LEICESTER & LEICESTERSHIRE ECONOMIC ASSESSMENT

SUMMARY

MAY 2010

Leicester and Leicestershire Economic Assessment Summary

Table of Contents

1 Introduction

1.1 This document is a stand-alone summary of the detailed Economic Assessment (EA).

Introduction to the Economic Assessment

1.2 The Local Democracy, Economic Development and Construction Act 2009 places a duty on county councils and unitary district councils to prepare an assessment of the economic conditions of their area. This new duty comes into force on 1st April 2010, at which point local authorities must begin to prepare their assessments. The purpose of the Economic Assessment (EA) is to provide a robust evidence base that will underpin strategic planning, investment decisions and delivery plans.

1.3 The Leicester and Leicestershire Leadership Board made a decision to develop a sub-regional EA in 2009, in advance of the statutory requirement. It was also agreed that a single EA be developed to cover Leicester City and Leicestershire County.

1.4 A dedicated EA project team has gathered, analysed and interpreted a vast amount of evidence over the past few months. This has come from a wide range of sources including national statistics, local statistics and bespoke research studies undertaken within the sub-region. The detailed findings are presented in eleven chapters. This summary follows the same structure, but with the addition of a rural issues section. A summary SWOT for the sub-region is presented in section 11. The key challenges and opportunities in the sub-region are highlighted in section 12. Where appropriate, a "Strengths, Weaknesses, Opportunities and Threats" (SWOT) analysis has been included at the end of a themed section. It should be noted that this summary provides a sub-regional overview and a more in depth analysis can be found in the full EA. In particular, the detailed EA chapters have commentary on local authority district level data and useful information to help inform strategic planning and decision making at a more local level.

1.5 In preparing the EA, consultation has taken place with a wide range of partners, the business community and the third sector. The following groups involved in the management of sub-regional economic development have contributed:

- Business and Enterprise Strategy and Performance Group
- Employment and Skills Board
- Housing, Planning and Infrastructure Strategy and Performance Group
- Transport Strategy and Performance Group
- Rural Partnership Strategy and Performance Group

1.6 The environment chapter was developed by Environmental Action for a Better Leicestershire (ENABLE) with input from colleagues and partnerships working in Leicester City.

1.7 The EA has already been used to develop an economic strategy for the sub-region. The more detailed chapters will form the basis for evidence-based delivery planning at a sub-regional and more local levels.

1.8 The Leicester and Leicestershire sub-region is considered a sensible, functional economic geography for an EA. The sub-regional boundary matches real economic, labour market, travel-to-work, housing market and retail catchment areas.

1.9 Recognising the strong economic linkages between Leicester City at the core and the surrounding Leicestershire County, the sub-region was one of the first areas of the country to have a signed Multi Area Agreement (MAA) in January 2009. The evidence presented in this document and summarised in chapter 12 supports the decision to conduct the EA on a sub-regional basis and the rationale for the MAA.

Introduction to Leicester and Leicestershire

1.10 Before embarking upon an economic assessment of the area, this section describes our sub-region from a “place” perspective.

1.12 Leicester is one of the most culturally diverse cities in the UK, whilst Leicestershire County is renowned for its quality of life. The two combine to create an area that is popular with residents, visitors, businesses, shoppers and students, alike.

1.13 Just under one million people live in the Leicester and Leicestershire sub-region, with about a third living within the Leicester City boundary. The area has a wide variety of property types and tenures available at a range of prices. Overall, house prices are sufficiently high to contribute to economic buoyancy, and relatively affordable compared to household income and many other areas of the country.

1.14 Leicestershire County comprises seven local authority districts: Blaby, Charnwood, Harborough, Hinckley & Bosworth, Melton, North West Leicestershire and Oadby & Wigston. Some of the key settlements within the County include Blaby in Blaby district, Loughborough and Shepshed in Charnwood, Hinckley and Earl Shilton in Hinckley and Bosworth District, Market Harborough and Lutterworth in Harborough District, Coalville and Ashby-de-la-Zouch in North West Leicestershire, Melton Mowbray in Melton, and Oadby, Wigston and South Wigston in Oadby and Wigston District.

1.15 A major regeneration programme in the City has physically transformed the urban landscape with iconic new developments including Curve, Highcross Leicester and Phoenix Square. The County is characterised by beautiful countryside, historic market towns, the emerging National Forest and has benefited from investment in major attractions such as Twycross Zoo.

1.16 Connectivity is one of the key strengths of the sub-region. Leicestershire is home to East Midlands Airport with its many international links. Leicester is the first city on the mainline rail network north out of London and just four hours from Paris via Eurostar from St. Pancras. The sub-region is also within easy reach of the major UK motorway network.

1.17 Already a significant economy in the East Midlands, with local GVA in 2007 at £18.5 billion[1], the area has a strong tradition in the field of business. It is home to major brands including Next, Walkers, Triumph, Caterpillar, Samworth Brothers, Wal-Mart, DHL, 3M and AstraZeneca.

1.18 Over 40,000 students study at the three excellent universities in the City and County – University of Leicester, De Montfort University and Loughborough University. The area also has strong Further Education Colleges providing a wide range of academic and vocational training.

1.19 According to the latest research[2], annual visitor numbers to the City and County now stand at 32.5 million, with the visitor economy in Leicester and Leicestershire growing to £1.3 billion. These figures are split across both the leisure and business tourism sectors.

History and Heritage

1.20 The area has strong history and heritage with attractions including the Jewry Wall Museum in Leicester, Bosworth Battlefield, Belvoir Castle and Ashby-de-la-Zouch Castle.

1.21 Leicestershire has significant links with the history of transport. Loughborough houses the only double-track mainline heritage railway at Great Central Railway, the modern-day jet engine was developed by Sir Frank Whittle in Lutterworth, and the Donington Grand Prix Exhibition is the largest collection of Grand Prix racing cars in the world.

1.22 The area's industrial heritage is also represented at local museums including Abbey Pumping Station in Leicester and Snibston Discovery Park in Coalville.

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[1] 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.
[2] STEAM model – via http://tourism.goleicestershire.com/

Outdoor Pursuits

1.24 The National Forest in North West Leicestershire spans 200 square miles, across three counties. It is one of the country's boldest environmental projects and, already, more than seven million trees have been planted. The County offers a range of country parks including Bradgate Park, Charnwood Forest and Beacon Hill.

1.25 The waterways network in the City and County is set to undergo a major development following the recent launch of the River Soar and Grand Union Canal Strategy. This offers a significant opportunity to enhance the social and economic well-being of both City and County residents.

1.26 The area has a strong reputation for sport, with successful local teams including Leicester City Football Club, Leicestershire County Cricket Club, Leicester Tigers in rugby union, Leicester Riders in basketball, along with motorsport at Mallory Park and Donington Park. This is complemented by pioneering sports science, performance and research work at Loughborough University. Stoney Cove, located in Blaby district, is a diving centre of national significance.

City Culture

1.27 The cosmopolitan city centre offers an improving shopping experience, from major fashion stores at Highcross Leicester to boutique outlets along the Leicester Lanes. There is a highly successful out-of-town retail centre at Fosse Park, and Belgrave Road offers a focus for Asian food and drink, fashion and jewellery.

1.28 Leicester also offers a range of year-round festivals, to cater for many cultural interests, including the Leicester Comedy Festival – the longest-running comedy festival in the UK, and the Diwali (Hindu Festival of Light) celebrations in Belgrave.

Market Towns

1.29 The market towns and service centres throughout the county – Loughborough, Blaby, Ashby-de-la-Zouch, Hinckley, Market Harborough, Lutterworth, Melton and Coalville – offer local shopping and access to a range of leisure activities, including Loughborough Town Hall, Melton Theatre, Hinckley Concordia, Ashby Venture and Kilworth House Hotel. Many settlements offer regular markets and farmer's markets.

Attractions

1.30 Other attractions include the New Walk Museum and Art Gallery, Twycross Zoo, the National Space Centre, Conkers, Twinlakes Park and Snibston Discovery Park.

Food and Drink

1.31 The Leicester and Leicestershire area is home to the East Midlands Food and Drink Festival – the largest regional food festival in the UK. Melton Mowbray is the UK Rural Capital of Food and Drink, associated with the world-famous Pork Pie and Stilton Cheese. The city of Leicester, with its traditional and contemporary forms of Asian cuisine, is also a Curry Capital of Britain winner. Restaurants throughout the City and County produce outstanding menus based on the fresh local produce.

Challenges

1.32 Like many areas, the sub-region is also facing significant challenges. The One Leicester Strategy acknowledges that poverty is the root cause of many of the difficulties facing some City residents and that too many people are disadvantaged through poor health. Average male-resident earnings in Leicester are the lowest in the East Midlands. Furthermore, one in five City residents are claiming benefits and 21% are without formal qualifications[3]. The 2007 Index of Multiple Deprivation suggests that Leicester is the 20th most deprived local authority in the country. Although the County is generally more affluent, five of its neighbourhoods fall within the 20% most deprived nationally and there are pockets of relatively high unemployment. In the current economic downturn, unemployment levels have increased in both the City and County.

Opinions about Leicester and Leicestershire

1.33 The Place Survey[4] asked residents to express the level of their overall/general satisfaction with the local area. 85% of Leicestershire County residents and 72% of Leicester City residents indicated that they were satisfied or very satisfied with their local area. This compares to a national figure of 80%. In terms of social cohesion, 76% of Leicester residents agreed that people from different backgrounds got on well together in their local area, which is an important indicator for a multi-cultural city. This compares to a national figure of 76% and a Leicestershire County figure of 82%.

1.34 44% of City-based businesses and 53% of County-based businesses rated the sub-region as a good place to do business.[5] About a third rated it as average and several did not express an opinion. Very few local businesses considered the area to be "not good for business".

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[3] Annual Population Survey 2008
[4] The Place Survey was carried out across all UK local authority districts in the Autumn of 2008 as part of new government requirements
[5] Leicester and Leicestershire Business Survey 2009

Arrangements for Updates

1.35 The evidence base will be updated annually and a full refresh of the EA will be conducted every three years.

2 Demography

2.1 The current estimated resident population of the sub-region is about 950,000. The population estimate for mid-2008 (National Statistics August 2009) gave a sub-regional total of 940,500, with about a third of the population in Leicester City itself. The estimated population age structure showed 63% of working age, 19% aged 0-15, 18% of state pension age, similar in proportion to England, but with considerable variation across the sub-region. Leicester City and Charnwood areas have higher proportions (65%) in the working age group, influenced in part by the presence of 40,000 university students in Leicester and Loughborough.

2.2 The net effects of migration over the last few years are currently estimated by National Statistics (ONS) to increase the population of the sub-region every year. There is particular uncertainty in the overseas and student migration element of population change figures at local authority level, especially for the younger working age population. ONS have made improved estimates of migration and as a result published revisions to the mid-2008 population estimates in May 2010. The revised figures make the Leicester City resident population, 9,100 higher than the mid-2008 population estimate. Taking into account the May 2010 revisions, the Leicester City resident population is now estimated to be 303,800.

2.3 Current National Statistics migration estimates for each year since 2001 for the sub-region suggest that migration within the UK has resulted in a net population change each year from -1,100 to +900, mostly through increases in Leicestershire County. Migration from overseas has resulted in a net population change each year from +800 to +6,600, mostly through increases in Leicester City. The population estimate size change is small in relation to the size of in and out population movements, but considerable change in age structure occurs through migration.

2.4 Leicester City has a very different population structure to that of Leicestershire in many ways – age structure, ethnic composition, household composition, economic activity. There is also considerable variation across the districts of Leicestershire in population size and age distribution.

2.5 Cultural diversity is a distinctive feature of the local economy. For the 2006 resident population, 20% was estimated to be from non White British ethnic groups (42% in Leicester City and 10% in Leicestershire). The largest group within this was 95,200 (10%) of Indian ethnic origin (25% of the Leicester City population and 4% of Leicestershire County population).

2.6 Nearly half the population of the sub-region lives in the ‘urban’ area of Leicester, and nearly a quarter lives in ‘urban’ areas in the remainder of

Leicestershire around Loughborough/Shepshed, Hinckley, Coalville, Melton Mowbray, Market Harborough and Ashby-de-la-Zouch. Out of the population of Leicestershire, about a fifth lives in rural areas of small towns 'Town and Fringe' or 'Village' areas. Only 2% of the Leicestershire population live in the most rural 'Hamlet and Isolated Dwelling' areas.

2.7 Future change in households, population and labour force is related to housing change. Currently, planned future housing change in Leicester and Leicestershire is outlined in the Regional Plan (adopted March 2009). From 2006 to 2026, provision is made for an annual average net addition of 4,020 houses in the sub-region.

2.8 The distribution of housing provision between local authorities in the sub-region reflects the policy of concentrating growth in existing urban areas, rather than on past trends. However, because population and household projections have been revised since this provision was decided, a review of the planned amount and location of housing change may be required soon.

2.9 The latest sub-regional population and household projections from ONS are based on information up to 2006. The projected trends for higher fertility, life expectancy and migration are subject to future uncertainty. With changing economic circumstances, the projected increases in the working age population, especially aged under 40, are subject to the greatest uncertainty.

2.10 Current 2005-based government age-specific economic activity rate forecasts suggested the sub-region had a labour force of over 450,000 in 2006. The projected rates suggest that the labour force will increase up to 2021 by 12% under the ONS 2006 trend-based projections, and by 5% under projections based on change in housing provided for in the March 2009 Regional Plan. Projected labour force change varies considerably across the districts in the sub-region, and is particularly affected by the distribution of planned housing provision.

