years (from table 3.2 earlier):

- Business services
- Retail
- Wholesale
- Other services
- Banking and insurance services
- Transport
- Construction
- Communications
- Food and drink manufacturing

3.51 The SIM suggests that the following sectors are likely to experience the strongest employment growth in the next 10 years:

- Retailing
- Wholesale
- Transport

- Business/professional services
- Health (& related)
- Hotels and catering
- Financial services
- Construction

3.52 The greatest employment decline is expected in:

- Public administration
- Education
- Gas, electricity and water

Business Structure

3.53 Whilst employment structure provides robust information on the shape of a local economy, it is also important to consider the size and change in business stock that underpins the economy.

3.54 According to the IDBR 2009, there were 32,910 VAT registered and/or PAYE registered enterprises[11] in the sub-region. This represents 21% of the East Midlands region's businesses. There were 24,415 enterprises in Leicestershire County and 8,495 in Leicester City. Table 3.13 below presents the sectoral breakdown of the business units in each local authority area in the sub-region. This table differs from the tables presented earlier which show employment, in that it shows numbers of businesses. Some sectors such as construction and retail are characterised by a high proportion of very small businesses and therefore have a relatively high share of business units compared to their employment share. This is important to consider when planning business support interventions.

3.55 Table 3.13 highlights the top five sectors in each district in terms of business units. The sectors in red contain the highest proportion of business units, those in blue the second highest, those in yellow the third highest and those in green reflect the fourth and fifth ranked sectors. The table shows the prominence of the following three sectors in the sub-region (in terms of a high number of business units):

- Wholesale, retail and repair
- Professional, scientific and technical services (business services)
- Construction

3.56 One quarter of Leicester City's business units are in the wholesale/retail sector compared to 17% in England and 20% in Derby and 20% in Nottingham. Leicester and Oadby and Wigston continue to have a relatively

[11] This figure reflects a count of enterprises rather than business units, hence organisations with more than one site in the sub-region count only once in these figures. Other databases show unit counts which results in a higher estimate of around 39,000 business units locally.

high share of business units in the manufacturing sector (at 14.4% and 13.7% respectively).

3.57 Given its rural nature, a high proportion (14.8%) of Melton's business units fall within the land-based sector, and to a slightly lesser extent 12% of Harborough's.

3.58 Table 3.14 presents the same information in a slightly different form. For Leicester, Leicestershire and the sub-region, figures shaded in blue show where business concentrations are below the England average, whereas those in white show business concentrations above the England average. If the concentrations are above average, the green shading denotes whether Leicester City or Leicestershire County have the highest concentration. Similarly, for local authority districts, below average proportions are shown in blue and above average in white. The districts with the two highest proportions are shown in red. The final section of the table shows the highest sector concentrations in orange.

Table 3.13 Proportion of Business Units by Sector (SIC 2007)

	England	East Midlands	Derby	Leicester	Leics	Sub Region	Nottingham	Blaby	Charnwood	Harborough	Hinkley & Bosworth	Melton	Nth west Leics	Oadby & Wigston
a Agriculture, Forestry & Fishing	4.97	6.95	0.42	0.18	6.55	4.91	0.21	3.40	3.55	12.02	6.20	14.84	5.10	0.64
b Mining & Quarrying	0.04	0.06	0.00	0.06	0.06	0.06	0.00	0.00	0.19	0.00	0.00	0.00	0.14	0.00
c Manufacturing	6.27	8.18	7.09	14.42	8.68	10.16	8.54	8.12	9.61	6.80	10.05	6.85	7.58	13.74
d Electricity, Gas, Steam & Air Conditioning Supply	0.02	0.01	0.00	0.00	0.00	0.00	0.07	0.00	0.00	0.00	0.00	0.00	0.00	0.00
e Water Supply: Sewerage, Waste Management and Remediation Activities	0.26	0.32	0.34	0.18	0.23	0.21	0.28	0.30	0.29	0.23	0.12	0.23	0.28	0.00
f Construction	13.35	14.23	14.77	7.83	14.25	12.59	11.01	18.46	14.41	12.47	13.65	13.01	13.22	15.34
g Wholesale & Retail Trade; Repair of Motor Vehicles & Motorcycles	17.09	18.62	20.08	25.78	18.00	20.01	20.18	15.36	20.27	16.78	18.11	14.84	18.73	22.04
h Transport & Storage	3.28	4.11	3.12	3.06	4.51	4.13	2.54	4.14	4.03	3.29	5.21	3.88	6.89	3.83
i Accomodation & Food Service Activities	6.00	6.19	6.58	6.83	5.24	5.65	7.41	3.69	5.96	4.65	5.46	5.02	6.61	4.47
j Informtion & Communication	7.44	5.00	6.75	4.94	5.10	5.06	6.21	5.32	5.57	5.10	4.84	4.11	5.23	4.79
k Financial & Insurance Activities	2.09	1.95	2.11	4.18	2.58	2.99	2.75	7.09	1.73	2.38	1.86	1.37	1.52	2.24
l Real Estate Activities	3.63	3.34	3.97	4.53	3.95	4.10	4.87	6.94	2.79	4.42	3.72	3.65	2.89	3.51
m Professional Scientific & Technical Activities	15.60	12.45	14.68	10.12	12.88	12.17	14.26	11.08	13.16	14.06	12.66	13.24	13.77	10.54
n Administrative & Support Activities	7.42	6.83	6.92	5.77	6.90	6.61	7.41	6.20	6.63	7.48	6.95	7.53	6.89	6.71
o Public Administration & Defence; Compulsory Social Security	0.13	0.20	0.08	0.00	0.25	0.18	0.07	0.44	0.29	0.11	0.25	0.23	0.28	0.00
p Education	1.48	1.59	1.94	1.35	1.41	1.40	1.62	1.03	1.54	1.36	1.24	1.60	1.79	1.28
q Human Health & Social Work Activities	3.62	3.51	4.89	4.89	2.89	3.40	5.86	2.95	3.36	2.49	2.85	2.51	2.48	3.83
r Arts, Entertainment & Recreation	2.76	1.99	1.52	1.35	1.93	1.78	2.05	1.48	1.92	1.81	2.11	2.97	1.79	1.60
s Other Service Activities	4.53	4.46	4.73	4.53	4.59	4.57	4.66	3.99	4.71	4.54	4.71	4.11	4.82	5.43
t Activities of Households as Employers; Undifferentiated Goods & Services Producing Activities of Households for Over	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
u Activities of Extraterritorial Organisations and Bodies	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Source: IDBR 2009

Table 3.14 Proportion of Business Units by Sector (SIC 2007) Compared to England Average

	England	Sub Regional			Sub Regional Breakdown								Regional Breakdown				
	England	Leicester	Leics	Sub Region	Leicester	Blaby	Charnwood	Harborough	Hinkley & Bosworth	Melton	Nth west Leics	Oadby & Wigston	Leicester	Leics	Derby	Nottingham	East Midlands
Agriculture, Forestry & Fishing	4.97	0.18	6.55	4.91	0.18	3.40	3.55	12.02	6.20	14.84	5.10	0.64	0.18	6.55	0.42	0.21	6.95
Mining & Quarrying	0.04	0.06	0.06	0.06	0.06	0.00	0.19	0.00	0.00	0.00	0.14	0.00	0.06	0.06	0.00	0.00	0.06
Manufacturing	6.27	14.42	8.68	10.16	14.42	8.12	9.61	6.80	10.05	6.85	7.58	13.74	14.42	8.68	7.09	8.54	8.18
Electricity, Gas, Steam & Air Conditioning Supply	0.02	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.07	0.01
Water Supply: Sewerage, Waste Management and Remediation Activities	0.26	0.18	0.23	0.21	0.18	0.30	0.29	0.23	0.12	0.23	0.28	0.00	0.18	0.23	0.34	0.28	0.32
Construction	13.35	7.83	14.25	12.59	7.83	18.46	14.41	12.47	13.65	13.01	13.22	15.34	7.83	14.25	14.77	11.01	14.23
Wholesale & Retail Trade; Repair of Motor Vehicles & Motorcycles	17.09	25.78	18.00	20.01	25.78	15.36	20.27	16.78	18.11	14.84	18.73	22.04	25.78	18.00	20.08	20.18	18.62
Transport & Storage	3.28	3.06	4.51	4.13	3.06	4.14	4.03	3.29	5.21	3.88	6.89	3.83	3.06	4.51	3.12	2.54	4.11
Accomodation & Food Service Activities	6.00	6.83	5.24	5.65	6.83	3.69	5.96	4.65	5.46	5.02	6.61	4.47	6.83	5.24	6.58	7.41	6.19
Informtion & Communication	7.44	4.94	5.10	5.06	4.94	5.32	5.57	5.10	4.84	4.11	5.23	4.79	4.94	5.10	6.75	6.21	5.00
Financial & Insurance Activities	2.09	4.18	2.58	2.99	4.18	7.09	1.73	2.38	1.86	1.37	1.52	2.24	4.18	2.58	2.11	2.75	1.95
Real Estate Activities	3.63	4.53	3.95	4.10	4.53	6.94	2.79	4.42	3.72	3.65	2.89	3.51	4.53	3.95	3.97	4.87	3.34
Professional Scientific & Technical Activities	15.60	10.12	12.88	12.17	10.12	11.08	13.16	14.06	12.66	13.24	13.77	10.54	10.12	12.88	14.68	14.26	12.45
Administrative & Support Activities	7.42	5.77	6.90	6.61	5.77	6.20	6.63	7.48	6.95	7.53	6.89	6.71	5.77	6.90	6.92	7.41	6.83
Public Administration & Defence; Compulsory Social Security	0.13	0.00	0.25	0.18	0.00	0.44	0.29	0.11	0.25	0.23	0.28	0.00	0.00	0.25	0.08	0.07	0.20
Education	1.48	1.35	1.41	1.40	1.35	1.03	1.54	1.36	1.24	1.60	1.79	1.28	1.35	1.41	1.94	1.62	1.59
Human Health & Social Work Activities	3.62	4.89	2.89	3.40	4.89	2.95	3.36	2.49	2.85	2.51	2.48	3.83	4.89	2.89	4.89	5.86	3.51
Arts, Entertainment & Recreation	2.76	1.35	1.93	1.78	1.35	1.48	1.92	1.81	2.11	2.97	1.79	1.60	1.35	1.93	1.52	2.05	1.99
Other Service Activities	4.53	4.53	4.59	4.57	4.53	3.99	4.71	4.54	4.71	4.11	4.82	5.43	4.53	4.59	4.73	4.66	4.46
Activities of Households as Employers; Undifferentiated Goods & Services Producing Activities of Households for Over	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Activities of Extraterritorial Organisations and Bodies	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Source: IDBR 2009

3.59 The red shared areas in table 3.14 show:

- **Agriculture, Forestry & Fishing.** As would be expected the majority of businesses lie in the rural districts with the largest concentrations in Harborough (12%) and Melton (14.8%).

- **Manufacturing**. There is a high concentration of manufacturing businesses in the sub-region, with all districts exhibiting proportions above the England average (4.4%). The highest proportion can be found in Leicester (14.8%) and the second highest in Oadby and Wigston (13.7%). In Leicester a large proportion of the manufacturing businesses are in the clothing sector. In Oadby and Wigston, many manufacturers fall within the metal fabrication sub-sector.

- **Construction.** Construction businesses make up a substantial section of each district's business community, although many of the businesses are small in size. In particular, Blaby has a high proportion (18.5%) of its businesses in the construction sector. A large proportion of these are considered 'Specialised Construction Activities'.

- **Wholesale & Retail**. The England average is 17.1%. Both Leicester City and (25.8%) and Oadby & Wigston (22%) have relatively high concentrations of retail/wholesale business units.

- **Transport and Storage**. Linked to the location of East Midlands airport, the largest concentration of transport and storage related businesses is in North West Leicestershire (6.9%).

- **Accommodation and Food Service Activities**. Leicester (6.8%) and North West Leicestershire (6.6%) have concentrations of businesses that are slightly above the England average (6%).

- **Information and Communication**. Information and communication is made of 6 SIC codes, with 'Computer Programming; Consultancy and Related Activities' the most significant. In general, all Leicestershire districts and Leicester City have a relatively low proportion of businesses in this sector compared to the England share of 7.4%. This is a sector that is typically associated with higher earnings and so this is an important consideration.

- **Financial & Insurance Activities**. Both Leicester City (4.2%) and Blaby (7.1%) have a relatively high share of businesses in this sector.

- **Real Estate Activities**. Blaby district has a relatively high concentration of businesses (at 6.9%) in this sector compared to the England average (3.6%). Charnwood and North West Leicestershire have relatively low concentrations of real estate businesses.

- **Professional Scientific & Technical Activities.** This sector includes a broad range of knowledge-based business services such as legal services, accountancy, architects, advertising/design agencies as well as technical and scientific consultants. These sectors tend to be associated with higher than average earnings. It is therefore interesting to note that all districts have a lower proportion of business units in this sector compared to the England figure of 15.6%. In the sub-region, the district with the highest share is Harborough (14.1%). Leicester at 10.1% and Oadby and Wigston at 10.5% have relatively low concentrations of businesses in this sector. This is in line with the employment analysis in figure 3.4e which showed that Leicester City had a relatively low share of jobs in this sector.

    - Looking at this in more detail, Leicester, in particular, has relatively few businesses in the following categories: activities of head offices, management consultancy activities, architectural & engineering activities, technical testing & analysis, scientific research and development, advertising and marketing and other professional scientific and technical activities.
    - Leicestershire County performs relatively well in terms of the share of businesses engaged in scientific research and development, especially in the Charnwood and North West Leicestershire districts. Leicester however (0.6%) is below the national average of (0.18%).

- **Business Administration & Support Activities**. This sector includes contact centres and back-office type functions. All district figures are below or in line with the national figure (7.4%) In Leicester the figure is 5.8% and the overall Leicestershire figure 6.9%.

- **Arts, Entertainment and Recreation**. All areas except Melton (3%) have low figures in comparison to England (2.8%). The area with the lowest proportion is Leicester (1.4%), with the figure for Leicestershire at 1.9%. In comparison to England (1.1%) Leicester (0.65%) has fewer businesses that deal with 'Sports Activities'.

Business Size

3.60 Small businesses are extremely important to the local economy. 83% of business units in the sub-region employ less than 10 people and 96% employ less than 50 (similar in fact to regional and national levels). Leicester City contains fewer micro-business units (<10 employees) as a proportion of all businesses (78.7%) compared to all other local authority districts in the sub-region. At a district level, Harborough (87.6%), Melton (86.3%) and Hinckley & Bosworth (85.4%), which are predominantly rural, stand out as having an above-average share of micro-businesses.

Table 3.15 Business Size in Leicester and Leicestershire 2009
Proportion of Business Units in Each Size Band

Size	Leicester	Leicestershire	Leicester and Leicestershire	East Midlands	England
0 to 9	78.7%	84.1%	82.6%	82.2%	83.2%
10 to 19	10.0%	7.7%	8.3%	8.5%	8.1%
20 to 49	6.5%	4.9%	5.3%	5.8%	5.4%
50 to 99	2.6%	1.8%	2.0%	1.9%	1.9%
100+	2.2%	1.5%	1.7%	1.5%	1.5%
Total Units	10,785	28,370	39,155	180,215	2,237,555

Size	Blaby	Charnwood	Harborough	Hinckley & Bosworth	Melton	NW Leics	Oadby & Wigston
0 to 9	81.8%	83.0%	87.6%	85.4%	86.3%	81.7%	83.9%
10 to 19	8.4%	8.1%	6.6%	7.7%	7.2%	8.2%	7.8%
20 to 49	6.0%	5.6%	3.5%	4.5%	4.0%	5.6%	4.8%
50 to 99	1.9%	2.0%	1.3%	1.3%	1.6%	2.5%	1.9%
100+	2.0%	1.4%	1.0%	1.1%	1.0%	2.1%	1.6%
Total Units	4,060	6,215	4,880	4,550	2,515	4,290	1,860

Source: UK Business, Activity Size and Location from Office for National Statistics (ONS)
Note: This shows the location and size of business units rather than enterprises, so those with multi-sites will count more than once. Hence these figures higher than those in paragraph 3.49.

Job Density

3.61 Another useful indicator linked to business unit size and business mix is job density which is shown in table 3.16. This shows the number of jobs per head of population aged 16 to 64. In particular, Charnwood and Melton have low job densities when compared to England as a whole.

Table 3.16 Number of Jobs per Population Aged 16 to 64

Local Authority Area	Job Density 2004	Job Density 2008
Leicester City	0.91	0.82
Leicestershire County	0.72	0.75
England	0.80	0.79
Blaby	0.75	0.9
Charnwood	0.66	0.66
Harborough	0.79	0.8
Hinckley and Bosworth	0.70	0.64
Melton	0.69	0.79
North West Leicestershire	0.91	0.96
Oadby and Wigston	0.55	0.58

Source: Nomis 2010

3.62 This suggests that initiatives that could encourage new enterprise starts and those that could generate new jobs in established businesses would be especially helpful in these areas.