2.11 There is a substantial projected increase in the numbers of older people in the sub-region, due to improved life expectancy, in line with long-term trends.

2.12 The projected increase in the younger population is mainly influenced by projections using recent increase in birth rates and in people that fall within family-forming age groups.

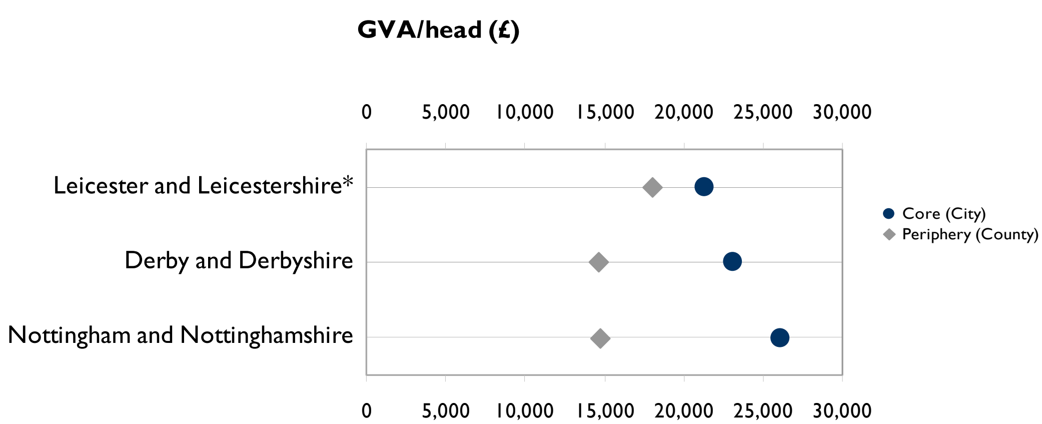
3 Business and Enterprise

Productivity and Investment

3.1 In 2007, total Gross Value Added (GVA)[6] in the Leicester and Leicestershire sub-region was £18.5billion. This represents a quarter of total regional GVA. Average annual growth rates in GVA over the last ten years have been slightly lower than national figures.

3.2 Productivity, understood as output per head of the local population, is an important indicator of the overall health and wealth of an economy. In 2007, productivity for Leicester City was £21,331/head and for Leicestershire (and Rutland) was £18,072/head. The Leicester City figure is above regional and national figures. It is usual for cities to show higher levels of GVA per head than the areas that surround them. This is because they provide a focus or core for economic activity to take place. However, the distinction between core-periphery in the Derby and Derbyshire and Nottingham and Nottinghamshire sub-regions is noticeably greater than in Leicester and Leicestershire. This suggests that the contribution of Leicestershire's market towns and rural economy is important and more significant than in other areas of the region. It also highlights the potential under-performance of Leicester City as an economic centre (figure 3.1).

Figure 3.1 GVA per Head in Leicester and Leicestershire, Nottingham and Nottinghamshire and Derby and Derbyshire Sub-regions



*Includes Rutland
Source: Local GVA, 2007

[6] 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.

3.3 Leicester City is performing relatively poorly for a city of its size on a number of economic indicators, including productivity, business survival rates, earnings, skills and deprivation[7].

3.4 The area has a significant competitive advantage in terms of its three excellent universities 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.

3.5 During the financial year 2007/2008, Invest Leicestershire attracted record levels of investment to the sub-region. This resulted in 1,053 jobs safeguarded or new jobs created, many of these within knowledge-intensive sectors. However, this is a relatively small proportion of the total 434,000 jobs in the economy, highlighting the importance of retaining and supporting indigenous businesses.

Sector Structure

3.6 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. The local economy has undergone a significant re-structuring over the last 20 years, with substantial losses of manufacturing jobs and growth in service sector employment. Some 20,000 manufacturing jobs have gone from Leicester City and 23,500 from Leicestershire County in the last decade. Nevertheless, the relatively high proportion of manufacturing employment (14.8% in the sub-region compared to 10.2% 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 economy, now accounting for 16% of manufacturing jobs. There is some local specialisation in high technology manufacturing in Charnwood and the new science parks in Leicester and Loughborough will offer opportunities to strengthen high technology manufacturing in the area. Supporting high technology sectors will enable the sub-region to take advantage of the potential links with the three world class universities in the sub-region.

3.7 Service sector employment has grown over the last decade and is projected to continue to grow. Significant sectors include transport and communications, associated with the sub-region's central location and communication links. The retail sector has also grown in importance, with major retail centres at Highcross, Fosse Park, Loughborough and in the other vibrant market towns.

3.8 The area has less employment in the financial and business services sector compared to national figures. These sectors are projected to

[7] Earnings, skills and deprivation are covered in sections 4 and 5

grow and it could be important for the local economy to attract some new investment in these areas. 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.

3.9 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.

3.10 The high proportion of public sector employment in Leicester City (one in three jobs) is a potential concern in the light of potential cuts in public expenditure. Although public sector employment is important to many cities, Leicester featured in the top 20 vulnerable cities in a recent report by the "Centre for Cities".[8]

Table 3.1 Proportion of Employment by Sector

Industry	Leicester City	Leicestershire County	Sub-region	East Midlands	England
Agriculture and fishing	0.1%	0.3%	0.3%	1.2%	0.8%
Energy and water	0.3%	1.7%	1.2%	0.9%	0.6%
Manufacturing	13.8%	15.4%	14.8%	14.8%	10.2%
Construction	4.3%	6.1%	5.4%	5.8%	6.8%
Wholesale and retail	15.1%	19.9%	18.2%	17.5%	16.6%
Hotels and restaurants	4.4%	5.9%	5.3%	5.8%	6.8%
Transport and communic-ations	3.4%	7.8%	6.2%	5.5%	5.8%
Banking, finance and insurance and business services	19.9%	18.1%	18.8%	17.9%	22.0%
Public administration, education and health	33.8%	20.3%	25.2%	26.7%	27.0%
Other services	4.8%	4.4%	4.6%	4.5%	5.3%
Total	100%	100%	100%	100%	100%

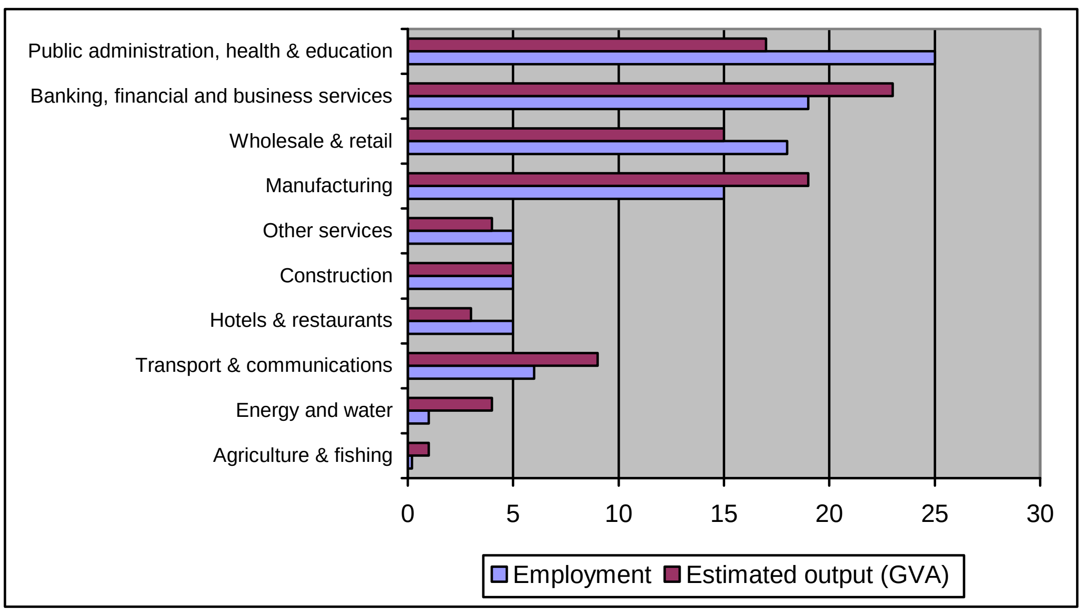
Source: ABI, 2008

[8] Public Sector Cities; Trouble Ahead, Centre for Cities 2009

Sector Contribution to GVA

3.11 Figure 3.2 compares the contribution each sector makes to sub-regional GVA with the proportion of employment in that sector. From this, it can be seen that the banking, financial and business services sector makes the most significant contribution to GVA in the sub-region, followed by manufacturing. In general, the banking, financial and business services sector, the manufacturing sector and the transport and communications sector are more important to the sub-regional economy in terms of output than in terms of employment. On the other hand, the public administration, health and education sector, the hotels and restaurants sector, the wholesale and retail sector and the other services sector are relatively more important in terms of employment than in terms of their contribution to GVA.

Figure 3.2 Share of Employment and Estimated Output (GVA) by Broad Sector in Leicester and Leicestershire, 2008



Source: ABI, 2008 and emda/Experian Output Forecasts from Scenario Impact Model, 2009

3.12 The most productive sectors in the sub-region in terms of output per full time employee were:

Energy and water £125K per head
Food and drink manufacturing £62K head
Banking, financial and business services £52K per head
Transport and communications £49K per head
All manufacturing £49K per head

Business Structure

3.13 The fact that 96% of local businesses employ less than 50 people has implications for the provision of business support. Evidence has shown that promoting local supply chains can be helpful in terms of supporting smaller businesses and encouraging links with public sector procurement.

3.14 According to the IDBR[9], there were 39,350 VAT-registered and PAYE registered businesses in 2008 in the sub-region. A quarter of these are in the property and business services sector and 21% in retail/wholesale. Only 10% of business units are in the “production” or manufacturing sector. However, these businesses tend to be larger in size and account for 15% of employment. Conversely, 10% of business units fall into the construction sector, but as many of these businesses are smaller in size, the sector accounts for around 5% of employment.

Enterprise

3.15 The business registration rates[10] for Leicester and Leicestershire were close to, but slightly below, the national level in 2008. The business registration rate for Leicester City showed a marked improvement for 2008, up to 53.4 compared to 48.5 in 2006, and is higher than that seen in Nottingham and Derby. Leicestershire County’s rate was slightly lower at 51.5. Harborough stands out as having a particularly high business registration rate at 73.6 compared to the Great Britain figure of 54.6. Self-employment levels are also high in Harborough. Although the business registration rate is good in Leicester City, self-employment levels are relatively low compared to other cities.

3.16 Three-year business survival rates are low in Leicester City but better in the surrounding County. A key concern is the high volume of recent start-ups in potentially vulnerable sectors – real estate, property services, retail and construction.

Business Confidence and Performance

3.17 In the October 2008 Leicestershire Business Survey, 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. In addition, whereas a third of

[9] Inter Departmental Business Register
[10] 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+)

all businesses thought that their market was in decline in October 2008, by summer 2009, this had reduced to a quarter of businesses. Larger businesses and those in the service sector are generally more optimistic about their market sector growing.

3.18 Many businesses have reported reduced turnover and profits in the last 12 months. However, fewer businesses have experienced recruitment difficulties. Key concerns include cash flow, access to finance and rising fuel/energy costs. Within the service sector, low consumer confidence continues to have an impact on turnover and profitability.

Third Sector

3.19 There are over 3,700 third sector organisations in the sub-region[11], with around 40% based in Leicester City. Volunteering makes an important contribution to the local economy, currently estimated to be at least £138M.[12]

3.20 A significant proportion of the area's third sector businesses are considered to be social enterprises. The Cabinet Office estimates that there are now 62,000 social enterprises in the UK and that this number is on the increase. Based on a recent IPSOS MORI survey, 51% of third sector organisations in Leicester City and 46% in Leicestershire County considered themselves to be social enterprises.

[11] Source Voluntary Action Leicester (VAL) database
[12] VAL estimates and using Place Survey data

3 Business and Enterprise SWOT

Strengths	**Weaknesses**
• 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 food and drink, transport and communications, retail (Highcross/ Fosse Park) & wholesale, high technology manufacturing • Growing service sector employment across a range of industries, with business services making strong contribution to GVA • Good growth in small businesses (<50 employees) – important as 96% of local businesses fall into this category • 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 and enterprise parks, such as Loughborough University's Innovation Centre.	• GVA per head in Leicester City is lower than in Derby and Nottingham • Potential over-reliance on public sector employment in Leicester City and Oadby & Wigston • Much of the recent business start-up growth has been in vulnerable sectors – such as property services, construction • 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 • Long-term impact of the recession is difficult to predict and many recent start-ups are in vulnerable sectors
Opportunities	**Threats**
• Diverse economy can weather recession better than other areas • Local specialisms in terms of food and drink manufacturing including local brands, ethnic minority foods, snack food manufacturing • High technology manufacturing base and creative industry sectors could be further developed through links with universities • 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, Festivals, Sports Venues) • Ongoing development of National Forest as visitor destination of regional and national significance • Olympics and Paralympics 2012 • Infrastructure investment in Leicester, to attract further inward investment to the City • Public sector procurement and initiatives • Development of local supply chains • Business confidence has improved so businesses are more likely to invest • Improve sub-region's image and identity to attract more business and leisure tourism • Retail and leisure schemes in market towns • Confident third sector	• Current forecasts show that output growth will shrink in the short-term • Many recent start-ups are in vulnerable sectors which could impact on business survival rates • Risk that businesses will not be able to respond quickly enough to upturn • Some businesses may become "leaner" and employ less people in future • Low consumer confidence continues to impact on the service sector and survival rates • Short-term access to working capital is a constraint to growth for businesses with a previously strong track record • Public sector spending will have to reduce in the current climate • 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 • Decline in public sector resources to provide infrastructure for growth (for both employment land and housing)

4 Employment and Skills

4.1 A major challenge is the contrast between the labour market profiles of Leicester City at the core of the sub-region and the surrounding Leicestershire County area. There is a risk that potential investors might look at the City skills profile alone and reach the conclusion that the area has a low skill, low wage economy. This conclusion would fail to take into account the strength of the labour market in the surrounding County, which is one of the strongest performing areas in the region. Therefore, improving qualification levels amongst City residents is one of the most significant challenges facing the sub-region. Although there has been some improvement, there are still 22.1% of working age City residents with no qualifications. There are also some pockets of poor performance in the County which are masked in the high-level statistics.