Enterprise and Entrepreneurialism

3.63 It is widely recognised that a healthy economy is underpinned by a diverse and dynamic business community. Successful and progressive businesses boost productivity, create jobs and drive up prosperity, generating wealth. Whilst enterprise and particularly entrepreneurialism is about creating and commercialising new ideas[12], it is also about coping with risk, a lack of resources/information and a degree of self-efficacy[13].

3.64 There are a number of ways to measure enterprise activity – these include:

- Self employment
- Total number of business start ups
- Business start ups per 10,000 population (formerly National Indicator 171)
- Business survival rates

Self Employment

3.65 Many businesses start as sole traders with individuals registering themselves as self employed. As such, this is an important indicator in terms of understanding early enterprise activity in an area. Research conducted by EMB Ltd. amongst the start-up businesses on their database, indicated that 53% had started as sole traders in the Leicester and Leicestershire LEP area.[14] Furthermore 68% of the new start businesses began operating from home and 57% used their own savings to support the new venture.

3.66 Data relating to self employment has a time-lag and the latest available information relates to the time period July 2009 to January 2010. In this period, there were 53,500 self employed people in the sub-region. Of these 41,100 (76.8%) were based in Leicestershire County and 12,400 in Leicester City (23.2%).

3.67 Table 3.16 demonstrates the number and percentage of self employed people in each local authority area within the sub-region. It also shows the proportion of each district's population that is self-employed (as a proportion of the working age population)

3.68 From Table 3.17, in terms of the total numbers of self employed people in the sub-region, the majority of these reside in Leicester and Charnwood (23.2% in Leicester and 20.8% in Charnwood). However, these figures are influenced by the size of the working population in these areas. It is therefore perhaps more meaningful to consider self employed people as a percentage of the total working age population in each area. This shows higher rates of self

[12] Audretsch and Thurik, 2000
[13] Add refs Hannon *et al*, 2005
[14] Leicester and Leicestershire LEP Area Market Intelligence Report, EMB Ltd. October 2010

employment in Leicestershire (9.9%) than in Leicester (6%), giving an overall sub-regional rate of 8.6% (compared to 9% nationally). At a district level, high self employment rates can be seen in North West Leicestershire (11.9%), Melton (13.6%) and Harborough (10.5%). The lowest self employment rates are found in Leicester and Blaby.

Table 3.17 Self Employed Population by Location and Working Age Population

	Blaby	Charnwood	Harborough	Hinkley & Bosworth	Melton	North West Leics	Oadby and Wigton	Leicester	Leics	Sub Region
Jul 09 – Jun 10	4000	11100	5300	6100	4200	6900	3500	12400	41100	53500
% of Sub Regional Self Employed Pop	7.48	20.75	9.91	11.40	7.85	12.90	6.54	23.18	76.82	100
% of Working Age Pop	6.71	9.95	10.5	9.05	13.55	11.92	9.31	6.01	9.85	8.58

Source: APS 2010

3.69 The business registration rate is calculated by taking the number of VAT and/or PAYE businesses that have registered for the first time and dividing this by the local population (per 10,000 population aged 16+).

3.70 The business registration rates for Leicester and Leicestershire were slightly below the national level in 2008 and 2009 (table 3.18a). All areas have shown a decline in the business registration rate between 2008 and 2009, and the 2009 figures are the lowest seen since 2002. In terms of the districts, the same trend can be seen, with the highest business registration rate seen in Harborough, which is significantly above the national figure. The lowest business registration rates can be seen in Charnwood and Oadby & Wigston which are significantly below the national average (table 3.18b).

Table 3.18a Business Registration Rates (2002 to 2009) – NI 171

	2002	2003	2004	2005	2006	2007	2008	2009
Leicester City	54.3	52.8	53.5	54.7	48.5	49.7	53.4	45.2
Leicestershire County	51.7	56.8	57.5	56.6	51.9	54.2	51.5	43.6
East Midlands	48.4	52.5	54.3	54.6	50.0	51.9	46.7	40.9
Great Britain	51.5	56.4	58.5	56.9	52.4	57.1	54.6	47.5

Table 3.18b Business Registration Rates (2002 to 2009) – NI171

	2002	2003	2004	2005	2006	2007	2008	2009
Blaby	46.5	55.0	51.4	53.9	46.1	54.3	54.6	43.9
Charnwood	42.4	50.5	49.6	51.0	40.6	43.5	43.1	39.5
Harborough	67.4	70.6	77.8	70.0	70.6	78.7	73.6	57.3
Hinckley & Bosworth	57.0	61.3	61.2	62.9	57.0	57.1	47.9	40.2
Melton	53.1	56.3	55.8	55.6	55.3	52.4	49.6	42.4
North West Leics.	58.2	64.0	62.0	58.7	59.5	59.5	55.0	47.7
Oadby & Wigston	43.4	38.7	48.5	44.0	43.5	39.8	42.5	36.7

Source: Business Demography 2009 and BIS website, January 2010

Business Survival Rates

3.71 Table 3.19 presents survival rates on a one, two and three-year basis over the period 2004 to 2008. The data collected is available at a national, regional and sub regional and Unitary Authority level. Survival rates are also represented graphically in figures 3.5a, 3.5b and 3.5c.

Table 3.19 Business Survival Rates

Year of start up	1st Year Survival Rates					2nd Year Survival Rates				3rd Year Survival Rates		
	2004	2005	2006	2007	2008	2004	2005	2006	2007	2004	2005	2006
United Kingdom	94.2	94.3	96.5	95.5	92.0	78.7	79.8	80.7	81.2	65.3	64.7	66.2
England	94.3	94.4	96.5	95.5	92.1	78.7	79.9	80.7	81.3	65.2	64.6	66.2
East Midlands	94.5	94.1	96.7	96.0	93.8	79.8	79.9	81.2	82.0	66.8	65.4	67.0
Derby	93.5	91.5	96.0	95.1	92.3	78.1	78.2	80.4	80.9	66.9	63.5	67.1
Leicester	93.3	94.8	96.4	97.0	91.9	73.6	76.2	77.6	80.5	61.1	59.3	61.0
Leicestershire	94.1	94.3	96.3	96.1	93.0	81.6	79.4	82.1	83.5	68.6	65.2	68.9
Sub Region	93.9	94.4	96.3	96.4	92.6	79.2	78.5	80.8	82.6	66.4	63.4	66.6
Nottingham	95.4	92.9	96.4	96.1	90.7	79.4	77.2	77.6	79.3	66.0	61.6	63.8

Source: Business Demography 2009

3.72 Figure 3.5a shows that one-year survival rates fell significantly for businesses starting in 2008, which is likely to be linked to the very difficult operating conditions during the recession. The sub-regional figures are broadly in line with national ones.

3.73 Figure 3.5b shows that 2-year survival rates for businesses starting in 2007 were growing and the gap between Leicester and England was narrowing. What can not yet be seen is whether or not there will be a fall, as with first year survival rates, when the 2 year survival rate data becomes available for businesses starting in 2008.

3.74 Figure 3.5c shows that 3-year survival rates in Leicester have remained significantly below those for Leicestershire and England for the last three years. They are also lower than those experienced in Derby and Nottingham. Although there appears to have been a slight improvement in three-year survival rates for Leicester City businesses starting in 2006 compared to those starting in 2005, the figure is still below the 2004 level. On the other hand three year survival rates in Leicestershire appear relatively strong.

Figure 3.5a

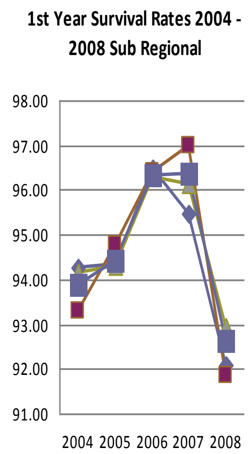


Figure 3.5b

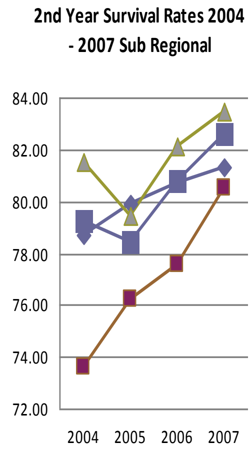
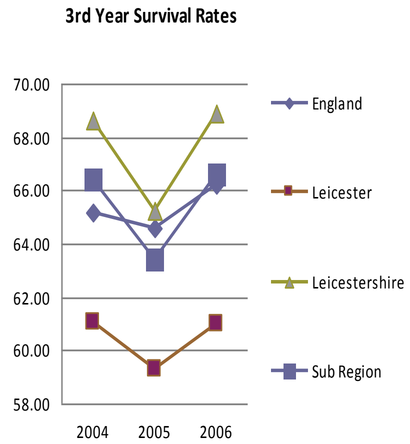


Figure 3.5c



3.75 Table 3.20 shows one, two and three-year survival rates for Leicester and individual districts in Leicestershire County. In general, first year survival rates reflected an improving trend, but over the last couple of years, linked to the recession, first year survival rates have fallen. The exceptions to this have been in Harborough which saw a rise of 5.8 percentage points from 2007 to 2008. Oadby and Wigston has seen a gradual fall in one-year survival rates over the time period shown.

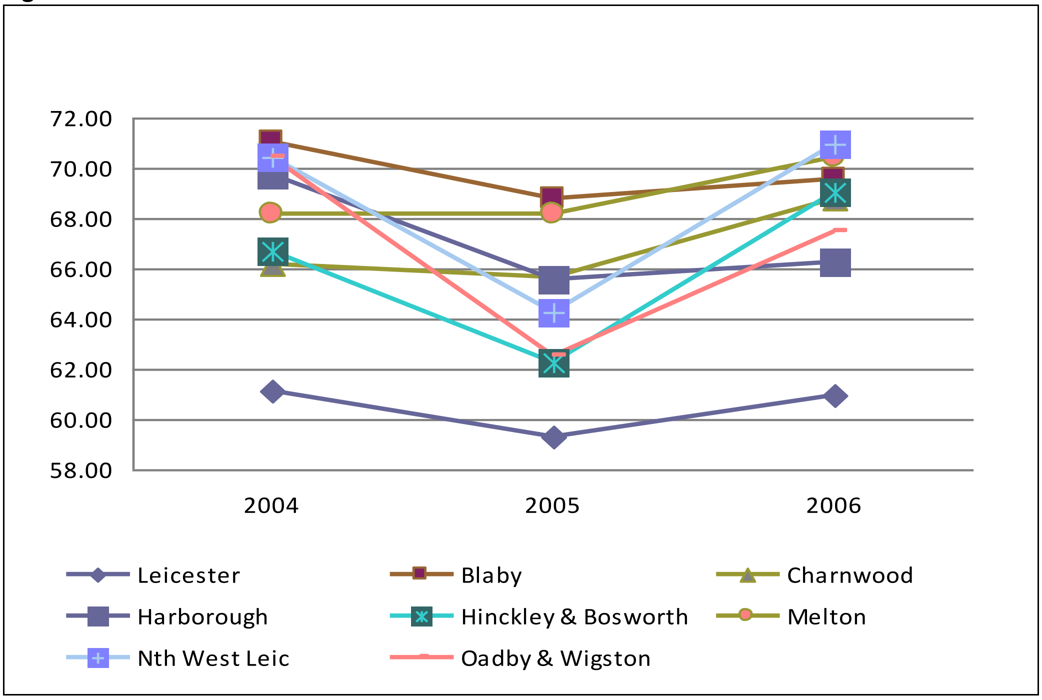
Table 3.20 Survival Rates, Leicester City and Districts within Leicestershire

	1st Year Survival Rates					2nd Year Survival Rates				3rd Year Survival Rates		
	2004	2005	2006	2007	2008	2004	2005	2006	2007	2004	2005	2006
Leicester	93.3	94.8	96.4	97.0	91.9	73.6	76.2	77.6	80.5	61.1	59.3	61.0
Blaby	94.7	95.0	95.7	98.8	91.5	84.2	81.3	78.3	87.8	71.1	68.8	69.6
Charnwood	93.7	94.0	96.3	95.8	93.3	80.3	78.4	82.6	84.0	66.1	65.7	68.8
Harborough	92.9	94.4	92.4	98.1	93.8	82.8	81.1	79.4	85.4	69.7	65.6	66.3
Hinckley & Bosworth	93.1	94.3	96.9	91.8	97.6	77.5	77.4	82.5	80.6	66.7	62.3	69.1
Melton	95.5	95.5	100.0	95.2	90.0	84.1	81.8	86.4	81.0	68.2	68.2	70.5
Nth West Leic	95.5	92.9	98.8	97.7	90.0	81.8	78.6	84.9	82.8	70.5	64.3	70.9
Oadby & Wigston	95.5	95.0	95.0	94.6	92.5	84.1	80.0	82.5	78.4	70.5	62.5	67.5

Source: Business Demography 2009

3.76 Three year survival rates are shown graphically in figure 3.6. Again it can be seen that all the districts have tended to follow the same trends from year to year. Also, Leicester City's three-year survival rates have been below those seen in all the individual Leicestershire County districts over the time period shown.

Figure 3.6 3rd Year Survival Rates 2004 – 2006 Local level



3.77 The problem with Leicester City's three-year survival rates was noted in last year's Local Economic Assessment and additional research was conducted to investigate possible reasons behind this. The key conclusions from this research can be summarised as:

- The high rates of business failure in Leicester are mainly a result of the structure and composition of the local economy.
- Leicester has had a relatively high proportion of start-ups in sectors that are characterised by higher than average failure rates (such as retail, distribution, hotels and restaurant categories)
- Many new start businesses, especially those in the above sectors, have struggled to reach a critical mass to survive. They have failed to grow in terms of both GVA and employment.
- Having access to business support in years two and three as well as during the first year of trading is vitally important.
- Leicester's knowledge economy is under developed and resident workforce qualifications are generally low. National modelling work has shown that workforce qualifications are important in determining survival rates (positively correlated).

Characteristics of New Start Businesses

3.78 EMB Ltd. also conducted research into start up and pre-start businesses in Summer 2010. The sample at a regional level included 405 new start businesses and 173 pre-start businesses. At the LEP area level, there were 97 interviews with new start businesses (45 in Leicester City and 52 in Leicestershire) and 45 interviews with pre-start businesses (26 in Leicester City and 19 in Leicestershire).

3.79 Only 27% of the new start business respondents in the LEP area had started their business in the same line of work as their previous employment, although 29% indicated their business was in a similar line of work. However, 40% had chosen to start their business in an unrelated area. A similar proportion (36%) of those in the pre-start group planned to start their business in an area of work that was unrelated to their previous employment. Businesses starting in 'unrelated areas' could be considered to be higher risk than those starting in an area where the business owner/manager has prior experience.

3.80 About half the new start businesses interviewed had prepared a business plan (51%) and just under half had prepared a cash flow forecast before starting their business. However, only 38% of the new start businesses had conducted any market research before starting their business. Similarly, only 36% of the pre-start group had undertaken market research to date. This suggests a potential need for more support in helping pre-start and new start businesses to recognise the importance of market research and how best to undertake this.

3.81 Most of the new start businesses had set up as sole traders (53%) or as limited companies (41%). The majority of businesses had started from scratch (87%) with 10% buying an existing business. This was the first business venture for 72% of respondents in the LEP area.

3.82 A high proportion of the new start businesses had used their own savings to start the business (57%). 9% had borrowed from a family member, 9% had used their redundancy payment and 9% had secured a bank loan. 4% of the new start businesses had used grant funding to finance their business start. About two thirds (68%) of the new start businesses began trading from home, with a view to minimising start-up costs and overheads. 11% had started their business from city/town centre premises, 6% from other in town locations, 3% from business parks and 4% from rural premises

3.83 In the EMB research, the new start businesses were asked to think back and self assess their business skills at the time they set up their business. Similarly, the pre-start businesses provided a self assessment of their business skills at the present time. From this self assessment, both respondent groups were most confident about their:

- Industry/sector specific knowledge
- Ability to negotiate with customers and suppliers

3.84 Respondents were less confident about their skills in the following areas:

- Legal knowledge
- Marketing

- Sales
- Financial management
- Credit management
- Business planning

3.85 New start businesses commented on the most significant challenges or problems facing the business at this point in time. These were:

- Finding customers (sales/marketing)
- Raising finance
- Cash flow
- General economic conditions
- Time management

3.86 Most of the new start businesses (85%) were planning to grow, with only 12% planning to stay the same. 13% planned to grow rapidly, 45% to grow moderately and 27% to grow slowly.

Inward Investment and International Trade

3.87 Since the freeing-up of national borders and the economic deregulations of the 1980s, local economies must compete within global markets. At the same time, and as a result of technological transformation, people, money and ideas are more mobile than ever. These two movements have meant that attracting and retaining new investment is extremely important to the economic health of a local area[15].