Table 4.1 Summary of Qualification Levels (for the population aged 19-59 for females and 19-64 for males)

	Level 4[13] (%)	Level 3 (%)	Level 2 (%)	No qualifications (%)
Leicester	23.4	36.9	57.0	22.1
Leicestershire	27.4	46.3	66.7	14.7
Leicester & Leicestershire	26	44	64	16
East Midlands	27.0	46.3	67.0	12.8
England	30.5	49.5	69.4	11.9

Source: APS 2008

4.2 Degree-level qualifications (Level 4) in the workforce are below national levels for the sub-region as a whole and especially low in Leicester City. In Leicester City over 42% of the workforce do **not** currently have Level 2 qualifications. Although this is still a high statistic, the situation has improved considerably in recent years. This results from several factors, including the success of the Train to Gain programme, a strong FE sector, employer investment in training and, to some extent, a higher proportion of those entering the labour market with Level two qualifications.

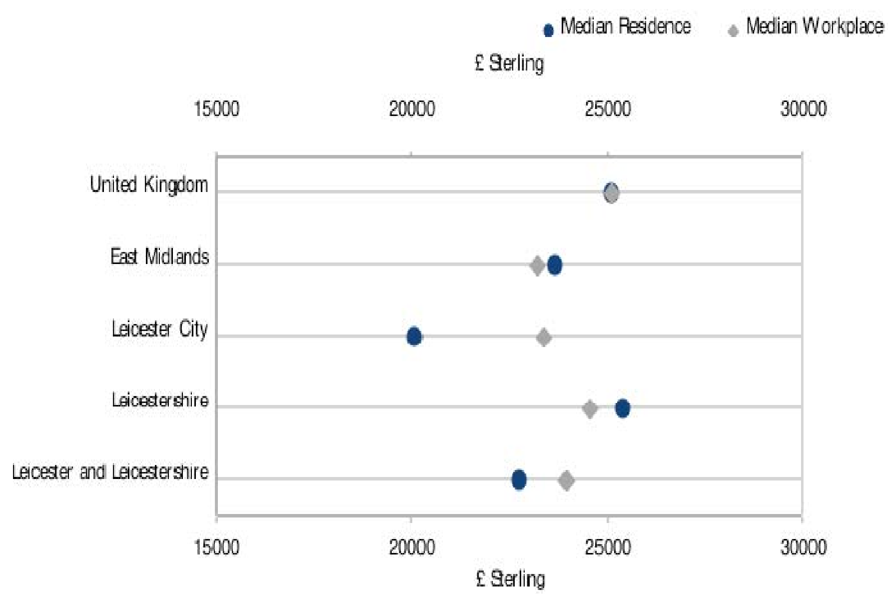
4.3 Understanding the barriers and needs of learners and retraining those learners in appropriate job opportunities will be important in improving

[13] Level 4 is equivalent to a first degree, level 3 is equivalent to NVQ3 or 2 GCE A levels, level 2 is equivalent to 5 GCSEs at A* to C or NVQ2

overall qualification levels in the sub-region. The up-skilling of residents, particularly those from the most deprived areas, amongst new communities and those currently out-of-work, is critically important. Only 56% of working age females in Leicester City are currently in employment. This could suggest a need for more flexible working opportunities, appropriate training and progression opportunities.

4.4 Leicester has relatively low median workplace earnings for a city and male-resident earnings are the lowest in the region. The lack of highly skilled jobs in the city is a key feature, with below average employment in management and professional occupations. This in turn makes graduate retention difficult with a limited range of opportunities available. Whilst it is important to maintain a diverse economic structure, some increase in knowledge-based employment is needed if the sub-region is to increase wealth generation, and average earnings, and improve the range of jobs on offer.

Figure 4.1 Variation between Residential and Workplace Median Annual Earnings in Leicester and Leicestershire, 2008



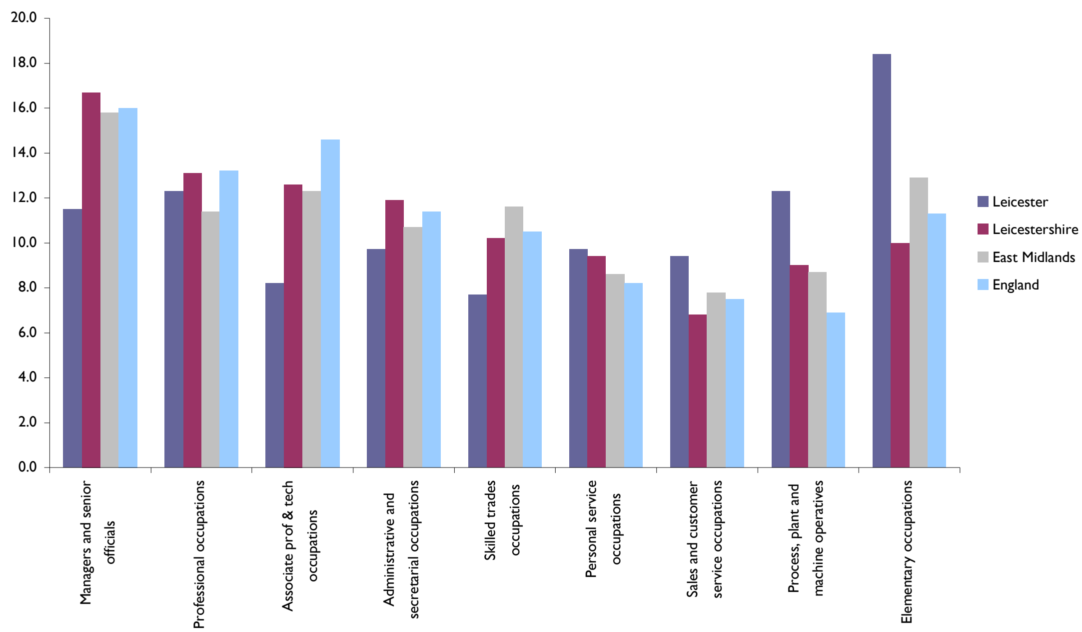
Source: ASHE 2008

4.5 Median weekly earnings for Leicester City residents are £373.80 compared to £479.90 in Leicestershire County. Weekly resident earnings in both Nottingham (£406.80) and Derby (£457.70) are considerably higher.

4.6 In March 2009, the employment rate for the sub-region was 74.4%, with a lower rate of 63.6% in Leicester City and a higher rate of 79.5% in Leicestershire County. In terms of occupations, City residents are more likely to be working in elementary occupations or as process, plant and machine operatives than is the case with County residents. There are also relatively high proportions working in health and social welfare. Only 11% of Leicester workers are employed as managers or senior officials compared to a regional average of 16%. This is reflected in the lower wages of City residents. A relatively high proportion (17%) of Leicestershire workers are working in managerial occupations.[14]

Figure 4.2 Proportion of Employment by Occupation, by Residency

%



Source: APS, March 2009

4.7 Some businesses continue to experience recruitment difficulties, skills shortages and skills gaps. This is more marked in manufacturing businesses than amongst those in the service sector. 22% of businesses in the 2009 Leicester and Leicestershire Business Survey reported that skills shortages were having a serious impact on their business. However, this has reduced from 35% in 2005. Over half the businesses surveyed could identify some skills gaps in their current workforce[15]. This highlights the importance of local training infrastructure which needs to meet current and future employer needs. There is significant variation by sector in terms of recruitment and skills requirements suggesting the importance of sector-based initiatives and a role for apprenticeships in developing sector-specific skills.

4.8 In the recent Business Survey, 57% of those with recruitment problems stated that there was a lack of applicants with suitable skills. 84% of

[14] Occupation statistics from APS, March 2009
[15] Question asked in 2008 but not 2009

manufacturing firms stated that this was a reason for recruitment difficulties. However, 40% of firms with recruitment difficulties stated that there was a lack of applicants with the right attitude/personality.

4.9 The manufacturing sector employs a high proportion of Leicester City and BME workers. Although the sector has declined overall, it remains important and there are potential opportunities for growth in high technology manufacturing and food and drink.

4.10 There is a significant gap between the attainment of pupils in City and County schools at Key Stage 4 (age 16). 52% of pupils in County schools achieved 5 or more GCSEs at grades A*-C including English and Maths compared to 40% of pupils in Leicester City.[16]

4.11 The under-performance of White students in Leicester City is a significant issue, with problems concentrated in deprived areas in the west of the City. This is apparent as early as age 11 (Key Stage 2). At present, only 17% of White British pupils living in Leicester progress to higher education, compared to 62% of Indian pupils. Overall, a high proportion of 17 year olds in both the City and County remain in education post-16 compared to the region as a whole.

4.12 Although 15% of secondary school pupils living in the City travel to County schools, there is little evidence that this has any impact on attainment.

4.13 Although the sub-region benefits from three large universities, graduate retention is relatively low. Six months after graduating, 34.6% of De Montfort University graduates, 24.8% of the University of Leicester graduates and 9.6% of Loughborough University graduates had found employment in the sub-region.

4.14 In 2008, 4% of school leavers (480 individuals) went into full-time training which included apprenticeship programmes. The most popular apprenticeships applied for in 2008 were bricklaying, hairdressing, children's care, learning and development and vehicle maintenance/repair. There was a fall in those entering plumbing and carpentry.

4.15 Unemployment has increased significantly in the last year and this has been accompanied by a decrease in notified vacancies, especially in process, plant and machine operative jobs. It will be more difficult for those without formal qualifications to find employment and there is a risk that the long-term unemployed will find it increasingly difficult to enter or return to the labour market. Unemployment is covered in more detail in the following section on economic exclusion and worklessness.

[16] Department for Children Schools and Families (DCSF) Statistics

4 Employment and Skills SWOT

Strengths	**Weaknesses**
• Workforce qualifications in the County are amongst the highest in the region • Age 17 County achievements at Level 2 and Level 3 are highest in the region and above national averages • Progression rates to Higher Education are exceptionally high in the City (especially amongst the Indian population) • Proportion of the workforce qualified to Level 4 has increased in both the City and County • Three world class universities are located in the sub-region and there is a strong and improving FE sector • Leicestershire has a slightly higher proportion of the workforce employed as managers and in professional occupations when compared to the region • The health sector in Leicester City employs large numbers of women, part- time workers, migrants and graduates.	• City wages for both residents and workplace jobs are lower than expected for a City. Median weekly earnings for City residents is £373.80 compared to £479.90 in the County • 22.1% of residents in the City have no qualifications and workforce qualifications are amongst the poorest in the region • Marked poor performance of White young people resident in the City, which is already apparent at age 11 • The 2 most deprived neighbourhoods for education skills and training in the UK are located in the City • Leicester has a high proportion of workers employed in low-skilled occupations and a relatively small proportion employed in management/professional roles • Only 56% of females in the City are in employment • Low graduate retention - especially arts and engineering graduates
Opportunities	**Threats**
• 3 universities produce approximately 15,000 graduates each year and strong FE sector • Young and culturally diverse workforce in the City • Food and drink sector employment is expected to increase and also employment in the health sector • Completion rates for apprenticeships have improved, which is against the regional trend • Qualification Levels in the City are improving with higher achievement at Levels 2 and 3 at age 19 • Promoting the good progress in City schools rather than league tables would improve reputation of the City, inspire pupils and encourage inward investment .	• Significant increase in the claimant count as a result of the current economic downturn • Decrease in vacancies notified to Job Centre Plus over the past 12 months • Significant proportion of City employment in the public sector which is a risk given potential future cuts in public spending • Public sector is important source of graduate employment & cuts could have negative impact on graduate retention • Apprenticeship participation has been affected by the economic downturn • Poor perception of the City's schools potentially detracts inward investors • Low aspirations of young people in deprived areas of the City • Employers report lack of applicants with 'the right attitude' • Skills gaps reported by many businesses, especially in manufacturing

5 Economic Exclusion and Worklessness

5.1 In total, 83,860 people were claiming out-of-work benefits in the sub-region in August 2009. This is a particularly significant problem for Leicester City, where 21.8% of working age residents were claiming DWP benefits (compared to 10.5% in Leicestershire County). Within Leicester City, some wards such as New Parks, have very high concentrations of residents (32.8%) on such benefits. North West Leicestershire had the highest rate of benefit claimants in the County at 12.8%.

5.2 The following groups are more likely to experience significant barriers to employment and skills development: women, those on incapacity benefit, NEET[17], carers, lone parents, older people, Black or Minority Ethnic Groups (BME) and those from new Communities. These groups contribute to at least **93%** of all out of work claimants in the sub-region.