3.88 Invest Leicestershire/Prospect statistics show that over 750 jobs were created or safe-guarded in the sub-region during the 2008 to 2009 financial year as a result of inward investment and investor development activities. Combined figures for EMB and Invest Leicestershire/Prospect for the financial year 2009 to 2010 show that almost 800 jobs were either created or safe-guarded (through inward investment and investor development activities). The new jobs cover a range of sectors (including some new knowledge-based businesses). However, there figures need to be seen in the context of the 421,000 jobs in the local economy. Although it is important to attract new investment to the sub-region, these figures highlight the importance of retaining and supporting indigenous businesses. The Investor Development function provides a key service working to retain the large employers in the sub-region. Although only 0.6% of businesses employ more than 250 people, these key companies account for over 30% of local employment.[16]

[15] There is tangible evidence that winning inward investment and particularly Foreign Direct Investment (FDI) is a key driver of economic productivity. In 2006 DTZ calculated that FDI firms on average paid 27% more than domestic firms and created 30% more GVA per employee. DTZ (2008) *Investment Strategy for Leicester and Leicestershire and Evaluation of Current Arrangements*
[16] ABI 2009

3.89 The strong local manufacturing base and logistics sectors provide significant opportunities for international trade, which could be further developed. Most recent estimates suggest that about 45%[17] of local manufacturers are engaged in export activity. Anecdotal evidence gathered by EMB advisers during the recession indicated that those manufacturers that were engaged in export activity performed better than those that were wholly reliant on the UK market. In particular, the Leicester and Leicestershire sub-region is well placed to further develop its existing strong links with China and India. This represents a significant opportunity given the rapid expansion of these economies.

3.90 Only 13% of service sector businesses export, again suggesting there is an opportunity to increase this, especially through the growth of knowledge based service sector businesses.

Innovation and University-Business Collaboration

3.91 Innovation is essential to the UK's future economic prosperity and quality of life. To raise productivity, foster competitive businesses, meet the challenges of globalisation and to live within our environmental and demographic limits, the UK must excel at all types of innovation[18]. Additionally it is widely recognised that universities are key drivers of the economy, with significant emphasis given to their role in driving innovation and growth.

3.92 In its Regional Innovation Strategy and Action Plan for 2007-2010, *emda* identified an investment gap in Research and Development (R&D) amongst SMEs and a lower than national average expenditure on both government and Higher Education R&D[19]. Also, one of the key barriers to growth was seen to be in converting ideas into commercially successful products, processes and services.

3.93 Over the 3 year period 2008 – 2011, Leicestershire's three universities collectively have secured around £12million through the Higher Education Innovation Fund (HEIF) from Government, to lead on a range of initiatives aimed at enabling businesses to use their expertise and boost competitiveness. Importantly, the emphasis is on facilitating collaboration between universities and businesses.

3.94 HEIF is designed to support and develop a broad range of knowledge transfer activities which result in economic and social benefit to the UK. The fund builds capacity and provides incentives for higher education institutions to work with business, public sector bodies and third sector partners, with a

[17] Leicester and Leicestershire Business Survey 2009
[18] Innovation Nation White Paper, DIUS, March 2008
[19] *emda* (2007) *Regional Innovation Strategy and Action Plan for 2007-2010*

view to transferring knowledge and thereby improving products, goods and services[20]

3.95 In addition to this, a number of specific programmes exist that provide a government supported route for business to access university expertise in order to drive R&D. Knowledge Transfer Partnerships (KTPs) help businesses to improve their competitiveness and productivity through better use of the extensive knowledge, technology and skills that reside within UK universities. Part-funded by Government, and led by the Technology Strategy Board, KTP projects apply the world-leading knowledge and expertise of academics to business critical projects. Currently at March 2011 the three Leicestershire universities are engaged with business and other organisations in 18 KTPs.

3.96 The three universities within Leicestershire also work collectively with the other universities across the East Midlands in a number of areas to support innovation and economic growth. This includes a graduate internships programme supporting local businesses, predominantly SMEs and enterprise programme offering mentoring, funds and training to graduates and the alumni community to start-up new businesses. Since the start of January 2010 the three Leicestershire universities have collectively placed 164 graduate interns within local business for periods of between one and six months.[21]

3.97 Collectively the three local universities recognise the 'Three Universities for Business' initiative which brings together De Montfort University, Loughborough University and the University of Leicester to showcase the complimentary specialist services and expertise available to local and regional businesses.

De Montfort University

3.98 Through a range of initiatives across DMU, businesses have access to research and consultancy, professional advice and support, in-house training, joint ventures, contract research, intellectual property and knowledge and technology transfer.

3.99 Located in Leicester's city centre, DMU's Innovation Centre has been providing a range of cost-effective services for talented and creative start-ups for more than 10 years, including serviced workspace accommodation and expert business advice. A dedicated business hub for start-ups and entrepreneurs, the Innovation Centre has recently undergone a facelift and launched two brand new services: a 'Virtual Tenancy' package for start-ups who want a more flexible workspace for their business; plus meeting and training room space for hire. Clients can access DMU's vast knowledge and expertise, and additional business support is delivered through links with

[20] http://www.hefce.ac.uk/pubs/hefce/2008/08_02/
[21] http://info.ktponline.org.uk/action/search/current.aspx

partners such as the Leicestershire Chamber of Commerce, now based on campus.

3.100 Prospect IP is a programme delivered in the East Midlands by a partnership of regional academic and public sector establishments, headed by DMU. Delivered with the support of European Regional Development Funds (ERDF) Prospect IP supports companies in identifying, assessing and exploiting their innovation capabilities.

3.101 DMU uses its in-house capabilities and R&D skills to assist East Midlands companies to turn ideas into reality, adding wealth and new jobs to the region. In addition to working with local SMEs, DMU collaborations with larger organisations have recently included Rolls Royce; the Ministry of Defence; NHS; Pepsico; Oxford Instruments and Halfords. DMU's Head of Commercial Design won the 2010 Lord Stafford Innovation in Development Award[22].

3.102 Further information and opportunities to engage with De Montfort University can be found at www.dmu.ac.uk/partnerships/business-services.

Loughborough University

3.103 Loughborough University has a long tradition of developing strategic partnerships with global organisations. On its campus are Ford's largest European training centre; the Systems Engineering Innovation Centre – a partnership with BAE systems and *emda*; the Rolls-Royce University Technology Centre and the Caterpillar Innovation and Research Centre. The University has been chosen to lead two of the nine new Engineering and Physical Sciences Research Council (EPSRC) Centres for Innovative Manufacturing in Intelligent Automation and Additive Manufacturing announced by the Government in March 2011. It already leads an ESPRC Centre in Regenerative Medicine, one of three launched in 2010.

3.104 Loughborough University Science and Enterprise Park provides businesses at every stage of development with quality, fit-for-purpose accommodation and added-value services to support growth. With the Park located immediately next to the University campus, businesses benefit from seamless access to world-leading research expertise, undergraduate and research students for projects and placements and graduates and postgraduates for employment. Currently occupying 50,000 square metres of floor space with planning approved for a further 34,000 square metres, the site is already one of the largest Science Parks in the UK.

3.105 Further information and opportunities to engage with Loughborough University can be found at www.lboro.ac.uk/business.

---

22 http://www.thelordstaffordawards.co.uk/eastmids.php

University of Leicester

3.106 The award winning University of Leicester is one of the world's leading universities, with an impressive track record of delivering cutting-edge research and development in collaborations with our international, national and regional business and public sector partners providing a rich source of inventions and innovations. The University regularly works with companies such as De Beers, EADS Astrium, Magna Parva, ATX Technologies and the University Hospitals of Leicester NHS Trust.

3.107 The University has a world-class reputation for work in Space Science, Physics, Cardiovascular, Respiratory, and Diabetes Medicine, Green Chemistry, Archaeology, Museum Studies, to name but a few.

3.108 The University houses one of the foremost academic space science and instrumentation centres in Europe. Devices designed and built in Leicester have been operating in space for every year over forty four years. Leicester designed and built sensors and imaging devices are currently in active service on six space missions, with a further six instruments under development. In 2010 the University celebrated 50 years of involvement in space research and was a joint founder of the National Space Centre. Knowledge transfer activities from the University's space and earth observation expertise have impacted on market areas as diverse as food security and storage, medical devices, rapid prototyping, environmental monitoring and intelligent transportation and logistics.

3.109 The University of Leicester is now the biggest provider of distance learning in the UK after the Open University and one of the largest in the world. Distance learning enrolments make up around a third of the nearly 23,000 students on full or part-time courses at the University. The School of Management alone has 6,500 students on distance learning programmes.

3.110 University of Leicester offers a huge range of services for businesses of all sizes and types - from leading-edge research and consultancy, to first-rate testing facilities and technologies. There are many different ways external organisations can access expertise from the University and engage including funded projects and technology demonstrators. Further information and opportunities to engage with University of Leicester can be found at www.le.ac.uk/business

Figure 3.7 University Case Studies

Product Development Centre, DMU

In 2007, DMU opened its Product Development Centre in the faculty of Art and Design. The sector won £0.5m funding from the LSEP to improve the performance of SMEs across Leicester and Leicestershire. The centre has assisted a number of design ideas to become commercially viable.

Retail Lab, DMU
Officially opened in 2010 the Retail Lab is a new design laboratory at DMU. Retailers, both large and small, can obtain specialist support for the development of cost effective and eco-friendly shop layout and design in order to increase sales and reduce overheads.

Intelligent Energy and Loughborough University
Intelligent Energy is a global clean power systems company that originated from pioneering fuel cell research at Loughborough University in the 1980s. Recent successes include the development of the world's first hydrogen fuel cell motorbike and supplying the fuel cell system to Boeing which powered the world's first manned fuel cell aircraft. Intelligent Energy now employs 180 people worldwide. At the end of 2009 it received a £0.8m Grant for Business Investment from *emda* to consolidate its global headquarters on the University's Science and Enterprise Park

Earth Observation and Space Instrumentation at University of Leicester
G-STEP and Space IDEAS Hub are two projects pioneered by the University of Leicester to enable companies to easily access our extensive knowledge and experience of space research to develop novel products and services for other unrelated business areas using technologies developed for space applications.

ATX Technologies and the University of Leicester
ATX technologies Ltd is a Portuguese software engineering company based at the University of Leicester. The University has partnered with ATX to offer research and consultancy services, teaching of Leicester students, training of ATX staff, and student placements.

Third Sector and Social Enterprises

3.111 There are over 3,700 third sector organisations in the sub-region[23], with the Voluntary Action Leicestershire (VAL) database recording 2,675 in Leicestershire and 1,058 in Leicester. The less detailed Infolinx, which includes Rutland, has over 5,000 organisations registered. Volunteering makes an important contribution to the local economy, currently estimated to be at least £138M.[24]

3.112 There are currently an indicative 108 Social Enterprises in Leicester and 37 in Leicestershire[25] (Source Case and VAL data base). This figure is believed to be an underestimate. The LSEDP[26] partners are working with potential groups to help them to understand the definition of social enterprise. To this aim the LSEDP members are currently updating their databases to reflect social enterprises as being businesses that meet the following definition:
'Social enterprises are distinguished by their participatory ownership and management structure and are defined as, `businesses or organisations with primarily social objectives whose surpluses are principally re-invested for that purpose in the business or community, rather than being driven by the need to maximize profit of shareholders and owners.'

[23] Source Voluntary Action Leicestershire (VAL) database
[24] VAL estimates and using Place Survey data (2010)
[25] Source CaSE and VAL databases
[26] Leicestershire Social Enterprise Development Partnership

3.113 There are high numbers of Third Sector organisations yet comparatively low numbers of social enterprises, which presents considerable scope for growth through business advice, organisational development and support. The larger social enterprises such as the Midlands Co-operative Society and John Lewis Partnership are an indication of what is possible.

3.114 The contribution from the Third Sector to the Leicester & Leicestershire economy is both environmental and social based and is driven by people's beliefs, ethics, community ethos and wish to contribute to local and broader society. This may be through the voluntary contribution of their skills and experience or financial donations and co-operative contributions to local democratic activity. The economic gains from new business activity stemming from the Third Sector are considerable as the move continues away from public sector funding of many community and voluntary organisations and towards activities that generate trading income.

3.115 The LSEDP members have indicated that support needs for social enterprises, such as co-operatives, are best met through face-to face meetings. In particular, social enterprises that are starting to trade or entering new areas, can benefit from a 'critical friend' approach, someone that can provide counselling, challenge to the business and provide a monitoring role. In particular, the LSESP have emphasised that it is not enough to simply offer initial advice as this alone does not ensure the business will be sustainable and survive. Long term viability requires support over the first three years at least.

3.116 A requirement by Government is the protection of Social Capital at this time of public expenditure cuts. Social enterprise development and support is required to help ensure activity that can contribute to that protection. This could build on the current 'Social Enterprise Way' project, which combines social business support and development with academia.

Current Business Climate

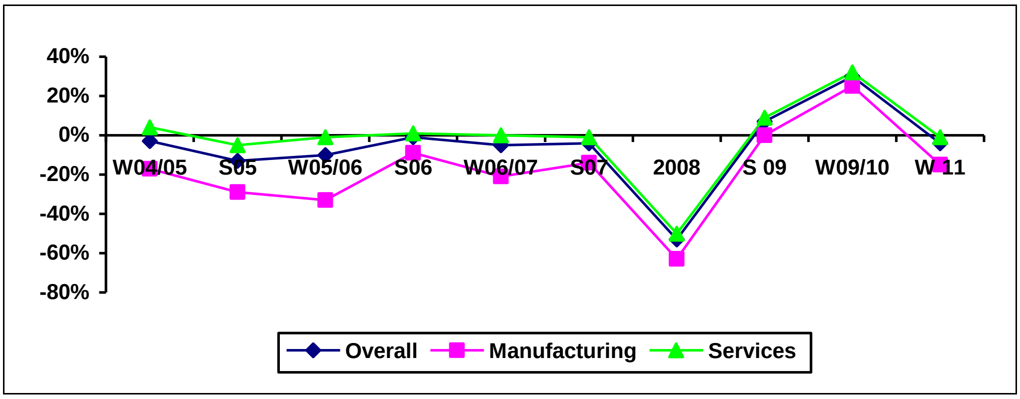
3.117 The recent Leicester and Leicestershire business survey conducted in January 2011 amongst 1,000 local businesses indicated that:

- Business optimism for the next twelve months has declined since the last survey (Winter 2009/10) and now stands at -4%. Figure 3.8 refers and shows that although optimism has fallen it is clearly not as low as the level seen in 2008 when the recession had a marked impact on local business confidence.
- Overall, 24% thought business conditions would improve compared to 28% who thought they would deteriorate over the next twelve months and 37% thought there would be little change.
- The sales position of both the service sector and manufacturing sectors has improved slightly since Winter 2009/10. The balance of firms

reporting an increase in turnover is now +14% and those reporting an increase in profits at +8%. Manufacturers were more likely than the service sector to say that both sales and profits had improved.

- When asked, unprompted, what factors were causing concern for the future of their business, concern about the economy, inflation and customers' disposable income were mentioned most frequently.
- From a prompted list, fuel and energy prices and competition emerged as the issues of most concern to local businesses. Concerns about financial issues have fallen slightly since Winter 2009/10.
- Concerns about finding suitable staff and staff retention have remained at a low level.
- 69% of local businesses plan to grow, with 9% saying they plan to grow rapidly, 36% to grow moderately and 25% slowly. Service sector businesses (70%) were slightly more likely to be planning to grow than manufacturers (66%).
- In about 30% of businesses, some staff work from home. In 20% of businesses this was described as an ad hoc arrangement. In 5% of businesses, staff work at home on 1 or 2 days a week, in 3% of businesses staff work from home most of the time (3 to 4 days a week) and all staff work from home in 1% of local businesses.
- Staff in rural businesses were the most likely to work from home, at least occasionally.
- 5% of businesses, rising to 11% of rural businesses expressed a desire to encourage more home working.
- Half of those who wanted to encourage more home working (3% of total sample) thought that supporting home working would encourage their business to grow.

Figure 3.8 Change in Balance of Optimism 2004 to 2011, Leicester and Leicestershire Businesses



Note: S=Summer and W=Winter

Source: Leicester and Leicestershire Business Survey 2011

Future Business Support Needs

3.118 EMB conducted research with 1800 established businesses in the East Midlands during Summer 2010, 400 of these interviews took place in the Leicester and Leicestershire LEP area. The research indicated that businesses that accessed business support were more likely to have performed better in terms of increased turnover. The following support needs were identified:

3.119 Established businesses in the LEP area have expressed a strong and clear desire to develop and improve marketing and sales skills, this was evidenced by:

- 40% of businesses rated lack of customers a serious concern
- 28% rated competition a serious concern
- 20% mentioned that marketing skills needed improving amongst their existing employees
- When asked about future business support needs, 19% of businesses said that they would like help with marketing, 11% with sales and 12% with e-commerce or website design

3.120 At least a fifth of businesses were concerned about cash flow problems, a lack of capital for investment and a lack of working capital

- 17% of businesses indicated that they would like help with access to finance and 11% with financial management and/or cash flow problems.