5.3 More recent figures indicate that 6.6% of working age residents in the City and 2.7% in the County are claiming Job Seekers Allowance (December 2009). This compares to 4.8% in the City and 1.9% in the County for the same month last year. It is interesting to note that 43% of JSA claimants in the City are from BME groups.

5.4 Few barriers to employment exist in isolation and often support is needed to address a number of related or consequential issues, such as childcare, housing, health, financial exclusion, debt, etc, before a person can be supported into a sustainable form of employment. Holistic support needs to be flexible enough to take into account inter-dependent needs. Research from past recessions suggests that local action is a determining factor in the success of post-recession economies.

5.5 Local intervention examples include the Highcross project which was supported by a number of partnerships including representation both from the City and County. The partnerships have been successful in developing and supporting a client routeway approach to meet the recruitment needs of employers and also providing routeways for the workless and long-term unemployed to be job-ready to meet genuine job opportunities. Multi-access centres are now being rolled out across the sub-region, building on successful partnership-working. The core services can provide a flexible and holistic approach to tackling social and economic exclusion.

5.6 Leicester is the 20th MOST deprived local authority in the country (in terms of the 2007 Index of Multiple Deprivation (IMD) ranked by average score). Leicestershire County is the 12th LEAST deprived local authority in the country. Compared to 2004 rankings, the County

[17] NEET = those not in education, training or employment

has become relatively less deprived whereas Leicester City's position has deteriorated.

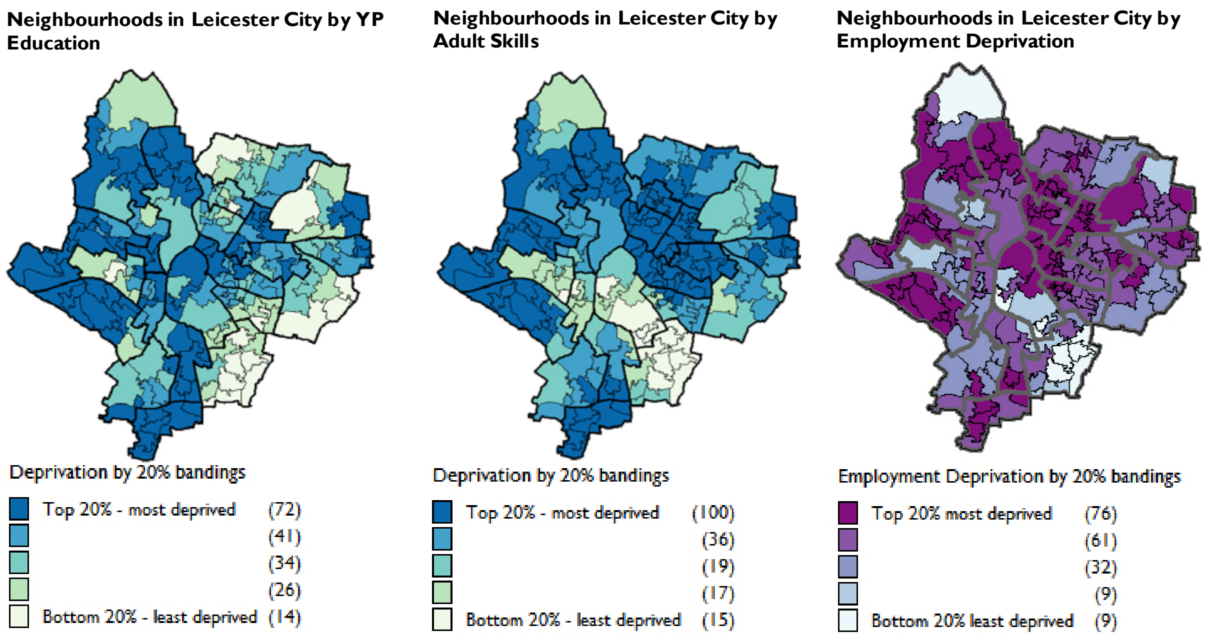
5.7 Almost half of Leicester City's neighbourhoods (87 LSOAs)[18] fall into the 20% most deprived nationally, whereas in the County five neighbourhoods fall into this category. This suggests that deprivation is relatively widespread in Leicester, but that Leicestershire also experiences pockets of deprivation. However, rather than being in isolated rural areas, the most deprived parts of Leicestershire are those within urban areas.

5.8 Many areas in the County are more education/skills than employment deprived suggesting that employment opportunities are relatively good, although employment is low-skilled in some areas. In the City, types of deprivation are more varied and there is significantly less correlation between adult skills deprivation and young people's education deprivation. Areas of adult skills deprivation appear to be linked to income and employment deprivation, whereas education deprivation has a closer link to health deprivation and income deprivation affecting children.

5.9 Neighbourhoods exhibiting young people's education deprivation tend to be located within wards of social housing on the edge of the city: Braunstone, Eyres Monsell, Saffron Lane, New Parks and Beaumont Leys, with some individual neighbourhoods toward the centre of the city such as within Westcotes, Fosse and Castle. Adult skills deprivation covers large areas, in both neighbourhoods of social housing in the west of the city and a large section in the east of the City.

[18] Lower Super Output Area. These are small communities (generally smaller than wards) which have around 1,500 people living in them. In total, there are 32,482 LSOAs in England and 583 in Leicester and Leicestershire.

Figure 5.1 Deprivation: Young People, Adult Skills and Employment



6 Housing

6.1 There is a considerable variation in property types and tenures across Leicester and Leicestershire as a whole, but these tend not to correlate to demography or actual need. As with most cities in England, Leicester has ‘prospering suburbs’ which surround the more mixed and less well-off central areas of the bigger settlements. Overall, the Housing Market Area (HMA)[19] has housing at a range of prices that are sufficiently high to contribute to economic buoyancy, and relatively affordable compared to household income. However, variations within this generalised pattern reveal significant shortage of affordable dwellings across the HMA, both rurally and in urban areas, to meet need. This shortage is, at least in the short to medium-term, set to increase as a result of the current economic climate and the associated resulting difficulties such as inability to get mortgages, or loss of homes.

6.2 Affordability is impacted by variations in supply and demand. Therefore, provision of sufficient housing of the right type, in the right locations and at the right price, is critical to economic buoyancy and the retention of key workforce participants. The Regional Spatial Strategy (RSS) makes provision for the HMA to have at least 80,400 new dwellings in the period to 2026, of which 26,500 are to be affordable. The RSS has a policy of urban concentration to deliver these numbers through extension of existing urban areas.

6.3 Funding from both the public and private sectors is essential to the provision of necessary infrastructure to support and deliver these numbers. Current estimates identify a deficit in funding of some £1.3bn that is set to worsen as Public Sector funding becomes greatly reduced. Correct prioritisation of interventions will be key to ensure maximum economic benefit and to prevent restriction of deliverability and adverse impact on affordability. Some 12,500 dwellings are to be provided in the City Strategic Regeneration Areas, within which delivery difficulties are compounded by the technical complexities and constraints of such brown-field sites. The significant costs involved are a key threat to the delivery of affordable housing in these areas of significant need, whilst prioritisation of affordable homes here will impact upon delivery of other essential infrastructure.

6.4 Minimisation of empty properties and the provision of decent homes are also essential to an efficient economy. Leicester and Melton have a high proportion of non-decent stock compared to the national average. Leicester’s level of non-decent private sector properties is among the highest in the East Midlands. This is principally a result of the City having one of the largest proportions of pre-World War 1 housing in the country. Problems around decent homes are likely to be exacerbated through the current economic down turn.

[19] The Housing Market Area or HMA is the Leicester and Leicestershire sub-region

6.5 Careful consideration and planning of the mix of additional housing to the existing communities, Sustainable Urban Extensions (SUEs) and Strategic Regeneration Areas (SRAs), will be needed to ensure a balanced supply to meet the needs of the anticipated household growth, and prevent constraint to economic growth. At the same time, it will be important to avoid the exacerbation of existing problems – city flight, overcrowding, under-occupation, oversupply of student housing. The market, on its own, will not deliver a better mix and balance which will meet the needs and demands of the communities and the economy. There will need to be some steer in certain directions, based on evidence and local knowledge.

6.6 Recently commissioned studies have confirmed there is sufficient land to provide the planned additional dwellings in Leicester and Leicestershire in an urban concentration approach. However, actual deliverability of land supply to prevent constraints to deliverability is a finite balance between sites coming forward and the rate of build, a relationship that is fraught with difficulties.

6.7 The role of well-timed, enabling strategies, such as the Local Development Frameworks (LDFs), must not be forgotten in the delivery of housing and the necessary infrastructure.

6.8 The housing situation in Leicester is no different to that of many large cities and stems from the growth of the Leicester conurbation over many years. It cannot be changed quickly or easily and policy intervention might be necessary to guard against further polarisation and to gradually improve balance and create more mixed communities.

6 Housing SWOT

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Strengths

- Relatively moderately priced housing within the overall UK housing market context
- A good mix of types and sizes of housing across the wider conurbation and county
- Many attractive areas and environments
- Sufficient housing land availability to meet the RSS housing required up to 2026
- Additional housing growth can be provided in the urban concentration approach stated within the RSS through extension of existing urban areas

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Weaknesses

- Overall housing affordability, but less than in much of UK
- Shortfall of affordable housing compared to need, especially in suburban and rural areas
- Imbalances between housing sub-markets leading to :-
  - Poor viability of sites, especially in parts of the city, due to sub-market areas being seen as unattractive and less popular
  - High-priced sites in suburban and rural areas leading to development of expensive up-market housing
  - City flight (people leaving the city as they become more affluent)
- Imbalances of occupancy levels, overcrowding in some areas and under-occupation in others
- Some polarised tenure and ethnic concentrations. Concentrations of deprivation in central and city areas
- Mismatch between housing need and demand versus availability
- Higher levels of non-decent stock in the City than national average, as high proportion of pre-World War 1 housing

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Opportunities

- “Single Conversation” provides a joined up approach to public investment
- Ongoing regeneration areas and activities that could be used to steer housing market dynamics towards more mixed communities, less polarisation, a sub-market structure less divided between city and suburbs, and a better balance between supply and demand
- Managing student housing growth and provision to both aid graduate retention and release traditional houses as family homes
- Planned housing growth could have a positive impact on jobs in the construction sector

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Threats

- A further round of boom and bust in the generally dysfunctional and volatile UK housing market
- Ageing population and increased under-occupation of housing
- Polarisation between housing sub-markets
- Over-supply of particular types of housing, such as city centre flats in 2009
- Over-provision of property types as developers seek safety in sameness and do not link provision to evidence of demand
- High or increasing numbers of empty properties, and more non-decent homes, in sub-market areas which are unpopular
- Possible re-emergence of low demand patches.
- Loss of more economically active, wealth-generating households, either out of the city to the suburbs & rural areas, or out of the county
- Competing cities and other growth areas attracting graduates and skilled workers away with a better housing and environmental offer
- Reductions in public and private sector funding available to deliver infrastructure
- Current economic climate may impact upon levels of affordable homes needed and cause increasing levels of non-decent properties

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7 Employment Land and Premises

7.1 A balanced supply of employment land and premises is a necessary pre-requisite for an area to be able to maximise its economic performance. Sub-regional partners are in agreement that the Leicester and Leicestershire sub-region has suffered from a structural shortage of employment land for many years and that this has been a barrier to maximising growth within the sub-region.

7.2 The evidence base used to identify the amount of additional undeveloped employment land required in the sub-region to provide a balanced supply includes forecasts of future demand for land, the current effective supply of land, an assessment of the gap between demand and supply and consideration of the current economic and property market context within the sub-region. The final recommendations on additional allocations of employment land required in each district also reflect a number of additional market-related and policy-related factors.

7.3 At the present time, the sub-region can be characterised as follows:

- There is an increasing demand for offices and a decline in demand for industrial space.
- There has been an imbalance in the growth of the office stock, with significant increases in offices in out-of-town locations and stagnation in the City.
- Conversely, the greatest demand for offices is in Leicester.
- Leicester has seen the largest decline in industrial stock and also has the oldest industrial stock in the sub-region.
- Conversely, the greatest demand for land for new industrial stock is in Leicester.
- There is a 20-year supply of land for offices in Blaby.
- There is a substantial over-supply of industrial land in North West Leicestershire.
- There is a shortage of land for industrial and warehousing uses in Leicester.
- The un-met demand for industrial and warehousing land in Leicester must be found in the wider Leicester Principal Urban Area if the economic potential of the City and the whole sub-region is to be realised.

7.4 The overall demand-supply assessment and gap analysis for the sub-region indicated that offices are in balance for the period to 2026 but that a further 98 hectares are required across the sub-region to meet demand for industrial and small-scale and strategic warehousing development. However, following consideration of additional market-related and policy-related factors, the PACEC Study[20] recommended

[20] Strategic Study of Employment Land Requirements in Leicester and Leicestershire, PACEC 2008

the following additional allocations of previously undeveloped employment land are required, including:

- A minimum of 100,300 sq m of offices.
- A minimum of 174 hectares of land for light industrial and small-scale warehousing.
- 50 hectares for a road-rail strategic distribution centre.

7.5 At the local level, this includes:

- Strategic employment land allocations within the New Business Quarter, Ashton Green in Leicester, North Charnwood, South Charnwood, Blaby, Coalville in North West Leicestershire and Barwell and Earl Shilton in Hinckley & Bosworth.
- Local employment land allocations in Oadby & Wigston, Hinckley, Harborough and Melton.
- Innovation space for the germination, incubation and growth of businesses in the science, technology and creative sectors.
- Development of speculative Grade A and high-quality offices up to 4,000 sq ft on the edge of Leicester City Centre.
- A strategic road–rail distribution centre in North West Leicestershire.

7.6 The proposed Sustainable Urban Extensions (SUEs) have been identified as the key to the future supply of previously undeveloped employment land in the sub-region. In order to realise the full economic and environmental benefits of employment land allocations within the SUEs, such allocations need to be of a strategic scale and will require long lead-in times and investment-in-advance infrastructure to enable private sector investment. These strategic sites will provide for sustainable development with a better alignment between homes and jobs, and provide development platforms for low-carbon development, where critical mass is required for advance infrastructure.

Retail

7.7 The Leicester and Leicestershire sub-region has a healthy retail offer that experiences relatively little loss of expenditure to shopping centres outside of the area. Leicester City's retail ranking has improved from 14^{th} to 11^{th} nationally[21] following completion of the Highcross centre, and Fosse Park is a retail centre of national significance. Within Leicester, the market provides a distinctive element to the retail offer, attracting two million visitors annually.

7.8 The continued strength of the retail sub-regional offer and development of future retail infrastructure must go hand in hand with the provision of high-quality public realm and environment to reinforce and further retain a high level of retail expenditure in the sub-region.

[21] Venuescore 2009

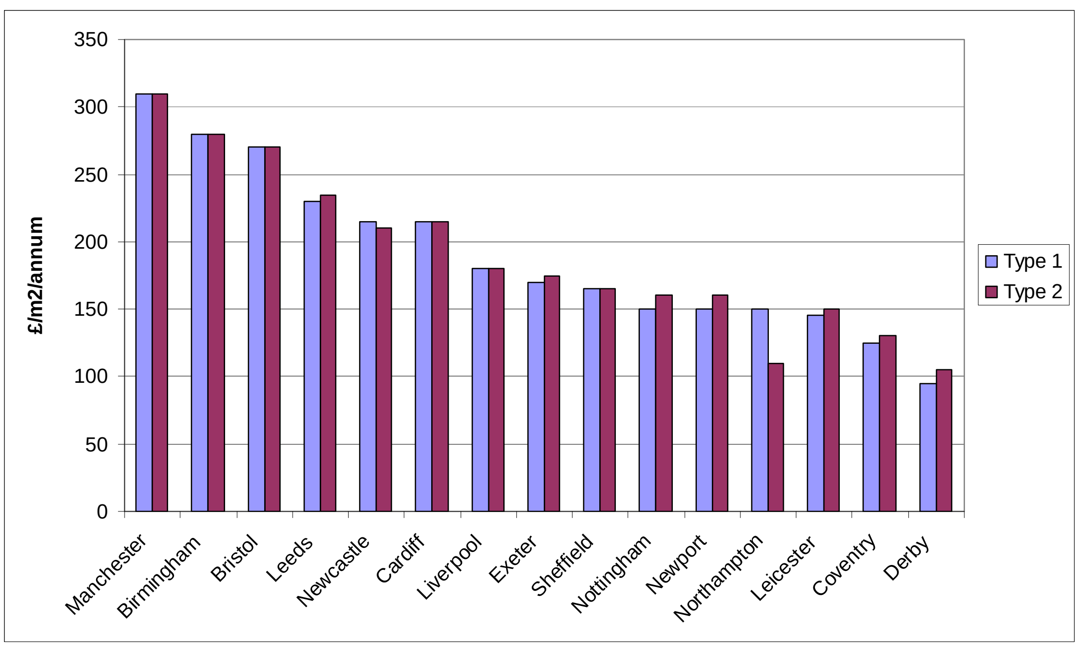
Value of Industrial Development Land

7.9 Industrial development land values in Leicester are very competitive compared to neighbouring cities such as Birmingham, Coventry and Nottingham. Moreover, they are extremely competitive compared with other large cities such as Bristol, Sheffield, Manchester and Leeds.

Office Rental Values

7.10 Office rental values in Leicester are relatively low compared to many other cities. In terms of business occupiers, this can be seen by some as a strength (particularly by those for whom “image” is less important), in that it will help a business to lower its costs by locating in Leicester. However, rental values are closely linked to the quality and range of accommodation on offer. Cities with lower average rental values are often perceived as less attractive for businesses where image is important. Much of the current office stock in Leicester is low grade and, as such, Leicester lags behind other urban centres in terms of its offer and image. Furthermore, the low rental values do not give investors, developers and existing property owners any incentive to invest or redevelop as investment yields are low.

Figure 7.1 Office Rental Values in Comparator Cities, 1 July 2008



Source: Valuation Office (2008)

7 Employment Land and Workspace SWOT

Strengths	**Weaknesses**
• A co-ordinated approach to employment land and workspace planning and delivery across the sub-region • Strong growth of industrial stock in North West Leicestershire, Hinckley & Bosworth, Melton • Overall demand for small office floorspace in the Leicester PUA has held up during the last two years • Good supplies of undeveloped employment space in North West Leicestershire and Harborough • Creation of Prospect Leicestershire as the focus for the delivery of economic development in the sub-region • Strong retail offer, Highcross, Fosse Park, Leicester market, market towns - area retains high proportion of retail expenditure • Industrial development land is competitively priced in Leicester compared to many other cities	• Market failure causing long-term structural shortages of ‘fit for purpose’ employment land and workspaces across the sub-region • Stagnation in the office market in Leicester at the expense of out-of-town office development • Large stock of old, outdated industrial and commercial premises of little interest to business, particularly within the City • Limited supply of available Grade A and high-quality office accommodation in Leicester • Current shortage of undeveloped employment land available to the market in Leicester, Charnwood, Hinckley and Bosworth, Oadby and Wigston and Melton • Gaps in the supply of workspace for germination, incubation and growth of businesses, particularly in science, technology and creative sectors • Lack of overall co-ordination between the provision of workspaces and business support across the sub-region, however, some local exceptions
Opportunities	**Threats**
• Joined-up approach to employment land planning and delivery - a source of economic competitiveness for sub-regional economy • Promote sustainable development by aligning homes with jobs & reducing the need to travel • Joined-up public sector approaches to the planning, funding & delivery of employment land & workspaces • Loughborough Science Park provides one of the most attractive sites for high technology-based industry in the East Midlands • Leicester Science Park to promote innovation employment in the City • Completion of Colton Square, which may increase rents and encourage further investment in Grade A offices • Substantial demand for employment land in Leicester and Charnwood • Unmet demand for small office schemes in Waterside and St George’s South in Leicester • Strong demand for basic workspaces and serviced offices from start-up and micro-businesses • Strong demand for germination, incubation and grow-on space from businesses in science, technology & creative sectors • Further development of retail offer and Leicester Market	• Abandonment of the strategic approach to the planning and delivery of employment land and workspaces, particularly for strategic employment sites in the Sustainable Urban Extensions • Inability to allocate additional undeveloped employment land outside the City boundary to meet unmet demand from within the City • Increasing demands on public sector resources and diminishing external funding programmes limiting the scope for future public sector interventions in employment land and workspaces • The need for advance investment and public sector intervention to bring forward strategic employment sites within the proposed Sustainable Urban Extensions • Car parking standards for City Centre offices deflecting demand for offices towards car-dependant out-of-town schemes • Urgent need to provide land in Charnwood to avoid it running out of land supply in the next 5-10 years, in all sub-areas • Identified additional allocations of undeveloped employment land not being brought to the market • Continued pressure for residential development on employment sites (especially in the City)

8 Transport

8.1 Transport continues to shape Leicester and Leicestershire's economy by providing attractive operating environments for specific sectors in terms of access to labour, suppliers and markets. The strong presence of manufacturing and transport and communications in the sub-region means that there is a dependence on the movement of freight. In particular, businesses are looking for efficient strategic road networks that provide easy access to national and international markets.

8.2 The sub-region benefits from excellent access to the strategic road network, and the area has a strong competitive advantage in terms of movement of freight by road. The position of the sub-region at the heart of the country, between the East Coast Ports and markets in the north of the UK, means that the area has been strongly placed to develop as the UK's logistics hub. Furthermore, East Midlands Airport, at the intersections of the M1, A42/M42 and A50, has developed a national role for the movement of air freight, second only to Heathrow. The relatively limited role played by rail freight does not appear to have constrained the development of the logistics sector in the sub-region, although this could become more of a challenge in the future.

8.3 There are, however, challenges with the management of traffic on the strategic road network: traffic flows have been rising strongly during recent years and congestion and incidents can impact on the transport costs, and, hence, on competitiveness and efficiency of business in Leicestershire, particularly manufacturing and logistics firms. If left unchecked, problems on the strategic road network will damage the competitive advantage of the Leicester and Leicestershire economy, particularly in light of the housing growth planned for the sub-region.

8.4 At a strategic level, existing problems currently include peak-period congestion at M1 Junction 21, poor road links to the A1 northbound, and the limited movements allowed at the M1 Junction 19 which ensures it is not possible to travel between the A14 and M1 south at this junction. Locally, there is marked peak-period congestion on Leicester's arterial routes and ring roads, and in some of the County towns such as Loughborough and Melton Mowbray. The sub-region also experiences inter-urban congestion at peak times which limits connectivity, especially on the M1 heading south to J21 and on the A6 between Leicester and Loughborough.

8.5 There are complex commuting patterns across the sub-region as people travel between the City and County for work, education and training. The sub-region itself is relatively self-contained in terms of commuting to and from work but 70,800 people commute into the City each day to work, compared to 27,600 commuting out, thus confirming that Leicester is extremely important to the County for the supply of jobs (17% of County wards have between a third and a half of their workforce commuting to the City). However, the patterns of commuting across the sub-region suggest that there are a number of other important individual labour markets throughout the county. 15% of secondary school pupils living in the City travel to County schools.

8.6 The sub-region has a smaller proportion of people working in professional and financial services than the national average. However, it is likely that professional services will continue to grow in importance, and it will be important to create the transport conditions to enable these types of business to flourish. The City, particularly the city centre, will be the main concentration of this type of activity, which will lead to ‘spillover’ benefits for the wider economy. This requires the provision of effective strategic connectivity for business travel, particularly by rail, not only to London, but also to professional services clusters in other major cities including Nottingham and Birmingham. As planned housing growth across the HMA[22] occurs, commuting to other key centres is likely to increase, meaning that the quality of these linkages will become increasingly important.

8.7 Rail connectivity is currently generally considered to be good and the area has frequent and fast rail services to London from Leicester, Market Harborough and Loughborough. On the other hand, rail connectivity to Manchester, Leeds, Northampton and Milton Keynes is poor and rail services to Birmingham and Nottingham could also be improved. However, it is recognised that improving rail connectivity will be expensive.

8.8 The development of a ‘knowledge economy’ in the HMA requires effective access to a skilled labour market. The obvious pre-requisite is to up-skill the existing workforce and to attract highly-skilled workers to the sub-region which will require the provision of appropriate levels of housing and other infrastructure to support a high quality of life. This also means catering for the travel-to-work needs of ‘knowledge-workers’, who require effective connectivity by a range of modes, including the car and, with increasing salary prospects, will become more willing to travel further to work. Only 7.5% of journeys in the HMA to work are made by bus. For travel to work into and within the central Leicestershire urban area, a step-change in the quality of bus services is required to provide a viable and attractive alternative to the private car for a much greater proportion of the working population.

8.9 Claimant Count Data published for October 2009 (Leicestershire County Council Unemployment Bulletin, Table 1) indicates that unemployment is highest in the city (7%), compared to 3% in the County. There are a number of factors affecting the employment rate in the city (i.e. the large student population, poor skills, low educational attainment, poor health and multiple deprivation). However, lower

[22] HMA = Housing Market Area, corresponds to the Leicester and Leicestershire sub-region

public transport accessibility to employment locations outside central Leicester may also be a factor in limiting employment opportunities.

8.10 The implications of the recession are still emerging, but there is likely to be a rise in unemployment during the next year. This is due to losses in the numbers of jobs available, and there will be steep competition from applicants. Transport provision could become a factor constraining people's ability to find jobs; if incomes fall relative to the costs associated with owning and running a car, people may become more dependent on public transport. Also, if people begin to look further afield for employment, transport issues, particularly lengthy and expensive public transport journeys, will increasingly be an important factor determining worklessness.

8.11 The current public transport offering in the sub-region has both its strengths and weaknesses. Bus access to central Leicester is seen as a strength along with the provision of a comprehensive hourly county bus network. With more bus priority, journey times by bus are becoming increasingly competitive with car travel, especially at peak times in urban areas. Leicester's Park and Ride network is also expanding. Bus service punctuality is broadly at levels found elsewhere.

8.12 The public transport interchange in central Leicester is poor given the distance between the London Road Station, Haymarket and St. Margaret's bus stations. There is also often limited access by bus to centres of employment outside central Leicester such as business parks, and limited or non-existent public transport provision to the most rural communities. This limits access to employment and training, although only 5% of residents in the HMA do not have access to an hourly or better bus service.

8.13 Evening and weekend bus services are less frequent than at other times as patronage is lower than at other times, making the services less commercially viable. This is particularly problematic for employees working shifts.

8.14 National research suggests that crime levels on public transport are low. However, crime and fear of crime are seen as a deterrent to walking, cycling and use of public transport, particularly amongst women, the young and the elderly.