3.121 Fuel and energy costs were the third highest concern amongst the LEP area's businesses (35% rated this as a significant concern). This suggests that businesses might be receptive to initiatives that could reduce their fuel and energy costs and this would also link with the carbon reduction agenda highlighted in chapter 9 of this Local Economic Assessment.

3.122 Larger organisations were more likely than smaller organisations to have taken part in leadership or management training. In the LEP area as a whole, 36% of respondents said they had undertaken some leadership or management training in the last five years. A large number of small organisations have never engaged in any management or leadership training and do not appear to recognise any need for it. This can be regarded as a significant opportunity moving forward.

3.123 13% of businesses interviewed were interested in further developing or starting to develop the export side of their business. Half of those with an interest in exporting said that they would like some assistance with this. Europe was an important export market, but there was significant export activity to Asia (including China), North America and Australasia.

3.124 Most respondents were regular Internet users – either in a home or a work setting (89% using at least once a week to find information). Although fewer respondents conduct transactions over the Internet, this is still quite well embedded, with 63% undertaking transactions at least once a week. The majority of respondents have not yet used skype/webcam technology, although 22% have this used this technology in either a home or work setting. 16% have taken part in a video conference or online meeting in the last 12 months; this is much more likely amongst larger businesses and knowledge-based and manufacturing sectors than other market segments. Access to high-speed broadband is important across a wide range of sectors and in all geographical areas throughout the sub-region.

Business & Enterprise Chapter Summary

Productivity and Investment

3.125 In 2008, total Gross Value Added (GVA)[27] in the Leicester and Leicestershire sub-region was £19.2billion. Between 1995 and 2008, the total GVA increased at an average nominal rate of 5.4% per year in Leicestershire County and 4.1% in Leicester City. This is less than the average rate for England of 5.5%.

3.126 GVA per head for Leicester was £20,483 in 2008 which is lower than the figure for England (£21,049) and higher than the Leicestershire figure of £19,104. However, cities generally show higher GVA per head than surrounding rural areas as they provide a focus or core for economic activity to take place. Leicester's GVA per head is below that seen in Nottingham and Derby. Also the difference in productivity between Leicester and Leicestershire is less marked than is the case with Nottingham City and Nottinghamshire and Derby City and Derbyshire. This suggests that Leicestershire's market towns and the rural economy, as well as economic activity concentrated within Leicestershire County's science and business parks make a strong contribution to sub-regional productivity. It also indicates that Leicester City is performing below its potential as an economic core at the heart of the sub-region.

3.127 The GVA statistics suggest that there is a need to stimulate economic growth in the sub-region especially within Leicester City to start to close the growth gap compared with the national position. In particular, growth in the knowledge economy and the business and professional services sector will be important to improve productivity in the sub-region. GVA forecasts prepared by Experian suggest that the following sectors are likely to show the strongest GVA growth over the period 2010 to 2020 (in terms of absolute value):

- Business services
- Retail
- Wholesale
- Other services
- Banking and insurance services
- Transport
- Construction
- Communications
- Food and drink manufacturing

Innovation

[27] GVA = Gross Value Added (GVA) is the principal measure of the total value of goods and services that a geographical area produces. GVA is an important indicator of the overall health of a local economy. It is calculated by summing the incomes generated in the production process.

3.128 The sub-region has a significant competitive advantage in terms of its three excellent universities (De Montfort University, Loughborough University and the University of Leicester) and a strong Further Education (FE) sector. This offers the opportunity to promote a culture of innovation, facilitating knowledge transfer and improving general business links with universities and FE Colleges. Knowledge Transfer Partnerships (KTPs) help businesses to improve their competitiveness and productivity through better use of the extensive knowledge, technology and skills that reside within UK universities. At March 2011, the three Leicestershire universities were engaged in 18 KTPs.

3.129 In particular, the universities have expertise in the following areas, providing opportunities for high technology business start-ups and competitive high growth businesses to prosper: space-related research & technologies, creative & design, digital/knowledge-based technology, green technologies, transport technologies, bio-medical & health care science and technology and sports research & technology.

Sector Structure

3.130 The local economy is diverse and the area is not overly dependent on any one sector or large employer. This helps to protect local economies in times of recession and provides a good base for growth. The local economy has undergone a significant re-structuring over the last 20-30 years, with substantial losses of manufacturing jobs and growth in service sector employment. Nevertheless, the relatively high proportion of manufacturing employment (14% in the sub-region compared to 9% nationally) remains a key feature of the local economy and differentiates the sub-region from other areas of the country. Food and drink manufacturing has become increasingly important to the sub-regional manufacturing sector, now accounting for approximately 16% of manufacturing jobs. There is some local specialisation in high technology manufacturing, especially in Charnwood. The science and technology parks in the sub-region offer opportunities to strengthen high technology manufacturing in the area.

3.131 Service sector employment has grown over the last decade and is projected to continue to grow. Significant sectors include logistics and transport, associated with the sub-region's central location and strong communication links. The retail sector has also grown in importance, with major retail centres at Highcross Leicester, Fosse Park, Loughborough and in the other vibrant market towns. In 2012, Marks and Spencer will open their major e-commerce distribution centre on the East Midlands Distribution Centre site in Castle Donington, employing hundreds of people.

3.132 The area has a lower share of GVA and employment associated with the financial and business/professional services sectors compared to national figures. This has an impact on local productivity and on earnings (discussed in chapter four). The business services sector covers a wide range of businesses including professional services, cultural and creative industries and could potentially offer a wider range of opportunities for graduates. Moreover, these sectors are projected to grow and it could be important for the local economy to attract some new investment in these areas.

3.133 Tourism currently accounts for 7% of all employment in the sub-region, with some high-profile attractions such as Curve and the National Space Centre in Leicester, and Twycross Zoo and the National Forest in Leicestershire. There is potential to further develop tourism, with requisite investment in the sub-region as appropriate, including investment in the inland waterways and other attractions. Examples of development could include short breaks, holidays, business tourism and themed activities and events.

3.134 The high proportion of public sector related employment in Leicester City (one in three jobs in the public administration, education, health and social work sectors) is a significant concern in the light of significant cuts in public expenditure. Other districts in Leicestershire with high dependency on public sector related employment include Blaby, Charnwood and Oadby & Wigston.

3.135 Recent statistics from BIS show that Leicester City experienced a net loss of 500 private sector jobs over the period 2003 to 2008 (-0.4%) and as such is in the worst performing quintile in Great Britain in terms of private sector job growth. Over the same time period, Leicester experienced an increase of around 2,000 public sector jobs. Taking these two factors together, a relatively strong case can be made for the need to rebalance the Leicester city economy. However, some areas of Leicestershire have experienced strong private sector job growth during this five year period, with Blaby having the strongest private sector job growth in the country. Charnwood has a high proportion of employment in the education sector and is set to lose up to 1300 private sector jobs with the closure of Astra Zeneca. Hinckley & Bosworth has experienced modest private sector job growth (only 0.9%) over the period 2003 to 2008, but opportunities around the MIRA expansion with associated high technology jobs could bring a welcome boost to the local economy.

Knowledge Economy

3.136 This chapter has considered the knowledge economy base, comparing Leicester with other cities and the Leicester and Leicestershire LEP area with other LEP areas. This shows that:

- Leicester City has a relatively low share of knowledge based employment compared to many other cities
- Leicester City’s knowledge-based service sector is under-developed compared to many other cities

- The Leicester and Leicestershire LEP area has a relatively low share of knowledge-based employed compared to more prosperous and 'aspirational' LEP areas. This is especially true for knowledge-based service sector employment, although the area performs quite well in terms of medium and high technology manufacturing.

Business Structure

3.137 Small businesses are extremely important to the local economy. 83% of businesses employ less than 10 people and 96% of local businesses employ less than 50 people (similar to national picture). This has significant implications for the provision of business support and communicating with businesses. Although only 0.6% of businesses employ over 250 people, these businesses account for 30% of local employment. According to the 2009 IDBR[28], there were 32,910 VAT-registered and PAYE registered enterprises[29] in the sub-region.