8.15 In terms of business views of public transport, over one in three rural businesses rate 'employee travel to work by public transport' as a concern, compared to only 16% in urban areas, whilst one in five rural businesses expressed concern regarding customer access to their premises by public transport, compared to only 8% in urban areas[23]. Availability of late evening and early morning bus services is the

[23] Leicester and Leicestershire Business Survey, Winter 2009/10

biggest business concern relating to public transport with one in five companies expressing concern, higher in rural areas. Nearly half of all companies in the HMA have no staff who travel to work by public transport [24].

8.16 In terms of road safety, there have been marked improvements across the sub-region over the last 10 to 15 years. The rate of reduction of road accident casualties is lower in Leicester City than in the County. However, casualties in Leicester only account for approximately a quarter of all killed or seriously injured casualties across the sub-region.

[24] The Leicester and Leicestershire Business Survey, Summer 2009 found that in 46% of companies, no employees travel to work by public transport and in 54% of companies, at least 75% of staff travel to work by car.

8 Transport SWOT

Strengths	Weaknesses
• Strategic location on national road network • Good road access to peripheral business parks and development land • Delays on strategic road network less severe than regionally / nationally • East Midlands Airport – access to international markets / freight distribution • Frequent, high-speed, rail services to London (and onto Europe) • Rail services to most county towns and East Midlands Airport • Good daytime bus network, especially in central Leicestershire, rural Leicestershire and inter-urban routes • Increasing levels of bus priority, bus information and park & ride • Relatively low, and falling, road accident rates	• Peak period traffic congestion in Leicester – arterial routes / ring road / M1J21 • Peak period congestion in County towns, particularly Loughborough and Melton Mowbray • Peak period congestion on some inter-urban routes limits connectivity (i.e. A6 between Leicester and Loughborough, A14 at M1 Junction 19, A6 / A50 / A453 at M1 Junctions 23a-24a) • Limited bus access to employment centres outside of the core urban areas • Poor evening and weekend bus services adversely affect access to employment (does not accommodate unsociable working hours) and night-time leisure services • Poor public transport competitiveness with the car – particularly for orbital and cross-city movements • Poor rail accessibility to some key centres outside the region (Manchester / Birmingham / Leeds) • Low rail speeds to Nottingham / Birmingham • Modest local rail network with relatively infrequent services • Poor public transport interchange in Leicester • Capacity and operational constraints on the Midland Mainline and rail freight routes • No rail freight terminal in HMA
Opportunities	**Threats**
• Access to strategic road network is attractive for distribution, manufacturing, logistics sectors / movement of freight • Relatively short journey to work offers opportunity for behavioural change in reducing congestion and CO_2 emissions through promotion of walking and cycling for shorter trips • Spare capacity on some key road corridors (e.g. A42, M42) • Planned enhancements of the Midland Mainline and potential interventions arising from regional DaSTS studies • Rail crowding is not yet an issue on most services	• Increasing vehicle kilometres and traffic flows will lead to worsening congestion, reducing journey time reliability for cars, freight and bus services • Increasing demand for travel due to economic, employment and housing growth • Car travel is becoming cheaper relative to public transport • Some businesses perceive a lack of parking for customers and employees as a factor affecting business desire to locate in Leicester City • Anticipated cuts in transport investment funding of up to 30% may affect ability to fund the transport infrastructure needed to support housing and economic growth agendas • Cost of travel can act as a barrier to population accessing employment and training • Gaps in rural public transport services may affect people's ability to find jobs or access education and training opportunities • Growth in the quantity and size of HGV traffic generated from economic activity may contribute to worsening congestion

9 Environment

Climate Change - Mitigation

9.1 At a national level, a target has been set for carbon emissions to reduce by at least 80% by 2050 against 1990 levels. This requires per capita emissions to be reduced in Leicestershire from eight to two tonnes. This will be achieved by measures that reduce energy demand, deliver improved energy efficiency, and switch power sources to renewable energy.

9.2 Such responses should be supported, wherever possible, as they reduce costs, reduce waste and help to mitigate the impact of climate change.

9.3 There is an increasing need to accept that the design of how buildings and machines work in carbon terms will need to become relatively more important and that this will bring aesthetic design challenges for society.

9.4 There will be a range of business and education opportunities in delivering energy reduction, energy efficiency and renewable energy schemes, which may need seed corn funding.

Climate Change - Adaptation

9.5 There will need to be a Leicester Shire Climate Change Adaptation Strategy prepared and delivered to ensure the impacts of climate change are managed in an appropriate fashion.

9.6 The risk of flooding affecting homes and businesses is already a significant issue in the sub-region. Historically, this has been from rivers bursting their banks. Whilst this risk will increase with climate change, there is also likely to be increased surface water flooding from the increased intensity of rainfall. Such flooding incidents are harder to forecast and can occur over a much wider area of the City and County.

Resource Efficiency

9.7 Programmes of support for resource efficiency improvements will be particularly beneficial in that savings generated go straight to the bottom line, reduce waste and reduce impact on the environment. They also reduce the regulatory burden on business that is otherwise expected to increase as the real costs of environmental services will be increasingly charged. Water resource management will become increasingly important due to potential drought from climate change and potential conflict over use of limited resources.

9.8 There will be potential for increased flooding due to extreme weather events compounded by climate change. These flooding events will be from rivers, from surface water and from lack of capacity in the sewerage network to cope with such loading. There will be a need to ensure the public are aware of these risks and the measures available to cope in emergencies.

9.9 There is a need to tackle diffuse pollution as it affects our rivers and watercourses.

9.10 Programmes to tackle air quality issues in the designated Air Quality management areas in Leicester and Leicestershire will need to be enhanced through the next review of the Local Transport Plan. Programmes that increase support for sustainable transport will need further support.

9.11 Waste Management will be based on the following principles:

- working towards zero growth in waste by 2016
- reducing the amount of waste sent to landfill
- exceeding government targets for recycling and composting to continue to achieve levels of current best practice
- taking a flexible approach to other forms of waste recovery on the basis that technology in this area is developing very quickly

Green Infrastructure

9.12 There is a need to improve the quality and accessibility of some of the greenspace in and around Leicester. This would have multiple benefits for well-being, physical and mental health, biodiversity, air quality, flood management, climate change adaptation and sustainable transport. Particular priority areas linked to Growth Point developments have been identified for:

- Soar Valley
- Charnwood Forest
- Burbage Common and Woods
- The countryside edge in and around Leicester and other urban areas

Environmental Services

9.13 In Leicester and Leicestershire, we can expect that issues relating to protection of the public good, represented by ecosystem services, will receive greater prominence. This will be achieved through increased regulation, through measures designed to ensure that such services are not damaged and through additional work to ensure that we understand ecosystem services better. This will be coupled by significant effort to ensure that individuals understand how they depend upon the natural environment. This is a critical issue as the absence of such understanding can inhibit meaningful decisions being made on behalf of society.

Biodiversity

9.14 Whilst biodiversity levels of both the County and City are comparatively weak and impoverished compared to other areas of the country, there are small pockets of significant interest. Leicestershire has suffered a significant loss of biodiversity over the last 50 years. It is, therefore, important to protect and enhance the rich sites that remain. Elsewhere, programmes of nature conservation enhancement will be needed. Existing programmes will need continued support in the National Forest, Charnwood Forest, Leighfield Forest and in the Strategic River corridors of the Soar, Trent and Welland and their tributaries.

9.15 Habitats that are beneficial for wildlife in the City include: small areas of woodland and wetland, meadows, pasture, hedgerows and spinneys, managed green spaces including parks and private gardens, allotments, cemeteries and school grounds. There are also more typical urban habitats, such as buildings and structures, disused railway land, road verges/banks, bare ground and disused or abandoned land. The River Soar and Canal Corridor is a very important natural feature in the City for wildlife.

Better Places

9.16 The quality of much recent development in Leicester and Leicestershire has been unacceptably poor (according to CABE[25]). There is a pressing need to ensure the design quality of new development improves.

9.17 Our city and town centres are the focus of our communities. The distinctive identity of the historic environment helps to define the quality of these places. They have also undergone significant changes in function and form. In many instances, these changes have meant that the 'heartbeat' of the centres has reduced. Programmes of action to ensure that employment, retail activity and sense of place are retained and developed are highly desirable.

9.18 Heritage sites around the City and County contribute significantly to employment, tourism and people's sense of place, quality of life and civic pride.

9.19 Environmentally-led regeneration through the National Forest initiative has demonstrated the success that focussed programmes of activity can achieve. Whilst such significant levels of landscape change are not required in much of Leicester and Leicestershire, where policies of protection of existing character are more appropriate, there are some

[25] Commission for Architecture and the Built Environment, audit report 2006

areas where more focussed activity would be beneficial to fully realise their environmental and economic potential. As well as the City, town centres and the National Forest, these include:

- The River Soar corridor
- The countryside in and around Leicester and in and around other urban areas
- Charnwood Forest

Geology and Minerals

9.20 Leicestershire is very rich in minerals. The geology of Charnwood Forest is nationally important and the associated palaeontology (Charnia fossils) is internationally important as the first evidence of life in the fossil record. Mineral operators are significant employers and contributors to the local economy. However, the side effects of quarry operations can involve additional traffic, noise, dust and landscape change. Future mineral operations need to work in ways which minimise harmful impacts, and, when land is restored, maximise community and environmental benefits. As society and the economy continue to demand the products associated with mineral production in Leicestershire, we can expect to see a continued need for minerals working. In land-use planning terms, this will be much easier to accommodate where it can be seen that public assets will be created through the early identification of appropriate “after uses” for such sites.

Inland Waterways

9.21 Inland waterways can support climate change, carbon reduction and environmental sustainability by:

- Assisting in the mitigation of flood risk
- Playing a role in urban cooling
- Providing sustainable transport
- Providing biodiversity and forming ecological corridors
- Contributing to regional and local renewable energy targets through onshore hydro-electric power and the use of canal water for heating and cooling buildings

9 Environment SWOT

Strengths	Weaknesses
• Pleasant and attractive environment • Developing National Forest with good access • Nationally important geological and biological resource of Charnwood Forest	• Relatively poor levels of biodiversity compared to other areas of the country • The quality of greenspace in and around Leicester varies and it is not evenly distributed. • Low quality of recent development
Opportunities	**Threats**
• Climate Change – Business opportunities in resource efficiency including: renewable energy generation; fitting energy efficiency measures to new and existing buildings and vehicles; water conservation; air quality; waste management reduction, refuse and recycling • Scale of mineral resource provides opportunities through planned restoration to provide improved biodiversity and green infrastructure • Regeneration of City and town centres • Greater opportunities for partnership working on environmental imperatives • River Soar and the Grand Union Canal development potential	• Climate Change – general trend to drier hotter summers, wetter winters, more intense rainfall leading to increased flooding, and an increased risk of more extreme weather events • Need to reduce per capita CO2 emissions to two tonnes by 2050 while still providing good quality of life for all • More expensive and regulated environmental services

10 Rural Issues

10.1 Leicestershire's rural economy cannot be defined solely in terms of one sector. Significant social and economic changes in recent years have meant that the rural economy is no longer reliant upon the land-based/agricultural sector as it was, perhaps, 40 years ago. As identified through the Economic Assessment, Leicestershire's rural economy aligns significantly, in structural terms, to the urban economy with a range of sectors represented. This includes an expanding tourism sector, increased patterns of homeworking, and a growing creative and knowledge-based economy. Other important sectors include wholesale, retail, food and drink manufacturing, transport and communications. Despite some key larger employers based within rural areas, businesses are generally much smaller in rural areas, with a higher proportion employing less than 10 people. Operating within a rural area can present key challenges for such businesses.

10.2 The Government's Rural Advocate has demonstrated the huge contribution rural areas make to the national economy and points to the ways in which further potential can be released.[26] The contribution of businesses located within rural areas to the regional and national economy is under-estimated. This is either as a result of urban-focused data or an assumption that cities are the sole economic powerhouses. The Three Cities Sub-region, within the Regional Spatial Strategy, for example, includes Derby, Leicester and Nottingham. Fundamental barriers, including planning restrictions, the lack of affordable rural housing, lower levels of public transport, and lack of adequate broadband provision, mean that this potential in rural areas is currently unmet. These are all issues experienced within rural Leicestershire.

10.3 Land-based businesses remain important within Leicestershire, and there has been an increase in on-farm diversification. This has resulted in improvements to local tourism, food and drink and equestrian activity. Farmers also help to ensure the management of the countryside and productivist agriculture is likely to be of increasing importance as a result of current food security concerns. Furthermore, Leicestershire has an expanding woodland economy, principally located within the National Forest.

10.4 Housing affordability is a critical issue within rural communities. Based on evidence contained within the Strategic Housing Market Assessment (SHMA), there is an estimated need to provide around 250 new affordable homes per year within rural areas. Current levels of delivery since 1999 have been around 16 per year.

10.5 Broadband provision is poor within many rural areas and there are unlikely to be improvements without significant public sector funding

[26] http://www.ruralcommunities.gov.uk/files/crc67_englands_rural_areas1.pdf

support. Under the Government's commitment for 90% of the population to receive Next Generation Access by 2017, there is a risk that rural areas within Melton, Harborough and Hinckley and Bosworth will not benefit.

10.6 A projected increase in the numbers of older population living within rural areas will have significant impact on the delivery of support services, social care and housing provision.