Enterprise

3.138 Self employment is a good indicator of enterprise and early start-up activity. Leicestershire County exhibits a higher rate of self employment at 9.9% compared to Leicester City (6%), giving an overall sub-regional rate of 8.6% (similar to the national rate of 9%).

3.139 All areas of the sub-region and Great Britain have experienced a fall in the business registration rate[30] between 2008 and 2009, linked to the general economic climate. Leicester and Leicestershire rates were both slightly below the national level in both 2008 and 2009. Harborough District stands out as having a particularly high business registration rate at 57.3 compared to the Great Britain figure of 47.5.

3.140 Three-year business survival rates are low in Leicester City but much better in the surrounding County. Recent research into business survival, suggests that a relatively high proportion of Leicester City's start-ups are in sectors that tend to have higher than average failure rates (based on national data) – such as the hospitality and retail sectors.

3.141 Research by EMB Ltd. amongst the owner/managers of recent start-up businesses suggested that 40% of respondents had chosen to start their business in a sector that was unrelated to their previous employment. Where a business starts to trade in a new sector, this could be considered a higher risk venture than one where the owner/manager has prior experience

[28] Inter Departmental Business Register
[29] This figure counts enterprises rather than business units, so businesses with more than one site in the sub-region only count once, whereas in some databases each unit is counted resulting in a higher estimate of business – around 39,000
[30] Business Registration Rate is the number of VAT and PAYE registered for the first time divided by the local population (per 10,000 aged 16+)

of the sector. Furthermore, only 38% of the owner/managers had conducted any market research prior to starting their business, so are unlikely to have fully assessed competition, threats and opportunities.

Business Confidence and Performance

3.142 In the October 2008 Leicestershire Business Survey[31], business confidence was at its lowest level since the surveys began in 1994. This, in part, reflected the significant uncertainty in the financial markets and in the stability of banks at the time of the survey. By the summer 2009 survey, confidence had recovered with more businesses believing that their situation would improve in the next 12 months than those who thought it would deteriorate. The winter 2011 business survey suggests that business optimism has started to fall, reporting a balance of optimism of -4% (24% of business expected business conditions to improve in the next 12 months whereas 28% expected them to deteriorate and 37% thought there would be little change). Businesses indicated that they had concerns about the economy, consumer spending, inflation and the impact of public sector cuts on their business. Businesses also expressed significant concern about rising fuel and energy costs.

3.143 The winter 2011 Leicestershire Business Survey indicates strong turnover and profit performance amongst local businesses in the last 12 months. About two thirds had recruited staff and 25% of these businesses had experienced recruitment difficulties. Overall, 69% of businesses indicated that they plan to grow (9% rapidly, 36% moderately and 25% slowly). This is based on aspirations rather than the ability to grow, and businesses will need access to appropriate support to help them reach their growth potential. Evidence from EMB suggests that those businesses that have accessed business support were more likely to exhibit stronger turnover performance. Businesses have identified support needs around marketing, sales and financial planning.

Third Sector and Social Enterprises

3.144 There are over 3,700 third sector organisations in the sub-region[32], with the VAL database recording 2,675 in Leicestershire and 1,058 in Leicester. Volunteering makes an important contribution to the local economy, currently estimated to be at least £138M.[33] There are currently an indicative 108 Social Enterprises in Leicester and 37 in Leicestershire[34] (Source Case and VAL database), although this figure is believed to be an underestimate. There are high numbers of Third Sector organisations yet comparatively low

[31] The Leicestershire Business Survey has been conducted since 1994, see www.lsr-online.org
[32] Source Voluntary Action Leicester (VAL) database
[33] VAL estimates and using Place Survey data (2010)
[34] Source CaSE and VAL databases

numbers of social enterprises, which presents considerable scope for growth through business advice, organisational development and support.

3.145 The contribution from the Third Sector to the Leicester & Leicestershire economy is both environmental and social in nature and is driven by people's beliefs, ethics, community ethos and wish to contribute to local and broader society. The economic gains from new business activity stemming from the Third Sector are considerable as the move continues away from public sector funding of many community and voluntary organisations and towards activities that generate trading income.

Growth Forecasts

3.146 In the current economic climate, with unprecedented reductions in public expenditure, falling consumer confidence and economic instability in many economies, it is particularly difficult to produce robust economic forecasts. The most recent Scenario Impact Model (SIM) we can access has been developed by Experian working with the East Midlands Development Agency. The SIM suggests that the following sectors are most likely to experience GVA growth in the next 10 years:

- Business services
- Retail
- Wholesale
- Other services
- Banking and insurance services
- Transport
- Construction
- Communications
- Food and drink manufacturing

3.147 The SIM suggests that the following sectors are likely to experience the strongest employment growth in the next 10 years:

- Retailing
- Wholesale
- Transport
- Business/professional services
- Health (& related)
- Hotels and catering
- Financial services
- Construction

3.148 The greatest employment decline is expected in:

- Public administration
- Education

- Gas, electricity and water

International Trade

3.149 The strong local manufacturing base and logistics sectors provide significant opportunities for international trade, which could be further developed, as currently, 45%[35] of local manufacturers are engaged in export activity. In particular, the existing strong links with China and India could be further developed. This represents a significant opportunity given the rapid expansion of these economies.

3.150 Only 13% of service sector businesses export, again suggesting there is an opportunity to increase this, especially through growth of knowledge based service sector businesses.

[35] Leicester and Leicestershire Business Survey 2009

Business and Enterprise SWOT

<table>
<tr>
<td>

Strengths

- GVA per head in Leicester City is above regional and national averages
- County market towns and rural economy make a strong contribution to sub-regional GVA
- Diverse economic structure that is not overly dependent on any one sector, some local strengths in manufacturing, transport and communications, retail (Highcross/ Fosse Park) & wholesale
- Growing service sector employment across a range of industries, with business services making strong contribution to GVA
- Strong sales and profit performance indicated in recent business survey
- Strong 3-year business survival rates in Leicestershire County
- Three world-class universities with a clear strategy to support innovation and business growth
- Strong FE sector
- Leading science, enterprise and technology parks, such as Loughborough University's Innovation Centre and MIRA
- Strong private sector job growth in some areas of the sub-region, Blaby highest in country over period 2003 to 2008 – also strong in Harborough, NW Leicestershire and Melton

</td>
<td>

Weaknesses

- GVA per head in Leicester City is lower than in Derby and Nottingham
- Annual GVA growth in both Leicester City and Leicestershire is below national average
- Potential over-reliance on public sector related employment in Leicester City, Blaby, Charnwood and Oadby & Wigston
- Low private sector job growth in Leicester City over period 2003 to 2008
- Many recent start-up businesses are in sectors that are new to the owner/managers and in sectors with high failure rates such as hospitality and retail
- 3-year survival rates are low in Leicester City compared to other major cities and to regional and national figures.
- Relatively low self-employment levels in Leicester City
- Sub-region does not have a strong identity which can make it difficult to attract new investment
- Knowledge-based service sector employment still relatively low in Leicester and Leicestershire LEP area
- Low proportion of knowledge based enterprises in the sub-region

</td>
</tr>
<tr>
<td>

Opportunities

- Diverse economy provides resilience and good base for growth
- Significant opportunity to transfer innovation and knowledge from local universities to businesses – especially high technology manufacturing, green technology, transport, design and creative sectors
- Local specialism in terms of food and drink manufacturing including local brands, ethnic minority foods, snack food manufacturing
- Improving retail profile – Highcross and Fosse Park
- Strong cultural offer for tourism, destination and inward investment marketing (e.g. Curve, Phoenix Square, Digital Media Centre, Sports Venues)
- Ongoing development of National Forest as visitor destination of national significance
- Olympics and Paralympics 2012
- Infrastructure investment in Leicester, to attract further inward investment to the City and sub-region
- Public sector procurement and development of local supply chains
- Improve sub-region's image and identity to attract more business and leisure tourism
- Trading links with India and China

</td>
<td>

Threats

- Many recent start-ups are in vulnerable sectors which could impact on business survival rates
- Public sector spending will reduce significantly and is likely to impact on consumer confidence and performance of many private businesses that are dependent on the public sector for contracts
- Some businesses may become "leaner" and employ less people in future
- Low consumer confidence likely to impact on the property sector and some areas of the luxury service and retail sectors
- Price could become the overriding criteria in terms of public sector procurement
- Closure of some retails outlets in market towns will have a "snowball" effect
- Significant decline in public sector resources to provide infrastructure for growth (for both employment land and housing)
- Closure of regional Business Link service by November 2011 will limit access to face-to-face business advice

</td>
</tr>
</table>