10.7 Employment across a range of broad sector groups is more evenly spread in rural areas compared to urban – demonstrating a more diverse employment/economic base. There is proportionally more employment in;

- o wholesale and retail trade in significantly rural areas (village, hamlet and isolated dwellings)
- o manufacturing in town and fringe
- o transport and communications in town and fringe

10.8 The proportion of employment within the food and drink, equestrian and outdoor recreation, and land-based sectors within Leicestershire is greater than the England average. The food and drink sector, for example, has experienced the largest growth within the manufacturing sector between 1998 and 2007. 54% of all manufacturing jobs in Melton are within the food and drink sector. Issues, such as food security, will ensure that the agricultural sector is of significant future importance. The woodland economy is of increasing importance, principally as a result of activities within the National Forest.

10.9 There is an increasing tourism base in the National Forest, with a number of key tourist and accommodation sites. Bradgate Country Park is the region's most visited "paid for" attraction with 0.9million visitors in 2007. During the foot and mouth outbreak during 2001 the park's closure impacted upon local pubs, shops and tourism outlets.

10.10 There are a number of other important tourist attractions within rural Leicestershire including Twycross Zoo, Bosworth Battlefield, Conkers and Foxton Locks.

10.11 There has been significant growth in tourism employment across Leicestershire. Highest growth is in Harborough and Hinckley and Bosworth and the lowest growth is in Melton. The highest proportion of tourism jobs is in Hinckley and Bosworth at 10%.

10.12 The visitor economy has demonstrated a high level of entrepreneurial activity and new business formation bringing clear social and environmental benefits to rural areas.

10.13 In terms of the knowledge economy, there is a higher proportion of consumer services within significantly rural areas and a slightly lower proportion of knowledge-based services. There is a significantly lower proportion of high-technology manufacturing in significantly rural areas.

10.14 There is a higher proportion of construction sector, banking, financial and business services sector, and transport and communication sector businesses in rural than urban areas.

10.15 In terms of business size, it is notable that there is a higher proportion of very small businesses (employing 1-10 people) in rural areas than in urban areas.

10.16 Business confidence has been lower amongst businesses located in rural areas compared to those in urban areas over the last 12 months. A higher proportion of rural businesses considered that their market was declining and that their workforce would decrease.

10.17 As a result of the recession recent increases in benefit claimants has been greatest in rural areas over the last year, with a 206% increase in town and fringe and 184% increase in significantly rural areas compared to an 85% increase in urban areas. Unemployed residents within rural area may find it especially difficult to access the support they need to return to employment.

10.18 Rural estates, owned by individuals, institutions and public sector organisations, within Leicestershire are significantly important to the rural economy. They provide employment opportunities, workspace provision, affordable rural housing, and local services. Two thirds of Leicestershire estates are identified as smaller holdings up to 800ha each. In total 24% of the Leicestershire land area is owned by an estate.

10.19 The MAA provides new opportunities to support rural businesses through closer working with residents and business in Leicester City. The City provides a significant market which, for example, could be developed in terms of tourism marketing and local food sourcing. In addition, services developed as part of planned housing extensions could provide additional support to businesses and residents within rural hinterlands.

10 Rural SWOT

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Strengths

- Significant tourist attractions within rural Leicestershire including Bradgate Park, Twycross Zoo, Bosworth Battlefield, the National Forest and Foxton Locks
- Entrepreneurial, dynamic, and proactive businesses within rural areas who seek new opportunities for business growth
- Key unique, established and successful brands within rural Leicestershire – especially with the food and drink sector
- Central location within the heart of the country and good transport links, especially to the west of Leicestershire, provide key investment opportunities within rural Leicestershire.
- A diverse rural economy resulting in a range of opportunities for economic growth. Supported by rich and varied natural environment
- Relatively prosperous communities with low overall levels of deprivation
- Relatively high levels of qualifications, although problems exist within some sectors

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Weaknesses

- Broadband connectivity in some rural areas is poor, affecting many rural businesses and opportunities for skills development. In some instances there is limited use of ICT technologies, especially within the land-based sector, resulting in business inefficiency
- Lack of appropriate managed workspace and enterprise space in rural areas for either new businesses or those that become established to expand into
- Lack of skilled workforce within certain sectors. Some are characterised as low skill, low wage
- Lack of affordable housing and reduced provision of public transport within rural areas results in problems for some businesses appointing staff to certain positions

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Opportunities

- Rural estates, in addition to supporting land-based businesses, can offer significant opportunities to strengthen rural economies by providing workspace, affordable rural housing and community facilities
- Tourism could offer more to the sub-regional economy. Opportunity to increase overnight stays and develop improved links between other sectors including food and drink, equestrian and land-based
- Key sectors in rural areas could contribute further to the sub-regional economy – including food and drink, land-based, and equestrian
- County Multi Access Centre programme will help to ensure that residents in rural areas are able to access training and skills development opportunities
- Businesses in rural locations, including the land-based sector, could increase profitability through adoption of resource efficiency measures
- Development of food and drink manufacturing to provide local ethnic food, reducing food miles
- Personalised travel planning and green travel plans to support rural businesses and employees
- MAA provides new opportunities to support rural businesses through closer working with residents and business in Leicester City

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Threats

- Planning policies are often cited as a key barrier to achieving economic growth in rural areas. Regional policy of urban concentration results in a constrained rural economy
- Many agricultural diversification projects have quoted ‘access issues’ as a barrier to gaining planning permission
- Increased burden of regulation and legislation, especially for land-based, equestrian and food and drink businesses, results in reduced opportunity to diversify and expand
- Difficulties of successfully identifying pockets of rural deprivation. Measures such as IMD are not successful in identifying rural issues
- Rural premium. Additional cost of delivering services within rural areas. Due to the sparse population and limited resources, mainstream service delivery does not always reach those in most need.

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11 Summary Strengths, Weaknesses, Opportunities and Threats (SWOT)

11.1 This section provides a summary of the strengths, weaknesses, opportunities and threats facing the sub-region.

Strengths	Weaknesses
• Three world-class universities • Diverse economic structure not overly dependent on any one sector • Workforce qualifications in the County are amongst highest in region • Strong and improving FE sector • Progression rates to HE very high in Leicester City, especially amongst Indian population • Strategic location in relation to national road network; 95% English population accessible in 4 hours • East Midlands Airport, second largest freight-handling airport in UK • Fast rail service to London • Generally strong market towns and rural economy – as evidenced by GVA per head • Strong retail offer through Highcross and Fosse Park - retail expenditure largely remains within sub-region • Pleasant and attractive natural environment with good access • National Forest – national example of environmental-led regeneration • Relatively moderately priced housing within the overall UK housing market context • A good mix of types and sizes of housing across the wider conurbation and county. • Sufficient land for housing • Industrial development land is competitively priced in Leicester compared to many other cities	• GVA per head in Leicester is below Nottingham and Derby • Lack of the right types of housing for jobs etc in the city • Workplace earnings in Leicester are low for a City – linked to low proportion of jobs in managerial and professional occupations • Leicester City male resident earnings (median) are the lowest in the region • Sub-region does not have strong identity/ image • Three-year business survival rates are low in Leicester City • 22.1% of Leicester residents have no qualifications • Only 56% of working age females in employment in Leicester City • Lack of graduate retention – especially arts and engineering graduates • Marked poor educational performance of white young people resident in the City, already apparent at age 11 • Almost half the neighbourhoods in Leicester City fall into the 20% most deprived nationally • Peak traffic congestion – routes into Leicester, Loughborough and Melton, M1 J21 • "City flight" – people leave the City as they become more affluent – complex issue but in part linked to quality and mix of housing available • In the past, lack of employment land and obsolete premises have constrained growth • Limited supply of Grade A and high-quality office accommodation in Leicester • A shortfall of affordable housing compared to need, especially in suburban and rural areas, similar to most other areas of the UK

Opportunities	**Threats**
• Science and enterprise parks - Loughborough and Leicester • Strong demand for basic workspaces and serviced offices from start-up and micro-businesses, as well as for germination, incubation and grow-on space from businesses in science, technology & creative sectors • Grade A office provision in New Business Quarter • Rail freight site in NW Leicestershire with associated employment land • Potential for SUEs to accommodate and provide right employment land and housing to support the economy (jobs) in right locations • Some local sectoral strengths in food and drink manufacturing, transport and communications, wholesale and retail (Highcross / Fosse Park), high-technology manufacturing • Growing service sector, with business services making a high contribution to GVA and projected to grow in the future • Tourism & cultural offer – National Forest, Curve, Phoenix Square, National Space Centre, festivals, inland waterway network • Business opportunities to support low carbon economy – e.g. in resource efficiency, renewable energy, sustainable construction, waste management • Qualification levels are improving in both City and County which will help encourage investment in the area • Scale of mineral resources provides opportunities through planned restoration to provide improved biodiversity / green infrastructure • Significant growth in food and drink expenditure is anticipated in the future, which represents an opportunity for retail centres • Planned housing growth could generate more construction sector jobs	• 1 in 3 jobs in the City are in the public sector, making it vulnerable to public expenditure cuts • High % of start-ups in vulnerable sectors (e.g. property services and construction) which may not survive • Employers report lack of “applicants” that are “job-ready”, especially young people • Significant increase in claimant count (JSA) unemployed – in both the City and County • 1 in 5 working age residents claiming out-of-work benefits in Leicester • Decrease in vacancies notified to Job Centre Plus in last 12 months • Low aspirations of those in deprived areas of the City, contributing to cycles of deprivation • Funding gap and continuing decrease in public sector funds will impact on delivery of essential infrastructure • Skills gaps reported by many businesses, especially in manufacturing sectors • Congestion could get worse with planned housing growth • Housing growth will also place additional demands on infrastructure • Loss of more economically active, wealth-generating households, either out of the City to the suburbs and rural areas, or out of the County completely • Competing cities and other growth areas attracting graduates and skilled workers away with a better housing and environmental offer • Climate change will increase risk of flooding and extreme weather events • Continued pressure for residential development on employment sites (especially in the City) • Inability to allocate additional undeveloped employment land outside the City boundary to meet unmet demand from within the City

12 Conclusions

Economic Linkages

12.1 The review of evidence suggests that the Leicester and Leicestershire sub-region represents a sensible functional economic geography for an economic assessment. The sub-region has a “core-periphery” structure with a large city at its centre, some densely populated towns and a large rural hinterland. The continuous built-up area of Leicester City extends into adjoining areas of Leicestershire County, especially into the districts of Oadby & Wigston, parts of Blaby, Charnwood and Harborough. Almost half the sub-region’s population of 916,000 people live in this Principle Urban Area. The sub-region functions as a reasonably integrated economic area, in terms of travel to work and school patterns, retail patterns, housing markets and transport links.

12.2 Although this area is a sensible economic unit for the focus of an economic assessment, there is a complex set of economic, environmental and demographic inter-relationships between the City of Leicester, Leicestershire, other parts of the East Midlands and adjoining regions. With the freight and passenger facilities at East Midlands Airport in the north of the County, relationships are becoming increasingly international. There is a constant process of people and businesses moving in and out of the sub-region. Large quantities of goods are also transported from, to and across the area.

12.3 Our sub-region enjoys a central location, with 95% of England’s population within a four-hour drive of Magna Park in Lutterworth, which has resulted in a strong distribution sector in the area. Rail links from Leicester to London and to Europe are good and East Midlands Airport is the second largest freight-handling airport in the UK. The express delivery sector has emerged as an important sector in North West Leicestershire, linked to the airport and excellent road links.

Commuting Patterns

12.4 There are complex commuting patterns across the sub-region as people travel between City and County for education, work and training. 15% of secondary school pupils living in the City travel to County schools. Moreover, 70,800 people commute into the City each day to work, compared to 27,600 commuting out, giving a net in-commuting balance of 43,200. Leicester is extremely important to the County for the supply of jobs. 17% of County wards have between a third and a half of their workforce commuting to the City. However, the patterns of commuting suggest that there are a number of other important individual labour markets throughout the County.

Retail Patterns

12.5 The Leicester and Leicestershire sub-region has a healthy retail offer that experiences relatively little loss of expenditure to shopping centres outside of the area. Leicester City's retail ranking has improved from 14^{th} to 11^{th} (nationally)[27] following completion of the Highcross centre. Leicester retains 61% market share of shoppers and loses only 2% to Nottingham from its core catchment. Fosse Park is a significant retail centre, located in Blaby district, close to Junction 21 of the M1. Fosse Park takes 11% of Leicester's market share.

12.6 Loss of retail expenditure from the sub-region is mainly confined to the districts of Melton and North West Leicestershire, given their proximity to Nottingham, Derby and Grantham.

12.7 Retaining retail expenditure links closely with the provision of high-quality public realm and efficient local transport links.

Housing Market Patterns

12.8 The Leicester and Leicestershire sub-region is a good basis for assessing, monitoring and understanding the functional economic *area*. However, travel to work and trading patterns are not the same as those for households moving. In general, people will travel greater distances to work and to trade than they will to move home. The sub-region offers a wide variety of property types and tenures at a range of prices. These are sufficiently high to contribute to economic buoyancy, and relatively affordable compared to household income. However, the Strategic Housing Market Assessment has identified a need for more affordable housing in both urban and rural areas.

Challenges and Opportunities

12.9 The Economic Assessment process has identified a number of challenges facing the economy along with a number of opportunities for improving the state of the economy. These are presented in tables 12.1 and 12.2.

[27] Venuescore, 2009

Table 12.1 Key Challenges Facing Leicester and Leicestershire

Productivity and Earnings

- GVA per head in Leicester City is below that in Nottingham and Derby
- Workplace earnings in Leicester are low for a city
- Male resident earnings (median) in Leicester are the lowest in the region
- The low earnings are linked to the sector structure, the low proportion of jobs in managerial and professional occupations and qualification levels in the workforce

Sector Structure, Business and Enterprise

- The sub-region does not have a strong identity and image, which has made it difficult to attract knowledge-based inward investment
- One in three jobs in the City are in the public sector, making the area vulnerable to public expenditure cuts
- Three-year business survival rates are low in Leicester City and many start-ups are in vulnerable sectors

Education, Training and Skills

- 22.1% of Leicester residents have no qualifications and 43% do not have a level two qualification, regarded by many as a pre-requisite to enter employment
- Only 56% of working age females are in employment in Leicester City
- Graduate retention from the three universities is low
- Poor performance of white young people resident in the City is evident at age 11 and carries forward to GCSE results at age 16
- Skills gaps reported by many businesses, especially manufacturers

Exclusion, Deprivation and Worklessness

- Almost half the neighbourhoods in the City fall into the 20% most deprived nationally, along with five neighbourhoods in the County
- Significant recent increase in claimant count (JSA) unemployed in City & County
- One in five working age residents claiming out-of -work benefits in Leicester
- Decrease in vacancies notified to Job Centre in last 12 months
- Low aspirations of those in deprived areas of the City
- Employers reporting lack of “job-ready” young people and those returning to the labour market

Transport and Infrastructure

- Peak-traffic congestion – especially routes into Leicester, Loughborough and Melton, and at the M1 Junction 21. This could become worse with the planned housing growth
- Need for more “affordable” housing across the sub-region
- Delivery of planned housing growth – particularly unlocking City regeneration areas
- “City flight” - people leave the City as they become more affluent, a complex issue, linked in part to the quality and mix of housing available
- Lack of employment land and use of obsolete premises has constrained growth in the past
- Delivery of infrastructure to meet the planned housing growth

- Limited supply of available Grade A and high-quality office accommodation in Leicester

Environment

- Climate change will increase risk of flooding and extreme weather event
- Managing development and growth against the need to reduce carbon dioxide emissions by 80% before 2050

Table 12.2 Key Opportunities for Leicester and Leicestershire

Sector Structure, Business and Enterprise

- Diverse economic structure not overly dependent on any one sector
- Sector strengths in food and drink, transport and communications, wholesale and retail and high-technology manufacturing
- Growing service sector, with financial and business services sector making a high contribution to GVA and projected to grow in the future
- Tourism and cultural offer including Twycross Zoo, National Forest, Curve, Phoenix Square, National Space Centre, Twin Lakes, Belvoir, Bosworth Battlefield, Mallory Park, inland waterway network
- Strong market towns and rural economy as evidenced by GVA
- Strong retail offer through Highcross and Fosse Park and retail expenditure largely remains within the sub-region
- Business opportunities to support low carbon economy in resource efficiency, renewable energy, sustainable construction, waste management
- Businesses can harness and exploit the expertise in the area around low carbon technologies for energy and transport

Education, Training and Skills

- Workforce qualifications in the County are amongst highest in region
- Qualification levels are improving in both City and County
- Three world-class universities
- Strong and improving FE sector
- Progression rates to HE very high in Leicester City, especially amongst Indian population

Transport and Infrastructure

- Strategic location in relation to national road network; 95% English population accessible in 4 hours
- East Midlands Airport, second largest freight-handling airport in UK
- Fast rail service to London and Europe
- Potential to develop science and enterprise parks
- Grade A office provision in the City Centre - New Business Quarter
- Rail freight site in NW Leicestershire with associated employment land
- Potential for Sustainable Urban Extensions (SUEs) to accommodate and provide strategic employment land and “affordable” housing of the right types and tenures

Environment

- Pleasant and attractive natural environment with good access
- National Forest – national example of environmental-led regeneration
- Scale of mineral resources provides opportunities through planned restoration to provide improved biodiversity and green infrastructure

Priority Themes

12.10 A number of key themes have emerged from the evidence that will help stimulate sustainable economic growth in the future. These include:

- providing enough jobs for local people
- supporting people to develop their skills and businesses to provide high-quality jobs
- ensuring local people are job-ready
- generating most of our jobs and wealth from our own resources
- providing the right space and infrastructure for companies to start and grow

12.11 These key themes have been translated into the high-level priority outcomes in the economic strategy for the sub region:

- A productive economy with high-performing businesses
- A highly qualified, skilled and motivated workforce in high-value jobs
- Improved opportunities for vulnerable people and communities
- A highly sustainable environment with excellent infrastructure

12.12 The evidence to support the selection of these themes is described below.

A Productive Economy with High-performing Businesses

12.13 Our economy has undergone a significant change that has resulted in the decline of the sub-region's manufacturing base which once formed the backbone of its economy. Global competition and technological advance have restructured and moved our economy from an industrial economy, based around the mass production of goods, to a knowledge economy where we have growing employment in business services, high-technology manufacturing, consumer services and creative industries. Nevertheless, manufacturing remains important to the local economy and makes our sub-region distinct from other areas of the country. In particular, local strengths in the food and drink sector can be further developed. This sector is forecast to grow locally, whereas nationally it is in decline.

12.14 Productivity, understood as output per head of the local population, is an important indicator of the overall health and wealth of an economy. Productivity for Leicester City is above the regional and national figures but it is usual for cities to show higher levels of GVA per head than the areas that surround them because they provide a focus or core for economic activity to take place.

12.15 The distinction between core-periphery in other East Midlands city and sub-regions is noticeably more distinct than in Leicester and Leicestershire (in terms of GVA per head). This suggests that the contribution of Leicestershire's market towns and rural economy is important and more significant than in other areas of the country. It also suggests that Leicester City is relatively weak as an economic core.

12.16 If we wish to improve productivity and wealth creation, then we will need more employment opportunities in high-skill and high-wage sectors. This will also increase the demand for skills and create clusters of high-value sectors to attract new investment. A number of elements can contribute to this, including:

- Supporting indigenous businesses
- Encouraging enterprise development in high-growth sectors
- Addressing poor business survival rates
- Attracting inward investment

12.17 At the same time, we need to recognise the importance of sectors that will create job opportunities for a wide range of people with varying skill levels.

12.18 The diverse economic base is considered a strength. This has meant that the economy has weathered past recessions relatively well. Our analysis has suggested that the following sectors are important for the future:

High Contribution to GVA

- Business and professional services
- Creative industries
- High technology manufacturing
- Food and drink manufacturing

High Contribution to Employment

- Wholesale and retail

Location Linked

- Transport and communications
- Tourism, including culture and sport

Growth Opportunities

- Environmental related

A Highly Qualified, Skilled and Motivated Workforce in High-value Jobs

12.19 There is a contrast between the labour market profile of Leicester City at the core of the sub-region and that of the surrounding County area. The labour market in the County is one of the strongest performing areas in the region. However, the need to improve qualifications and skills levels amongst City residents is one of the most significant challenges facing the sub-region. Although there has been some improvement, there are still high numbers of working age City residents with no qualifications (22% compared to 12% nationally) and a large proportion (43% compared to 31% nationally) do not have a level two qualification.

12.20 The performance of primary and secondary schools has a profound impact on image and investment. We have some very successful and innovative schools; however, there is some variability in the performance of schools. Overall, the proportion of pupils achieving 5+GCSEs at A* to C (including English and Maths) has improved over the period 2005 to 2008. In 2008, Leicestershire's proportion was 52%, whereas Leicester City's proportion (40%) is below the England average (48%).

12.21 Leicester has relatively low median workplace earnings for a city and the lack of highly skilled jobs in the City is a key feature, with below average employment in management and professional occupations. Male resident earnings in Leicester City are the lowest in the East Midlands. Whilst it is important to maintain a diverse economic structure, an increase in high-wage employment is required to increase average earnings and generate wealth. Increasing the demand for high-level skills should help to retain graduates from our three leading universities and also attract graduates in from other areas, by providing appropriate career and placement opportunities.

12.22 Some businesses continue to experience recruitment difficulties, skills shortages and skills gaps. This is more marked in manufacturing businesses than amongst those in the services sector. 22% of businesses in the 2009 Leicestershire Business Survey reported that skills shortages were having a serious impact on their business. However, this has reduced from 35% in 2005. Over half the businesses surveyed could identify some skills gaps in their current workforce[28]. This highlights the importance of local training infrastructure which needs to meet current and future employer needs. There is significant variation by sector in terms of recruitment and skills requirements suggesting the importance of sector-based initiatives and a role for apprenticeships in developing sector-specific skills. Consultation with employers has suggested that many candidates presenting for interviews are not "job-ready" and this is a key issue.

Improved Opportunities for Vulnerable People and Communities

12.23 According to the 2007 Index of Multiple Deprivation (IMD), Leicester City is the 20th MOST deprived and Leicestershire County is the 12th LEAST deprived local authority in the country. Almost half of Leicester City's neighbourhoods fall into the 20% most deprived nationally, whereas, in the County, five neighbourhoods fall into this category. This suggests that deprivation is relatively widespread in Leicester, but that Leicestershire also experiences pockets of deprivation.

[28] Question asked in 2008 but not 2009

12.24 In total, 83,860 people were claiming out-of-work benefits in the sub-region in August 2009. This equates to one in five working age Leicester residents and 10.5% of County residents. Almost one in three people were on out-of-work benefits in some wards such as New Parks. Job Seekers Allowance unemployment had risen to 6.6% in the City by December 2009 compared to 4.8% in December 2008.

12.25 Certain groups are more likely to experience significant barriers to employment and skills development, namely, women, those on incapacity benefit, NEET[29], carers, lone parents, older people, black or minority ethnic groups and new Communities. These groups contribute to at least 93% of all out-of-work claimants in the sub-region.

12.26 Few barriers to employment exist in isolation and often support is needed to address a number of related or consequential issues such as childcare, housing, health, financial exclusion, debt, etc. before a person can be supported into sustainable employment. Holistic support needs to be flexible enough to take into account inter-dependent needs.

12.27 It is critically important that the most vulnerable people and communities in our sub-region receive high quality support services to help them access education, training and employment opportunities. This includes a wide range of support around raising aspirations, building confidence, access to training and opportunities.

A Highly Sustainable Environment with Excellent Infrastructure

12.28 Our sub-region has a pleasant and attractive natural environment with good access and there will be further opportunities for tourism. The National Forest represents a key environmental regeneration success story.

12.29 Nationally, there are targets to reduce carbon emissions by 80% by 2050. This will be achieved by measures that reduce energy demand, improve energy efficiency and by switching power sources to renewable energy. Such responses will reduce costs, reduce waste and help to mitigate the impact of climate change. A key implication is that the design of how buildings and machines work in carbon terms will need to become relatively more important than how the buildings and machines look. There will also be a range of business and education opportunities in delivering energy reduction, energy efficiency and renewable energy schemes, which could need some investment.

12.30 Our sub-region is at the heart of the motorway network with particularly good north/south road links. East Midlands Airport is the second largest freight airport in the UK. Rail connectivity to London St Pancras and

[29] NEET – young people who are not in education, training or employment

Sheffield is excellent, with Brussels and Paris accessible within four hours.

12.31 A relatively high proportion of people travel to work by car which leads to traffic congestion at peak times around Junction 21 of the M1, and on major routes into Leicester, Loughborough and Melton. There is a good daytime bus network, especially in central Leicestershire and inter-urban routes; however, public transport use is relatively low. 95% of the sub-region's population are within access of at least an hourly bus service. Specific transport issues identified for improvement include:

- Rail connectivity is relatively poor to Manchester, Leeds & Northampton. The services to Birmingham and Nottingham could be better
- The bus-rail interchange in Leicester is currently poor
- Some remote rural areas do not have access to a bus service

12.32 There is a shortage of available high-quality employment land and premises in Leicester City and parts of the County to meet existing and future demand from indigenous businesses and inward investors. This is important in the context of driving economic growth. The evidence has also identified the need to provide adequate incubator and "move on" space for businesses to start and grow.

12.33 There will also be significant housing growth in the sub-region over the next twenty years including more housing in the city and the Sustainable Urban Extensions (SUEs) adjoining Leicester and the main towns in the County. This in turn could have an impact on transport congestion. Leicester and Leicestershire need to provide at least 80,400 new dwellings to 2026, and 26,500 of these are to be affordable. The Regional Spatial Strategy has a policy of urban concentration. Recently commissioned studies have confirmed there is sufficient land to provide these dwellings in Leicester and Leicestershire in an urban concentration approach. At present, there is a significant shortage of affordable dwellings across the housing market area, both rurally and in urban areas.

12.34 Leicester City and Fosse Park are important and well-performing retail centres. The sub-region retains most of its retail expenditure, although competition exists from other key centres nearby. Some market towns have the potential to perform better in terms of their retail offer. Investment in improving the retail offer could particularly benefit Coalville and Hinckley. In addition, significant growth in food and drink expenditure is anticipated in the future, which represents an opportunity for retail centres. Environmental improvements of some District Centres will be necessary to improve economic performance and support SUE developments. Additional convenience store provision is required in locations with significant planned housing growth.

12.35 Accessibility and attractive public realm and infrastructure are important to the area's image and in attracting new investment. It will be important to encourage low carbon physical development supported by high-quality infrastructure and services. The sub-region needs to create a thriving local market for new industrial and commercial premises with positive growth in rent levels and capital values. It will also be important to ensure that new housing developments are attractive and serviced appropriately by transport, employment and leisure opportunities.